

# Systematic Review of Organizational Learning and Knowledge Management in the Context of Modern Society

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*The paper approaches from the perspective of the exigencies of defining knowledge - as a raison d'être of organizational learning - in an integrative vision, exploring the interconditions between organizational learning and knowledge management, being reunited the two key concepts: organizational learning and company performance. The complex organization based on learning is often considered a difficult intellectual construct to achieve. Based on a systematic literature review, the present paper highlights the difference between organizational learning and knowledge management. It also approaches the role of organizational learning in ensuring company performance and presents the three major visions of the organizational performance: maximizing value approach, the innovation-based approach and the knowledge-based approach. The conclusions state the difference between organizational learning and knowledge management.*

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**Keywords:** Organizational Learning, Knowledge Management, Learning Organization, Organizational Knowledge, Company Performance.

## INTRODUCTION

Knowledge is often seen as a stock, content and volume of understanding that exists at a given time. However, there is a debate about the nature of knowledge, so knowledge is per se or is based on knowledge management, which underlies the competitive advantage of an organization. By knowledge management, we refer to the accumulation, protection and capitalization of cognitive elements. The value of the three cognitive management processes is not well understood when it comes to the strategic advantage of an organization. Even research on learning, which is considered to be part of the three cognitive managerial processes - for example those related to the accumulation of knowledge - has failed to create an overview of the problem.

On the other hand, there is no consensus among experts in organizational learning on the concept itself although it is accepted that organizational learning improves an organization's ability to acquire, disseminate and use knowledge to adapt to a changing external and internal environment.

The lack of unanimously accepted agreement of specialists regarding the concept of organizational learning is based on the broad and multidisciplinary nature of the field. For example, while some theorists have specifically focused on the power relations associated with organizational learning processes, others have chosen to focus more on aspects of systemic thinking, culture, or organizational strategy.

The literature focuses on three major topics related to organizational learning, namely:

- How defensive routines impede learning;
- How routine changes in an organization affect future behaviour;
- How performance characteristics have changed based on experience.

From the three main themes of organizational learning, six academic perspectives emerge that have made significant contributions to understanding the organizational learning process: psychology, management science, strategic management, production management, sociology and cultural anthropology, each perspective trying to explain the phenomena considered to be the paradigmatic core of organizational learning.

The boundary between the two concepts is relatively fluid, they are constantly evolving as the dialogue between the members of the organization continues. Thus, as areas of research, organizational learning and organizational knowledge, although overlapping in part, still include topics that are treated primarily in one of the two areas, but also topics in connection with which one of the fields is more advanced than the other one.

In short, organizational learning focuses on learning as a process of change, while organizational knowledge focuses on knowledge as a resource that provides competitive advantage and studies the processes associated with its management (Kets de Vries, Korotov & Florent-Treacy, 2007). Both have in common views on how companies should actively learn and generate knowledge.

## **RESEARCH METHODOLOGY**

The current empirical research presents two actual and relevant concepts: organizational learning and knowledge management in the modern society in an integrative vision, based on a systematic literature review. From the relevant books, articles and research that deal with the proposed notions, there were analysed the difference between organizational learning and knowledge management, the role of organizational learning in ensuring company performance and the three major visions of the organizational performance: maximizing value approach, the innovation-based approach and the knowledge-based approach.

## ORGANIZATIONAL LEARNING AND KNOWLEDGE MANAGEMENT

The literature on organizational learning and knowledge management is characterized by the use of a very diverse terminology, where concepts are often used, but rarely discussed together. Recognizing that no single umbrella framework has been proposed to put order in this conceptual confusion, this section proposes a framework that integrates organizational learning and knowledge management and establishes a theoretical link between these concepts and performance, by recognizing the distinct roots of each field, by identifying conceptual boundaries and establishing relationships between these concepts and company performance. We propose this framework as a tool to facilitate communication between researchers working on different facets of this phenomenon.

The purpose of this section is, more specifically, to provide a conceptual framework that defines and integrates organizational learning and knowledge management. We begin by defining the two concepts and recognizing their distinct roots. Then we will determine the areas of their domains and their boundaries. It is important to note that because these areas communicate with each other, the term border must be interpreted very broadly. Organizational learning and knowledge management are terms commonly used in today's business environment and usually associated with large budget projects pursued by companies convinced that the only advantage the company will have in the future is its ability to learn faster than its competitors.

Although early academic discussions of these concepts date back to the 1960s (Polanyi, 1967), it was not until the 1990s that these topics dramatically captured the attention of managers, when Senge (1990) popularized the concept of learning organization. Nonaka and Takeuchi (1995) described how an organization can be transformed into a knowledge-creating company. Also, since the 1990s, the rapid evolution of information technology and the Internet has allowed the development of sophisticated knowledge tools. But while consultants provide managerial learning and knowledge management solutions, university professors have expressed concern about the lack of consistent terminology, cumulative work, and a widely accepted framework that links the field of learning to that of knowledge.

Although organizational learning and knowledge management are closely related, they are rarely discussed together. There are too many terms created to describe and prescribe learning and knowledge in companies, and no framework has been presented to clear up this conceptual confusion.

Efforts to distinguish between the organizational learning and knowledge management domains are not very numerous. Language becomes blurred when authors such as Nonaka and Takeuchi (1995) insist that organizational learning and the process of creating knowledge are different concepts. Also, while

researchers in each field often fail to recognize each other - for example, while organizational learning researchers exclude the term "knowledge" from their research and knowledge management researchers do the same with the term "learning" - other researchers use the terms learning, knowledge and knowledge management, interchangeably.

The apparent distinction between organizational learning and knowledge management has led to the creation of different leadership roles in companies, where chief learning officers focus on human relations and build on training, education, leadership development, and change management, while chief knowledge officers focus on IT and build on knowledge worker productivity, knowledge repositories, and knowledge networks (Knopf & Jeffrey, 2003, El Toufaily, 2017).

Defining organizational learning, we mention the opinion of the majority group of theorists (for example: Schwandt & Marquardt, 1999), who emphasize the interrelationship between cognition (thinking) and behaviour and conclude that the learning process includes both cognitive change and behavioural. Individuals and groups learn by understanding and then acting or acting and then interpreting (Crossan et al., 1995).

Organizational learning is the process of change in individual and shared (common) thinking and action that is embedded in the organization. When individual and group learning becomes institutionalized, organizational learning takes place and knowledge is incorporated into non-human repositories such as routines, systems, structures, culture, and strategy (Crossan et al., 1999; Gîrneață & Potcovaru, 2015). The organizational learning system is composed of constantly evolving knowledge, stored in individuals, groups and organization and is the fundamental infrastructure that supports the formulation and implementation of the strategy. Early organizational learning-related work, (Cook & Yanow, 1993), used learning-related concepts taken from the psychological literature on individual learning (for example: choice, decision-making, information processing). For example, Schwandt & Marquardt (1999) believe that organizations learn through individuals who act as agents for firms. When they defined single-loop and double-loop learning, they explained learning in terms of individual error detection and error correction.

Today, authors provide more comprehensive frameworks for organizational learning that link different levels of learning and study learning from a systemic perspective. Moreover, the study of the organizational learning phenomenon has been enriched with contributions from various disciplines (Easterby-Smith & Lyles, 1997) and new perspectives such as:

- Interpretive systems (Hine, Gasen & Goul, 1996);
- Communities of practice (Brown & Duguid, 1991);
- Dialogue communities (Schein, 1993);
- Memory communities (Brown & Duguid, 1991).

The study of organizational learning has been associated with questions about how organizations evolve, transform, and renew themselves to meet the challenges of a constantly changing environment. When defining organizational learning, it is important to note its relationship with learning organization. Senge (1990) defines a learning organization as a place where people continually expand their ability to create the results they truly want, where thought structures are broadened and nurtured, where collective aspiration is free, and where people continually learn to learn.

Organizational learning and learning organization belong to different currents of theorizing in the field. Organizational learning is a descriptive current, made up of university professors who seek to find the answer to the question "how does an organization learn?" On the contrary, learning organization is a prescriptive current, aimed at practitioners interested in the question "how should an organization learn?"

In defining knowledge management, a major source of confusion arises from the fact that it is not possible to differentiate between it and organizational knowledge. Although the term knowledge management is often used in conferences and book titles, it is rarely defined and included in academic papers, where the concept of organizational knowledge is the most frequently used. We consider that it is important not only to distinguish knowledge from its management process but, as in the case of organizational learning and learning organization, it is necessary to distinguish between descriptive and prescriptive research currents (Ittner, Nagar, Rajan, 2001).

Knowledge management has been defined in multiple ways:

- Explicit control and management of knowledge in an organization in order to achieve the goals of the organization (King, 2009);
- Formal knowledge management to facilitate the creation, use and reuse of knowledge, typically using advanced technology (O'Leary 1998);
- The process of creating, capturing and using knowledge to increase organizational performance (Meihami & Meihami, 2014);
- The ability of organizations to manage, store, enhance and distribute knowledge (Bhatt, 2001).

We recognize in these definitions a strong prescriptive element, in which knowledge management is understood as "managed learning" and is supposed to have a positive impact on performance. In addition, the consultants suggest that knowledge management is closely linked to information technology management. Common examples of knowledge management tools and solutions are intranets, knowledge repositories, electronic document systems, gold page catalogues, best practice databases, groupware, and decision support systems.

Organizational knowledge is a well-established theoretical concept. Knowledge has been proposed as a key resource of the company and a source of competitive advantage. This view is rooted in the company's resource-based

vision (Barney, 1991). Several authors argue for a “firm-based theory of knowledge” as a theory that explains the organizational advantage of firms in the market (Grant, 1996).

To develop a theory in which the creation, transfer, and application of knowledge is why firms exist, researchers have entered into a broad debate about what knowledge is and what forms or types of it are available (Collins, 1993). While the term "learning" has not been involved in questions of veracity and

accuracy, the term "knowledge" has been the subject of much debate. Different philosophical visions and conceptual paradigms offer multiple perspectives on what knowledge is and how it can be studied. For example, based on their distinct epistemological and ontological assumptions, positivists argue that reality is objective and can be accurately understood, while postmodernists argue that all meanings are contextual. Although it is impossible to integrate these theories or resolve misunderstandings between them, Gioia and Pitre (1990) propose the idea that there is similarity despite disparity between paradigms, and that a multiparadigmatic approach to building theory would help researchers gain a more comprehensive on organizational understanding phenomena.

In the study of knowledge, although the positivist view is predominant in Western culture and is at the same time a generally accepted assumption in organizational theory (Nonaka & Takeuchi, 1995), it has been increasingly questioned and supplemented by more constructivist perspectives that argue that knowledge cannot be conceived independently of action, and thus transforming the notion of knowledge into a commodity that individuals and organizations can acquire in the study of knowledge (Cook and Brown, 1999).

## **THE ROLE OF ORGANIZATIONAL LEARNING IN ENSURING COMPANY PERFORMANCE**

The organization is an economic system open to its external environment. Likert (1974) proposed a theory of organizational performance based on three types of variables: causal, intervening, and outcome variables. Causal variables are independent variables that the organization can control. For example, structure, management policies, staff skills, behaviours and business strategies are an integral part of this type of variable. Intervening variables are intermediate variables, which refer to the internal conditions of the organization, such as perceptions, attitudes, motivations, loyalty, and collective capacities to interact, communicate, and make decisions. Outcome variables refer to the organization's achievements in terms of productivity, profitability and quality of goods and services.

The different views of specialists in the field on the organization can inspire a certain type of organizational performance. We will briefly refer to the three

major visions of the organization: maximizing value approach, the innovation-based approach and the knowledge-based approach.

### **MAXIMIZING VALUE APPROACH**

The neoclassical vision refers to the value-based approach that integrates strategic and financial aspects into performance evaluation criteria. In the neoclassical view, the organization is seen as a tool for maximizing profit. The performance corresponding to this point of view is usually financial and must meet the profitability requirements set by the shareholders. This theory of value is rooted in the classical microeconomic logic, which works on the cost-investment equation, respectively on finding the type of investment that guarantees performance.

The works of Alchian and Demsetz (1972) support the same postulate of maximization. Rousseau (2000) provides clarifications regarding the principles of value maximization, considering that value maximization must be based on the evidence, selection and application of the best alternative for all operational strategies and organizational issues. They also criticize the typical financial view of organizational performance. According to them, the consideration of financial aspects in value management contradicts the finality of the concept, because financial indicators should be considered only as reflections of organizational strategies and choices.

### **THE INNOVATION-BASED APPROACH**

According to Christensen, Anthony and Roth (2004), innovation refers to anything that creates or improves processes or adds value within the company. Innovation can provide a competitive advantage for the organization and an opportunity to increase its competitive position in the market. They describe two types of innovation: radical innovation and incremental innovation. Compared to radical change, which creates a great deal of change, progressive innovation refers to improvements in activity or products in terms of positioning, competitive advantage and influence on the industry or industry in general.

Moreover, the promotion of innovation leads to changes in consumer behaviour and changes in the product market itself. Indeed, innovation processes aim to solve product quality problems and consumers are willing to pay higher prices for better quality products or services.

Innovation, in its progressive or radical dimensions, can improve the quality of products, resulting in more satisfied buyers or consumers and, therefore, an increase in market share. For these reasons, Christensen, Anthony and Roth

(2004) suggest that organizations adopt a process of organizational innovation, even before detecting a change in consumer needs and preferences.

## THE KNOWLEDGE-BASED APPROACH

According to the theory developed by Nonaka and Takeuchi, the successful organization is one that sees itself as a creative entity of knowledge (Nonaka, & Takeuchi, (1995). Their approach is based on the fact that intangible elements, respectively knowledge, are becoming more and more important. This view is shared by Kogut and Zander (2003), who argue that the relationship between knowledge, knowledge management and organizational performance largely explains the success of companies. This approach creates a competitive advantage and contributes to the success of organizational performance (Potcovaru & Gîrneată, 2015). Thus, philosophy and management practices can improve the processes of creating, sharing and using knowledge. Knowledge is calculated in terms of resources and capabilities that can contribute to the development of a competitive advantage. These resources are scarce, inimitable and non-substitutable.

The causal relationship between organizational learning and organizational performance has been investigated by many researchers who have found a positive association between organizational learning and organizational performance. The continuous acquisition of knowledge, as well as their dissemination and exploitation have increased organizational profit, employee well-being and organizational sustainability. Consequently, it was considered that organizational learning has a causal relationship with organizational performance.

Bontis, Crossan, and Hulland (2002), in their research on 64 Canadian mutual fund companies, showed that individual learning, group learning, and organizational learning have a valid direct association with organizational performance. The same specialists showed that the standard learning coefficient at organizational level in relation to organizational performance is positive, which is evidence of a causality in the relationship between organizational learning and performance.

Other recent empirical research has supported the existence of a direct link between organizational learning and organizational performance (Garcia-Morales et al., 2011). A number of quantitative empirical studies that have used regression and correlation have generally found a positive relationship between organizational learning and organizational performance. Such a study was conducted by Lopez et al. (2005) and targeted managers of large Spanish companies. The result was that organizational learning significantly influences organizational performance. Similar studies have been conducted by Škerlavaj et



al. (2007). In fact, the subsequent work of this group of specialists was the starting point of our empirical research.

## CONCLUSIONS

A basic difference between organizational learning and organizational knowledge is that the latter focuses on the perception of knowledge as an asset while organizational learning focuses primarily on the processes by which knowledge is acquired. That is, there is a distinction between studying what is learned and understanding the learning process, or between studying the content and the process. Hence the need to understand learning as a process that offers the possibility to develop organizational capacity, a capacity that may be more important in creating competitive advantage than the specific knowledge gained. It follows that the field of organizational knowledge, although it has a more static view of knowledge, still considers it a sustainable strategic resource of the company while the field of organizational learning is primarily interested in the processes of knowledge itself.

Organizations exist because they can integrate and coordinate specialized knowledge held by people more efficiently than markets do, and they can transform individual knowledge into collective, organizational knowledge. In turn, knowledge leads to advantage because it is difficult to copy, causally ambiguous and usually beyond the comprehension of competitors. When this knowledge is valuable and used properly, organizations enjoy a sustained competitive advantage. Thus, possessing knowledge and being able to create new knowledge are the keys to organizational competitiveness.

Therefore, it can be stated that at a broad organizational level, learning involves the development and testing of knowledge, insights and associations regarding causal relationships and ultimately the selection of means of action that meet organizational objectives. Thus, learning can be thought of as the development of associations between actions and their consequences. Rather than belonging to individual members, organizational knowledge is a distinct attribute of the organization as a social actor, distinct - and substantially different - from the knowledge that individuals possess.

The organization based on learning, certainly a complex model, is often considered a difficult intellectual construct to achieve. Establishing a current learning policy, even if it takes time, like any paradigm shift, will lead to the development of transversal skills, essential for professional insertion, objectively in line with the paradigm of lifelong learning.

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