International Organisational Learning: Towards a Research Agenda

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INTERNATIONAL ORGANISATIONAL LEARNING: TOWARDS A RESEARCH AGENDA

ABSTRACT
This paper considers the nature of international organisational learning by focusing on the multinational enterprise (MNE), in particular on the ways in which MNEs co-ordinate their diverse activities, and the various units or subsidiaries which support these activities, in order to enable effective learning to take place. The organizational learning and strategic management literatures are taken as the starting point for understanding some of the theoretical issues on learning while the contextual issues are explored through the literatures which have developed in the area of international management and strategic human resource management. The literature analysis provides the basis for the set of propositions which are offered as a means of clarifying and understanding the nature of international organisational learning and which provide the basis for a research agenda to explore these issues in practice.
INTRODUCTION

Multinational enterprises (MNEs) are unique and complex types of organisations (Sundaram and Black, 1992) and face particular problems in managing their elaborate structures. One difficulty is the need to co-ordinate their diverse activities and the various units or subsidiaries in which these activities take place. The issues involved in the management of these interunit linkages have been seen as representing a major influence on strategic international human resource management (SIHRM) issues, function and policies and practices (Schuler, Fulkerson and Dowling, 1991; Schuler, Dowling and De Cieri, 1993). In addition, the concept of organisational learning has been accepted as critical to understanding the processes involved in managing these interunit linkages (Ghoshal and Nohria, 1989; Doz and Prahalad, 1991). The article begins by considering some of the literature on learning theory and its application to strategic management before considering how learning takes place in an international context and the role of SHRM in generating learning capacity. This analysis provides the basis for a set of propositions which are put forward as a means of identifying some of the issues involved in understanding the nature of international organisational learning.

ORGANISATIONAL LEARNING AND STRATEGIC MANAGEMENT

The concept of organisational learning can now be considered as having moved centre stage in attempts to explain competitive advantage and is beginning to appear as the integrating mechanism in resource based views of interfirm competition (Moingeon and Edmondson, 1996; Nanda, 1996). The field has long relied for inspiration on its original seminal founders, drawn from disciplines such as organisation theory, cybernetics and culture (March and Simon 1958; Cyert and March, 1963; Forrester, 1965; Schein, 1985; Argyris and Schon, 1978). But more recently the learning debate has attracted a wide variety of contributors. It was De Geus (1988) who made the by now memorable statement about learning faster than one’s competitors being the only sustainable competitive advantage and Senge (1990) who argued for five component ‘technologies’ of learning organisations: systems thinking, personal mastery, mental models, shared vision and team learning. Pedler et al. (1991) have become key influences of the ‘learning as self-development’ agenda, believing that within rapidly changing, knowledge-intensive contexts, managers need to rely on themselves as much as, if not more than, corporate HR departments for continued skill enhancement. Cohen and Levinthal (1990) suggested that ‘absorptive capacity’ was a significant influence on the amount and nature of organisational learning ability, indicating that structural impediments to individual learning need to be removed in order that such learning spreads throughout the organisation. Such structural
mechanisms would also be central to the views of Prahalad and Hamel (1990) who argued that the building of core competencies as ‘bundles’ of long-lasting skills and intelligences represented the most important strategic issue facing organisations.

Nonaka (1991) argued that individual and organisational knowledge which was often tacit needed to be made explicit within organisations: his suggestions that metaphor and ‘redundancy’ could be utilised in this process appear too great a challenge for many, if research in these areas is any measure. Argyris (1992) has attempted both to link individual learning and organisational routines by focusing on what might prevent effective learning i.e. ‘barriers’ to organisational learning and on how making managers’ attempts at learning success and learning failure more evident can help improve an organisation’s overall ability to learn. Garvin (1993) proffered a definition of a learning organisation, a set of different stages of knowledge, as moving through a cognitive-behavioural-performance combination of steps and a systemic approach to organisational learning:

Learning organisations are skilled at five main activities: systematic problem solving; experimentation with new approaches, learning from their own experience and past history, learning from the experience and best practices of others and transferring knowledge quickly and efficiently throughout the organisation. Each is accompanied by a distinctive mind-set, tool kit and pattern of behaviour. Many companies practice these activities to some degree. But few are consistently successful because they rely largely on happenstance and isolated examples. By creating systems and processes that support these activities and integrate them into the fabric of daily operations, companies can manage their learning more effectively (p. 81).

From this much referred-to analysis, typical of much writing in this field, at least four questions present themselves: what are these ‘systems and processes’, what is ‘integrate[d] into the fabric of daily operations’ and how is this achieved, and perhaps most important of all, who decides that this overall approach is necessary and begins the process of recognising the importance of organisational learning? In other words, who will act as the ‘learning entrepreneur’? This raises the intriguing question of whether the organisational learning field is where Penrose (1959) was when she argued that the only obstacle she could then find to firm growth (which must also, we contend, mean learning) was the supply of entrepreneurial management to the firm and the rate at which it could be assimilated? Are entrepreneurial managers, then, those who epitomise the concept of a ‘learning manager’?
In this context, we might also add the problems we perceive in what has developed into one of the more popular ways of answering this core question - an emphasis on ‘experiential learning’ (Mumford, 1988). Mumford reported from his empirical study of 144 company directors in the United Kingdom how important learning while doing was to his survey participants:

Learning from doing the job was the most frequent, pervasive and intimate experience of learning. The reason for this was well expressed by a famous American bank robber Willie Sutton. When asked why he robbed banks he replied ‘That’s where the money is’. Managers’ perception of why they learn from doing the job offers the same kind of perception, ‘that’s where the real learning occurs’ (p. 16).

This finding raises the questions of what are the kinds of experiences encountered by managers? Can we be sure that at least some will be positive? In what ways do managers learn from experience? How does the organisation benefit from the experiential learning of its individual managers?

More recent work in organisational learning has attempted to answer some of these questions. Edmondson and Moingeon (1996) pointed to the distinction between learning how (the process improvement of skills and routines) and learning why (the definition of causality). DiBella et al, (1996) suggested that identifying organisational learning styles - in a range from rugged individualism via communal to evangelical - helped in understanding how learning was likely to be characterised in specific organisations. Spender has added to the debate about hidden knowledge debate by arguing for the ‘unpacking’ of tacit knowledge into three types - conscious practical, automatic practical and collective practical - each with a different required strategic architecture. Collis (1996: 157) contends that learning is the connection between an organisation’s overall capability: ‘the dynamic routines that produce continual improvement in the efficiency or effectiveness of the performance of the product market activities’ and profit. Orton (1996) has used Weick’s model of organising (which suggests that past structures contain present actions) to argue that focusing on the processes rather than on the structures within organisations might yield more practical insight into how organisations learn. Phills Jr (1996: 217) put forward the view that the notion of generic analytical activities (or GAAs), defined as comparison, explanation, prediction and prescription: ‘provides a more detailed view of the epistemological foundations for strategy development efforts, particularly as conducted by management consultants’ and can shed light on why change efforts can be frustrated frequently by the
inertia inherent in so many organisations. In addition, attention has also been paid to the
notion of ‘unlearning’ (Hedberg, 1981; Argyris, 1982; Mumford, 1988; Whipp, 1991) and this
recognises that old knowledge and ways of behaving must be discarded as part of the
learning process.

Learning within the MNE

Notwithstanding this welcome deepening and broadening of the research literature, there
still exists much criticism of how little we know of what it is and how firms actually learn (see
Schein, 1995). Further, the bulk of research on the learning organisation has been
conducted on firms within assumed national borders (or where internationality was not
considered important enough to highlight) and in relation to managers as individual learners
in situ, although there are some important exceptions to this trend (e.g. Bartlett and
Ghoshal, 1989). As a consequences very little is actually known about whether
organisational learning is any different in an international context i.e. in the MNE.

There is now a very extensive literature on MNEs and various attempts have been made to
categorise and understand the processes which take place within these large and complex
organisational structures (e.g. Dowling and Schuler, 1990; Bartlett and Ghoshal, 1989;
One of the central issues in these analyses is how the relationships with subsidiaries should
be managed; the relationships or ‘interunit linkages’ (Schuler et al., 1993) that exist between
subsidiaries themselves as well as between subsidiaries and headquarters. The issue has
been variously described as one of managing differentiation and integration (Lawrence and
Lorsch, 1967), globalness and localness (Bartlett, 1992), isomorphism and consistency
(Rosenzweig and Singh, 1991), differentiated fit and shared values (Nohria and Ghoshal,
1994), and controlled variety (Doz and Prahalad, 1986). However, this management
process in not an end in itself; Schuler et al. (1993: 729) suggest that the major objectives in
interunit linkages for strategic international human resource management (SIHRM) is:

Balancing the needs of autonomy (thereby facilitating variety and diversity), co-
ordination and control for the purpose of global competitiveness, flexibility and
learning through the use of relevant SIHRM policies and practices.

Figure 1 maps out the learning processes within the MNE. While the complicated nature of
the process is highlighted, the model necessarily underplays the complexity that may exist.
Thus, many MNEs will have more than the three subsidiaries; subsidiaries themselves may
act as headquarters in certain locations; the global operation of firms produces language and cultural barriers to effective learning; there may be little enthusiasm for the sharing of learning between subsidiaries. The complexity of this process is examined in more detail by first by all considering the frameworks put forward for understanding the relationships and then by examining the ways in which these relationships are managed in practice.

**Figure 1: Learning and unlearning in the multinational company**

![Diagram of learning and unlearning in the multinational company](image)

**Frameworks for Understanding Interunit Linkages**

Doz and Prahalad (1986) describe four types of subsidiaries: export platforms, large integrated subsidiaries, large self contained subsidiaries and small importing subsidiaries. Although each provides a different challenge, for Doz and Prahalad the key consideration is how to combine ‘strategic variety and strategic control’. Thus, in the case of the large integrated subsidiaries, ‘the challenge is to ensure active and effective participation of these subsidiaries into the formulation of global strategies and the transfer and sharing of their information, knowledge and expertise’ (p. 57).

Bartlett and Ghoshal (1989) suggest that there are four types of organisation: the multinational with its dispersed and loosely co-ordinated subsidiaries which tends to be highly decentralised; the ‘global’ company with its more co-ordinated and centralised approach to international operations; the international company which focuses on the adaptation of parent-company skills; and the transnational in which there are different contributions from each national team, with knowledge shared and a structure based on a matrix rather than a traditional hierarchy. Bartlett and Ghoshal argue that organisations move from one model to another as situations change and see the transnational as the model that allows for both local and global needs to be served: the transnational must be a...
flexible, innovative organisation that encourages learning. In a later paper, Ghoshal and Bartlett (1990: 604) sees the MNE as ‘a network of exchange relationships among different organisational units, including the headquarters and the different national subsidiaries’. Here the power of the subsidiaries is determined not solely by the role allocated by headquarters, but also by the positions they occupy within their local networks of customers, suppliers, regulators and others.

Another approach to understanding this issue has been made through a reappraisal of the integration-differentiation debate which originated with Lawrence and Lorsch (1967). Kamoche (1996) refers to this as the IN-DI puzzle and defines this as ‘how firms balance the internal/headquarters demand for integration with those of responsiveness at the subsidiary/unit level’ (p. 231). Kamoche extends the integration-differentiation debate by using a resource capability view of the firm to offer new insights into the management of expertise in an international context. The value of the resource-based view in the context of the MNE is that this perspective focuses on the heterogeneity of resources: that to have the potential to generate sustained advantage, resources must meet the criteria of value, rarity, imperfect imitability and non-substitutability (Barney, 1991). Thus, the diversity of the units comprising the MNE is not a disadvantage but rather a potential source of competitive advantage. But this diversity must also be harnessed in some way. For many writers this may be achieved through a process of organisational learning and Hamel and Prahalad (1993) suggest that it is a firm’s ability to learn faster and apply its learning more effectively than its rivals that give it competitive advantage.

Managing the Interunit Linkages in Practice
There are many examples of how organisations try to manage their inter-unit linkages and thereby achieve organisational learning. Many commentators (Evans, 1992; Tichy, 1992; Scullion, 1993) argue that management development is the key to the success of the MNE, that it is the ‘glue’ (Evans, 1992) to bond together the otherwise separate entities. Yet managers may be used for various purposes. Bartlett and Ghoshal (1992: 131) describe different types of global manager who have the knowledge, skills, expertise and vision to implement cross-border strategies. Such managers act as conduits in this learning process ‘by scanning for new developments, cross-pollinating best practice and championing innovations with transnational applications’. But there is also evidence that international managers may be used as part of a control strategy. Scullion’s (1994) study of 45 British and Irish international companies indicated that in 33 of these firms, control was identified as a key reason for the use of expatriates. However, no matter the value placed on
international managers, they are not easy creatures to create; there is ample research
evidence indicating the difficulties involved in expatriation and repatriation (e.g. Barham and

Other measures are also used to enhance this learning. For example, Pucik et al. (1992)
suggest that having some units serve as centres of excellence, i.e. creators of knowledge,
thus becoming benchmarks for the other units for specific practices, may serve to benefit all
units. Rosenzweig and Singh (1991) indicate the role that the headquarters can play in both
identifying innovations and good practices in subsidiaries and then acting as an instrument
for diffusing these to other units.

While there is plenty of evidence that some MNEs do pursue strategies to enhance learning,
there are also indications that many find this a difficult and tortuous process while others
actively encourage rivalries among their subsidiaries. Edwards et al. describe two studies,
one which examined the car industry (Mueller and Purcell, 1992) and one which involved a
US-owned pharmaceuticals firms (Frenkel, 1994). Here, direct inter-plant productivity
comparisons were used to decide investment decisions. A study of nine multinationals
operating in Ireland (Monks, 1996) found that while learning did occur within some MNEs, in
others subsidiaries saw themselves as being in direct competition with one another. Many
of the policies and practices within these units were pursued in order to ensure that the
subsidiary retained its position within the MNE; here ‘interunit linkages’ (Schuler et al., 1993)
were transformed into ‘interunit rivalries’. In addition, while some subsidiaries had become
the centres of excellence that Pucik et al. (1992) identify, this process was perceived more
as a mechanism for ensuring the continual survival of the subsidiary rather than as a means
to encourage the dissemination of learning. This attitude is not surprising as Ireland's
economy is heavily dependent on multinational investment and recent years have seen
major job losses where MNEs have suddenly withdrawn, particularly from plants with
excellent track records (e.g. Digital, Semperit).

Some explanations for the diversity of strategies pursued by MNEs can be found in case
studies of two British MNEs (Edwards et al., 1996), one in the engineering sector
(Components) and one which manufactured chemicals and related products (Process). The
study explored some of the mechanisms operating within MNEs including the extent to which
synergy was important and how it was pursued, and the interplay between synergistic and
financial models. The study indicated that although both these firms exemplified moves
towards the transnational model depicted by Bartlett and Ghoshal (1989), both firms were
involved in ‘trying to balance financial and synergistic economies’ (p. 37) within the context of their very different organisational histories, cultures and market structures. In this regard, *Process* appeared to be more successful, a fact which Edwards *et al.* suggest is a reflection of this company’s historical legacy and the growth and predictability of its markets. As Edwards *et al.* point out, synergy is not something which can be prescribed, but depends ‘on a degree of stability, for it takes time for co-operation and trust to evolve’ (p. 37).

**THE ROLE OF HRM IN GENERATING LEARNING CAPACITY**

The resource-based view of the firm also gives an insight into how HRM might assist in the process of enabling the MNE to generate a learning capacity. Boxall (1996: 67), in his analysis, cites a variety of studies which indicate that competitive success does not come simply from making choices in the present; it stems from building up distinctive capabilities over significant periods of time. Boxall argues that by taking a resource-based perspective, HRM ‘can be valued not only for its role in implementing a given competitive scenario, but also for its role in generating strategic capability (Barney, 1991); for its potential to create firms which are more intelligent and flexible than their competitors over the long haul, firms which exhibit superior levels of co-ordination and co-operation (Grant, 1991)’. Boxall (p. 67) suggests that in resource base terms, HR policies and practice may be valuable because they are socially complex (competitors may not be able to replicate the diversity and depth of linked processes that sustain them) and historically sensitive (it takes time, for example, to build high levels of workforce trust. Employee know-how was rated as one of the most durable resources and one of the most important contributors to business success in studies undertaken of six successful companies in the UK (Hall, 1993) and core competencies of employees are highlighted by Prahalad and Hamel (1990). At an individual level, Starkey (1996: 379) suggests that ‘the crucial leadership skill in the MNC will be the ability to synthesise difference and interdependence’. Also, Pucik (1992) identifies how specific HR roles are linked to the development of competitive advantage for the global firm, competitive advantage that is seen as being gained through organisational learning, continuous improvement and competitive culture.

Beer *et al.* (1996) take the understanding of the role of SHRM a stage further in their description of a strategic human resource management process developed by them. This process was designed to integrate the perspective of business policy/organisational theory and organisational behaviour/development in order to achieve a strategically aligned organisation. Their work in one multidivisional company suggests that SHRM is ‘a powerful tool for motivating, guiding and furthering the individual and organisational learning needed
for strategic alignment to take place. Its value is that it puts process ahead of content’.

Beer et al’s use of the term SHRM is interesting in this context: they use it to label a process which ‘iterates between progress and regression as individuals and groups struggle to learn new attitudes, skills and behaviours’ (p.182). Such a conception of SHRM may be of particular value in understanding the processes which underpin learning within the MNE.

**ORGANISATIONAL LEARNING IN AN INTERNATIONAL CONTEXT: TOWARDS A RESEARCH AGENDA**

While much has been written on both learning and learning within the MNE, there appears to be still little understanding of how this learning takes place in practice. For example, there is an apparent gap between the current practice of quasi-messianic support for the importance of organisational learning and the theoretical base on which sound management strategy can be built from the use of learning concepts and practices. Thus, it appears that the bulk of attention has been on the apparent goodness of the learning idea and its portrayal as the ‘holy ghost’ of organisational management - a ‘trust that it is good and thou shalt obtain powerful results’ approach. This is a stance which borders too closely on faddism, in our view. Second, it is also evident that the overwhelming bulk of research in organisational learning has concerned itself with how organisations can learn: i.e. the assumed value of the exercise is given and attention directed on the means of learning. In attempting to reconsider the theoretical origins of the field and their useful impact on international organisational learning, however, we suggest that a focus on what organisations can learn might be useful. Such a question directs attention on to the outcomes or goals of organisational learning, and, ultimately, to the classic dilemma of the field: it is individuals who learn but it is organisational routines which need to be ‘taught’ or changed by individual learning - the systems thinking loop within organisations (Senge, 1990). After all, it is what individuals learn that ends up being adopted as effective new/improved routines by the organisation; this, then, is the fundamental organisational learning question.

The literature analysis provides the basis for the set of propositions which are offered as a means of clarifying and understanding the nature of international organisational learning and which provide the basis for a research agenda to explore these issues in practice.

*Proposition 1:* There are differences between ‘international organisational learning’ and ‘organisational learning’ and there is a need to identify the precise differences that exist. This identification will assist in understanding both organisational and international
organisational learning processes and in encouraging the more effective dissemination of learning within the MNE.

**Proposition 2:** A focus on what organisations learn may provide a mechanism for understanding the nature of international organisational learning.

**Proposition 3:** Interunit learning in the MNE is likely to be hampered by interunit rivalry and MNEs need to set up an effective international organisational technology to assist in the process of interunit learning.

**Proposition 4:** Human resource management practices can encourage and facilitate international organisational learning; they may also act as barriers to effective learning.

**Exploring these Issues in Practice**

In order to explore the propositions raised by an analysis of the organisational learning literature, research will be required in MNEs engaged in the development of learning capacity. A variety of methodological and logistical problems surround such a research programme. First, there is the difficulty of ‘seeing’ learning in practice. While it is possible to identify innovations within organisations which indicate that something has been learned, it is much more difficult to perceive learning ‘in action’ and to identify how and when the learning occurred and how these new insights were then transferred across the organisation. Reliance on understanding the process is placed in the hands of respondents who may simply describe the successful transfer of new information, not the learning process which underpinned its acquisition and absorption. Learning is, after all, a messy business involving unlearning, relearning, trial and error, failure and success - elements which may be quickly forgotten in the excitement of acquiring a new insight or solution to a problem. In addition, learning is not solely an individual experience; learning can also take place in teams, working parties, committees etc., as well as through informal meetings between individuals. As always these difficulties are then multiplied when set in an international environment.

One of the ways into and through the maze may be to utilise the understanding and expertise of the human resource manager who may have seen ‘learning in action’, not least through the success or otherwise of the various training and development programmes in which he or she has been involved in providing or supporting. However, the use of the human resource lens as the perspective for viewing all types of learning activity may result in
a distorted picture. First, the HR function may hinder learning within an organisation through creating HR practices and structures: for example, a reward structure which is based solely on service will do little to promote creativity. In addition, the human resource manager may have been exposed to only certain types of learning and, as our analysis has shown, there are several different sorts to be considered. Thus, a variety of respondents who are involved in different aspects of both the process and the transfer of learning, need to be involved in the study.

**CONCLUSIONS**

This article has considered the ways in which MNEs manage their interunit linkages by focusing on the contributions that the organisational learning and human resource literatures make to an understanding of this issue. The analysis revealed the complexity of the relationship and identified various gaps in our comprehension of how these linkages are managed in practice. While much of the literature has focused on the positive elements of interunit learning, there are suggestions that this is not necessarily always the case: interunit rivalries are also possible and both headquarters and subsidiaries may have to undergo the difficult process involved in unlearning before new knowledge can be assimilated and effective learning takes place. The precise role that human resource management plays in this process is as yet unclear but there are likely to be a variety of roles and interpretations of these roles in particular organisations.
REFERENCES


