ORGANIZATIONAL LEARNING (OL) AND STRATEGY: INFORMATION PROCESSING APPROACH TO PERFORM STRATEGIC CHOICE ANALYSIS

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ABSTRACT

Study of Organizational Learning (OL) required to discuss the issue of strategy to understand company's organizational knowledge and how company applied the organizational knowledge toward the changing of the environment. Method of the analysis for this research was based on desk research thoroughly on the existing literature. This research analyzed the viewpoints of different researchers in OL and elaborates the information processing abilities approach of OL. Based on desk research on literature, the research discussed information processing approach to explain OL and strategy choice by describing the importance of information and assumptions, the activities of knowledge acquisition, interpreting and distribution of the knowledge, typology of exploitation and exploration learning. It proposed the importance of the company to perform alignment between internal managerial process arrangement and external environment while doing the learning, based on the strategic choice space, as theatical clustering map of the learning, the fit, the alignment, and the alliances of the organization. This research finds that the strategic space might help the analysis of balancing between exploitation and exploration learning while applying the analysis of varied firm characteristics, strategic orientation, and industrial environments.

Keywords: organizational learning, strategic choice, alignment, strategy space, information processing

INTRODUCTION

In this dynamic business environment, an organization needs to change, learn, and implement those change. In this sense study of learning that the organization has gained, it is important to keep the organization transform itself in line with the environment (Farrukh & Waheed, 2015). As it is studied in the organization field, the terminology of learning organization also complementary with the OL. Those are relevant to explain organization phenomenon as those are studied by several scholars. Burnes, Cooper, and West (2003) have said the organization that is good at OL is a learning organization. OL is a concept that used to describe a certain type of activity. It takes place in an organization while the learning organization refers to an organization in and of itself. Further, he underlines the meaning of OL as a type of activities that become learning organization by involving systematically and synergetic for every member of the organization, therefore, the organization is able to transform itself continuously. Curado (2006) has mentioned that the challenge of OL studies is the incorporating discussion of organization design and its strategy. It urges to cover discussion of organizational structure as the contingent factors of the organization strategy and its alignment arrangement based on what company learn about the environment. In this sense, it is necessary to understand about learning comprehension as a sense of direction and about changing where the company to compete and excel. The strategy is about applying the direction of the future of the organization by conducting the organization. The idea of applying what organization learns to anticipate and create the future would be the contribution of strategy in getting the business firm moving forward (DuBrin, 2010).

This research presents an analysis of OL about the strategic choices, the important fit between organization and environment, and the alignment of the internal resources arrangement and the dynamic external business environment. Strategic choice is choosing which company gains competitive advantage and exploits opportunities in the organization (Barney & Hesterly, 2015). The successful organization performs strategy fit with the organizational environment and supports that strategy with structural design and appropriate management process (Rhys *et al.*, 2008). It keeps various fine-tuning pieces of strategy, adjusts and response unfolding events (Anderson & Simester, 2011). Therefore, Schumpeter (2015) has metaphorically said the strategic choice would rather a palate of plans since choosing a strategy is a lot more complex for the organization that it used to be. The analysis would discuss theoretical issues of the OL in the context of strategic choices and would promote an OL approach that is applying into theatrical strategic space for further research. In doing so, the article might answer these following questions, such as (1) what makes an OL approach available for promoting strategic choices of the organization? (2) how OL approach necessary for the organization strategy space discussion?

METHODS

Method of the analysis for this research is based on desk research thoroughly on the existing literature. This research analyzes the viewpoints of different researchers in OL and elaborates the information processing abilities approach of OL. The author also analyzes the typology of OL from the James G. March (1991) of exploitation and exploration OL. Exploitation in this research refers to the activities of an organization to reduce the variation in the organization such as standardization that dedicated to improving the efficiency, reliability, risk aversion, and emulation of success. While OL of exploration refers to the increasing the variation in the organizational process of the organization through task, duties, and function for innovation (Schermerhorn *et al.*, 2012). It also analyzes the model of strategic choice of Raymond E. Miles and Charles C. Snow (1984) that is applying into the strategic space (Burton, Obel, & DeSanctic, 2009) and OL and strategic choice as corporate alliances option (Yamakawa *et al.*, 2011).

RESULTS AND DISCUSSIONS

French *et al.* (2015) have stated that OL is a process to make a learning organization improves the organizational performance by acquiring new knowledge. Lopez *et al.* (2006) have seen organization learning as a dynamic creation process, acquisition and knowledge integration for resources development and capability that suitable for organization perform better. Chiva and Aligre (2005) have elaborated ideas about OL by mentioning that OL is an efficient procedure to process, interpret, and develop the representation of reality which is knowledge. The process of OL, therefore, might occur through the organization that own cognitive process as own by the member of the organization. The organization learning is a process that continuously acquisition new knowledge and adjust for successful adaptation to the organization external and internal environment and maintain the existent and sustainability. It can be concluded that the study of OL discussion is based on various perspectives and theoretical approach. Pawlosky (2003) has categorized the studies of OL into theoretical cognitive perspective and knowledge perspective. From the cognitive perspective, he identifies two groups of theoretical approach, which is structural and corporate epistemology approach, and the other is a core competence and knowledge creation.

This article uses basic theoretical approach to discuss organizational knowledge and strategic choice that is focusing on the information-processing abilities that assumed entity's from the cognitive

structure. It is inspired by the studies on the cognitive psychology that covers the study of cognitive structure and knowledge system of an individual basis. However, as mentioned by Pawlosky (2003) that the assumption of the cognitive psychology also applies to the level of collective basis, which is organization and group. Therefore, as the coverage issued of the individual structure, the cognitive structure of organization also attached to the assumption that every activity has basic cognitive, as reflected in the norms, assumption, and strategy (Pawlosky, 2003). Refers to the focus on discussion of the OL and strategy in this research, the author argues that the organization learn to improve its understanding and evaluation of the internal and external structure through the decision-making ability in an organization by integrating value and belief in the organization (Pawlosky, 2003).

The studies of the structural perspective are about the important role of the network of an information-use process in the organization. It covers the issues of information and knowledge in the organization as part of the organization improvements advantage. This research argues that an organization does process scanning abilities to consider information about the change of business environment. When the environment of the organization changes and there is a lack of fit between the organization and the environment, the organization might fail to survive. The organization also acquires the knowledge from experimentation, direct experience, self-appraisal, and inheritance knowledge. The distribution of information in organizational is done by sharing to develop new information and new understanding. In short, the organization looks for information and constructs OL by broadly understanding the different sources of information about the internal and external environment of the organization.

There is an amount of research with this organization learning approach, for example, Huber (1991). He has developed four constructs of learning to explain how the organization understands various sources of information through knowledge acquisition, information distribution, information interpretation, and organizational memory. Huber also has stated that an organization would learn if its units acquisition the knowledge that potentially useful to the organization. Therefore, OL occurs if many units or components in the organization do acquisition the useful information or knowledge, so they have more varied interpretations and have the possible range of changes by developing uniform comprehensions of various interpretations (Huber, 1991). More learning has occurred when more various interpretations have been developed because such development changes the range of the organization's potential behaviors (Huber, 1991). The organization needs to identify the potentially useful information and more different interpretation about the organizational environment. When the environment changes, the organization might become incompatible with the environment, and it needs to develop strategy options by expanding the information acquisition process continuously and more wide-ranging information and sources.

Lopez *et al*. (2006) have also developed study based on Huber's by expanding the study on external knowledge acquisition and internal knowledge acquisitions. OL involves long-run external knowledge acquisition such as networking, alliance with the customer, experts, and other knowledge institutions. Also, Lopez *et al*. (2006) enrich the study of Huber by identifying the role of integrator and information technology, also the measurement of information distribution such as goal, innovation, best practices, and communication. Also, they incorporate a common knowledge to foster common understanding to coordinate process in organization memory of customer database. The organization maintains the strategy of configuration to stay competitive or achieve high-performance organization by making fits, aligning between internal and external organization environment, and explore collaboration of multi-firm network from organization to keep organization innovates continuously. Structure and the process of the network from the organization would be able to tap the opportunity beyond the industry limitation (Von Glinow & McShane, 2010).

Yamakawa *et al.* (2011) have researched the information processing approach to OL and strategy choice. It discusses the March's exploration and exploitation approach that applies to alliances strategic option configuration. It concludes that certain exploration and exploitation that the

configuration might respond to the resources and firm performance, corporate alliances portfolio, firm characteristics, and industry contexts. The research confirms the role of environment, especially the growth of the industry that is considered as an important factor for firm alliance and favorable financial performance, while the alliances organizations might be having various internal resources. The source of organizational information and interpretation from external environment and alliances requires organizations to set choices based on the fit between various internal resources arrangements across the alliances to maintain organizational advantage competitiveness.

Refers to the Curado (2006), this research presents how OL and strategy choices based on the study of information process approach of OL and how it is important to learn. Yamakawa *et al.* (2011) have researched the strategic options and learning analysis to adapt the environment based on the corporate strategy and alliances in industry. Burton *et al.* (2009) discuss the OL and issue of strategy. They have stated that strategy is based on the application of the knowledge while learning is a chance in knowledge to apply the new strategy. It concludes that strategy choice, knowledge usage, and learning are all concerned with how the firm chooses and which actions to take based upon limited information. Based on the typology of Miles and Snow, strategic choices and OL typology of exploration and exploitation from March, Burton *et al.* (2009) have explained the strategy choices and OL as can be seen in the Figure. The strategy choices for typology are the reactor, defender, prospector, and analyzer. In that choice includes a type of choices for solving a problem such as choice of technologies, choice of product-market domain, the rationalization of an existing process, and selection of areas for future innovation. Exploration and exploitation are developed by March (1991) to analyze the OL and knowledge in an organization. Exploration and exploitation might apply in strategy since in the application of the knowledge and learning are about changing knowledge to develop the new strategy.
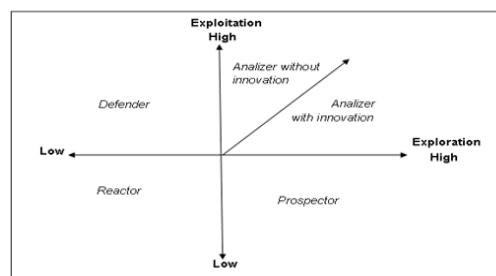

Figure The Strategy Space and OL
(Burton *et al.*, 2009; Prasetya, 2011)

The strategy helps the company in processing the positioning of the company within the rivalry environment, and the way company used the limited information and varied of information interpretation for company competitive advantage. The strategy is also building the capability to excel the execution and keeping open information to ensure enough information sharing. It is ultimately the open possibility of cooperation with external sources alliance, executing collaboration, and cooperation through across organizational mechanism coordination and integration (Thompson *et al.*, 2016). Since the strategy is an ongoing process, such as making sure of the superior achievement in competition landscape, it involves productive activities across all the activities in the organization. Therefore, a company uses fit and aligning to drive the goal to satisfy the need of key stakeholders, the advancement of the technology in the industry along with the internal arrangement, such as structure and intangible capabilities of the company. The discussion for future research for OL might involve the deployment of the resources of the company through it that involves processing abilities of the company and capitalizing the tactic to know about the organizational knowledge for excel the execution. People can argue that a company that committed to doing the learning in the level of organization might be reviewed regarding how intensive

the organization acquires the information and knowledge that consider useful for organization, aware of the differences and alternatives with possible changing the understanding.

The organizations learn along with the effort to stay competitive in the business through alignment between internal arrangements and external environment. The process of acquiring knowledge and distributing knowledge to adapt to ever changing the environment, according to information processing abilities approach, requires the organization to process internal and external information acquisition, interpret, and distribute information and retained the information into organizational knowledge. The organization needs to settle mechanism to distribute the information obtained and to locate the units that mostly affected to build the capability and execution. Since the information within the organization is a collective understanding, therefore organization needs to reload how the information relates to the organization current capabilities and future scenario.

The units' activities might be envisioned as value-adding activities to serve the marketplace (Enz, 2010). It might be formulated as an arrangement of the source of strength and competitive advantages. In other argumentation, the OL and strategic choices involved in the exploiting the best organization's experiences and from the others as well as in the exploring the change of the environment of the organization. There are other possibilities of a new model of collaboration that affect the adjustment of the organization process, management, and pattern of decision-making. Strategic choices of the organization then might be argued to response the economic perspective of the organization that requires the organization to compete successfully. While the organization competes in dynamics and rivalry environment, the organization needs to learn continually and to apply the strategy that gives sufficient balance between exploration and exploitation of internal process and pattern of decision-making. Strategic choices, such as applying the business or corporate strategies, requires organization learn to deploy the organization knowledge that sources from the lesson from exploring the advancement of technology and exploiting the existing market. It calls systematic arrangements of organization structure, the process of business, technology and understanding the environment drive. Also, applying learning to choose the strategy helps strategic process involving strategy executing team in coordinating to achieve company-wide performance targets, especially in dynamics and faster change of company business environments. In these environments, making internal arrangements and external fit might be accompanied by the fine-tuning the plan and the execution to improve the strategy execution. Such as winning strategy tests, that is good fit, competitive advantage; strong performance might be useful to understand what company learns and choices of strategy.

Applying strategy spaces not only can help in understanding the OL but also explain the industry corporate strategic options. The author proposes the OL that is doing the exploration and exploitation might apply to the choices of strategy at the level business or corporate. As researched by Yamakawa *et al.* (2011), they conclude that organizational characteristics such as firm age reflect the level of resource endowments and internal strategic orientations such as cost leadership and differentiation strategies. It entails the way in which a firm deploys its resources; an external environment context such as industry growth constrains the supply of the resource. Therefore understanding, for example, is the exploitation learning that provides people with the conceptual type of promoting positive, proximate, and predictable learning. Further, it could be analyzed for applying learning in resulting more direct, the immediate benefit that is the near-term performance of organizations alliances. Applying the information processing abilities with the strategy space in OL opens the opportunities in understanding more interplay among the exploration and exploitation along with understanding the fit and aligns arrangement internally and externally toward the competitive of the organization performance.

Organizational alignment creation leads to the sustainable competitiveness. Positive alignment might be created by connecting all of activities and process of creating activities and managerial proses within organization toward strategy organization. Organizational alignment is also working on the aspect of an organization such as goal, objective and activities toward goal, rewards, and culture that are in line with the strategy. The example is the classical strategic choice in organizations as identified by

Miles and Snow (1984), generally speaking, is not an effective organization in the industry if the organization choices reactor strategy. An organization that performs strategy choices as defenders, prospectors, and analyzers might be an effective organization in the industry and might carry on the conditions that identified as a minimal fit. Miles and Snow (1984) claim that minimal fit is the requisite for the survival in the competitive environment. Minimal fit also does not a guarantee for excellence organization performance. They explain that tight fit condition with the external and internal environment that strategy, structure, and management process are the basic requirement to achieve excellent organization performance. Minimal fit and tight fit are a discussion of fit among internal and external environment to arrange strategy-structure-process fit. A changing in the external environment of an organization that is not enough aligned with strategy will affect the performance of the organization and possible become a failed organization. The disintegration of the management process within the structure that is not supporting the alignment strategy might be misfit occurred and brought the consequences of decreasing performance of the organization and possibly lead to the failed organization.

In this research, the writer could argue that Semler (1993) complements the Miles and Snow's (1984) explanation about the flexibility of the company to apply strategic choices and the organizational alignment for organizational survival and the necessity of tight fit condition for promoting excellent organizational performance and continuous competitiveness. Von Glinow & McShane (2010) also cover issues of OL, fit and state of organizational alignment such as internal resources arrangement. They refer to the organizational effectivity as organizational performance, success, goodness, excellence, healthy, or competitive. They also explain the organizational effectiveness as an organization has a good fit with their external environment when their internal subsystems are configured for a high-performance workplace, when they are learning organizations, and when they satisfy needs of key stakeholders. Therefore it may apply the analysis of learning and strategic space. It helps explain organizational effectivity how the organization learns toward the environment to achieve organization mission, vision, and satisfying the needs of key stakeholders. People might argue that organizational effectivity as the organizational performance that might be achieved when an organization has the ability to the acquisition, share or distribute, use, and store the knowledge as its organizational knowledge. The strategic space map, which applying choices and learning might calibrate where we are now at the battle of competitiveness and where we are going to for future sustainable advantage competitiveness. As mentioned by Yamakawa *et al.* (2011), the firms get older; the crowding effect tends to become stronger. In this sense, the map might provide how the exploitation and exploration activities that supposed to guide the direction to increase organization ability to create innovative process or values for sources of new competitiveness regarding the aging industry landscape of competition.

CONCLUSIONS

This research discusses the OL from the perspective of information processing abilities and applies it to the strategic choices, as it might express the analysis into the clustering map of possible strategy space of the company. It explains the mode of exploration and exploitation learning typology of companies to learn from the peers' strategic options in the industry by considering the fit between environment, and internal arrangements of the organization to keep the company competitive. The analysis underlines the importance of the company to learn from the company competition landscape map and the alignments of the internal and external environment arrangements.

For further research, based on the understanding the information processing of learning approach, the strategic space map might inspire research in the strategic choices and the mode of learning, regarding the firms embracing more to exploration alliances when the company is focusing on differentiation choices. While it might also inspire the research about the firms that carry on the cost leadership options might engage more exploitation alliances. Further, the learning typology and the strategic choices also inspire the necessary research of fine-tuning fit with the winning strategy test,

especially fine-tuning between internal and external fit in executing strategy. The map also might develop more understanding about environmental fit, that is, showing high-growth industry context to be more embrace in exploration alliances. It might also understand the industry in low-growth mapping that is showing exploitation mode to achieve the short-term financial benefits from strategic alliances. It includes the analysis of a cluster of OL toward the structural adaptation to keep align between organizational environment internal management processes of the organization. The strategic space might help the analysis of ballancing between exploitation and exploration learning while applying the analysis of varied firm characteristics, strategic orientation, and industrial environments. It might also apply to building more understanding about the dynamic of balancing fine-tuning of existing resources and capabilities to deploy new knowledge based on possibilities business and portfolio alliances.

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