

THE LEARNING  
ORGANISATION.

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## **LEARNING ORGANISATION**

*“A combination of market orientation and learning orientation will arguably lead to long-term competitive advantage”  
(Baker and Sinkula, 1999, p.422).*

Give a detailed account of the learning process that an organisation can implement to ensure that continuous learning occurs. Consider in your answer how an organisation can achieve radical new product innovations as well as incremental product innovations. To what extent should organizations be proactive and lead the market rather than being responsive to the market?

Discuss the synergistic effects of combining a market orientation and a learning orientation within an organisation. Consider in your discussion why pursuing either of these orientations in isolation would not maximise the organisations performance.

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## The Learning Process

Prior to discussing how an organisation can adopt a learning orientation and thus implement a learning process, it is worthwhile devoting some space to discussing why it should consider a learning orientation and how a learning orientation differs from a market orientation.

### *Learning Orientation vs. Market Orientation.*

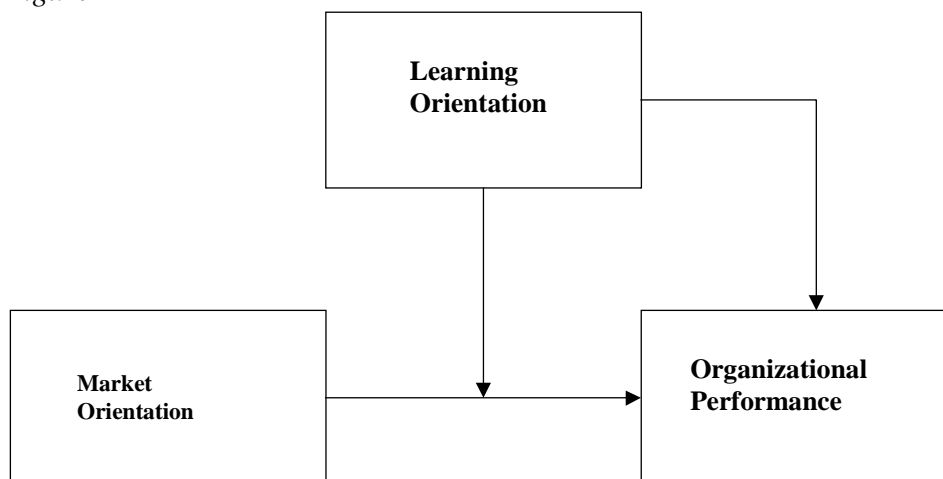
There has been much academic literature generated on the subject of market orientation and learning orientation. Amongst other concepts these papers have investigated whether the concepts are related, mutually inclusive/exclusive or self-generative.

It is contemporary belief that while a learning oriented organisation must be market oriented, the opposite does not hold true. It is possible that a market oriented organisation can be either ignorant of the learning process or have a learning process that is flawed and still survive.

*“Equally as important, biased interpretive and memory market information processing functions may lead to the misinterpretation and inadequate storage of distributed information”.*  
(Baker & Sinkula 1999)

It is argued that learning orientation is a moderating variable and that organizational performance is the dependent variable. This is represented in the following diagram.

*Figure 1*



Baker & Sinkula (1999) P415

It is the combination of a learning orientation together with a market orientation that leads to enhanced corporate performance. The market orientation ensures that information is collected on customers & competitors. Narver and Slater argue that the traditional concept of market

orientation must be widened to include all stakeholders if it is to be a powerful foundation of a learning organisation.

*“... a narrow construction of market orientation could lead to learning only within traditional boundaries. To be a powerful foundation for a learning organisation and provide the opportunity for generative learning, the scope of market orientation must include all stakeholders and constituencies that (1) possess, or are developing, knowledge that has the potential to contribute to the creation of superior customer value or (2) are threats to competitive advantage. The conception of “market” should be broadened to encompass all sources of relevant knowledge and ideas pertaining to customers and customer value creating capabilities.”*  
(Slater & Narver 1995)

It is important that the concepts of information and knowledge are defined. They are not the same construct.

*“Success depends not just on the acts of acquiring, disseminating, and responding to market information in a timely manner. It also depends on the ability of managers to question the organisational norms that are used by the firm to determine what information is acquired, disseminated and acted on, and more important, on how such information is interpreted to draw implications for future organisational actions.”* (Baker & Sinkula 1999)

Information must be subjected to an internal process which in turn changes the information into knowledge on which the organisation can base actions or be stored in corporate memory for use at a future point in time.

The interplay between the concepts of market orientation and learning orientation will be further developed later in this paper in relation to synergistic benefits.

### ***Why adopt a learning orientation?***

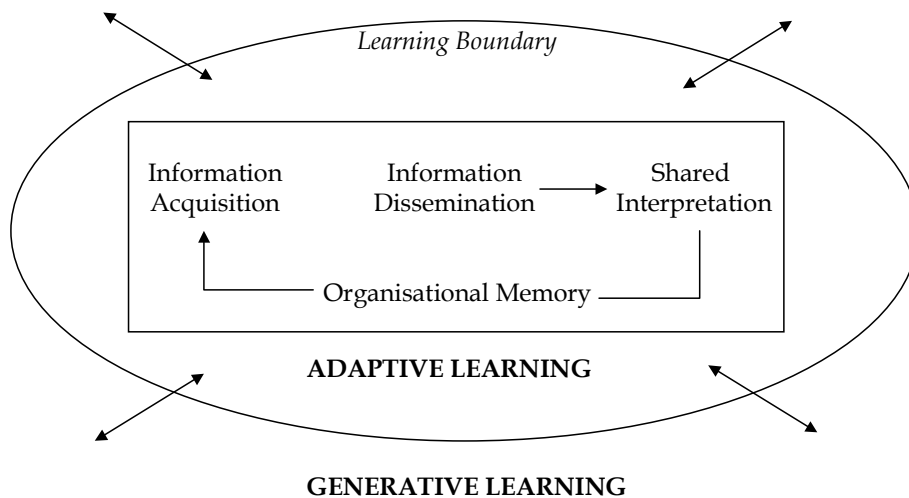
Clearly adopting a learning orientation has the potential to “leverage” the investment in developing and maintaining a market orientation. Furthermore having accepted that market orientation and learning orientation are not the same, the market information processing (MIP) that accompanies market orientation can easily be copied by your competitors. It is the internal systems that a company develops to process this information into knowledge that are unique and are difficult if not impossible to replicate outside the firm. This is likely to lead to a sustainable long-term competitive advantage. It has been suggested that a single-minded focus on market orientation without the presence of a learning orientation may hinder the development of breakthrough concepts. (Kohli & Jaworski 1990)  
The outcome of adopting a learning orientation is that it influences the likelihood of a company to use all types of knowledge, not merely market based knowledge. It will also promote learning within the organisation.

Advanced learning processes are likely to lead to the organisation questioning long-held assumptions.

### *Learning Types?*

Contemporary opinion is that there are two distinct learning processes. This is best illustrated graphically by a diagram originally proposed by Narver & Slater.

Figure 2



Slater and Narver, 1995, pg 66

Adaptive learning (also referred to as single loop learning) is the more basic form of learning. The learning process occurring within a set boundary typifies it. The limits of the boundary within an organisational perspective are set by the vision, values, and culture that are dominant within the organisation. The boundaries are determined by the organisations assumptions about it. (Organisation self image.) Contemporary thinking is that this is “working within the paradigm.” While working, learning and decision making within the paradigm has the advantage of resulting in consistent and predictable actions there is also a down side.

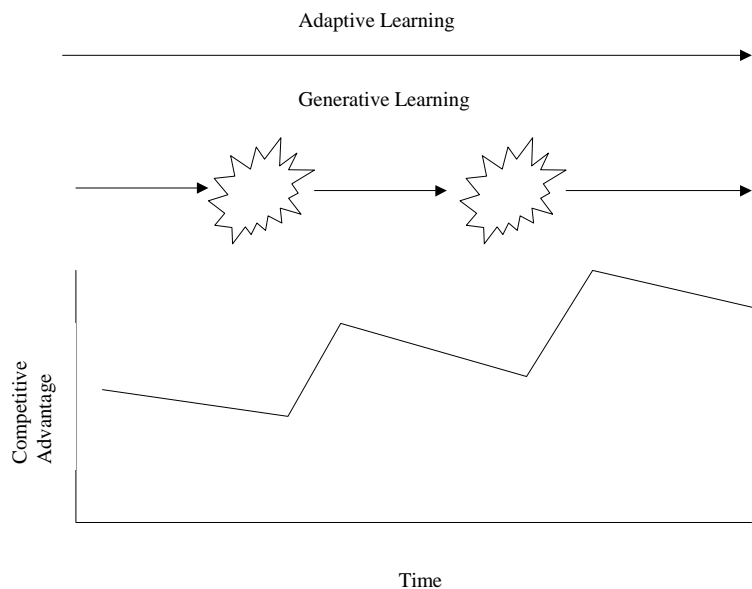
*“The resulting learning boundary constrains the organisational learning to the adaptive variety, which usually is sequential, incremental, and focussed on issues or opportunities that are within the traditional scope of the organisations activities.”*  
(Narver & Slater 1995)

By not questioning the fundamental tenets of the decision making process, an organisation limits itself to adaptive learning and many opportunities may be lost. Responses like “we have always done it that way” or “that’s the way we do things around here” are indicative of operating within a learning boundary or set paradigm.

Generative learning (double loop learning) happens when an organisation is willing to question long held assumptions that are integral to the past and present and future operation of the entity. These questions can pierce the very kernel of the organisation and question it's mission, customers, competencies or strategy. Rather than a sequential, linear approach to learning, generative learning is more dynamic. Generative learning requires developing the skill of looking at the "world" from a different perspective. Generative learning takes one outside the paradigm and is more likely to lead to a competitive advantage than adaptive learning.

A combination of adaptive and generative learning is likely to result in a more sustainable competitive advantage than either on it's own.

Figure 3.



*“Thus revolutionary periods of generative learning may provide a window of competitive advantage that can be kept open only through continuous improvement. Eventually the window will begin to close as knowledge about the innovation diffuses to competitors.”*  
(Narver & Slater 1995)

It is important to note that learning is a continuous process and that a sustainable competitive advantage will only come from learning at a faster rate than your competitors.

Adaptive learning can result in tactical changes within the operations, planning and production units of an organisation. It is unlikely to result in any significant strategic adjustments. Generative learning is fundamental to getting the organisation to change its view of the world. A degree of unlearning is required to purge obsolete perspectives and to replace these with approaches that are more appropriate to the current situation. It is the

skill of being able to “not hold on” that can lead to sustainable competitive advantage.

*“Higher order learning (i.e., generative double loop learning) is required for firms to unlearn obsolete knowledge and norms. And eradicate the perceptual filters that bias which new information is attended to and acted on. Such learning will better enable firms not only to accomplish within-paradigm improvements (e.g., continuous improvement) but also paradigm shifts. (e.g., breakthrough innovation).” (Baker & Sinkula 1999)*



### Adopting a learning process?

To adopt a learning orientation an organisation must first have a market orientation and embrace the fundamental concepts of market orientation, namely:

- Customer orientation.
- Competitor orientation.
- Inter-functional co-ordination.
- Intelligence generation.
- Intelligence dissemination.
- Responsiveness design.
- Responsiveness implementation.

The components of learning organisation construct are:

- Intelligence generation.
- Intelligence dissemination.
- Responsiveness.
- Commitment to learning.
- Shared vision and interpretation.
- Open-mindedness.

It is evident that there is an overlap in the processes that are required to foster an environment that is both market and learning oriented.

#### *Intelligence Generation.*

There are a number of ways that an organisation can acquire information. It can be acquired from the experience of others, corporate memory or direct experience. It is important that organisations have a balance between the sources of acquired information. Reliance on internally focussed experience is unlikely to result in generative learning. On the other hand reliance on externally focussed experience can be expensive and result in wasted resources.

To adopt a balanced intelligence generation process a firm should:

- Monitor and listen to all of the stakeholders in the market.
- Use large and small-scale experiments.
- Benchmark the organisation against competitors.
- Encourage strategic alliances and joint ventures.
- Work closely with lead customers and potential customers.
- Encourage education and training.
- Not rely solely on internal information systems.
- Network with people with different perspectives from the organisation.
- Promote active unlearning.

It is critical that information that is important to the organisation is codified and stored within a corporate memory system. Without such a system information will be lost in a relatively short time. This is particularly important in time of restructuring or when organisation turnover is high.

### *Intelligence Dissemination.*

Once information has been acquired, the learning process must enable this information to be stored for later use or disseminated to those members of the organisation who may use or be affected by it. It is important that in this dissemination process the information is viewed in its broader context by organisational participants. The process should include a feed back mechanism whereby the recipients can pose questions, challenges or modifications back to the sender. This feed back can give valuable insights to the sender and increase the overall value of the information to the organisation. Inter-functional co-ordination in a market orientation perspective is critical to the learning process in this phase. Removing barriers that may impede information flow at this point will lead to an improvement in decision making speed and make the organisation more responsive.

Intelligence sharing between organisations is paramount to the success of partnerships, alliances and joint ventures.

### *Commitment to Learning.*

For a company to have a learning orientation it must have culture and values that influence it to create and use knowledge. It must have a core value that encourages learning. If a company places little value on learning then it is highly unlikely that there will be much learning practiced within the organisation.

### *Open Minded*

Open mindedness and unlearning are similar concepts. As time passes, past practices and routines might not hold true. An organisation must be able to question itself about the current appropriateness of such practices. Open mindedness and unlearning are important concepts that facilitate organisational change. Taken together, commitment to learning and open mindedness influences the intensity of learning within an organisation.

### *Shared Vision.*

Shared vision and interpretation influences the direction of the learning. Striving for consensus will enhance strategy implementation and ensure that organisational energies are channelled in the one direction. Shared vision provides a clarity of purpose for members of the organisation. This clarity of purpose aids management to develop a focused response to market trends.

*“Divergent or conflicting assumptions undermine the ability of the management team to agree on the interpretation of market information and, thus their ability to respond quickly to emerging trends or problems. The lack of a universally understood organisational focus also lowers the motivation to learn.”*  
(Baker & Sinkula 1999)

## **Encouraging Continuous Learning.**

Having now an understanding of the differentiation between market orientation and a learning orientation, and the process involved in generating a learning orientation, how does a company encourage continuous learning?

Continuous learning as illustrated in figure 3 should be the objective of an organisation. With a combination of adaptive and generative learning the organisation should be able to sustain an ongoing competitive advantage. This is assuming that the rate of learning or the degree of importance of innovation exceeds the competitors.

1. Ensure that the company has a strong market orientation culture. Focus on customers, competitors and inter-function co-ordination. This must be endorsed from the very top of the organisation. View learning as a means of gaining competitive advantage.
2. Ensure that information is being collected from all stakeholders in a market. It is important to include both internal and external sources and sources that may have contradictory opinions. Do not rely solely on market-based information.
3. Incorporate a market information processing system that turns this information into knowledge that is relevant to the organisation.
4. Develop a storage system that can retain this knowledge for future use. This could be a combination of mission statements, white papers, organisational stories, operating procedures, databases or recorded information systems.
5. Develop a culture of learning and open mindedness. Cultivate the art of open and attentive listening. Encourage constructive criticism.
6. Disseminate information to all parties within the organisation that may be affected. Incorporate within the dissemination system a feedback mechanism that can add value and meaning to the information for the sender. Avoid censorship at all costs.
7. Foster an environment of shared interpretation and vision. This will keep the organisation on an even keel and ensure that energies are channelled in the same direction. Developing a culture of shared understanding and organisational vision will take time, it could be that putting such visions into practice, may never happen.

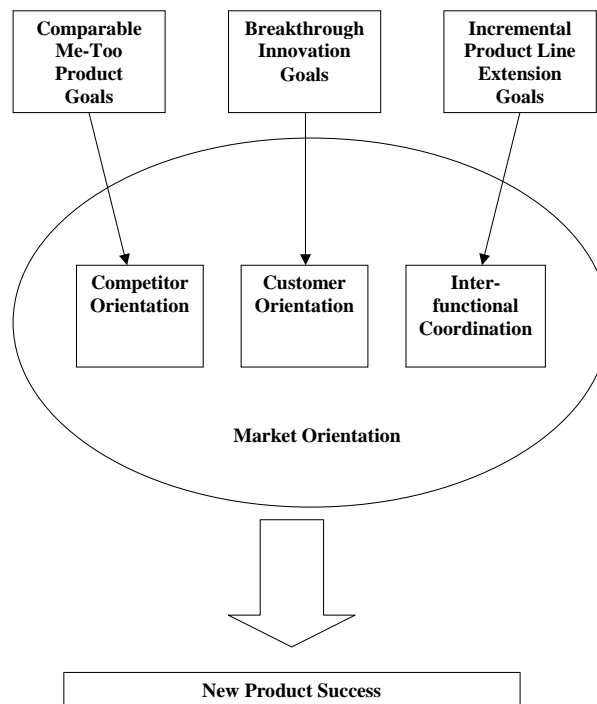
The outcomes of a successful learning oriented organisation are likely to be:

- Customer satisfaction.
- Sales growth.
- New product success.
- Profitability.

## Product Innovation

New product development can happen in companies with either a strong market orientation or a strong learning orientation. However companies without either are likely to have limited new product success. Innovation is not always a straight single path. Innovation can be born from either a sustaining or a disruptive process. New product success is related to an organisations ability to adapt to new opportunities and changing environmental conditions.

Figure 4.



New products can evolve from existing products that are modified to improve product performance along the dimensions of performance that mainstream customers in major markets have historically valued. Radical innovations often bring to the market a very different value proposition than had been available previously. (Christensen 1997)

Christensen has proposed that there are five principals that need to be harnessed to achieve innovation.

1. Companies depend on customers and investors for resources.
2. Small markets do not solve the growth needs of large companies.
3. Markets that don't exist cannot be analysed.
4. An organisations capability defines its disabilities.
5. Technology supply may not equal market demand.

In addition to these five principals it could be suggested that an organisation must also be learning oriented to achieve meaningful innovation. Meaningful innovation is a mix between both incremental (sustaining) and radical innovation.

### ***Achieving Incremental Innovation.***

Strong market orientation is likely to lead to a firm having an aggressive new product development program. If however they do not have a strong learning orientation that includes generative learning processes, the new products are likely to be more of an incremental nature and include me-too and imitative line extensions of its current product portfolio. Competitor focus will foster this. A customer focus will foster a proactive disposition towards continuous innovation that meets current customer needs. The resulting types of new products will appeal to the current customer base.

### ***Achieving Radical Innovation.***

Radical innovation can best be achieved through ensuring that an organisation achieves an environment of generative learning.

*“...breakthroughs do not always come from reacting to a market as it is. Innovation sometimes requires the vision to predict what a market may become. That is, a firm with a strong learning orientation may recognize that customer satisfaction may not always be maximised through strict interpretation of the feedback received from current customers, channels, and competitors but instead through innovative disruptions to the status quo that consider, but do not rely solely on outside-in processes.” (Baker & Sinkula 1999)*

There is research to suggest that to achieve radical innovation that involves products that are either new to the market or new to the customer, the organisation cannot have a strong market orientation. It must have a strong learning orientation that fosters generative learning, which includes the concepts of unlearning and looking outside the paradigm.

### ***Is there an Optimal Mix of Radical and Incremental Innovation?***

Much further research is required to answer this question with any empirical vigour. However current research suggests that a firm would be best served trying to have a mix of radical and incremental new product innovation. This mix should be in favour of incremental which is born from a strong market orientation. This market orientation should foster strong adaptive learning which will keep a company competitive in a dynamic market. The occasional innovation explosion created from generative learning born from a strong learning orientation can generate sudden market share gains, but these gains are diluted over time as the innovation knowledge is diffused to the competitors. This will result in a competitive advantage profile as illustrated in figure 3.

## Innovation & Entrepreneurship

An organisation can within a market orientation, react to markets and it can influence the structure and behaviour of markets. This is often referred to as either to drive markets or be market driven. To what extent should firms be proactive and drive markets rather than being market driven?

### *Driving Markets.*

Driving markets is a name for the process that influences the structure of the market and the behaviour of the players in a way that enhances the competitive position of the organisation. There are three ways to change the structure of a market:

- Eliminating players in the market.
- Building a new set of moderated players.
- Changing the functions performed by the player.

Driving markets consists of two variables:

1. The number of changes a firm drives into the market.
2. The magnitude of these changes.

Driving markets is a matter of degree, not a dichotomous (yes/no) variable.

Organisations that have enhanced learning orientations and thus have generative learning as a core competency may question whether market oriented behaviours are appropriate in all situations. It is these firms that ultimately are proactive and lead the market rather than react to the market. A market driven business is well positioned to anticipate both the latent and the future needs of its customers. It is likely to respond to this through the addition of innovative products and services.

While market orientation drives an intimate understanding of all players in the market, it may not encourage sufficient risk-taking behaviours. This presents the danger of companies becoming “market myopic” and ignoring emerging markets and/or competitors and could result in missed opportunities or the establishment of unseen competitors.

Driving markets and being market driven are in no way mutually exclusive concepts. There is certainly a relationship between market orientation, learning orientation, product innovation, driving markets and being market driven. Contemporary research has not been able to isolate any definitive direct relationships that would be able to determine the degree to which a company should be proactive and lead the market, rather than follow. In the absence of such research, being cognisant of each of the constructs and trying to incorporate all into their behaviour patterns to some extent may best serve organisations.

## **Market & Learning Orientation - A Powerful Combination.**

Market and learning orientations are powerful constructs for organisations in their own right. Implemented together in an organisation they are a very powerful combination. Each tends to optimise the other and lead to synergistic benefits to the organisation.

### *Synergistic Effects.*

Market oriented organisations are responsive to their external environment and can react efficiently to competitors innovations by using imitative behaviours. They may also improve their performance by being able to address their customers manifest needs and wants. However, they are less likely to create sustainable competitive advantage by implementing this behaviour alone. A strong learning orientation is required to generate superior market orientation that will enable a firm to create a sustainable competitive advantage that will build this advantage faster than the competitors. This is due to the presence of strong generative learning that will enable periods of explosive innovation. Combining this with adaptive learning will lead to greater competitive advantage.

Market orientation in the absence of learning orientation may lead to imitative development behaviour that may sustain an organisation but is less likely to generate increases in market share.

On the flip side of this coin are companies that have a strong learning orientation but little or no market orientation. This could result in a company that is highly innovative but these innovations maybe costly exercises that lead to little commercial success. This is the essence of Christensen's fifth principal.

*Technology supply may not equal market demand.*

The boom and bust cycle of the technology bubble and the dot.com era in the late 1990's could be attributed to companies that had strong learning orientations but weak market orientations.

The combination of both learning and market orientations is likely to reduce the risks that are associated with each of the constructs individually.

### *Market Turbulence*

The degree of market turbulence may have a bearing on the adoption of market and learning orientations. It could be argued that in highly turbulent markets an organisation that is learning oriented may out perform one that is not. In such markets, fundamental assumptions about how the marketplace operates and reacts to stimulus, may change at an accelerated pace. For this reason a company that is willing to question these fundamental assumptions may position itself for growth better than one that is relying on these outdated assumptions to drive growth.

In an environment of little or no change, where there are no leading signals coming from the marketplace players, growth may also depend on proactively viewing the environment to see if there are new ways of operating to gain competitive advantage. Under these circumstances a market-oriented approach will be of little advantage. Conversely a learning oriented company may waste much time and expense pursuing dead end strategies.

Consequently to be in a position to create a sustainable competitive advantage in a market, an organisation would be best served to combine both learning and market orientations. Together each tends to optimise the other and their combination results in a synergistic effect. (The sum being greater than the individual components.)



## **Conclusions.**

Returning to the original quotation:

*“A combination of market orientation and learning orientation will arguably lead to long-term competitive advantage”  
(Baker and Sinkula, 1999, p.422).*

A review of current literature on the subjects of market and learning orientation support the view put forward by Baker & Sinkula.

There is however considerable scope for future research into what is the optimal balance between learning and market orientation to maximise organisational performance. Are there intervening or moderating variables that influence this optimal balance?

It is clear that the constructs of learning and market orientation and its affect on organisational performance will produce much academic debate into the future.

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