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# **T**ECHSTA 2010 – TECHNOLOGIES AND MANAGEMENT FOR SUSTAINABLE DEVELOPMENT 8-th INTERNATIONAL CONFERENCE PRAGUE

## **INDUCING ORGANIZATIONAL LEARNING THROUGH FOREIGN MARKET ENTRY**

**Josip Sertic<sup>86</sup>, Ivica Zavrski<sup>87</sup>**

### **Abstract**

Aim of this paper is to examine how foreign market entry affects construction industry organization. Organizational changes are detected that are induced by specific market context as organization struggles to achieve profitable performance. Question of organizational learning is elaborated in accordance to organizational exposure to market context. Sources of organizational learning have been discussed as well as learning intensity through organizational structure. Further research guidelines are suggested

**Keywords:** Knowledge management, organizational learning, foreign market, international construction, market context

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## **1 Introduction**

As a consequence of globalization, construction markets are more than ever accessible to foreign firms and become more open to foreign competition. The cost of participating in a market tends to be higher as market is more mature (Barringer and Harrison, 2000). Market maturity means demand for complex, high performance services. Therefore, competitiveness focus has been shifting from conventional price competition to a more complex competitive framework where non-price factors are more critical. Even in the lowest-bid opportunities, more clients are evaluating a contractor's ability to offer additional services encompassing entire phases including planning and developing, financing, engineering, procurement and construction. This generates requirements for specialist skills and knowledge and leverages overall project complexity.

Organizations source knowledge through learning process. All organizations learn whether they consciously choose to or not – it is fundamental requirement for the sustainable existence (Kim, 1993). Managed learning process is run by organizational policy or strategy and individual motivation. Organizational policy is able to target explicit knowledge while individual motivation targets tacit and experiential knowledge therefore authors find interesting how to induce experiential or tacit knowledge acquisition.

Regarding knowledge competitions in international construction, meaning operating in different market context, organizations have different knowledge requirements in accordance to their structure and business strategy (Sertic and Zavrski, 2010). It is interesting to examine knowledge structure and learning process for organizations upon their market position, their strategy and their clients.

Construction firm operation can be perceived as a part of construction industry supply chain in which organizations are to add value. Depending upon all above mentioned, learning methods and impact on the organizational competitiveness differ within the industry.

## **2 Organizational interface with market context**

Market entry decisions are some of a firm's most important strategic choices (Mitra, 2002). Such business decision affects organization as a whole. While numerous risks follow such decision, authors have examined positive effects of such situation, firstly knowledge acquisition and learning methods that are used.

Successful market entry needs to involve an understanding of market context. Market context is an aggregate of technical, legal, economical and social characteristics of the market (Sertic and Zavrski, 2010). Technical characteristic include technical standards and norms, legal characteristic way the legal system works, economical characteristic define competitors, market volume, supply etc. From system theory viewpoint, organization is an open system and is dependent on the environment i.e. market for inputs, which are transformed during throughput to produce outputs that are exchanged in the environment (Jackson, 1995). In fact, organization can be treated as subsystem embedded in a larger organizational system like submarket or more general such as the whole industry. Therefore, adapting to market context can also be considered as organizational performance.

## **3 Research methodology**

When discussing knowledge, researcher can rarely rely on quantitative methods, most of the time literature is based on qualitative observations. A literature review of human resource and organizational learning in construction industry is done by the authors. Human resource management literature provides the open systems theory that uses to describe a competence model of organizations. Skills and abilities are treated as inputs from the environment; employee behaviors are treated as throughput; and employee satisfaction and performance are treated as outputs (Wright and Snell, 1991). In this model, the subsystem, i.e. an organization, functions to acquire, utilize, retain, and displace competencies (Jackson, 1995). For deeper insight in specific market knowledge associated with market context, authors bring Figuera de Lemos' discussion which says that market context comprises experiential knowledge (Figuera de Lemos, 2010). It concerns the practices and behaviors in a certain market and can mostly be acquired through market activities. Experiential knowledge can be understood if knowledge leveling is done in accordance to complexity; simple knowledge can be codified whereas complex knowledge is culturally embedded and must be lived and experienced in order to be perceived. According to above, market knowledge can be solely experiential while its acquisition requires interaction with specific market agents. In regard of the above, authors use exploratory research (Stebbins, 2001) to get a deeper insight in experiential knowledge acquisition

and overall learning process inside construction organization. Research is done in a period of three months within a construction firm operating on foreign market. Nature of engagement was an infrastructural project where the host firm was a general contractor for more than one year. Authors have observed initial organizational structure and monitored change inside the organization that is induced by learning process.

#### **4 Results, findings and future research guidelines**

Ownership of knowledge and skills, especially tacit knowledge, remains with the individuals (Dulaimi, 2007). Therefore authors have monitored individual knowledge requirements in regard to market context. Individual knowledge and skill requirements vary according to organizational position when considering market understanding; Sertic and Zavrski have found that inside the construction organization, individual interaction with market context is of different intensity and therefore gather experiential knowledge differently (2010). Some of them are required to interact with the environment more and some less therefore a question remains whether learning is dependent upon level of exposure to surrounding business context.

Through observation authors have witnessed that individuals exposed to the environment learn dominantly in stochastic way while minor part of the learning process is steered by management. Question is of use and added value of the knowledge acquired. Findings of Figuera de Lemos (2010) and Ogilvie (1998) that such experiential knowledge is best shown in creative actions that enable individuals to engage wider range of information which can lead to increased understanding of problematic situations. According to Kim (2003) measuring organizational learning is achieved as a sum of learning capacity of individuals or ultimately organizations learn via individual members. Therefore, authors conclude that by acquisition of experiential knowledge, organization benefits in way of enhanced creativity in business context meaning leveraged organizational competitiveness. This conclusion is in line with Zahra et al. whose findings say that international expansion can promote organizational, especially technological learning, facilitating the development of skills and competences that help the firm achieve a competitive advantage (Zahra et al, 2000).

Question remains of experiential knowledge value, and usage. Further insight in added value of such knowledge could give explanation if transfer would be meaningful and codification would answer manageability question.

#### **5 Conclusion**

Operating in different market context can promote organizational, especially technological learning, facilitating the development of skills and competences that help the firm leverage its competitiveness. Authors have done an exploratory research within a company operating on a foreign market and have made qualitative observations of individuals learning. Results of this study have brought the authors to following conclusion. Organizational learning can be induced through foreign market entry to the limited extent. Knowledge sourced when operating in different market context is experiential in nature, therefore hardly transferable through the organization and is usable in rare corresponding situations. On the other hand, such knowledge is of value for both individual and organization in whole as it enhances creativity in problem solving situations. Individual qualities and cumulatively, organizational qualities have been enhanced. Such development leverages organizational competitiveness.

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