

ORGANIZATIONAL LEARNING, KNOWLEDGE MANAGEMENT AND INSTITUTIONAL THEORY

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ABSTRACT

Organisational learning and knowledge management are claimed to represent the major competitive advantage of many organisations. This paper examines the links between the two concepts to explain the knowledge management process in terms of institutional theory. Knowledge management suggests change will be the result of rational choice: institutional theory suggests that change may be irrational. The paper suggests that coercive and voluntary isomorphism can interact with both explicit and tacit knowledge to affect change.

INTRODUCTION

It is clear from even a cursory glance at current management literature that concepts of knowledge management are becoming increasingly visible. There are claims that learning and knowledge represent the major competitive advantage an organization may possess. In dynamic environments where organizations face global competition, unstable markets for inputs and outputs, increasing reliance on rapidly changing technology, ever decreasing product life cycles and an explosion in the quantity (if not quality) of information available, organizations are advised to become part of the knowledge economy. They are advised to employ people with diverse knowledge bases to allow organizations to access new markets and new technologies (Bhatt 2002).

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There is some debate over which concept is the most important: is it learning, or is it knowledge? Organizational learning can be defined as the process by which the organization detects problems with the organization's fit with the environment, and detects environmental changes which will result in a lack of fit between the organization and the environment and determines the solutions to problems and how to adapt to environmental changes (Kloot 1997). There are four constructs which define organizational learning: knowledge acquisition, information distribution, information interpretation and organizational memory (Huber 1991). Information distribution and interpretation define knowledge transfer, and organizational memory is the codification and retention of knowledge. Knowledge transfer is a key dimension of the learning organisation: learning occurs when knowledge in one part of an organization is transferred effectively to other parts and used to solve problems (Goh 2001). Learning involves the transfer of knowledge (Tsai 2001). Organizational learning and knowledge are interdependent: managing knowledge results in organizational learning, and knowledge is managed to effect change and enhance performance in organizations. Knowledge exists in relation to certain practices, which it actively plays a part in organizing and transforming (Mouritsen et al 2001). It is largely the terminology which has changed, with knowledge management receiving increasingly more attention in the literature over the last few years, with a corresponding decrease of focus on organizational learning.

Defining knowledge however is complex. Knowledge is intangible, fuzzy, and resides partly in organizations and partly in individuals. Organizational knowledge, or explicit knowledge, can be codified and embedded into policies and procedures. Individual knowledge, or tacit knowledge, resides

in peoples' heads, and cannot be codified or managed in any traditional sense. Implicit knowledge cannot be fully communicated, but only perceived by the individual (Bhatt 2002). At a philosophical level, knowledge is not a universal good. Knowledge is never outside a system of legitimisation which allows it to be regarded as knowledge (Mouritsen et al 2001). It is a social activity, a set of relations in motion, and a mechanism that continuously intervenes in society and organizations, and in the production of social problems and solutions. The concept of knowledge management suggests that knowledge is and can be actively managed in a rational manner such that organizations make rational choices about adopting new practices and solutions to problems.

INSTITUTIONAL THEORY

It is increasingly recognised that rational choice models only provide partial explanations for why organizations adopt various management technologies (Modell 2002). Institutional theorists emphasise the cultural and normative framework within which populations are embedded (Baum & Oliver 1996). Within such frameworks, organizations attempt to attain stability and legitimacy. They focus on legitimacy, social support and approval from external constituents. Institutional theory focuses on the reproduction or imitation of organizational structures, activities and routines in response to state pressures, the expectations of professions, or collective norms of the institutional environment. Organizational behaviour may be driven not by the application of explicit knowledge in rational problem solving, but by the preconscious use of tacit knowledge. DiMaggio and Powell (1983) identified three types of institutional isomorphism: coercive, normative and mimetic. Institutional theory calls particular attention to the state (coercive isomorphism) and professional associations (normative isomorphism) in an organization's institutional environment and their potentially profound influence in shaping an organization's legitimacy and performance (Oliver 1997).

Coercive isomorphism may stem from legal or governmental coercion (Oliver 1991) and is thus a reflection of political influence exerted on organizations by institutions on which those organizations depend for survival. Normative isomorphism refers to the diffusion and institutionalisation of structural attributes as a result of professionalism. The creation of professional bodies, regulatory frameworks and networks can be a source of rapid diffusion of structural attributes across organizations (Modell 2002). It should be noted that such creations also create knowledge, which can be transferred to organisational actors as they interact with professional bodies and networks. Mimetic isomorphism stems from the tendency of organizations to imitate each other in response to uncertainty (Modell 2002). When organizations face situations where there is no clear cut best course of action, they may limit the selection of structures or practices to those which are being used by organizations they view as successful in the field (Carpenter and Feroz 2001). Thus, they mimic other organizations as a response to environmental uncertainty.

If isomorphism results in organizational change, it is the result of some form of knowledge process. Change requires both explicit knowledge and tacit knowledge. Institutional theories of coercive and voluntary isomorphism suggest there may be other influences on what and how organizations learn and manage knowledge and knowledge transfer. Coercive isomorphism implies that some forms of organizational learning are involuntary. The acquisition of knowledge to enable learning to ensure the organization fits its changed environment must occur if the organization is to maintain its legitimacy within the eyes of its stakeholders. In a coercive environment, survival requires that organisations seek out, acquire and utilise knowledge to allow them to adopt new technologies and organizational forms. A coercive environment may result from legislation or government pressure, which is easily recognised as coercive. It may also result from highly competitive environments, where the coercive element results from the need to seek legitimacy from constituents such as customers. There will be heavy pressure on organizations to learn, to adapt, to seek generative change (Kloot 1997), in such environments.

Voluntary isomorphism, whether normative or mimetic, results from voluntary knowledge management and voluntary learning. Voluntary isomorphism implies that learning and knowledge transfer depends on organizational agents' knowledge. Organization agents may belong to professional organizations, which require adherence to professional codes of behaviour. Such professional agents bring to the organization a body of knowledge which changes as the profession changes. These professionals, with their access to external knowledge (Tsai 2001), provide opportunities for the organization to acquire the knowledge for itself, to codify it and subsequently embed that knowledge in its practices and processes. Such changes brought about by professional requirements of organization agents represent normative isomorphism. Voluntary isomorphism may also occur when management consultants are employed. Management consultants bring to the organization codified knowledge in the form of management practices currently in vogue. Many of the alphabet soup of management practices such as ABC, ABM, TQM, JIT, BPR, EVA, BSC and even KM (knowledge management) itself have been learned from consultants and adopted after organizations have identified a problem, perceived a gap in the knowledge available to the organisation and its agents, and employed management consultants to bridge the gap and enhance organizational performance.

Agent knowledge is a pre-requisite for learning. Organizations and individuals require absorptive capacity to learn from their peers. Absorptive capacity, or prior knowledge, provides the ability to leverage and benefit from knowledge developed by other units, both external and internal to the organization (Tsai 2001). An organization can rationally choose to pursue knowledge management in the process of normative isomorphism. It can choose to acquire the knowledge it needs by hiring professionals with that knowledge. However, normative isomorphism as described here may occur without an explicit decision within the organization to acquire and utilise specific types of knowledge. The actions of knowledgeable agents may cause the organization to change its processes and policies without making 'rational' choices, as individuals transfer their knowledge to others. One of the main constituents of organizational knowledge transfers is 'interactions'. A large part of knowledge is internalised within the organization through informal get-together and interactions between employees (Bhatt 2002). Thus organizational knowledge is created through the actions of organizational members. This can be extended to the gaining of external sources of knowledge, as organizational members interact with others outside the organization and subsequently bring new knowledge into the organization.

From an institutional perspective, is it possible that lack of knowledge results in organizations resisting institutional pressures? Knowledge management in itself is an institutional process. Organizations tend to model themselves after organizations in their field that they perceive to be legitimate or successful (Di Maggio and Powell 1983). This mimetic isomorphism requires that organizations acquire and manage the knowledge they need to become more like others. Much of the extant literature contains lists of items which can be categorized as the enablers or barriers associated with knowledge management (Chauvel and Despres 2002). Examples of processes to enhance knowledge management include: empowering employees, training to enhance absorptive capacity, motivating and nurturing the expertise of experts, brainstorming, dialectical thinking, continuously experimenting, creating collaborative and learning cultures, storing and codifying rules and procedures, and reviewing rules and procedures (Bhatt 2002). However, institutional theory suggests that change is not always the result of rational actions. Knowledge transfer and organizational change may be coerced, or it may be voluntary. It may happen because the organization/individuals seek and absorb new knowledge, or it may happen as a result of environmental pressures over which the organization has no control. Conversely, knowledge may impact on institutional isomorphism. Knowledge, or the lack of it, may moderate the institutional pressures brought to bear on an organization. Lack of knowledge may lead an organisation to fail to identify the need for change, or fail to identify what other organizations are doing so that they can be imitated.

CONCLUSION

Institutional perspectives may provide new understanding to organizations seeking effective knowledge management strategies. Understanding the difference between what they need to know (coercive isomorphism) and what they choose to know (voluntary isomorphism) may help managers put in place effective strategies to generate new, innovative knowledge. Understanding institutional pressures, and the non-rational choices which organizations sometimes make, can help organizations identify factors which both assist and impede the generation and utilisation of innovative knowledge. Current knowledge management literature seeks a 'one size fits all' solution: it assumes that knowledge management in one context is similar or identical to knowledge management in another (Chauvel and Despres 2002). Future research which assesses institutional pressures, the search for organizational legitimacy and the effects of different stakeholders on knowledge in everyday contexts would assist in designing knowledge management systems which allow for differences in organizational form and circumstances.

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