

# Impact of Organizational Culture on Organizational Learning and Knowledge Management

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## Abstract

The aim of this paper is to explore the impact of organizational culture on the process of organizational learning and knowledge management. This goal has been achieved through reviewing the relevant literature and synthesizing the conclusions found in it. The review of the researches has shown that organizational culture positively impacts and stimulates organizational learning in the degree in which its assumptions, values, and norms are consistent with the activities taken to create and use organizational knowledge. The review of the research has also shown that in order to have a positive impact on organizational learning and knowledge management, organizational culture must contain certain assumptions, values, and norms concerning four issues: individual development; changes; interactions, cooperation and communications; and environment.

**Keywords:** organizational culture, organizational learning, knowledge management, organization

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## Introduction

Organizational learning and knowledge management is a process of acquiring, diffusing and using knowledge in organizations (Nevis, et al., 1995). Through this process, both the organization members as individuals and also organization as a whole widen the repertoire of potential behaviors, whereby they acquire flexibility and ability to adapt to changes in the environment (Child, 2005). This process is crucial element of gaining competitive advantage in modern economies (Edmondson, 2008). The process of organizational learning and knowledge management is a deeply contextual one – it largely depends on organizational context in which it occurs. The researchers who have analyzed the organizational learning process have reached the conclusion that the main contextual variables, or elements, of organizational context determining the successfulness of organizational learning process are the following: strategy, structure, culture, leadership, and human resources management (Child, 2005; McGill, et al., 1994). They have also concluded that organizational culture plays the central part among the contextual factors since it connects all of them (Alavi, et al., 2005-6).

Organizational culture is defined as a system of assumptions, values, norms, and attitudes which the members of organization have developed or adopted through mutual experience and which help them determine the meaning of the world around

them and how to behave in it (Janićijević, 2013, pp. 23). As such, organizational culture impacts every decision, action or interaction in the organization, and it also impacts numerous components of organization and management (Wilderom, 2000). Thus, organizational culture also conditions the behaviors in an organization which lead to acquiring and using the knowledge within it. Namely, this process indicates a series of activities and actions which will be more effective if they are more compliant with the assumptions, beliefs, values, and norms of the employees, that is, with the organizational culture. If cultural values and norms do not support activities and actions that lead the organization members towards learning and acquiring and using knowledge in the organization, then learning will simply not happen or it will be ineffective. Aside from a direct impact, organizational culture also has an indirect impact on organizational learning through other contextual variables. Namely, organizational culture has a significant impact on the company strategy, its structure, design, and leadership style, as well as the company policy and practice in human resources management. Through these, the culture also impacts the effectiveness of organizational learning.

The subject of research in this paper is the direct impact of organizational culture on organizational learning and knowledge management processes. The aim of the paper is to explain the mechanisms and the direction of organizational culture impact on organizational learning and knowledge management. This goal will be achieved through reviewing and synthesizing the existing researches of organizational culture impact on organizational learning and knowledge management, after which the obtained results will be summarized. Therefore, the paper is of a reviewing character, and the main research method is a synthesis of the conclusions from the previous researches. Those researches, among others, include Denison et al. (1995), Gold et al. (2001), Lewin (1951), Pawlowsky et al. (2003), Rokeach (1973), Staler et al. (1995.), Stackman et al. (2000), Starbuck et al. (2003) and Volberda et al. (2010).

## **Review of the research on organizational culture impact on organizational learning and knowledge management**

A review of the literature reveals on organizational culture impact on organizational learning reveals that two questions emerge as crucial ones: the question of mechanism of the said impact and the question of the direction of the said impact. The first question is *how* the culture impacts this process? The answer to this question explains the mechanism of organizational culture impact on knowledge management. Researches in this field have produced some concrete explanations of this impact. According to one of the researches, organizational culture impacts organizational learning and knowledge management in three ways (De Long, et al., 2000):

- Culture contains assumptions on which knowledge is important. Authors differ between individual, social and structured knowledge. Individual knowledge can be a skill (to know how) or expertise (to know why). Social knowledge is the knowledge of a group or a team of people that is more than the sum of their individual knowledge. Structured knowledge is the knowledge in organizational systems, procedures, rules, and structures. Culture determines to what extent each of these knowledge types is important for the organization and thus heavily impacts the knowledge management effectiveness.
- With its assumptions and values, culture defines what is considered important as knowledge, that is, what things are important to know. It defines the area that people should be aware of. For example, it is very important whether an

organization values technical knowledge more than economic knowledge or market and social knowledge, or if it is the other way around.

- Culture sets the boundary between individual, group and organizational knowledge. Cultural assumptions define what individual knowledge in an organization is, and also what group knowledge is and what organizational knowledge is. Depending on cultural assumptions, values, and norms, it will be defined what an individual must share with others as knowledge, and what he/she can keep to himself/herself, that is, what is considered to be normal as his/her personal knowledge that he/she does not have to share with anyone.
- Culture creates the context in which social interactions happen. And organizational knowledge emerges precisely through social interactions. Culture defines how interactions between people will happen and thereby it also, to a large extent, defines how knowledge will be created and diffused. Culture impacts vertical, horizontal and special interactions.
  - Vertical interactions are determined by the culture because the culture that implies openness and an honest and free communication and interaction between hierarchical levels has a positive impact on knowledge management, and vice versa.
  - Horizontal interactions are determined by the culture in the following three ways: 1. Organizational culture determines the level of interactions and the way in which interactions between individuals and groups happen, and thereby also the possibility of learning, since learning requires intensive communication. 2. Culture also defines, through its norms and practices, the level of cooperation, which impacts knowledge management. 3. Through its norms and practices, culture also determines the extent in which the employees will be free to seek the solutions to problems outside of the existing and in new knowledge, routines and experiences.
  - Culture supports or does not support special forms of behavior that impact knowledge management, whereby two forms of behavior are especially important. First, learning and knowledge diffusion. A culture that explicitly incites people to tutor others and share their knowledge is good for knowledge management. The second form of behavior is tolerance of mistakes. A culture that supports tolerance of mistakes has a positive impact on knowledge management.

Several researches have pointed to yet another aspect of organizational culture impact on knowledge management. Namely, culture determines which knowledge is important, what competencies matter, and who is considered competent or proficient in an organization (Fleury, 2009). Some knowledge and expertise in an organization are not valued by organizational culture, so they do not contribute to intellectual capital (Kangas, 2009). A very important topic in organizational learning is unlearning. Several authors indicated that one of the main barriers to acquiring new knowledge is, in fact, the existing knowledge (Hammel, et al., 1994; McGill, et al., 1994). In order for people to embrace new knowledge, they must first be ready to at least reexamine, if not totally abandon, their existing knowledge. The key argument of researchers of organizational culture and its impact on organizational learning is that the culture determines the readiness of the organization members to reexamine, erode, and abandon their existing knowledge. Another very important mechanism of organizational culture's impact on organizational learning and knowledge management is its role in knowledge transfer. One of the main ways in which organizations acquire knowledge is transfer of knowledge from other

organizations, especially through alliances, mergers and acquisitions (Muthusamy, et al., 2005).

The second important question in organizational culture's impact on organizational learning and knowledge management is the direction of this impact. Several researchers have strived to discover, through both theoretical and empirical research, what assumptions, values, norms or attitudes (as organizational culture's content) incite, facilitate, stimulate, and support organizational learning. An overview of researches of the direction of culture's impact on organizational learning and knowledge management has identified cultural assumptions, values, and norms stimulating organizational learning in four important spheres (Janićijević, 1996; Nevis E, et al., 1995; Schein E. 1993; Argyris C, 1994): people, interactions and communications, changes, and environment.

- Individual development. The culture of learning and knowledge contains assumptions, values, and norms valuing personal growth of the employees, individual learning, and expertise. This culture highly values the need for self-actualization and achievement. It stimulates curiosity, experimenting and explorative spirit. It contains the assumption of internal locus of control which tells people that they are the creators of their own destiny. Finally, learning culture highly values the employees' autonomy, and without it their development and learning cannot be achieved.
- Changes. A culture that incites organizational learning contains a positive attitude towards changes, and it also contains the assumption that changes are something good and desirable. Also, a learning culture highly values creativity, innovation, new approach to problems and new ideas. Further, a reasonable risk is acceptable, and mistakes are tolerated if they serve to gain experiences valuable for the future. Nothing is considered eternal or untouchable, and hence, reexamining of the existing values, strategies, structures, and routines is incited and welcomed in the culture of learning and knowledge.
- Interactions, cooperation and communication. A culture which elevates knowledge management and organizational learning effectiveness contains the value of honest, open, and intensive formal and informal interaction and communication between the employees and managers. In such case, the cultural values and norms limit the private and individual information and knowledge to a very narrow circle and motivate the members of organization to share their knowledge. The culture of learning and knowledge incites cooperation of the employees, and imposes the attitude that they can achieve organizational, but also individual goals only through an open cooperation. Open discussion between the employees at the same hierarchical level as well as between employees and managers is highly valued. Participation of the employees in decision-making is highly valued, which means that this culture supports high decentralization and participative style of leadership.
- Environment. Organizational culture stimulating learning and knowledge management contains the values that lead to openness towards environment. Constant adaptation to changes in the environment is something that is, in a learning culture, considered necessary for organization's survival. Also, a learning culture implies that everybody in an organization start with the assumption that their main task is creating value for the consumers. If this would not be the case, then there would be no motive for acquiring and using of knowledge and learning. The precondition for this attitude towards environment is a clear mission of an organization. Finally, in learning culture people have a systematic

perspective and they are stimulated by cultural norms to start from the big picture and not from its parts in understanding of organization and environment.

## Results of the research

The review of the researches on organizational culture impact on organizational learning and knowledge management provided answers to the two important questions asked in the paper. As far as the mechanism of organizational culture impact on organizational learning is concerned, the basic idea is that organizational culture positively impacts and stimulates organizational learning in the degree in which its assumptions, values, and norms are consistent with the activities taken to create and use organizational knowledge (Alavi, et al., 2005-6). If these assumptions, values, norms, and attitudes that the employees share discourage the organizational learning and knowledge management activities, then these processes will hit a cultural barrier, they will be hard to conduct and they will also be less effective. The basic assumptions of organizational culture determine the general perception of the world shared by the organization members, and thereby also their understanding of organizational learning, as well as knowledge in the organization. For example, if the environment is perceived as unchangeable, stable and given once-and-for-all, and individual within it is perceived with no real option to impact his/her destiny, then it is highly likely that a negative attitude towards learning and knowledge in organizations will also exist. In contrast, if reality is understood as changeable and if it is assumed that people can impact their destiny through their actions, then organizational learning and knowledge make much more sense. Values can indeed impact the organization members' behavior in relation to organizational learning and knowledge. Values define the target states, and that means that if, for example, the value of flexibility is established in an organization, it would mean that the organization members will consider changes as something good, desirable and useful. This, in turn, means that they will strive to constantly change in their everyday work, and to look for new solutions and ideas, and all of this then leads to learning. In contrast, if the organization members hold the value of stability important, then they believe that changes are bad for both the organization and themselves. This in turn means that learning and creating knowledge do not make much sense, because you cannot learn without making changes. As a form of social expectations shaping the behavior of organization members, norms also impact organizational behavior. If the norm that everyone is the owner of information, data and knowledge at their disposal is prevalent and if people have no need or desire to share their information, data and knowledge with other people, then such behavior will directly disable organizational learning, which depends precisely on communication and which happens exclusively in the process of social interaction. Contrary to this, if the norm that information and individual knowledge are possessions of everyone in the organization prevails in the organization, if it is unacceptable to hide information and if the members of organization are expected to openly and straightforwardly enter communications and interactions with their colleagues, then learning will stand much more chance. Finally, positive attitudes on organizational learning and knowledge, innovations, changes, risk, etc., directly stimulate learning in organizations, while opposite attitudes represent a barrier to organizational learning. Regarding the answer to the second important question set in the paper, that is, the direction of organizational culture's impact on organizational learning and knowledge management, researches have shown that organizational culture which enables learning and knowledge management in an organization must build a specific awareness and behavior of the employees and managers in four spheres:

individual development; changes; interactions, cooperation and communication; and environment.

## Conclusions, limitations, and future research

Organizational culture is the central element of the context in which the process of organizational learning and knowledge management occurs, and it is also one of the most important factors on which evolving of the said process and its effectiveness depend. Through its assumptions, values, norms, and attitudes organizational culture impacts the process of organizational learning and knowledge management in the following ways: it determines what is individual and what is organizational knowledge; it defines the knowledge and competencies valuable to an organization; it shapes interactions and communications through which organizational knowledge is created, diffused and used; it facilitates reexamining and abandoning of the existing routines and rules; it determines the ability of an organization to absorb the knowledge from the outside and conduct transfer of knowledge in alliances. Researches have shown that organizational culture which enables learning and knowledge management in an organization must build a specific awareness and behavior of the employees and managers in four spheres: individual development; changes; interactions, cooperation and communication; and environment.

The limitation of this paper is its reviewing and theoretical character, without empirical testing of the conclusions. The further direction of the research in this field will be empirical testing of the stated claims, especially in the context of Serbian companies.

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