

Organizational Learning and its Linkages with Employee Innovation/ Behaviors

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ABSTRACT

This paper looks at the interplay and inter-linkages between three organizational based paradigms. It tries to link employee behaviors with motivation/innovation under the overarching theme of organizational learning. In short, what the paper attempts to do is to look at the causal linkages between employee behavior/ motivation, innovation, and levels of learning, and how the interlinking between these paradigms changes as the employee moves higher up in an organization. These changes can consequently affect the level and quality of organizational learning. It shows how the levels of learning in an organization, as perceived by the employee, has to keep in step with the level at which the employee is placed in the company. A framework which was developed to emphasize these points is then discussed and two examples of employee based innovation from two internationally well known companies are elaborated. The paper concludes by looking at some of the inferences which can be drawn from the paper and with directions for future research.

Introduction

Organizational learning, and its presence (or absence) in an organization, has been the subject of innumerable papers; it has also been at the receiving end of many a research project. This also holds true of organizational innovation. However, is there a link between learning, and the type of employee behavior, which will ideally promote innovation in an organization? It is argued that of the three, organizational learning is the most

important to a company, and the other two items can, at best, play a supporting role in promoting learning which in turn leads to excellence and organizational sustainability. Again, of the three, it is innovation, which in an organization, has a direct impact on profitability, the driving force of 21st century organizations. It has been held that creative vigor is precisely what firms require if they want to improve continuously (Kanter, 1984). There

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are numerous leading firms which have made innovation their business strategy (Burns and Napier, 1994). Under today's conditions of dynamic global competition, the leading innovative organizations are those that show a higher level of adaptability and survival capability (Robbins, 2003). Hamel and Skarzynski (2001) proposed a First Law of the Innovation Economy: if firms cannot maintain a constant level of innovation, then they will be defeated by the economic environment. An innovative strategy is the only way to cope with the problem caused by intermittent changes. Slater and Narver (1995) further proposed that innovation of the core activities must be correlated with the orientation and performance of the lead market. It can therefore be concluded that one of the primary concerns of boards of directors and Chief Executives will be to ensure organizational sustainability through the continuing encouragement of innovation in their companies. Chief executives are judged, in the ultimate analysis, by results and not by anything peripheral to results and the profitability of a company is the main component of this judgement.

In this paper, a novel concept of linking employee behaviors with motivation/innovation is attempted. This is meant to be applied in organizations where organizational learning is evident by its presence. In short, what the paper attempts to do is to look at the causal linkages

between employee behavior/ motivation, innovation, and learning, and how the interlinking between these paradigms changes as the employee moves higher up in an organization. It is argued that the factors of motivation and the levels of organizational learning keep changing with the changes in hierarchy. It will also be shown that the perception of organizational learning of an employee, should be in line with the level at which the person is functioning in an organization. A mismatch here will be detrimental to the sustainability of the company.

It is hoped that by investigating these three organizational paradigms, this paper can provide some insights to firms to make efficient use of their organization's knowledge. So that when they are facing the new era of economic knowledge they can enhance the performance of their organization through innovation. It will allow them to understand the activities firms must implement to manage their knowledge. It will help them to properly adjust for and coordinate between their external environment and their organizational culture in order to establish a favorable environment for innovation within their organization. And for this, the behaviors of an organization's employees are as important as the practices of motivation/ innovation and knowledge management followed by the organization.

The paper is structured as follows. First, a background is provided through a review of

literature on organizational learning, and then a framework of employee behavior/ motivation is provided, followed by examples of innovations from two international organizations. The importance of employee motivation which leads to this innovation is established through these examples from the two organizations. This is followed by conclusions and suggestions for future research.

Background and Review of Literature

It is important to realize that the increased use of technology has had a direct correlation on the use and spread of knowledge within organizations. If we look at the rapidity of spread of knowledge in the 1950s and 60s, it is obvious that the pace was much slower. This had its advantages and disadvantages. Managers had more lead-time to think and react to problems – however, the knowledge tools they could bring to solving the problems were that much less sophisticated and developed. This is also applicable to the range of knowledge on which a manager could draw in order to arrive at a decision or solve a problem. The range was limited in its scope and the speed at which it could be accessed was inordinately time consuming.

The 21st century organization deluges the manager with a range of knowledge, which can be useful and bewildering at the same time. And a

distinction can be made to knowledge available from sources within the organization and to knowledge generated outside the organization; the latter will include items such as market forces, economic changes and the consequences of the interplay between these (to take a simplistic example). According to Chang and Shing-Lee (2008), with the rapid improvements in technology and the volatile economic environment, knowledge management has become a necessary and critical part in the enhancement of a firm's competence. In this environment of rapid changes and uncertainty, where the demands of the markets keep changing, the only way for an organization to make a breakthrough and obtain a competitive advantage is through knowledge accumulation. In short, for organizational learning to flourish, the rate of learning inside the company should be equal to or greater than the rate of change outside.

The vast body of literature now existing on OL had its beginnings a long time ago. One of the first references to organizational learning (OL) was in 1938, when John Dewey in his book *Experience and Education*, publicized the concept of experiential learning as an ongoing cycle of activity.

Herbert Simon (1969) defined OL as the growing insight and restructuring of organizational problems by individuals reflected in their structural elements and outcomes of the organization itself.

Moving on through the decades, popular OL related theories ranged from the organizational responses which occur on account of the presence of single loop/ double loop/ triple loop learning developed by Argyris and Schon – in 1978, to the concepts relating to the mastery of mental models/ shared vision and team learning developed by Peter Senge in the 1990s.

Argyris and Schon also said that OL occurs when members of the organization acted as learning agents, responding to changes in the internal and external environments of the organization; while detecting and correcting errors, and embedding the results in the shared maps of the organization.

Practitioners of OL also talk about triggers and blocks to learning and how organizations can consciously convert their organizations into learning by bringing in OL related interventions. These blocks and triggers are mainly communications related and, the argument is that, once a proper flow of communications is established, the learning levels of the organization takes a corresponding move forward.

There has also been a lot of obfuscation with regard to the topic of OL. A typical reference to OL, which will delight the research student, will be as follows:

“In general, it is assumed that adaptive learning comes along with a lower degree of organizational change. This means that adaptive learning is seen

as a process of incremental changes. What is more, adaptive learning is also seen as more automatic and less cognitively induced than proactive learning. The inferiorities of adaptive learning compared to proactive learning are also expressed by the different labels which have been used to describe these two types of OL: ‘the detection and correction of error leading to “Single-Loop versus Double-Loop Learning” (Argyris and Schön, 1978), ‘the process of improving actions through better actions and understanding’ and “Lower Level versus Higher Level Learning” (Fiol and Lyles, 1985), “Tactical versus Strategic Learning” (Dodgson, 1991), “Adaptive versus Generative Learning” (Senge, 1990).” Dodgson in 1993 also said that OL was the way firms build, supplement and organize knowledge and routines around their activities.”

To sum this up, what most of the theorists of OL are saying is that organizations should make a conscious effort if they are to show in them the presence of OL. At a fundamental level, this can be the detecting and correcting off error. This would mainly be systems related – the nuts and bolts in a company. The systems referred to here refer to the mechanical, machine oriented, computer based systems. For example, the side light of a recently manufactured car does not function – the company quickly detects the error and corrects it. However, there is another plane at which OL can operate, and this is perhaps the

more important one. And this relates to the level of knowledge and behaviors which are exhibited by the employees in a company.

It is therefore, argued that OL can operate on two levels in an organization – one linked to the company's mechanical systems, and the other one linked to the employees. This paper is concerned more with the latter. It is the presence of employees whose behavior encourages the propagation of OL, which is the best trigger for learning to flourish. What is being argued is that the culture of the organization should be one where the spreading of knowledge comes automatically. McDermott and O'Dell (2001) contend that in an organization with a knowledge sharing culture, people would share ideas and insights because they see it as nature, rather than something they are forced to do. Davenport and Klahr (1998) proposed that one of the more important success factors of knowledge management systems is the friendly culture of knowledge application. However, for firms lacking this culture, it may be quite difficult to establish it. They also believe that within this friendly culture of knowledge application, experience, professional levels and the need for rapid innovation will in the end replace the authority of position with the authority of profession.

It is again necessary that the sharing of learning in an organization comes willingly from the

employees. Coercion, or any type of authoritarianism will not serve the purpose of propagating OL and will only prove counterproductive. The key to this lies in motivating employees so that there is a willing dissemination to learning within the company. And this is where the alignment between learning, behavior (motivation), and innovation becomes important. If one were to try and place the three in a hierarchy, then first plank would be OL on which supportive employee behaviors (reinforced by motivation) will lead to organizational innovation; thereby leading to organizational sustainability. It is therefore required that the culture in the organization should be one where senior and top management actively encourage the acquisition and retention of knowledge and emphasizes the importance of this culture which will be beneficial for all employees.

The variation in organizational culture among organizations will also affect the adoption of knowledge management systems. Because organizational culture is an imperative element of knowledge management and if the culture creates mutual credit and cooperation, it can actually trigger the implementation of knowledge management (Knapp, 1998).

In order to obtain an effective operation among the mechanisms of the organization knowledge management, it is not only necessary to emphasize

the adaptability between organizational culture and the mechanisms of knowledge management, but also to shape a culture favorable for organizations to implement knowledge management, so that the real functional effect of knowledge management can be fully obtained (Bhatt, 2000).

Once the above facts are accepted, then we can look at a framework of employee behaviors and organizational incentives which can lead to innovation.

A Framework for Alignment

The framework reproduced in Table 1 below, shows the linkages between employee behaviors and organizational incentives/ motivation. If the alignment is correct, then the outcome is the presence of organizational learning of different types. If there is a mismatch, then the motivation levels as revealed by the behavior of the employee comes down, and there is a correspondent decrease in the *level (and quality)* of organizational learning in the company. This is because, for learning to be present across all levels in the organizations, the presence of motivated employees is a prerequisite. Motivation makes the employee more open to learning and this in turn translates into innovative practices/ better performance. Collectively, when all the employees are involved, this leads to better performance by the organization.

The level of organizational learning, as perceived by the employee, should be directly proportional to the level at which he or she is functioning in the department. For example, it will be counter productive for a CEO to feel that single-loop learning is one of the main items in his/ her core set of job responsibilities. Or, that it is sufficient for the company the CEO is heading to display learning at this level.

If this is taken as a basic fact of organizational existence, then it follows that the factors of motivation within the company will vary across its hierarchies. What motivates a senior manager within the organization need not be what motivates the CEO. The intrinsic quality of the motivator changes as the hierarchy of the employee changes.

Table 1: Employee Behaviors and Organizational Incentives/ Motivation: an Alignment Towards Organizational Learning (please see last page)

In the table reproduced above, the link between the first two columns is the organizational goal as perceived by the employee. The desired behavior is detailed in column 3 and is followed by the specific type of individual motivator which drives the employee. As will be observed, the higher one moves up the organization, the more complex becomes the type of motivation required to drive the employee to deliver better performance. The

last two columns detail the incentives which could provide this motivation (again, the higher one goes up the organization, the more complex the incentive), and the level of organizational learning which exists within the organization at that particular level attained by the employee.

Two Illustrative Examples of Organizational Innovation

The paper will now look at examples of how two well established, international organizations have tried to use the power of employee behaviors to fuel motivation/innovation in their established business practices. The next section will then try and analyze how this motivation/ innovation is directly linked to employee behavior and how the level of organizational learning present acts as a catalyst to the innovative processes to develop and sustain the two organizations. It will then draw some general conclusions.

HSBC

The bank is an amalgam of many banks and now operates under the umbrella of HSBC Holdings plc, and is a UK bank. It is one of the very few big names, which have not been badly affected by the ongoing recession, but has turned in a profit earning performance as its latest figures for 2008 reveal. The HSBC Group has an international pedigree, which is unique. Many of its principal companies opened for business over a century ago and they

have a history which is rich in variety and achievement. The HSBC Group is named after its founding member, The Hongkong and Shanghai Banking Corporation Limited, which was established in 1865 to finance the growing trade between China and Europe.

Headquartered in London, HSBC is one of the largest banking and financial services organizations in the world. HSBC's international network comprises around 9,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. The bank has a reputation for encouraging innovative practices both in banking as well as in the bigger economy in which it operates in various countries.

HSBC, the world's first major bank to become carbon neutral, has committed a further US\$90 million over five years to reduce the bank's impact on the environment through a series of initiatives, including the introduction of renewable energy technology, water and waste reduction programs and employee engagement.

The **Global Environmental Efficiency Program** will enable HSBC offices worldwide to showcase environmental innovation and share best practice to help the bank achieve its environmental reduction targets.

The environmental efficiency initiatives focus on some key areas:

- **Behavior** - training, awareness raising, flexible working practices;
- **Benchmarking** - developing flagship buildings to recognized environmental standards which are independently certified;
- **Footprint management and innovation** - reducing energy and water consumption, business travel and carbon dioxide emissions, paper use and waste production. This will include piloting innovative and new technologies and working with our clients in the environmental sector,
- **Environmental Management Systems** - systems and processes optimizing the efficiency of the bank's operations.
- Engaging HSBC's global workforce of 315,000 employees will be a key factor in the success of the Global Environmental Efficiency Program. The HSBC Climate Partnership, a separate US\$100m, five-year program launched on 30 May 2007 will facilitate employee engagement by:
 - Creating a 25,000-strong 'green taskforce' worldwide who will undertake field research and bring back valuable knowledge and experience to their workplace and communities; and
 - Help HSBC employees use their business skills and knowledge of climate change to help the Group build a more sustainable business.

HSBC has a long-standing commitment to the environment. HSBC was awarded the Climate Protection Award from the US Environmental Protection Agency in 2007 in recognition of the Group's contributions to global environmental protection.

What is important to note in the foregoing paragraphs is the emphasis laid by the bank on getting employee buy-in into a program, which is not a part of core banking activities. By giving them the required inputs on the necessity of giving importance to the environment, the bank has done three things:

- a) it has developed in the employees a pride in working for an organization that is forward looking, and has adapted to changing times
- b) it has communicated to the employees that sustainability is important for any organization, and this sustainability can only be built through programs which are, *prima facie*, not in line with the core purposes of why the company was established, and
- c) being an international bank, these initiatives have achieved a global reach and acceptance

The initiatives taken by such companies promote a mind set in its employees, which make them realize that the spread of learning and knowledge are as much a part of their core responsibilities as

is the efficient performance of their role in the company. However, this is not all. Coupled with this, an entrepreneurial mind set in the employees will help the organization towards achieving sustainability and will assist it to take on challenges that much more easily. This is a benefit, which comes as a corollary. In many instances, it will be noticed that entrepreneurship and innovation have a close parallel, and there is a direct correlation between the two factors and organizational success for companies, especially those with an entrepreneur as its leader.

3M

3M is a diversified manufacturer with one of the highest international presences of any multi-industry company. With products such as Post-It Notes and Scotch Tape as well as high-tech LCD films, 3M develops innovative new products while turning a profit off of old favorites. 3M operates in six business segments: Healthcare, Industrial & Transportation, Consumer & Office, Display & Graphics (D&G), Electro & Communications, and Safety, Security & Protection. 2008 sales totaled \$25.3 billion, an all-time high.

When asked to describe his company in one sentence, Bill Coyne, Senior Vice President – R&D in 2000, was succinct. In a 1996 book titled “Innovation: Breakthrough Thinking at 3M, Dupont, GE, Pfizer and Rubbermaid,” Coyne said,

“At 3M, we live by our wits. Innovation may be an important element of other corporate strategies; but for us, innovation is our strategy.” People who know the company best point to four key ingredients that foster a culture of innovation at 3M: attracting and retaining imaginative and productive people; creating a challenging environment; designing an organization that doesn’t get in people’s way; and offering rewards that nourish both self-esteem and personal bank accounts.

William McKnight, who headed 3M for many years wanted to create an organization that would be impelled forward by employees exercising their individual initiative. McKnight’s approach was captured in phrases that would be repeated by 3Mers throughout its history.

‘Listen to anyone with an original idea, no matter how absurd it may sound at first’

‘Encourage; don’t nitpick. Let people run with an idea.’

‘If you put fences around people, you get sheep. Give people the room they need.’

‘Hire good people, and leave them alone.’

What these statements reveal is that McKnight understood that encouraging individual initiative – by focusing on developing suitable behaviors – would produce organizational motivation/ innovation.

The main learning from the above two examples is the thrust given by both companies in encouraging, spreading and consciously cultivating the spirit of innovation in the employees. By doing so, they have inculcated in them the spirit of enquiry and experimentation, both of which are important for building sustainable organizations. In addition, if this culture of innovation is inbuilt in the people, it will follow that innovative practices will be that much easier to implement.

Conclusions and Future Research

The framework presented in this paper (Table 1), tries to show the interconnection between the three organizational imperatives - learning, employee behavior and innovation. (I am deeply indebted to Dr Dolphy Abraham *et al* for the model of the framework in Table 1, which is similar to a model developed by them). It shows that the higher up the employee goes in the company, the more sophisticated becomes the motivators, and so does the complexity levels of organizational learning show an increase. It is argued that the quality, sustainability and number of innovations in an organization is directly proportional to the levels at which the three imperatives have an interplay. The two examples from HSBC and 3M give added emphasis to the arguments put forth in this paper.

Organizational incentives have to be carefully structured and made available to employees in a way that takes into account their hierarchical level

in the organization. Any mismatch here will lead to a misalignment of the three imperatives. Moreover, as indicated earlier, it follows as a corollary that the learning levels in an organization – as perceived by the employee – should be directly in line with the level at which an employee is functioning.

Future research can look at validating the conclusions across various employee levels in different types of organizations. It can also find out if there is any difference in the levels at which the three imperatives operate – i.e. are they the same for manufacturing, service, financial institutions, or there is a marked difference across these different types. This could be important in order for top management when they are drawing their strategic plans, and especially when they are trying to build an organization culture, which will promote organizational sustainability.

Endnotes

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