

LEARNING CAPABILITY AND BUSINESS PERFORMANCE

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Abstract:

It is widely recognized that the development of learning capability is key to achieve a durable competitive advantage. The analysis of the relevance of learning capability to improve business performance and, thus, the organizational competence has been an important issue developed in literature. This paper explains the link between learning capability and the improvement of business performance by comparing how the main dimensions of learning capability –knowledge resources and learning process impacts on performance, in terms of both non-financial and financial performance.

Key words: learning, exploration, exploitation, performance

JEL classification: M20

The importance of learning

Learning is the only way to achieve knowledge, and knowledge gives skills and abilities. This world is in permanent changes. The volume of information is so wide then only the continuous learning can give a part of them. Firms need to transform and refine their knowledge resources in accordance with the environmental conditions, and this is possible through learning processes. In essence, it is often recognized that organizations learn for two basic purposes: to explore new opportunities and to exploit existing ones. Literature has shown a growing interest about learning capability.

Performance is bounded with learning. Maybe some of us put the same question: how could the new way to learn of our students generate performance?

First, every one of us recognizes that today's kids, our students, are different from most of us here. They have a new vernacular - a digital vernacular. But today's students also learn in ways that are different from how we learn. How can we begin to take advantage of those differences?

Second, one of the most ironic situations is that although education is more important than ever today. At a minimum we need to find ways to tap the naturally occurring curiosities of our students so that we can turn them loose to do more learning on their own.

Third, if we want to educate students for the 21st century, we must realize that most students today aren't going to have a fixed, single career; instead, they are most likely going to follow a working trajectory that encompasses multiple careers. As they move from career to career, much of what they will need to learn won't be what they learned in school a decade earlier. They will have to be able to pick up new skills outside of today's traditional educational institution.

Fourth, since nearly all of the significant problems of tomorrow are likely to be systemic problems – problems that can't be addressed by any one specialty – our students will need to feel comfortable working in cross disciplinary teams that encompass multiple ways of knowing.

Fifth, and finally, one of the big challenges we face is how to encourage institutions of higher learning to become learning institutions themselves.

It is a direct link between learning capability and effective performance. Learning is a life long need. Not only young people have to learn. Also as adults, employees have to learn. The performances of enterprises are bounded to continuous learning.

Today employees have to learn to deal with information. Training programs are a target for each company..

Learning Processes and its Essential Forms It is important to define learning between learning as a product and as a process. What is learning? Is it a process or a product? How might it be approached?

Four different orientations to theorizing learning:

- the behaviourist orientation. The behaviourist movement in psychology has looked to the use of experimental procedures to study behaviour in relation to the environment.
- the cognitive orientation. Where behaviourists looked to the environment, those drawing on Gestalt turned to the individual's mental processes. In other words, they were concerned with cognition - the act or process of knowing.
- the humanist orientation. In this orientation the basic concern is for human growth. We look to the work of Maslow and Rogers as expressions of this approach.
- the social/situational orientation. It is not so much that learners acquire structures or models to understand the world, but they participate in frameworks that that have structure. Learning involves participation in a community of practice.

The concept of learning is understood from various perspectives, and mainly developed in the psychological field over a long evolutionary history.

Different scientist define learning and especially organizational learning that have in common their attempt to explain what happens or, more specifically, what changes in individuals and organizations when they learn, that is, when they acquire knowledge or get to know more.

Organizations confront them self with permanent changes, with concurrence on the ware market. Learning in the only way to be in trend with all the changes and to gain experience and a behavior adapted to this process.

Accordingly, an organization's knowledge transformation in order to get adapted and aligned with its environment is a result of learning processes.

Although organizations need to learn through experience and refine their existing knowledge and capabilities, they also need to create variety in their knowledge and experience through experimenting, innovating and risk taking. In other words, organizations face the dilemma of allocating resources to the exploitation of their existing knowledge or to the exploration of new alternatives. Two alternative forms of learning processes: exploration learning processes and exploitation learning processes. The distinction between exploration and exploitation captures a number of fundamental differences in firm behavior that may have significant consequences.

Exploration Processes

Scientists define exploration as a learning process that has the goal of "experimentation with new alternatives that have returns that are uncertain, distant and often negative".

Explorations process means:

- Make efforts to get acquainted with current members of the enterprise;
- Gain an understanding principles and processes;

- Learn about the diversity of views of enterprise and resulting opportunities and challenges;
- Understand opportunities and limitations of life in community;
- Have awareness of expectations regarding::
- Participation in community activities;
- Social contract to respect and support one another.

We can define exploration as a manifestation of organizational learning that entails the challenging of existing knowledge, ideas and competences with entrepreneurial and innovative concepts. It suppose study the environment for new opportunities and includes activities such as search, variation, discovery, innovation, risk-taking, and research and development Exploration does involve also the search for new organizational routines and the discovery to new approaches to technology, businesses, processes, and products.

.. To put it somewhat simply, the benefit of exploitation is based on increased efficiency, while the benefit of exploration is based on innovation.

Table 1 The main differences between exploration and exploitation

	Exploration	Exploitation
Definition	Learning mechanism that entails the refinement and extension of existing knowledge and competences	Learning mechanism that involves the variation and regeneration of knowledge and competences
Outcomes	New designs, new markets, new technologies	Existing designs, existing markets, existing technologies
Knowledge base	Require new knowledge and departure from existing knowledge	Build and broaden existing knowledge and skills
Result from	Search, variation, flexibility, experimentation, risk taking	Refinement, production, efficiency, execution, control

We can observe that exploration is innovative. A new type of management should put the accent on exploration and not on exploitation. We can also say that we can not be exclusive. Exploitation is a form of achieve knowledge about things that are status in the organizations. Exploitation helps to the exploration process.

It must be a balance between exploration and exploitation. That is the key that offers competitive advantage is a function of the unique bundling of complex resources and capabilities that increase the efficiency of organizational actions.

Intellectual Capital as an essential Knowledge Resource

Why do we speak about intellectual capital? Because is a higher form of human resources, that means investment in employees that are high level performance with skills, experience, abilities that helps the organization to achieve his target efficiently. Intellectual capital is characterized by customer loyalty, repeat business, reputation, and so forth.

We can say that those employees are intangible resources, which are a source of value to organizations, are generally labeled as “intellectual capital”.

Intellectual capital may be defined as the possession of the knowledge, applied experience, organizational technology, customer relationships, and professional skills that provide a company with a competitive edge in the marketplace, or that intellectual capital are combined intangible resources which enable the company to function.

Classification of Knowledge Resources

To classified knowledge resources we could consider intellectual capital as knowledge resources that can be converted into value, that should contain human knowledge as well as the knowledge embedded in the organization's structures, processes, routines, systems, intellectual property, and relationships with external.

A lot of specialists argue how to define the intellectual capital. One of them say that intellectual capital consist of human capital, structural capital and relational capital.

In essence, the human capital is, the intelligence of the organizational members defined as a combination of factors such a genetic inheritance, education, experience and attitude.

Within an organization we can define structural capital and relational capital. Structural capital consists in the knowledge resources that allow an organization to function in a coordinated way, giving support to employees in their quest for optimal intellectual performance and therefore overall business performance. By other part, relational capital represents the potential an organization has due to knowledge resources external to it, such as knowledge embedded in relationships with customers, suppliers, the government, or related industry associations.

Knowledge Resources and learning Processes: The learning Capability

The way that intellectual capital (knowledge resources) changes and evolves over time depends on learning processes. Knowledge resources compel all that is already known or needs to be known, which includes knowledge at the human, structural and relational levels. Learning processes are more concerned with evolution and interconnections. They are about the interaction of knower(s) between themselves and with the world (using knowledge resources as a tool). Learning processes employ knowledge resources and result in new or modified knowledge resources for making sense of the world and taking action in it.

The link between learning processes and knowledge resources is reflected in the relation between the exploration and the exploitation of knowledge

The exploration processes and new knowledge is created and assimilated (institutionalized). At the same time, past knowledge guides local subsidiaries, which produce the exploitation of what is already learn. The efficiency of learning depends on how exploration and exploitation processes continuously to provide knowledge resources. Those both knowledge resources and learning processes must be combined to define the learning capability of any organization.

Learning capability facilitates the combination of new and different knowledge resources with existing ones and thereby creates superior performance.

Building on these assumptions about learning capability, the next step is to relate it to business performance. The theoretical distinction between learning processes and knowledge resources is important in evaluating the contributions of learning capability to business performance.

Learning Capability and Business Performance

The link between learning capability and business performance is discovered only a few years ago.

In a world where information is so complex it is possible to presume that learning will improve future performance. Over time, superior performance depends on

superior learning. Many authors have recognized the importance of learning capability as a way to improve business performance.

Knowledge resources and learning processes have become increasingly accepted in the international business literature as important strategic tools that differentiate firm performance.

The figure below shows the link between learning capability and business performance.

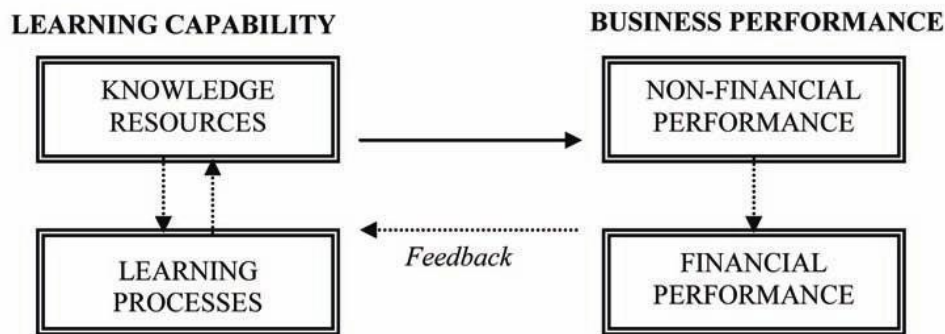


Figure 1 the essential relations between learning capability and business performance

Non-Financial Performance and Financial Performance

The notion of a substantive link between learning processes, knowledge resources improved business performance often relates the potential effects to the economic and financial success. It is possible, in fact, to use some kind of indicators about the financial success.

As we saw, continuous learning is an essential way to enlarge an organization's financial performance, and it is through the identification and satisfaction of market demands and customers' expectations.

We can say that theoretical knowledge will give more satisfaction at the customers and will build a durable relationship with them. That makes organization to achieve a top position on ware market.

We can also talk about a nonfinancial performance given by knowledge resources themselves as a basis for the learning processes. Learning capability can be sustained as a source of nonfinancial performance through the creation of value for stakeholders and, thus, as a decisive channel for financial performance. Finally, it is worth noting that business performance may provide important feedback about the efficiency of learning and, ultimately, it affects how an organization continues to learn as a long-lasting core competency.

CONCLUSIONS

The main objective of this paper is to show the direct and indirect relationship between learning capability and business performance. With this aim, the paper addresses different configurations between knowledge resources and learning processes for an improved business performance. Business performance is valued in both financial and non-financial terms.

We can say that it exist a proper interaction between knowledge resources and learning processes is considered critical to obtain performance enhancements. In principle, it is argued that learning processes by themselves do not seem to lead to long-

term success, and that improved performance is in large derived from knowledge resources. Learning processes may occur, but it does not necessarily follow that those processes will directly enhance performance. If high levels of learning processes take place together with low levels of knowledge resources, it involves that there is learning not being absorbed. Learning is thus being forgotten, not allowing shaping and deploying an effective knowledge basis, and almost never yielding profitability in the long term.

Learning processes can be considered a necessary but not sufficient condition for improved and sustained business performance. Improved business performance largely lies in the knowledge resources they create and mobilize.

However, it must have in mind that knowledge resources depreciate with time, especially in international dynamic environments. Learning processes are then necessary to strength and rebuild knowledge resources so that it may preserve its competitive advantage.

Previous assumption comes to say that to continually reinforce knowledge resources by means of the appropriate paths of learning processes is as important as possessing them at a certain point as a basis to obtain an improved business performance.

Improvements on financial performance are seemingly preceded by improvements on non-financial conditions related to customers' satisfaction, organizational reputation, and employee satisfaction. Managers must also realize that the reaction of others (customer, employees, etc.) to the organizational activity is as important as the realization of superior financial performance.

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