

Examining Organizational Learning Effect on Company Flexibility, Competitive Strategy and Operation: A Case study in Esfahan Foolad Mobarakeh Company

Mohammad Reza Dalvi^{*1} and Mahsa Darabi Boroujeni²
^{*1} Dahaghan branch, Islamic Azad University, Dahaghan, Iran
² Financial Management, Ragheb Esfahani University, Esfahan

Abstract

This article examines organizational learning effect on company flexibility, competitive strategy and operation among Esfahan Foolad Mobarakeh Company personnel. The study method is descriptive and correlative. The population includes all personnel of Esfahan Foolad Mobarakeh Company and related data were analyzed by AMOS software to examine the cause and effect relations used by the study. The findings confirmed the relations and indicate organizational learning is an important device in modern markets to provide the clients' criteria and improve organizational operation by designing efficient competitive strategy and adapting flexibly with rapid market change.

Keywords: Organizational learning, dynamic potency, competitive strategy, strategic flexibility, function.

Introduction

Company potency to meet client's needs in long – term is becoming increasingly an important factor to achieve competitive advantage in today chaotic and unpredictable space. RBW (Resource Based View) states that a difficult base is created for a flexible strategy by company's exclusive, rare, inimitable and unchangeable grouping from valuable sources and potencies; the base may return a company with competitive advantage and yield higher than moderate to the competition field Barney (Barney, 1991; Grant, 1991; Mahoney & Pandian, 1992; Wu, 2010). One of the newest studies has examined the relation between familiarization with profitability and its strategies, flexibility structure and organizational learning) Tamayo–Torres et al., 2013). Organizational Learning in Producing Cleaner among Mexican Supplier Networks (Van Hoof, 2013) is another study in this field and is a vital element in executing successfully cleaner production.

Recent studies have addressed the advantages of organizational learning including Azadegan & Dooley, 2010; Bell, Mengüç, and Widing, 2010, Santos, Sanzo, Álvarez, & Vázquez, 2005; Stein & Smith, 2009; Bhatnagar, 2007, Tucker, Nembhard, & Edmonson, 2007, Akgün, Lynn, & Yilmaz, 2006 Weerawardena & Julian, 2006, Hult, Ketchen, & Slater, 2002).

Although the interaction between organizational learning and company strategy execution is considerably becoming more interesting (Paisittanand, Digman, & Lee, 2007), this study proposes that organizational learning is a key element with dynamic potential and company should put into operation continuously strategies led to benefit from environmental occasions to avoid threats (Barney, 1991). Also chaotic environment of business needs more organizational flexibility; for example, company's potency to harmonize with market change should react properly and rapidly to unpredictable and unexpected conditions in market. Some researchers believe organizational learning may enhance company's potency to know occasions, follow effectively new investments and harmonize continuously with market (Beer et al., 2005; Lumpkin & Lichtenstein, 2005). So by virtue of the importance of organizational learning it seems it is necessary to examine its effect on

flexibility, competitive strategy and organization function and it may play important role in organization development.

Organizational learning

Organizational learning is an essential column for change towards stability; once it appears it is identified relatively easily, but it is processing so it is difficult to be achieved (Lozano, 2012). Organizational learning is achievable when people's knowledge is transferrable by social interactions with different groups of people as the result of a common comment. In turn, the accumulated knowledge permits people to learn from the organization. So a progressive and two-step production process transfers knowledge between people, groups and organizations. Recent studies introduced organizational learning as a process of four main steps as follows: knowledge acquisition, knowledge distribution, common comment and organizational memory (Huber, 1991; Hult & Ferrell, 1997; Kandemir & Hult, 2005; Sinkula, 1994; Slater & Narver, 1995; Tippins & Sohi, 2003). Knowledge may originate from both internal and external source during acquisition. The internal data sources are inherent for developed learning originated from the company founder (Lawrence, 1984). Previous experience and indirect learning is incident analysis concerning competitors' performances in market (Koffman & Senge, 1993).

In third step common comment is to analyze knowledge in global view; that is why it is a priority to have unanimity about the conception of data and its consequences for the company (Day, 1994). If the communicative devices are more enriched, the common comment is better. Although company should sometimes undertake the processes without learning in order to comment properly data the mental paradigms and saved knowledge should be questioned in order to refuse the misleading and outdated data which may lead to mistakes or inefficient decisions (De Holan, Phillips, & Lawrence, 2004).

Collective learning idea leads to another dimension of organizational learning conception namely organizational memory. This structure presents all knowledge collected in a company (Cross & Baird, 2000). Present study focuses on active memory (The memory which is among the members of social networks) in proportion to the passive memory which depends on computer data technology (Olivera, 2000); that is why finally the active memory defines how the company should achieve its organizational goals (Cross, Parker, Prusak, & Borgatti, 2001).

Organizational learning and competitive strategy

The organizational sources and potentials create some base to design competitive strategy on the basis of the fundamental source view (Hunt & Morgan, 1995). Constantin and Lusch (1994) classified the sources as actor and factor; the actor sources are used in operations or works for some purpose, but the factor sources are used to do something for the actor or other sources (Madhavaram & Hunt, 2008).

Particularly and generally organizational learning is a valuable potential to help to achieve more knowledge and deeper understanding about market and company in a way that company may meet more effectively the clients' real and hidden needs through products and services (Day, 1994; Sinkula, 1994).

Distinction strategy means production development with additional advantages uniquely, different industry or more profit for client. Distinction strategy has a strong relation with innovative activities; on this basis organizational learning profitability is to present superior client criterion with continuous use of communicative activities especially organizational learning designs the foundation of company potency to execute new ideas and methods or meet the client's needs (Kaleka

& Berthon, 2006). So organizational learning plays some role highly probably in executing distinction strategy. Based on the objectives, the following two hypotheses are raised:

H1: Organizational learning has a positive relation with executing distinction strategies.

Leadership - cost strategy is to achieve a cheaper way in proportion to competition without quality decrease or any decrease in other aspects; the strategy tries to change the internal profitability in lower cost or fewer prices for clients (Bell, Whitwell, & Lukas, 2002).

H2: Organizational learning has a relation with executing cost – leadership strategies.

Organizational learning and flexibility

Nowadays considering change rate increase in market with client's needs into disintegrated parts it is an essential need to be adaptive (Grewal & Tansuhaj, 2001); on this basis marketing and strategy history recognizes increasingly strategic flexibility as a vital potency for organization in order to achieve and keep competitive and operational advantage (Johnson, Pui-Wan, Saini, & Grohmann, 2003; Matthyssens, Pauwels, & Vandenbempt, 2005; Zhang, 2006). Flexible organizations are able to know rapidly the main changes in market so they provide necessary sources for new strategy and they react soon when such sources should stop and reverse (Shimizu & Hitt, 2004). Organizational learning enables companies to keep their competitive advantage by developing data processing activities permitting them to adapt more rapidly and effectively with environmental changes and market conditions instead of competition (Diskson et al., 2001).

Having examined the relation between discovery strategies and enjoyment, production flexibility and organizational learning between the organizations with and without Iso indicted that there is a positive and significant relation between strategies and organizational learning (Tamayo – Torres, Gutierrez – Gutierrez & Ruiz-Moreno, 2013).

H3: Organizational learning has positive relation with strategic flexibility development.

Flexibility and competitive strategy

For example, companies face different discontinuities often occurred simultaneously and not predicted easily in modern market and this problem makes organizations renew continuously their operations to have a rapid adaptation; in this regard strategic flexibility presents organizational potency to manage market changes and this is done by rapid reaction to market threats and opportunities actively (Grewal & Tansuhaj, 2001).

Also strategic flexibility includes the potency which is inherent for distinction strategy execution, identifies rapidly market process and responds to new demands of market (Hoskisson, Hitt, & Ireland, 2008). The flexible companies may be equipped with unstable sources and what they need based on their response potential; this phenomenon is especially valuable in developing investment activities (Tang & Wang, 2010). Also the potential role of strategic flexibility was enhanced for leadership – cost strategy and distinction. Considering some researchers believe strategic flexibility plays some potential role in leadership – cost strategy and distinction. So, the company is able to avoid exchanging high quality products and services in low cost between the two strategies (Boynton, 1993; Hitt, Ireland, & Hoskisson, 2007; Lei, Hitt, & Goldhar, 1996).

H4: Strategic flexibility has a positive relation with distinction strategies.

H5: Strategic flexibility has a positive relation with leadership – cost strategy execution.

Competitive strategy and operation

Leadership – cost strategy creates standard products and services in the most competitive prices. So companies may decrease the prices in order to adapt with or overcome their competitors while they gain profit yet, but distinction strategy creates criterion for the clients by innovative

products, superior quality and technology, different brand and good services (Li & Li, 2008). Client's act indicates the company potency to meet him (her) effectively and develop a base for faithful client finally related to a high level of commercial operation. Competitive strategy execution (Both leadership– cost and distinction) has probably positive effect on client's satisfaction and faithfulness finally led to better client's operation and advanced business.

H6: Distinction strategies execution has positive relation with business operation.

H7: Leadership– cost strategies execution has positive relation with business operation.

H8: Distinction strategies execution has positive relation with client's operation.

H9: Leadership– cost strategies has positive relation with client's operation.

H10: Client's operation has positive relation with business operation. A10:

Materials and Methods

The study method is descriptive and correlative; it is descriptive because it is to describe objectively and really the features of a situation and subject and is correlative because it examines the relation between two variables.

The study population includes all employees with B.Sc. (Or B.A.) in the center of Esfahan Foolad Mobarakeh Company who were 887 ones. The statistic sample was selected by Kokeran formula so they became 268 ones and the error rate was 0.05 (Sarmad, 2008).

A questionnaire was the main instrument to collect the data. It was issued by María Leticia, José Ángel and Juan Antonio in 2011 and includes 52 questions and five dimensions; it was based on five-point Likert scale (Very much, much, moderate, little and very little) and a sample of 30 ones was given to the subjects. Cronbach alpha coefficient was used to define the reliability so strategies flexibility, distinction strategy, leadership– cost strategy, client operation, business operation and general questionnaire reliability were 0.91, 0.76, 0.72, 0.70, 0.87, 0.82 and 0.93, respectively. A coefficient higher than 0.70 for variables indicates appropriate reliability namely there is reliability necessary for the study device. The validity of the questionnaire was certified by related researchers.

Data analysis

The results from data analysis are shown in Table 1. The indexes (Mean, standard deviation and variance) related to each variable are stated in descriptive statistics level. By virtue of the Table findings the highest and lowest rates of the variables belong to business operation (4.450) and strategic flexibility (3.435), respectively.

Results

Table 1: Descriptive statistics of study variables:

Variance	SD	Mean	Variable
0/132	0/364	3/547	Organizational Learning
0/312	0/558	3/435	Strategic flexibility
0/233	0/483	3/770	Differentiation strategy
0/514	0/717	3/771	Cost leadership strategy
0/503	0/709	4/108	Customer performance
0/352	0/593	4/450	Business Performance

Path analysis model with AMOS software was used to test the study model. There are often more than one variable in in path models; each internal variable may play the role of a dependent variable or both independent and dependent variable (Ghassemi, 2010). In the main study model the internal variable is product management variable which plays simultaneously the role of both independent and dependent variable. In the model the internal business variable is only a dependent one and the external organizational learning variable is only an independent one. Other variables play both independent and dependent roles.

The paths are as follows after standard coefficients model test:

The significances of the relations between the model details and path coefficients are shown in Table 2.

Table 2. The significance of the relations between the model details and path coefficients

Result	Sig.	Critical ratio C.R.	Standard error	Hypotheses	Standard coefficients	
+	***	3/551	0/148	H1	0/395	Differentiation strategy Organizational Learning
+	***	4/662	0/209	H2	0/494	Leadership strategy -Cost Organizational Learning
+	***	5/038	0/150	H3	0/493	Strategic flexibility Organizational Learning
+	***	7/007	0/067	H4	0/394	Differentiation strategy Strategic flexibility
+	***	7/960	0/067	H5	0/534	Leadership strategy - Cost Strategic flexibility
+	***	8/746	0/092	H6	0/660	Business Performance Differentiation strategy
+	***	6/474	0/085	H7	0/486	Business Performance Leadership strategy–Cost
+	***	3/653	0/140	H8	0/354	Customer performance Differentiation strategy
+	***	3/603	0/094	H9	0/349	Customer performance Leadership strategy–cost
+	***	3/879	0/089	H10	0/414	Of business performance of Customer performance
***P value indicate that the 001/0 less.						

The above table indicates that all the study model paths are significant because the paths' significance criterion is less than the threshold: 0.05 in confidence level: 95 percent. Also it may be concluded that all study hypotheses are confirmed.

Table 3 shows the fitting indexes of the study model; most of the indexes indicate appropriate and favorable fitting of the main model.

Table 3. Model fitting indices

The original model	Index	Goodness of fit indices
16	NPAR	
5	DF	
0/053	P	
10/924	CMIN (Chi Square)	Absolute
0/816	AGFI	
0/956	GFI	
0/879	TLI	
0/933	NFI	Relative
0/960	CFI	
0/311	PNFI	
0/320	PCFI	
0/080	RMSEA	
2/185	CMIN/DF	
		Thrifty

In this section the study hypotheses are tested by Pearson correlation test. The statistic device correlation analysis is used to examine the relation between both variables.

Table 4 shows the correlation test findings for 1 – 5 hypotheses. By virtue of Table 5 findings organizational learning has positive and direct relation with variables: strategic flexibility, distinction strategy and leadership – cost strategy. So the 1 – 3 hypotheses are confirmed. Also strategic flexibility has positive and direct relation with the variables: distinction strategy and leadership – cost strategy. So hypothesis 4 and 5 are confirmed.

Table 4: Correlation test

A cost leadership strategy	Differentiation strategy	Strategic Flexibility		
0/560	0/485	0/493	The correlation coefficient	Organizational Learning
0/000	0/000	0/000	Sig.	
0/377	0/376		The correlation coefficient	Strategic Flexibility
0/001	0/001		Sig.	

Table 5: Correlation test

Customer performance	Business Performance		
0/459	0/498	The correlation coefficient	Differentiation strategy
0/000	0/000	Sig.	
0/459	0/495	The correlation coefficient	Cost leadership strategy
0/000	0/000	Sig.	
	0/590	The correlation coefficient	Customer performance
	0/000	Sig.	

Table 5 shows the correlation test findings for 6 – 10 hypotheses. By virtue of the Table findings distinction strategy has positive and direct relation with the variables: business and client operation so 6 and 8 hypotheses are confirmed. Also leadership – cost variable has positive and direct relation with the variables: business and client operations. So hypothesis 8 and 9 are confirmed. Finally, client's operation has positive and direct relation with business operation. So, hypothesis 10 is confirmed, too.

Discussion and conclusion

The main purpose of this study is to test the hypotheses and provide the evidences based on the role of organizational learning to execute company competitive strategies develop company strategic flexibility and improve their competition. The study findings indicate organizational learning with cooperation of strategic flexibility permits the execution of distinction and leadership – cost strategies and finally leads to business and client operation higher than the level related to competition. The study concerning economic crises indicates the companies survived compared to the destroyed ones have focused on both state and foreign markets that are an important feature of organizational learning and equilibrium between state and foreign markets is one of the important dimensions of strategic flexibility.

Also the findings indicate having focused on organizational learning the managers may improve their understanding concerning foreign markets, benefit from the experience collected in the company and develop the potency to respond rapidly to new needs in the market by the flexibility to reform the sources in the best way. In the late 2009 and 2010 costs decrease was a dream in Spanish economy and necessitated the companies would develop their profitability; in line with this leadership– cost strategy is very useful. The experimental evidences presented in this study propose that the managers need to understand the effect of composition of organizational learning and strategic flexibility because both of these strategies help the execution of leadership– cost strategy.

Each study faces some limits and this study was not an exception. One of the most important limits in this study was the difficult accessibility of the Foolad Mobarakeh employees; also the study used sectional data so it is possible that the possible logic relations be different or even loses over time. Finally it is necessary to understand more deeply that how flexibility facilitates strategy execution; on this basis perhaps if different types of flexibilities are examined in many studies, they may be useful. Also the examination of the organizational learning effect on flexibility, competitive strategy and the operation of other sections (Not only the companies) may be the field for next researches.

References

- Sarmad, Zohreh. B, & Abbas.Hejazi, E. (2008). *Research Methodology in Behavioral Sciences*, Tehtan, Aware Printing Press InstituteXVI.
- Ghasemi, V. (2010). *Structural Equation Modeling in Social Research with Applications Amos Graphic*, Tehran, Sociologists publication.
- Akgün AE, Lynn GS, & Yilmaz C. (2006). Learning process in new product development teams and effects on product success. A sociocognitive perspective. *Industrial Marketing Management*, 35(2), 210–24.
- Azadegan A, & Dooley KJ. (2010). Supplier innovativeness, organizational learning styles and manufacturer performance: an empirical assessment. *Journal of Operations Management*, 28(6),488–505.

- Bapuji H, & Crossan MM. (2004). From questions to answers: reviewing organizational learning research. *Management Learning*, 35(4), 397–417.
- Barney J. (1991). Firm resources and sustained competitive advantage". *Journal of Management*, 17(1), 99-120.
- Beer M, Voelpel SC, Leibold M, & Tekie EB. (1991). Strategic management as organizational learning: Developing fit and alignment through a disciplined process. *Long Range Planning*, 38(5), 445–65.
- Bell SJ, Whitwell GJ, & Lukas BA.(2002). Schools of thought in organizational learning". *Journal of the Academy of Marketing Science*, 30(1), 70–86.
- Bell SJ, Mengüç B, & Widing RE. (2010). Salesperson learning, organizational learning, and retail store performance. *Journal of the Academy of Marketing Science*, 38(2), 187–201.
- Bhatnagar J. (2007). Predictors of organizational commitment in India: strategic HR roles, organizational Learning capability and psychological empowerment. *International Journal of Human Resource Management*, 18(10), 1782–812.
- Boynton A. (1993). Achieving dynamic stability through information technology. *California Management Review*, 35(2), 58–77.
- Cross R, Baird L. (2000). Technology is not enough: improving performance by building organizational Memory. *Sloan Management Review*, 41(3), 69–78.
- Cross R, Parker A, Prusak L, & Borgatti SP. (2001). Knowing what we know: supporting knowledge creation and sharing in social networks. *Organizational Dynamics*, 30(2), 100–20.
- Day GS.(1994). Continuous learning about markets. *California Management Review*, 9-31. [summer].
- De Holan P, Phillips N, & Lawrence TB. (2005). Managing organizational forgetting . *Sloan Management Review*, 45(2), 45–51.
- Dickson PR, Farris PW, & Verbeke W. (2001). Dynamic strategic thinking. *Journal of the Academy of Marketing Science*, 29(3), 216–37.
- Grant R. (1991). A resource-based theory of competitive advantage: implications for strategy formulation. *California Management Journal*, 33(3), 114–35.
- Hershey R. (1980). Commercial intelligence on a shoestring. *Harvard Business Review*, 22–30.
- Hitt MA, Ireland RD, & Hoskisson RE. (2007). *Strategic management: competitiveness and globalization, concepts and cases*. 7th edition. South- Western College Pub.
- Hoskisson RE, Hitt MA, & Ireland RD. (2008). *Competing for advantage* . 2nd ed. Cincinnati: Thomson South-Western.
- Huber GP. (1991). Organizational learning: the contributing processes and the literatures. *Organization Science*, 2(1), 88-115.
- Hult GT, & Ferrell OC. (1997). A global learning organization structure and market information processing . *Journal of Business Research*, 40(2), 155–66.
- Hult GT, Ketchen DJ, & Slater SF. (2002). A longitudinal study of the learning climate and cycle time in supply chains. *The Journal of Business and Industrial Marketing*, 17(4):302–23.
- Hunt SD, & Morgan RM. (1995). The comparative advantage theory of competition. *Journal of Marketing*, 59(2), 1-15.
- Johnson JL, Pui-Wan LR, Saini A, & Grohmann B. (2003). Market-focused strategic flexibility: conceptual advances and an integrative model. *Journal of the Academy of Marketing Science*, 31(1), 74–89.
- Kandemir D, & Hult GT. (2005). A conceptualization of an organizational learning culture in international joint ventures. *Industrial Marketing Management*, 34(5), 430–9.
- Koffman F, & Senge PM. (1993). Communities of commitment: the heart of learning organizations. *Organizational Dynamics*, 22(2), 5-23.

- Lawrence BS. (1984). Historical perspective: using the past to study the present. *Academy of Management Review*, 9(2), 307–12.
- Lei D, Hitt M, Goldhar J. (1996). Advanced manufacturing technology: organizational design and strategic flexibility. *Organization Studies*, 17(3), 501–17.
- Li CB, & Li JJ. (2008). Achieving superior financial performance in China: differentiation, cost leadership, or Both? *Journal of International Marketing*, 16(3), 1-22.
- Liu C-L, Ghauri PN, Sinkovics RR. (2010). Understanding the impact of relational capital and organizational learning on alliance outcomes. *Journal of World Business*, 45(3), 237–49
- Lozano, (2012). Are companies planning their organizational changes for corporate sustainability? An analysis of three case studies on resistance to change and their strategies to overcome it, *Corporate Social Responsibility and Environmental Management*. DIO: 10.1002/csr.1290
- Lumpkin GT, & Lichtenstein BB. (2005). The role of organizational learning in the opportunity recognition process. *Entrepreneurship Theory and Practice*, 29(4), 451–72.
- Madhavaram S, & Hunt SD. (2008). The service-dominant logic and a hierarchy of operant resources: Developing masterful operant resources and implications for marketing strategy. *Journal of the Academy of Marketing Science*, 36, 67–82.
- Mahoney JT, & Pandian JR. (1992). The resource-based view within the conversation of strategic management. *Strategic Management Journal*, 13, 363–80.
- Matthyssens P, Pauwels P, & Vandenbempt K. (2005). Strategic flexibility, rigidity and barriers to the development of absorptive capacity in business markets: themes and research perspectives. *Industrial Marketing Management*, 34, 547–54.
- Olivera F. (2000). Memory systems in organizations: an empirical investigation of mechanisms for knowledge collection storage and access. *Journal of Management Studies*, 37(6), 811–32.
- Paisittanand S, Digman LA, & Lee SM. (2007). Managing knowledge capabilities for strategy implementation effectiveness. *International Journal of Knowledge Management*, 3(4), 84-110.
- Santos ML, Sanzo MJ, Álvarez LI, & Vázquez R. (2005). Organizational learning and market orientation: Interface and effects on performance. *Industrial Marketing Management*, 34(3), 187–202.
- Shimizu K, Hittma. (2004). Strategic flexibility: organizational preparedness to reverse ineffective strategic decisions. *The Academy of Management Executive*, 18(4), 44–58.
- Sinkula J. (1994). Market information processing and organizational learning. *Journal of Marketing*, 58(1), 35–45.
- Slater SF, & Narver JC. (1995). Market orientation and the learning organization. *Journal of Marketing*, 59(3), 63–74.
- Stein A, & Smith M. (2009). CRM systems and organizational learning: an exploration of the relationship between CRM effectiveness and the customer information orientation of the firm in industrial markets. *Industrial Marketing Management*, 38(2), 198–206.
- Tang J, & Wang L. (2010). Flexibility–efficiency tradeoff and performance implications among Chinese SOEs. *Journal of Business Research*, 63(4), 356–62.
- Tamayo-Torres J, Gutierrez-Gutierrez L, & Ruiz-Moreno A. (2013). The relationship between exploration and exploitation strategies, manufacturing flexibility and organizational learning: An empirical comparison between Non-ISO and ISO certified firms. *European Journal of Operational Research*.
- Tippins MJ, & Sohi RS. (2003). IT competency and firm performance: is organizational learning a missing link? *Strategic Management Journal*, 24, 745–61.
- Tucker AL, Nembhard IM, & Edmonson AC. (2007). Implementing new practices: an empirical study of organizational learning in hospital intensive care units. *Management Science*, 53(6), 894–907.

- Weerawardena C, O'Cass A, & Julian C. (2006). Does industry matter? Examining the role of industry structure and organizational learning in innovation and brand performance. *Journal of Business Research*, 59(1),37–45.
- Wu LY. (2010). Applicability of the resource -based and dynamic-capability views under environmental volatility. *Journal of Business Research*, 63(1), 27–31.
- Zhang MJ. (2006). Is support for strategic flexibility, environmental dynamism, and firm performance: An empirical investigation. *Journal of Managerial Issues*, XVIII(1), 84-103.