

# ORGANIZATIONAL LEARNING, QUALITY AND INNOVATION - EVIDENCE FROM MANUFACTURING INDUSTRY

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**Abstract:** *Organizational learning is a new management paradigm and is defined as the collective capability based on experiential and cognitive processes. This study considers organizational learning as a multidisciplinary and complex process, involving four dimensions: managerial commitment; systems perspective; openness and experimentation; and knowledge transfer and integration. Companies working in the footwear and clothing industry must face and meet increased quality requirements, must be flexible to the needs of different market segments, move quickly in the direction of meeting customers the needs, and must provide a user-friendly interface. The current requirements of organizational learning (related to quality management) consider a new way of thinking, centred on providing more comfort and convenience. Organizational learning has an important role in innovation as it stimulates creativity, supports gaining new knowledge, increases the potential of understanding, and stimulates the desire to put new ideas into practice. Product innovation, as well as, the innovation process is based on a deep understanding of consumer needs, of the actions of competitors, and of the technological development. It is possible, only, through the commitment of the management. Organizational learning has the potential to explore and, therewith, capitalize on the available knowledge in an organization. Moreover, organizational learning often involves an implicit knowledge and the actions involving dexterity are often based on such kind of knowledge that with time creates organizational routines. Since this study is an exploratory one, we chose the interview method, method that belongs to qualitative research. The purpose of this study was to assess the mechanisms of organizational learning and their relation to quality and innovation. The results of our research confirm once more that Romanian companies are preoccupied by profit rather than performance, by productivity and not creativity, of compliance and not innovation. We can say that the concern for quality management and innovation aimed at organizational learning is driven by necessity rather than opportunity. Communities of practice (the apprenticeship system), compared with any other learning solutions proposed by the theory and practice of management, have the advantage of being operated with good results in the area of Bihor. The findings of the present study allow us to suggest that the revival of communities of practice is a solution to revitalising organizational learning in the manufacturing industry companies. Our future research efforts will be directed to this organizational solution.*

**Keywords:** *organizational learning; quality; innovation; community of practice.*

**JEL classification:** *M10.*

## 1. Introduction and purpose

*Organizational learning is a new management paradigm and is defined as the collective capability based on experiential and cognitive processes. It involves the creation, acquirement, transmission and use of knowledge and experience (Bolivar-Ramos et. al., 2012; Certo, 2002; Jimenez-Jimenez and Sanz-Valle, 2011). The literature highlights that organizational development deals with solving systemic problems; experimenting of new ideas; learning from the others practice; the rapid transfer of the knowledge within the*

organization (Argyris and Schon, 1996; Senge, 1990). Organizations that presented this important feature, have: a. *the structure based on the team*; b. *a free flow of information*; c. *the employees are invested with authority* (Goh and Richards, 1997; Bustinza et. al., 2012). The core idea of organizational learning is the transfer of knowledge from individuals to the organization through social interactions (Santos-Vijande et. al., 2012). This study is considering the organizational learning as a multidisciplinary and complex process that according to Jerez-Gomez involves four dimensions: *managerial commitment*; *systems perspective*; *openness and experimentation*; and *knowledge transfer and integration* (Jerez-Gomez, 2005). *The managerial commitment* implies the ability of management to create a corporate culture based on learning, which is seen as a source of maintaining and developing the organization. When we talk about *systems perspective* we consider the organization as a whole, accountable to all stakeholders, meaning that, managers see the cooperation as a very good form of competition. *The openness and experimentation* represent the component which considers the exchange of ideas and knowledge between people, taking over risks and encouraging of attempt. *The knowledge transfer and integration* considers the elimination of internal barriers and encourages collaboration between departments in order to improve the responses to the stimuli of business environment.

Starting with the idea of exploring these components we conducted a study; in this study, we included companies active in the manufacturing industry who are representative of the economic environment of Romania, in general, and of Bihor County, in particular. These industries (footwear and apparel) are increasingly more dependent on quality and innovation, in parallel with maintaining the costs. The purpose of our study is to explore the relationship between organizational learning, innovation, total quality management and business performance in the two industries mentioned above.

## 2. Quality Management in manufacturing industry

Traditionally, quality management was developed in the manufacturing industry. After the early phase, when it was focused on quality inspection, quality management became concerned with statistical quality control methods (Lagrosen and Lagrosen, 2009), in the development phase. After the Second World War, quality management developed a conceptual apparatus, designed to ensure a continuous improvement of results, of employee motivation and the idea of leadership (Ishikawa, 1985; Deming, 1986; Duran, 1989). Nowadays, quality management is invoked as an integrated system that includes values of management, alongside time-tested techniques and tools (Hellsten and Klejsjo, 2000). In addition, a growing emphasis is placed on attitudes, openness and experimentation, seen as key ingredients of the proper functioning of quality management (Conti, 2010). Companies working in the footwear and clothing industry must face and meet the increased quality requirements, to be flexible to the needs of different market segments, to move quickly in the direction of meeting the needs of customers, and to provide user-friendly interface. The current requirements of organizational learning that are related to quality management consider a new way of thinking, centred on providing more comfort and convenience. Exposure of the staff, to requirements of the market segments increasingly and demanding smaller, requires generating new knowledge, accumulation and testing them. Managers feel all this pressure that can be considered a learning opportunity. In this respect, in the organizational learning circumscribed, and becomes much more visible, the building trend of capacity for generating results. Thus it escalate the activities such as: weekly meetings, trainings, workshops, seminars, participation in various collaborative projects. All these encourages the creation and transfer of knowledge, facilitate understanding and contribute to feeding of motivation for bridging the gap between the level reached by top competitors and the firm concerned. As a result of all the above, we can issue the following hypothesis:

*H1: Organizational learning is determined by necessity and by the requirements of quality.*

### **3. Organizational learning and innovation**

Organizational learning has an important role in innovation as it stimulates creativity, supports gaining new knowledge, increases the potential of understanding, and stimulates the desire to put new ideas into practice (Cohen and Levinthal, 1989). The product innovation, as well as the innovation process, is based on a deep understanding of consumer needs, on the actions of competitors and on technological development. It is possible, only, through the commitment of the management (Calantone et. al., 2002). Organizational learning has the potential to explore and, therewith, capitalize the knowledge in an organization. Moreover, organizational learning often involves an implicit knowledge and the actions involving dexterity are often based on such kind of knowledge that with time creates organizational routines (Argyris and Schon, 1996).

People who innovate in the world of business must be in contact with the society they live in and draw inspiration from it. Of course, they have to formulate judgements based on information, but, also on empathetic appreciation of any situation. They need to see and feel what exists, to focus on what they experienced, to identify the cause for which it happens, and to act in the necessary direction to correct, to improve or to transform according to identified needs. An extended model of the management process of the organization focused on innovation also includes methods of work, management roles and the agenda. A manager's knowledge, skills and capacities are important factors in achieving performance, all together with understanding the importance and implementation of innovations.

These arguments suggest a second hypothesis:

*H2: Organizational learning supported by management stimulates innovation.*

### **4. Methodology**

Since this study is an exploratory one, we chose the interview method, method that belongs to qualitative research. Seven companies from Bihor County, four working in the footwear industry and three in the clothing industry, agreed to take part in the study. The interview method is considered to be the most important collecting technique of information and it is recommended by economists to be used in studies devoted to industrial enterprises (Roman et. al., 2009). We have chosen a semi-structured interview and we developed an interview guide. It included 18 questions, 12 of which were open, to provide to subjects - managers or administrators, the possibility of a relatively wide response. During the interviewing window - in January 2017- we tried, to focus on assessing the effects on organizational learning capacity, on quality and innovation as elements that serve as stimulus for learning. The need to achieve greater accuracy in respondents' answers led us to use the Likert scale of five steps for three questions. In developing the interview guide we had in mind that people learn by four different mechanisms: a. cognitive learning; b. classical conditioning; c. instrumental conditioning; d. modelling (Datculescu, 2006). The interview guides were sent in advance to the interviewees. They were encouraged to speak honestly and openly about the situation of the firm they manage, about problems they have and especially explain their vision for the future. Each interview lasted between two and three hours. The place, date and time were set so as to provide every respondent with the best framework possible.

### **5. Findings and discussion**

The data analysis following from these interviews, strengthened experience and observation on the spot, have repeatedly led us to some results. During evaluating the information we sought clues to the mechanisms of learning and their relation to quality and innovation.

We examined, the first mechanism that is the cognitive learning. We tried to find out how a stimulus related to quality or innovation was taught, whether passively (through compliance and enforcement) or actively (on its own initiative and/or problem solving). We were interested in the proportion of employees who lean towards active or passive learning, respectively.

Concerning the second mechanism of learning, classical conditioning, we sought to identify the ambient stimuli, that can create a positive emotional response or a strong negative one, and that can be associated with two conditioned stimuli, namely innovation and product quality.

The exploration of the third learning mechanism, instrumental conditioning, was done by researching how different groups of employees respond to different rewards and punishments.

Gathering information on the fourth learning mechanism, modelling, and the study sought to identify characteristics that exert the greatest attraction on employees.

*Hypothesis H1: Organizational learning is determined by necessity and quality requirements, was partially confirmed:*

- Cognitive learning takes place through the acquisition of new information, orally or in writing. Executive staff learns mostly by the passive learning mode - exposure to the repetitive stimuli. The top management learns by active repetition, including by solving problems (e.g. the transfer costs, quality differences depending on market);
- Employees respond to rewards, but this lasts a short amount of time;
- We have not identified any impact of the negative rewards, of the classical conditioning or the modelling one.

*Regarding hypothesis H2, namely, that organizational learning that is supported by management has stimulated the innovation, this is not confirmed.*

In our opinion, in the manufacturing industry in Bihor, particularly in Oradea, the organizational learning mechanism is not functioning as it should, due to several causes, including:

- The companies are focused on short-time profit;
- They are concerned almost exclusively with productivity at the expense of creativity;
- The collapse of communities of practice, and of the gradual qualifications system: novice, apprentice, journeyman, master.

Moreover, shoes/clothing production is conceived outside the firms, the units are working in Lohn system, meaning the actual production, takes place in Romanian factories, with workers that are too little motivated to learn, predominantly are self-sufficient and prone to conform. The companies' management, and also the owners, do not see organizational learning and innovation as priorities, because these require short-term investments, with benefits appearing only in the long-term. Four managers have explicitly stated that they do not intend to change their approach due to the high staff turnover. These workers are gathered from a very wide geographical area, with a radius up to 70 km. Most workers have completed general education schools and they are less interested by the opportunity to make a career in the field. Added to this is the lack of material progress, supported by a system of promotion and awards in their job, as well as lack of initiative.

## 6. Conclusions

The results of our research confirm once more that Romanian companies are preoccupied by profit rather than performance, by productivity and not creativity, of compliance and not innovation.

We can say that the concern for quality management and innovation aimed at organizational learning is driven by necessity rather than opportunity. The most obvious thing is the

disintegration of communities of practice (the apprenticeship system) and the absence of any other alternatives, with serious impact and long-term repercussions. Communities of practice (the apprenticeship system), compared with any other learning solutions proposed by the theory and practice of management, are operated with good results in the area of Bihor. Their main advantage is that they are a good fit for the cultural matrix of the participants, encouraging the sharing of experiences and creativity in an unrestricted manner, enabling new approaches to problems. In this case, expertise does not exist outside the community of practice, and thus the community fosters and stimulates commitment towards the field. Organizational learning as stage process, offering the necessary time to complete the assimilation of specific knowledge. The community of practice is made up of people and the relationships established between them, and is confined by certain characteristics that act as filters.

The findings of the present study allow us to suggest that the revival of communities of practice is a solution to revitalising organizational learning in the manufacturing industry companies, producing shoes and garments, in Bihor County. Our future research efforts will be directed to this organizational solution.

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