Organizational Learning and Knowledge Management: Where Is the Link?

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In today’s competitive landscape firms must develop idiosyncratic, difficult-to-imitate capabilities. This requires effective knowledge deployment and development. In this chapter, we discuss why knowledge and organizational learning are crucial for today’s firms’ competitiveness and propose a model of individual and collective learning based on problem solving. We then explore its implications and examine how KM can be harnessed to foster learning in organizations.

Increasing globalization, the continuous improvements of technologies and deregulation are having a profound impact on the traditional competitive structure of markets. Traditional sources of competitive advantage seem to be no longer sufficient in such an environment. More and more firms have to concentrate on their distinctive competencies. As a consequence, the development of idiosyncratic, difficult-to-imitate capabilities with potential to be distinctive is becoming fundamental in the modern competitive arena. This is why effective knowledge deployment and development (i.e., learning) are at the heart of what firms need in order to face the challenge (Bell, 1973; Badaracco Jr., 1991; Drucker, 1993). Thus, management is to be concerned about how existing knowledge can be best harnessed to produce advantage and how to foster the creation of new knowledge with the same goal.

According to the resource-based view of the firm, sustained competitive advantage can be only assured through assets and capabilities that become difficult to imitate by others because they are idiosyncratic and representative of a given firm. This happens when: (a) their development is so path and context-dependent that developing them in other contexts would be much more expensive in terms of time and learning effort; (b) temporal commitment for a continuous development of resources is necessary (Ghemawat, 1991; Teece, Pisano & Shuen, 1997); and (c)
even if developed in other contexts, they would be less effective because their fit in a different organizational setting would be worse and thus imply difficulties in their deployment (Barney, 1991; Peteraf, 1993).

In this context, knowledge is a resource that needs commitment over time, is context specific and may be more valuable inside the firm that developed it than in the market. As Connor and Prahalad (1996) point out, “Private knowledge is a basic source of competitive advantage.” Private knowledge refers to both individual and firm-specific collective knowledge, and to the firm’s ability to develop it, i.e., to individual and organizational learning (OL) capabilities.

By nature, and in strong contrast with physical, natural and financial resources, a firm’s knowledge base is continuously modified due to the fact that individuals in the organization are constant learners. Although this does not necessarily imply that such changes are useful for the organization and for the development of sustained competitive advantage, it does mean a potential that other resources do not have.

**LEARNING AND KNOWLEDGE**

In recent years, knowledge research and learning research have been increasingly informing each other. Thus, building on a pioneering work of Duncan and Weiss (1979), who already conceived learning as a process in which knowledge constitutes both input and output, other researchers have started to follow this integrated view. We follow approaches like those of Kogut and Zander (1992), Nonaka and Takeuchi (1995) or Spender (1996), which all take into account specific characteristics of knowledge to develop ways of learning. As differences in knowledge led to differences in learning, it is important to have a clear idea about what types of knowledge are present in individuals and organizations.

**Encoded and Non-Encoded Knowledge**

A first distinction is that between encoded and non-encoded knowledge. Encoded knowledge is fully explicit, conveyed by signs and symbols. Nonaka and Takeuchi (1995) and Boisot (1998), although taking into account both explicit and implicit knowledge have put emphasis on the encoded type as a fundamental construct when it comes to knowledge development and learning in organizations, as it is shareable among the organization’s members.

Other researchers consider that it is neither possible nor desirable to encode all knowledge in a firm. First, as Polanyi (1962) points out, people know more than they can say and thus not all knowledge can be make explicit or encoded. Second, non-encoded knowledge is more difficult to imitate (Connor & Prahalad, 1996; Grant, 1996), constituting both an advantage and an inconvenience, as inimitability provides higher sustainability of knowledge-based competitive advantages, while at the same time it hinders the dissemination of knowledge throughout the organization. Thus learning involving only encoded knowledge can be fundamentally different from learning involving non-encoded knowledge.

As Collins (1993), Blackler (1995) and Sieber (1998) have pointed out, non-encoded knowledge can be embodied, embedded and embrained. While embodied knowledge refers to individual knowhow, embedded knowledge is rooted in firm routines, culture or top management schemes (Granovetter, 1985; Nelson & Winter,
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