



**Organizational Learning in  
Multinationals: What More Should be  
Done?**

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In international business ventures, it was often touted that the organizations involved in such operations will be able to gain invaluable operational and managerial experience through deploying expatriates oversea (Tsang, 2002). Although initial losses would be experienced, multinational corporations (MNCs) are said to be likely to learn in the process and eventually turn their oversea operations profitable over time as their oversea subsidiaries learn from their daily operations in the foreign land (Delios & Beamish, 2004). While I do agree that some learning occurs in such situations, I am skeptical of the nature of the learning that had taken place: is what had happened in such situations organizational learning or individual learning? In this paper, I shall discuss the difference between the two, why more research should be done to make organizational learning more likely to occur, and what future research should be conducted.

It had been touted that when MNCs engage in international operations, knowledge and capabilities can be gained from its oversea subsidiaries, and allows first-mover advantages to be gained when such knowledge and capabilities can be used to neutralize threats that the MNC faces, or to exploit opportunities that are opened to it (Barney & Hesterly, 2008). In firms that pursue transnational opportunities, learning from some subsidiaries are expected to generate a sustained competitive advantage for the MNC as long as the experiences gained are applicable to subsidiaries in other countries. The underlying assumption of these propositions is: individual learning can be transformed into organizational learning at the subsidiary level, and the organizational learning at the subsidiary level can be transformed into organizational learning in the international level.

However, whenever we observe an improvement in the performance of an MNC, mediated by the effect of learning, is the phenomenon observed organizational learning or individual learning (Rousseau, 1997)? That is, are those observed performance improvements of MNCs due to the learning effect of the organization per se, or is it a mere outcome of their employees gaining experiences and competencies overtime while working on their jobs? Though the manifestation of the effects of both types of learning may be fairly similar when all key performing personnel of an organization continue to work in an MNC, they are never the same (Fiol & Lyles, 1985).

### **Individual learning versus organizational learning**

**Individual learning**, on one hand, in organizational contexts refers to the improvement in individual's job performances and efficiency through experiences that he/she had gained on his/her job, or through other means like training workshops and courses in schools. Ultimately, this is only a reflection of an individual's growth in personal competency, which will be potentially lost, from the perspective of an organization, once he/she leaves the MNC or when there is a movement in manpower

among the various subsidiaries and the headquarter of the multinational.

**Organizational learning**, on the other hand, is not really a phenomenon whereby an organization learns by itself per se. Although organizations are referred to as artificial personnel (Tabalujan & Low, 2006) by legal practitioners, an organization is never a real person and cannot learn by itself. It learns through the learning of its employees and the systematic retaining of employees' knowledge because it is the learning of employees that had given organizations their performance improvements. Hence when we say an organization learns, we are essentially saying that its' employees had learnt way(s) to improve the organization's performance and the organization is able to retain the way(s) that was found by its' employees.

In MNCs, organizational learning takes place in several parts of the world simultaneously. It can either take place in the headquarter of the MNC or its subsidiaries, and the scope of effect of such learning can be either limited to each site of learning or across different sites of learning. However, to the extent that learning across functional units of an MNC is just a wider application of learning at the subsidiary level (or in the headquarter), the discussion in paper shall be restricted to learning within subsidiaries (headquarter) for the sake of simplicity and clarity of discussion.

#### **Difficulties in the conversion of individual learning to organizational learning**

While it was suggested that individual learning can be transformed into organizational learning through processes such as institutionalization of processes and commitment of other employees to those institutionalized practices (Kostova, 1999), learning at the macro-level might still not takes place due to those difficulties that are inherent in these processes.

When executives are sent oversea, they are expected not only to manage the subsidiaries per se, but also to learn how businesses can be conducted there effectively, if not more effectively, on overall (Prahalad & Lieberthal, 2003). Hence, when they are holding key positions oversea, organization's effectiveness will improve overtime as they learn the rules of game of those countries, and when they step-down, they are expected to pass down what they had learnt to their successor (Prahalad & Lieberthal, 2003). When this type of handing-over process can be done successfully repeatedly overtime, we would say that individuals' learning had become organizational learning.

Though it might be then commonsensical to say that MNCs must make sure that knowledge and experiences of executives can be smoothly transmitted from a position holder to the next, more research needs to be done to derive the type of mechanisms that can be implemented by them to make such transition of learning possible. Although the detailed discussion of all the methods that were used or proposed to facilitate organizational learning is certainly out of the scope of this paper, due to the

limit of words, I shall discuss one of them as an illustration to my point.

Amongst others, Rousseau (1997) proposed that individual learning can be converted into organizational learning by means like the routinization of employees' jobs and the dissemination of information and knowledge among employees. Although this might work for duties that are relatively repetitive in nature, such as daily office administrations, it is unlikely that this recommendation will be as effective when managerial/executive roles are in perspective.

Due to the difference in factors such as values and business practices that people from different countries and cultures have (Graham & Lam, 2003; Hofstede, 1983), employees from different parts of the world would respond to managerial decisions such as rewards and punishments differently (George & Jones, 2008; Gelfand, Erez, & Aycan, 2007). Thus, managers who are handling human resource issues at different locations must be able to discern how employees from different countries, or cultures, will react to such decisions precisely and cater his human resource policies and decisions accordingly for optimal operational performances to be achievable. If not, some human resource practices might be perceived to be unfair and cause dysfunctional outcomes to arise (Park & Vanhonacker, 2007).

However, the soft human resource management skills, such as the right balance and amount of coercion and incentives that should be used in different subsidiaries of a MNC that are located in different parts of the world, for the effective management of employees, cannot really be reduced into words. Rather, they are a function of individuals' experiences in handling those issues at a particular subsidiary of a multinational, and the reading of others' works on what they had done for such issues in the past would have limited efficacy in the practical sense.

Even if the knowledge held by employees can be reduced into words, they may not be suitable for dissemination. For example, although the contacts and details of the business partners or major clients of a multinational enterprise's oversea subsidiary can be written down in notes and be passed to the successor of an executive, some of those information like major clients' personal likings and dislikings, though are important to the forging of a continuous functional relationship between the multinational and them, are not suitable for dissemination. Furthermore, even if the knowledge of employees can be reduced into words and are suitable for dissemination, how sure can an organization be that other employees can learn what were written in those documents fully?

From this illustration, we could see that methods that were proposed to be useful to the facilitation of the conversion of individual learning into organizational learning might not really be effective when it comes to the passing down of executives' knowledge and competency, despite of the importance of this process to the long term competitiveness of an MNC, due to the limited codifiability and teachability potential

that these processes have (Kogut & Zander, 1993).

Despite of all these implicit difficulties that a multinational enterprise might face when it tries to convert individual learning into organizational learning, some practitioners and academics seems to be taking the relationship between the two for granted and assume that individual learning will become organizational learning (for example, see Delios & Beamish, 2004).

In view of the lack of discretion exercised by some professionals in their discussions and analyses of the performances of multinationals' oversea ventures, it is worrisome indeed that some of the practitioners who are involved in such ventures might also have taken the phenomenon of individual learning as organizational learning, even if the present organizational mechanisms might not be able to produce such effects totally. This would lead to disastrous outcomes if an organization's key personnel decides to leave the company for another, which is quite common in the present day business world despite of the increase in compensation that organizations are paying to retain their services, but there were inadequate mechanisms to ensure his successor can inherit enough knowledge and competency from him to keep the operations of the company on: the operations of the company may fumble upon his departure. Hence, in my opinion, a series of research should be conducted in the field of organizational learning to assist multinationals in their smooth transition of knowledge and competencies between employees.

#### **Future direction of research**

Firstly, the actual mechanisms that are currently used by organizations to pass on knowledge and competencies of employees to others, and their effectiveness, should be investigated. For example, observations of executives who are handing down their roles should be made to observe how organizations make sure that knowledge and competencies of the leaving personnel are handled down to his successor. As a gauge of the mechanisms' effectiveness, indicators such as employees' perception of the mechanisms' effectiveness, and the organization's performances, should be measured. This set of research will provide us with insights of how well current organizational mechanisms have done in trying to convert individual learning into organizational learning, and the reasons for the outcomes of the processes investigated.

Based on findings from the first research, a second set of research should be conducted on another sample of employees to find out how greater amount of knowledge and competencies can be passed on to other employees via the addition, modification, or omission of certain processes to the mechanisms that are currently adopted by organizations. For example, when an employee is taking over the current executive's role, how long should his understudy period be? Is the one year understudy period that is used in some agencies appropriate? Overall, this research will allow us to find out the way(s) to facilitate the process of organizational learning

by allowing multinationals involved to be able to retain the knowledge and competencies of their employees more effectively.

Next, upon the completion of these two sets of research, they should be repeated in different countries and cultural contexts. This will allow us to be able to discern any trends of similarities or differences in how such learning processes take place under different contextual factors, and what multinational enterprises can do to facilitate such processes under different circumstances.

Based on the findings from this series of research, advices on how multinationals can achieve greater effectiveness in the realization of organizational learning can be devised and be promoted to the industry at large.

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