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Chapter

Learning Culture as the Enabler of Business Transformation

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Abstract

Business organizations experience not only episodic but also continuous and disruptive changes. Those changes make the organization need not only transitional and developmental but also transformational initiatives. Based on business transformational experience in many prominent companies, organizational culture was one of eight factors that make transformation fail. Organizational culture plays a strategic role in business transformations and management. It can be an asset or liability for business transformation. The development of organizational culture should not only impact on work engagement but also learning agility of people in the organization. Based on the impact, organizational culture can be differentiated from the hierarchal-centralistic culture and the learning culture. By using the concept of culture map, learning culture is mapped and reflected into eight dimensions: communicating, evaluating, persuading, leading, deciding, trusting, disagreeing, and scheduling. By mapping the culture gap of the current condition, management practitioner has a road map for developing the learning culture.

Keywords: business agility, learning culture, culture map

1. Introduction

The discovery and utilization of technology have brought fundamental and revolutionary changes in the world. These changes have enabled companies to have better opportunities in creating and delivering value to their customers. The discovery and utilization of mechanization, electricity, and automation technology have led to Industry 1.0, Industry 2.0, and Industry 3.0. These technologies have enabled companies to conduct mass production simultaneously non-stop without interruption 24 hours a day, 7 days a week [1]. The latest developments of the Internet and the utilization of digital technologies or cyber-physical systems in doing business have also led the world to Industry 4.0.

Digital technology enables companies to collaborate with different parties wherever and whenever around the world in achieving their sustainable business growth [1]. In addition to making it easy to collaborate and innovate, digital technology also brings companies into the VUCA World—a world which makes business become more volatile, more uncertain, more complex, and more ambiguous [2–4]. The VUCA world causes the convergence of various defined industries. One consequence of the VUCA world is that the life expectation of companies has decreased. In 1958, average of a company’s life expectation that was listed in the Standard and Poor’s 500 was 61 years. This life expectation had shrunk to 25 years in 1980 and 18 years in 2012. It is even predicted that a company’s life expectation is going to shrink to 10 years in 2020 [5].
2. Business agility and transformational initiative

That is why one of the challenges companies face today is the business sustainability. Many companies, especially large companies that become the market leaders, must be able to adapt quickly by developing business agility [6–9]. Business agility is the ability of a company to anticipate and utilize business opportunities and to avoid the negative consequences of changes quickly, flexibly, and decisively [10]. Meanwhile, business agility is defined as the organizational capability to innovate through collaboration and to anticipate business challenges and opportunities before these changes occur [7].

There are three types of initiatives that companies can take in adapting to business environment changes. They are developmental, transitional, and transformational initiatives [11]. Building and developing business flexibility is a transformational initiative because it requires fundamental change in culture, behavior, and mentality of people in the organization as a whole. The initiative has uncertainty and runs a high risk of failure. The initiative also requires a lot of resources and the effectiveness of the transformational initiative will have a major impact on the company’s sustainability.

From the perspective of organizational development (OD), the development of business agility requires change management capability in open system context. It is more than individual or group dynamic context. The transformational initiative is implemented in the context of the organization as an open system where the business is influenced by the environment and consists of various and interacting subsystems. In the open systems context, transformational initiatives can be viewed in four main subsystems. They are organizational goals and values, management capability, psychological and technical perspective [12]. This chapter elaborates the development of business agility as a transformational initiative that focused on the organizational goals and values subsystem only.

Based on research in more than 100 prominent companies, it is discovered that there are eight reasons why a transformation fails. Those factors are: (1) easy to compromise with circumstances, (2) not building coalitions that are strong enough to support the transformation, (3) underestimating the power of vision, (4) not communicating the vision of transformation intensively, (5) having obstacles hindering the vision of transformation, (6) no transformation to short-term success of transformation, (7) explain the success of information transformation too quickly, and (8) make transformation was not part of the corporate culture [13]. Because corporate culture is an important factor in determining the success of a transformation, this chapter attempts to further evaluate transformation initiatives to build business agility from the perspective of corporate culture.

3. Corporate culture as the proposed approach

Corporate culture can be defined as a system of ideas that is developed dynamically in a social system called business organization [14], contains a set of defined attitudes, values, behaviors, and expectations [15], gained through shared experiences from external adaptation and internal integration processes [16], then agreed as the way of thinking, perceiving, and responding to solve problems [17] and become distinctive identity which distinguish themselves from other companies or organizations [18].

Corporate culture is an organizational capability that is source of sustainable competitive advantage (SCA), as long as corporate culture is well managed and developed by company; produce a positive effect on business performance; difficult
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DOI: http://dx.doi.org/10.5772/intechopen.91175

for other companies to imitate; and only a few companies developed it [19]. An empirical research has been conducted on eight pairs of companies from eight different industries. Each pair consists of a successful company and a company with financial difficulties in the same industry. The research measured and tested every aspect and how important are the differences between the two groups of companies when doing business. The research concluded that successful companies have proven significantly better at six capabilities: managing markets; managing products; managing resources; managing operational systems; managing managerial systems; and managing corporate culture. Organizational capability in managing corporate culture is an essential factor and differentiator that distinguishes successful companies and companies with financial difficulties [20].

Previous empirical research has also shown that corporate culture has a positive and significant impact on an organization’s ability to adapt, innovate, be agile, and dare to take risks in a turbulent business environment [21–27]. Corporate culture influences the strategic orientation and financial performance of the company [21]. In the context of corporate globalization, corporate culture plays an important role in influencing corporate capacity to take risks. Cultural values that prevent uncertainty and harmony have negative effects, while cultural values that have individualism have a positive effect on the company’s ability to take risk [22].

Learning culture has a positive and significant impact on the organizational flexibility in the port industry [23]. A flexibility-oriented culture or development culture has a positive and significant impact on adaptability and the ability to innovate [24]. Corporate culture that is focused on novelty has a positive and significant impact on the strategic flexibility of the company. Although a business culture focused on efficiency has no influence on strategic agility [25], corporate culture that is hierarchical—such as bureaucratic, strict with the rules and one directional from top to bottom, weakens the effect of absorbency on organizational agility [26]. Related to transformational initiatives to build business agility, the business culture can be an enabler as well as a block for the company in dealing with changes. A company cannot create a corporate culture overnight, nor can it change a corporate culture overnight. But we can identify which behaviors are relevant and important for developing business agility and then we can nurture them in the context of corporate culture in the whole organization [27].

4. Learning culture as a part of corporate culture

Company as an organization that deals with dynamic changes needs adaptive capability. The adaptive capability is developed by learning activities individually, collectively, and organizationally. Those learning activities are not sporadic and temporary, but they must be conducted systematically and continuously.

Learning has become a culture with learning activities in the company displaying four indicators [16]. First is the width indicator. Learning activity is not only carried out by one or several people but by most people in the company. They come from various functions and various layers of the organization. Second is the depth indicator. Learning activity is not an impulsive or temporary behavior, but it has become a habitual behavior or even become a permanent character. Third is the integration indicator. Learning activity has been integrated with the main systems within the company. Fourth is the structural stability indicator. Learning activity will be conducted continuously. No matter who is the top executive of the company, no matter who comes in and goes out the company, learning activity is continuously conducted in the whole company.
Learning culture is a derivative concept of corporate culture in management and it comes from the culture concept in sociology. Culture concept refers to AGIL scheme from the theory of action [28]. AGIL scheme explains that a social system in order to become sustainable requires four main functions to be considered: first, Adaptation—how the resources needed by the social system can be fulfilled; second, Goal attainment—how the social system collectively sets a common goal and makes it happen; third, Integration—how the social system maintains solidity and coordinates to achieve common goals; fourth, Latency—how the social system creates, maintains, and passes on relevant values to new members who come later. Organizational culture is part of the latency function, which is how organizations create, maintain, and pass down relevant value systems for the sustainability and future progress of the company to all existing and new employees.

In the early 1980s, two books were published that sparked the development concept of corporate culture. Those books are *In Search of Excellence* [29] which concludes that the difference between high- and low-performing companies is that they have a strong culture and *Corporate Culture* [30] which suggests that organizational performance can be improved by strengthening the shared values that are believed by whole employees in their daily business practices.

The concept of learning culture also refers to organizational culture theory [31], organizational learning theory [32], and learning organization [33]. Organizational culture theory explains several things. First, organizational culture is an adaptive feature of organizations that has an influence on organizational effectiveness. Second, company founders and top leaders are very influential in instilling values into organizational culture. Third, organizational culture reflects collective learning about what works/does not work for dealing with organizational challenges. Fifth, organizational culture is composed of artifacts, values, and basic assumptions used by companies in carrying out business practices [31].

Whereas organizational learning theory [32] explains that in facing a changing environment, organizations are encouraged to create mechanisms to produce effective actions and then be taught to all organizations so that organizational goals can be realized. There are two types of learning, namely: (1) single-loop learning—which occurs when errors are detected and corrected but do not make changes in principle, and (2) double-loop learning—which occurs when correcting errors and requires changes in principle [34]. This organizational learning theory continues to grow and then becomes the basis for the concept of learning organization [33].

Learning organization [33] explains that culture is a pattern of basic assumptions learned by groups or organizations to overcome problems in terms of external adaptation and internal integration. This is considered a valid way and is taught to new members of the organization as a perspective for overcoming future challenges. In developing a company into a learning organization, there are five subsystems that must support one another. Those are learning process, organization, employee, knowledge, and technology. The learning process subsystem must get attention, especially on three things: first, the level of learning that includes individuals, teams, and organizations; second, the type of learning that are anticipative, adaptive, and/or action learning; third, learning skills, which consist of systemic thinking, mental models, personal mastery, independent learning, and dialogic processes [33].

The previous researchers have their own definitions and views about learning culture. Organizational learning culture is an organizational culture that is directed to encourage and facilitate employees in doing organizational learning, both individual and group learning, and the learning contributes to organizational development, performance, and success [35]. Learning culture has the capacity for integrating people and structures to move organizations toward learning
and sustainable change [36]. Learning culture is viewed as values, beliefs, and assumptions that encourage the realization of collective learning in the whole organizations [37].

Learning culture from organizational culture, has a difference or distinctiveness than other organizational culture such as work culture, service culture, or mutual culture. Learning culture makes learning as core value of the company. Learning culture is oriented to the development of human capabilities. Learning culture concerns all stakeholders, stimulates experimentation, and fosters responsible for risk attitude. Learning culture builds a willingness and openness to learn from mistakes and promotes open and intensive communication to work together, interdependence, and knowledge sharing.

5. Impact on work engagement and learning agility

The previous study has proven that corporate culture has positive and significant impact on work engagement. Employees who have a mindset, value system, and habits that are relevant to the corporate culture will be encouraged to stay engaged to the company.

Some concepts that related to corporate culture that have been proven empirically to be antecedents of work engagement are organizational culture [38–41], psycho-social safety climate [42], psychological climate [43, 44], supportive organizational culture [45], service culture [46], safety culture [47], and ethical culture [48].

Several studies have proven empirically that culture has a significant effect on work engagement. Learning culture has a positive and significant effect on organizational commitment and job satisfaction [49]. Organizational learning culture has a positive and significant effect on job satisfaction and customer satisfaction. While organizational commitment and job satisfaction are also part of work engagement. As a consequence of this, both studies have indirectly proven that there is a cultural influence on work engagement [23].

Empirical study on 394 hospitality professionals in the United States have proved empirically that psychological climate is an antecedent of work attachment as well as moderating variables on the effect of core self-evaluation on work attachment. Psychological climate covers aspects of customer orientation, internal services, managerial support, as well as information and communication. Meanwhile, the psychological climate has a close concept with corporate culture [44].

Organizational learning culture has a positive and significant influence on affective commitment and organizational citizenship behavior, and intention to exit. Affective commitment and intention to exit are also part of work engagement [50]. Workplace ethical culture through mediation from perceived ethical leadership has a significantly positive effect on work engagement in the whole dimensions—vigor, dedication, and absorption [51].

A multi-level longitudinal research on 134 employees in Malaysia also proved that hierarchical culture and empowering leadership significantly impact on work engagement [52]. But contrary to empirical study by Collier, Fitzpatrick, Siedlecki, and Dolansky, it has proved oppositely that employee engagement actually has a positive and significant effect on the application of safety culture by nurses from 25 ICUs in United States hospitals. Work engagement is the antecedent of the culture, not the culture is an antecedent of attachment [53].

In addition, the learning culture also has a positive and significant impact on learning agility of the employees. Learning culture will encourage the employees continuously to carry out learning activities individually, collectively, and
organizationally in their daily routine activity. In the long term, it will build and develop learning agility. Learning agility is different from learning ability.

Learning agility is defined as the individual ability to be flexible and speedy in utilizing experiences to deal with complex and new situations. Learning agility is reflected in four dimensions: (1) mental agility is the willingness to make difficulties, failures, and mistakes as a vehicle for learning; (2) change agility is enthusiasm in utilizing the changes that occur as a vehicle for learning; (3) result agility is the ability to focus on achievement despite being in a complex condition for a long period; and (4) people agility is the ability to learn from the experiences of others and collaborate with others in achieving superior performance.

Several studies have empirically proven the impact of corporate culture on learning. Organizational learning culture together with transformational leadership has a significant positive impact on organizational learning which then impacts the learning performance of the agricultural faculty [54]. Learning culture had a positive and significant effect on learning achievement of 209 nursing students experimentally in three different learning environments [55]. Organizational learning culture has a positive and significant impact on individual capabilities, especially in exploration, exploitation, and individual creativity [56].

Study on 475 logistics service provider units in the United States has proven that learning culture and knowledge management have a positive and significant effect on human capital [57]. Meanwhile, human capital is knowledge, skills, and abilities obtained and accumulated through various learning processes such as training, development, education, and experiential learning [58]. Islamic work ethics has a positive and significant effect on adaptive performance mediated by innovative work behavior and moderated by ethical leadership through conducting research on 257 hospitality industry employees in Pakistan. This confirms that the work culture based on Islamic ethics influences the ability to learn, especially in innovation [59]. Empirical study on 123 lecturers from the Top 100 MBAs in India and proved that organizational learning culture had a significant and positive effect on motivation to transfer training, which was negatively moderated by resistance to change and moderated moderately positive by coaching performance [60].

Learning culture as a corporate culture has been proven from the many studies which apparently not only impact on work engagement, but also impact on learning agility of their employees. Learning culture will encourage employees not only to be engaged with the company for long period, but also endorse employees to adapt continuous and disruptive changes through their flexibility and speed in learning.

6. Transforming corporate culture into learning culture

Based on its impact on work engagement and learning agility, corporate culture can be grouped into three categories: No Impact, Single Impact, and Double Impact. No impact category is a corporate culture that has no impact or only has a low impact on work engagement and learning agility. We call this corporate culture a hierarchical-centralistic culture. Single impact category is a company culture that impacts on learning agility only or on work engagement only. This category can make employees engaged-but-not-adaptive or adaptive-but-not-engaged. The third category is the double impact culture. That is learning culture. Corporate culture that impacts both work engagement and learning agility. The learning culture makes employees engaged and adaptive to the business changes (Figure 1).

A hierarchical-centralistic culture makes teams or organizations less dynamic. Because subordinates who deal directly with operational situations on the ground
do not have the freedom to think and decide which actions will be the best to. Meanwhile superiors do not have enough information to make quick and right decisions. As a result, companies experience delays as well as rigidity in the face of a constantly changing environment. Besides that, in a hierarchical-centralistic culture, all problems that arise naturally become the authority to think and make decisions. Employees only accept decisions and carry out task orders.

Therefore, the corporate culture should be transformed from a hierarchical-centralistic culture to a learning culture. It is important for us to elaborate what the essential differences between hierarchical-centralistic and learning culture are. By using the culture map, the hierarchical-centralistic culture has eight tendencies:

1. Hierarchical: In hierarchical-centralistic culture, there is a psychological distance or power distance between superiors and subordinates. Superiors treat subordinates inferior so that subordinates are not free enough to express their thoughts to superiors. Then superiors tend to be closed to the thoughts of subordinates.

2. Top-down: In a hierarchical-centralistic culture, decisions are made entirely by superiors. Subordinates are only involved in the process of execution or implementation.

3. Indirect negative feedback: In hierarchical-centralistic culture, there is often a sense of reluctance to provide negative feedback to the work team, especially to superiors, for fear of offending the person.

4. High context: Hierarchical-centralistic culture in communication really cares about the right ways to convey thoughts, rather than the true intentions and goals.
5. Relationship based: In trusting, other people are more inclined based on relationships that are built. It is hard to trust people who are just known or did not have a good relationship before.

6. Avoid confrontation: In hierarchical-centralistic culture, people always avoid arguing to achieve objective and factual thinking.

7. Principle first: In hierarchical-centralistic culture, persuading others is done by presenting the underlying philosophical principles.

8. Linear time: In hierarchical-centralistic culture, activities are arranged sequentially or one by one, completing one thing first, then continuing to other things next (Figure 2).

Meanwhile, the learning culture that wants to be developed companies for enabling business agility development. It has the opposite tendency compared to the hierarchical-centralized culture:

1. Egalitarian: In learning culture, relationship between superiors and subordinates should be equal. Power distance is strived to be as minimal as possible. This will make it easier for subordinates to express their ideas and superiors are open to learning from subordinates.

2. Consensual: In learning culture, decisions made should be the result of a mutual agreement between the supervisor who is responsible for the results and subordinates who are responsible for the process.

3. Direct negative feedback: In learning culture, everyone has freedom to convey negative feedback to anyone. The underlying spirit is to achieve the common good (collaborative driven), not to bring down other parties (competitive driven).

Figure 2. Hierarchical-centralistic vs. learning culture.
4. Low context: In learning culture, communication should pay more attention to the content of messages rather than the way they are delivered. It cares more about what is conveyed than who delivers it.

5. Task-based: In learning culture, persons should be trusted based on their ability to complete tasks well, not based on how good the relationship is. Thus, even new people who join the team can be quickly given the opportunity to get involved in the problem-solving effort.

6. Confrontation: In learning culture, confrontation or argumentation is the best way to achieve objective and factual thinking.

7. Application first: In learning culture, others are persuaded based on aspects of application. How well the new concepts, ideas, or findings can be applied and provide the expected results. It is not based on philosophical concepts that become the background.

8. Flexible time: In learning culture; activities are scheduled flexibly. It is more goal-oriented and accommodates lots of dynamic changes or developments. More activities are carried out in parallel rather than just serially.

By understanding the culture map that explains the differences in characteristics between hierarchical-centralistic and learning culture, it makes it easy for us to carry out transformational initiative in developing corporate culture. By using cultural elements, the set of behaviors of employees can be directed more in line with what is expected by learning culture. It is especially the behaviors in communicating, evaluating, persuading, leading, deciding, trusting, disagreeing, and scheduling.

7. Conclusion

Technological developments have brought the companies into industrial revolution 4.0 and VUCA world, which makes companies experience continuous and disruptive changes intensively. For protecting their sustainable growth, it is imperative for companies to take transformational initiative. Transformational initiative is directed to develop business agility as the organizational adaptive capability. In implementing transformational initiative, corporate culture often becomes an obstacle or a blocker rather than an enabler. Directing corporate culture into learning culture is one of the recommended efforts.

Learning culture is a corporate culture that encourages learning activities carried out systematically and continuously on individuals, teams, and organization scope. The learning culture that is developed will have an impact on work engagement and also learning agility of employees throughout the company. Culture map can be used as compass to help the management in directing corporate culture into learning culture.
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