PhD THESIS WORK SUMMARY

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The Entrepreneurial Manager’s Effect on Organizational Learning

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Table of Contents

1. The Choice of Topic and Justification of the Central Research Question ........................................... 4
2. Methodology ........................................................................................................................................... 7
   2.1. Research goals and conceptual framework ..................................................................................... 7
   2.2. Methods............................................................................................................................................ 8
       2.2.1. Data collection............................................................................................................................ 9
       2.2.2. Data analysis............................................................................................................................ 11
3. Findings, Scholarly and Managerial Implications ................................................................................ 12
   3.1. Organizational learning is constantly present, it is not a result of choice................................. 12
   3.2. Organizational learning as an adaptation mechanism................................................................. 13
   3.3. Role of top management in organizational learning processes.................................................... 15
   3.4. Organizational learning is a process and therefore must be studied like one ......................... 17
4. Main References of the Dissertation .................................................................................................. 18
5. Publication Related to the Dissertation ............................................................................................... 22
1. The Choice of Topic and Justification of the Central Research Question

As a result of being a member in different research projects as a university student, I’ve started my doctoral studies at the PhD Program in Business Administration at Corvinus University of Budapest in strategic management specialization in 2011 under the supervision of Prof. Károly Balaton. The intellectuality of the Institute of Management and the Department of Strategic Management, inter alia Prof. Miklós Dobák, Prof. Károly Balaton, Lilla Hortoványi, Ph.D. and Zsolt Roland Szabó, Ph.D had a main role in formulating my research topic. In prior research projects at the Department the examination of entrepreneurship and entrepreneurial management and on-the-job learning processes were hot topics. I was active member in the research teams in these projects in this era and these research projects had an important role in finding my further research topic of my dissertation.

According to Birkinshaw et al. [2014], management research needs to be phenomenon-driven. The following phenomenon captured my attention: How is it possible that innovative, proactive organizations, previously able to grow, lose their adaptation capability even with an entrepreneurial manager, and how can this be interpreted? I knew of several middle-sized or bigger Hungarian companies that were able to grow radically after political changes in 1989 and survived the economic crises in 2008, but now struggle with several problems affecting their financial performance. My research explores this phenomenon and will examine this problem using the processes of organizational adaptation and learning.

The ideas of both ‘organizational learning’ and the ‘learning organization’ have a positive and idealistic meaning in the existing literature. The common assumption is that learning in the organization is important and the main source of future competitive advantage. Although this is indisputable, we still lack a universal answer to the question of how learning really happens inside organizations.

The field of organizational learning overlaps with several research areas, for example, knowledge management, dynamic capabilities, ambidexterity, adaptation, and change management. In this research, I examine organizational learning as an organizational adaptation process in entrepreneurial firms. In my opinion, the main facilitator of the
adaptation process is the entrepreneurial manager of the organization. I therefore want to connect two different perspectives, entrepreneurial and organizational development.

According to Mészáros [2010, 2011], research and strategic thinking in the 1990s focused on questions about how past practice and processes can create patterns that shape the present and the future. That resulted in an exploitation and internal focus. Strategic management was criticized for having too much focus on present performance, and only a weak relation to the future. Entrepreneurship research, however, focuses on opportunity-seeking and has a dominant future-oriented perspective [Dobák, Hortoványi and Szabó, 2012]. It therefore results in a dominant future-oriented approach in entrepreneurial adaptation.

Entrepreneurial firms focus on environmental challenges and future trends and changes. This is, of course, crucial in survival and in competition, but shifts the focus of the entrepreneur to the external environment and the future. This does not force the entrepreneur to (1) seek challenges inside the organization, (2) question the earlier adaptation processes of the organization and (3) assess whether past organizational adaptation was always well-managed. This can result in biased adaptation.

The dominant focus of adaptation results in a similar focus to organizational learning research. It also diverts the direction of research from examining past learning and existing routines to learning and adaptation in the future. Lähteenmäki et al. [2001, p. 118] made a critique of organizational learning research. They claimed: “The literature regarding both learning organizations and organizations learning is largely prescriptive in nature and proposes how organizations should be designed and managed in order to promote effective learning. There is [a] lack of conceptualization of the true nature of [the] organizational learning process.”

I therefore suggest a more integrated interpretation of organizational learning as an adaptation process, incorporating single and double-loop learning, internal and external adaptation and changes in cognition and behavior. Moreover there is a need to examine the process of organizational adaptation and learning longitudinally and deeply, at different levels. The dominant future- and external environment orientation calls attention to the following:

- The future-oriented and external focus diverts attention from examining double-loop learning at the level of processes, structures and routines, which involve behavioral change and learning or lack of change and learning based-on path-dependency.
• Single- and double-loop learning are related to each other in both cognitive and behavioral change. It is therefore worth examining these phenomena together to get a more holistic picture of organizational learning as an adaptation process.

Research on both adaptation and organizational learning has not examined the path-dependency factors in adaptation, so that adaptation and learning in the past and their effect on the present and future have not been the focus of researchers. This research, in my opinion, seeks ideal ways to adapt and learn and does not deal with what is really happening inside organizations. I therefore want to keep these thoughts to the fore and use a more critical perspective to examine entrepreneurial and organizational learning. This idealistic perspective characterizes the thinking about entrepreneurial managers. In my research the examination of the entrepreneurial manager’s role in the process of adaptation and learning is a main point.

Therefore I want to analyze the process of organizational learning and unlearning in growth-oriented organizations with entrepreneurial managers (CEOs), and I want to understand the influence of the entrepreneurial manager on these processes. In my opinion, the simultaneous examination of the entrepreneurship and organizational development perspectives, together with the individual and organizational levels, can help to fill the gap in the literature. The research objective is to develop our understanding about how organizational learning happens in growth-oriented middle-sized companies and how entrepreneurial managers influence these processes.
2. Methodology

2.1. Research goals and conceptual framework

My research aim is therefore to analyze the section of entrepreneurial and organizational development perspectives of organizational learning. Existing literature in organizational adaptation and organizational learning is mostly future-oriented and prescriptive. The entrepreneurial approach, the entrepreneurial adaption is about an innovative, risk-taking and proactive behavior. I wanted to examine that how organizations - that can be taken as entrepreneurial and growth-oriented based on its past and with an entrepreneurial executive manager – learn; how the existing knowledge that is the result of prior learning and adaptation influences the process of learning and adaptation; and what the role of the entrepreneurial manager is in this process.

My conceptual framework is based on the organizational adaptation model of Burgelman [1991] and the 4I framework of Crossan et al. [1999]. The following thoughts underpin my examination:

- There is adaptation in the organization as well, the main elements of this process are: variation, selection and retention.
- The learning process in the organization starts at individual level with individual intuition.
- The learning process reaches organizational level in the phase of institutionalizing, where individual and group learning is embedded into systems, structures, procedures, and strategy.
- After this process, feedback learning occurs, where the routines will be embedded in the organization.
- To understand organizational learning, different levels have to be investigated simultaneously and also longitudinally.

This research therefore aims to answer the following questions:

1. How does the process of adaptation and learning happen in growth-oriented middle-sized companies?
2. How do the different organizational levels and functions connect in the process of learning and adaptation (variation–selection–retention)?
3. What kind of relationship exists between the results of past adaptation and current adaptation?
4. What role does the entrepreneurial manager’s learning process (cognitive and behavioral change) have in these processes?

I formulated my own definition of organizational learning based on the literature:

*Organizational learning is an organizational ability and process of change in cognition and behavior, using both single-loop and double-loop processes. It includes interpreting and reevaluating past experiences and actions, understanding current organizational performance and environmental factors, the unlearning of old knowledge and routines and generating new knowledge to grow and survive in the future. Organizational learning is therefore a process of adaptation to internal and external challenges.*

It is also important to determine how I interpret the construct of entrepreneurial manager in my research. The entrepreneurial manager is an executive manager, primarily the chief executive officer who bears the characteristics of entrepreneurial adaptation: such as innovativity, risk-taking, proactivity etc. It is important that I do not analyze individuals who has an own enterprise as entrepreneurs. Of course it is possible that these two are the same.

To understand adaptation constructs at the same way I define the constructs variation, selection and retention:

- Variation: Different forms of experimentation, it can be characterized with newness compared to the existing activities, for example: new customer, product, process etc.
- Selection: Administrative and cultural mechanisms regulate the allocation of attention and resources to different activities and initiatives in the organization.
- Retention: The routinization process of the selected initiatives.

I made the following assumptions:

1. *Previous learning and thinking about past experiences have an effect on current learning processes at personal, group and organizational level.*
2. *Organizational learning does not always have a positive effect on the organization.*
3. *The entrepreneurial manager’s ability to make cognitive and behavioral changes has an influential role in shaping organizational learning as a process of adaptation.*
2. 2. Methods

Building on the propositions of Jyothibabu et al. [2010] and Maxwell [1996], and my purpose to understand the learning process and its contextual factors, especially the role of the entrepreneur, I therefore need to conduct qualitative research, and probably use case studies.

I use a single case study with an embedded design, which means that I investigated one case, which includes examining more actors. My research unit is dual: the first is the entrepreneur and the second is the organization. To analyze the organization means more levels: top- and middle-level managers and front-line employees.

The sampling criteria I use are summarized as:

Criteria related to the organizational development and learning aspects

- Organizations operating at least ten years ago.
- Organizations with at least 50 employees and at least two managerial levels.
- Organizations, with the characteristics of growth orientation in the past and present as well
- Organizations, who were able to adapt to the external environment successfully in the past, but this successful process of adaptation was stuck at a stage

Criteria related to the entrepreneurial aspects

- Organizations in with an entrepreneurial manager, who takes part in everyday work.
- Organizations where the entrepreneurial manager is responsible for strategic decisions.
- Organizations with the characteristics of risk-taking and innovation activities.

Criteria related to validity and reliability aspects

- Ideal and typical types of adaptive organization in terms of organizational learning.
- Organizations that can provide rich information.

2. 2. 1. Data collection

According to Chakravarty and Doz [1992, p. 7], “cross-sectional studies are only appropriate if the organization studied is assumed to be in a steady state of adaptation with its environment”. I focus on the process of adaptation and learning, which needs longitudinal
I therefore analyzed a middle-sized company deeply and collected data through ethnographic and embedded case study methods.

I conducted an ethnographic study in a middle-sized company. The company met the sampling criteria. I started the research in February 2015, when I first visited the company, and the data collection period ended in May 2017. In the early part of this period, my aim was to get to know the company. I focused on understanding the organizational structure, the members, their problems, and the organizational activities and processes. I therefore started my research with interviews at the company with people from different organizational levels. The interviews generally lasted 3–4 hours, although the interview with the top manager took around 8 hours, and those with group leaders and plant workers were only around 1 hour long.

- CEO
- 10 functional managers
- 8 employees in expert or supporting positions
- 4 group leaders at lower levels
- 8 front-line employees

After that, until around August 2015, I observed the production activities and processes of the company. I attended several different meetings and workshops as a participant observer, including daily production meetings, weekly managerial meetings, and product development meetings. In August 2015, I obtained access to the internal databases and networks, where I found several important documents and reports. I was also added to several e-mail lists, enabling me to follow internal e-mail communications at the company.

From 2015 to 2016, I spent on average one day per week at the company, rising to two or three days per week in the summer. My activities included data analysis, further interviews, mostly in the form of direct conversations, and observation of the daily activities, processes and events in the company. I tried to mingle with the organizational members, and spent time in the office of the production department, next to the production manager, in the sales office and when possible in the CEO’s office. I was involved in several conversations, mostly in the mornings when the production team drank coffee together and discussed events. From 2017, I spent on average one day a week at the company. My data analysis took place between February 2015 and May 2017.
During the study period, I spent time on document analysis, participant observation and semi-structured and unstructured interviews, the latter mostly as casual conversations. I felt it was very important to explore the perspectives of different members and stakeholders before analyzing views.

2.2.2. Data analysis

I used QSR Nvivo software to systemize my data. I imported all my data into this software, including daily notes, interview scripts, and documents. I sorted the documents, reports, and notes into monthly structured folders. I read all the imported documents several times and coded them for further analysis.
3. Findings, Scholarly and Managerial Implications

3.1. Organizational learning is constantly present, it is not a result of choice

Research on the process of organizational learning primarily focuses on whether organizational learning has occurred and measures what results it has on various organizational levels, on the levels of the individual, the group and the organization. My research concludes that researching organizational learning requires a different approach due to the turbulent changes of our age. Learning, may that be individual, group or organizational learning is constantly present in the life of organizations, it happens continuously, therefore, periods of learning and non-learning cannot be distinguished in the life of organizations.

Research highlighting the importance of organizational learning and the path to become a learning organization merely set the objectives to be achieved, however, do not deal with how an organization, for example a typical medium-sized entreprise in Hungary actually learns or does not learn and what supporting and hindering factors are present on the path of becoming a learning organization. The results of my research shed light on the complexity of learning processes within organizations and on the fact that establishing a more adaptive and successful organization requires understanding the nature of organizational learning processes. I believe that the results of my research fill the gap in knowledge on the field that assists leaders of business and non-business organizations to embark on the path to become a learning organization.

Obviously, stating that organizational learning is not a choice but a constantly present process in the organizations is not an entirely new idea. The innovative aspect of the research is defining what constitutes an organizational learning process. Routines continuously develop within an organization, with the organization attempting to simplify processes, while incremental changes are happening at individual, group and organizational levels alike. Literature on organizational learning rarely deals with these processes. The results of my research draw attention to the fact that these processes must be taken into account in terms of organizational learning, since based on the definition of learning, every long-term behavioural change can be regarded as learning. The organization might “learn” good and bad things that can happen at the level of the individual, group or organization, and they do happen despite
the best intention and highest attention from the management, since this is an adaptation process.

Existing research on organizational learning and learning organizations concentrate on the one hand on what the organization learns and consequentially regards this learning a beneficial and important activity from the perspective of the organization. My research, among others, highlights the necessity of taking two additional sections into consideration when studying the organizational learning of a company. Firstly, in the course of the above-mentioned continuous adaptation process, the organization might learn things that are bad for the organization or are outdated compared to the environment that had changed in the course of time. Furthermore, when examining adaptation, things that are important from the organization’s point of view but are not learnt must also be tackled.

My research sheds light on the necessity of a joint examination of these fields since they are also results of learning processes. In other words, organizational learning can have three different outcomes that are important in terms of understanding organizational learning:

- the organization learns good and important things
- the organization “learns” bad things or previously learnt things become outdated
- the organization does not learn good and important things

3.2. **Organizational learning as an adaptation mechanism**

From the perspective of strategic adaptation, it is of utmost importance for an organization to be capable of renewal from time to time and thus to be able to adapt to internal and external changes. Organizational learning is a constant adaptation in the organizations’ lives, therefore, in terms of managing organizational learning processes, learning actually constitutes an adaptation process. In the course of this process, an induced learning process is present in the organization that is controlled and managed by the management, besides an autonomously developed, not, or less controlled learning process that is simultaneously present. In case the organizational learning is appropriately managed and controlled, it is beneficial for the organization, if it is not, the autonomously developed processes gain ground and the organization adapts to the external environment and the internal qualities in a certain, mostly evolutive way. This does not necessarily serve the organization. From the perspective of organizational learning, these autonomously developed, not controlled learning processes are
results of ingrained routines, strengthened by the external market and the internal organization, which conditions the organization.

Regarding variation, in the case of the studied organization, the variation processes predominantly originated from the top management or the commercial department that was in close contact with the external market. The content of the variation fundamentally targeted the exploitation of a new market opportunity, such as serving a new customer, launching a new product or opening a new retail unit. Based on this, the variation process is closely linked to the learning processes. The variation process is mostly induced, it was most often initiated by the middle or top management.

According to the ecology model, variation is followed by selection. However, I observed in my research suggests that the selection process did not directly follow the variation processes but usually happened in a delayed and non-controlled manner. This process is not induced and happens in a rather autonomous way, furthermore, the actors involved in the process are typically different from the people and areas involved in the variation processes. On the one hand, selection is performed by the market, for instance, a non-viable product is not bought by customers, on the other hand, the processes are being dismissed at a certain level or area of the organization too; the employee involved does not allocate appropriate attention and time to the given activity. This typically culminates where narrow bottlenecks develop. Such bottleneck might be the production and supply capacity, the working time available for the employees, attention of the management etc.

The selection process develops autonomously as a result, the “organization selects”, however, many times it does not lead into a direction that serves the strategic interest of the company. In this case, lower levels of the organizational structure and the implementing, exploiting fields are involved in the selection.

The non-consciously directed selection process occurs among others for the reason that the variation process takes priority over the selection, and during both variation and selection, companies do not devote attention to check how the new product, customer, channel, business opportunity etc. fits into the existing activities of the company, as well as how these previous activities are influenced.

Retention follows selection, however, since the selection happens in a was that is non-directed and does not align with the strategy, usually the unfavourable processes and solutions are
ingrained. As a result of the selection process not being managed, retention is not managed either, therefore, the principles that apply during the process are highly similar. Therefore, if the whole process of development of routines is not directed by the management, an evolutive process will occur and the organization will select, in other words, the evolutionary process, the selection will begin within the organization. This happens not only at the level of ideas and new initiatives, but within all of the processes and activities.

Since the selection process happens with a time lag and in reality is only partially completed, the organization, especially the top management is not confronted with the fact that bad processes are ingrained in the organization and the complexity of the company increases. The more often variation processes happen and the less frequent the negative feedback from the external market is, the deeper these processes are ingrained in the organization.

3. 3. Role of top management in organizational learning processes

During my research, I experienced the interesting phenomenon that the before-mentioned routines and ingrained routines are not only present in the value-creating processes, everyday activities and cultural values, but also in factors such as interaction among staff members, hierarchy of the organization, relationship with the executive manager/top management, strategy mechanisms, the organization’s approach to the markets and external environment, etc.

My research revealed that the top management of an organization is also involved in the ingrained routines, moreover, the behaviour of the top management fundamentally determines what routines become ingrained, in other words, the top management “conditions” the organization’s learning. For this reason, in order to leave behind the routines and the ingrained routines that are not favourable from the perspective of adaptation, it is crucial for the top management to change, as well as to adapt its previously used management tools. The commitment of the top management to change is not sufficient in itself, the change must be more than a mere cognitive change, it is necessary that it manifests in the everyday behaviour of the executive officer. This is essential in order to ensure that a proper learning process happens within the organization. Cognitive and behavioural changes cannot be separated and examined separately in the course of this process.

Therefore, the top management must be capable of recognizing its own bad routines or the tools and routines that are non-functional in the given context, and it must induce changes.
Thus, in order to trigger a change, unlearning and releasing old routines are necessary at individual levels too, including individual behaviour and leadership tools as well. This requires self-criticism. In order to ensure continuous learning, the leader must be capable of double-loop learning. This is a highly demanding process since the management is involved in these routines, and if the management had been present in the organization for a sufficiently lengthy period, the major part of the culture was develop by them.

If the leader aims to manage the adaptation and learning processes of the company, they must change themselves and the system simultaneously and must also be capable of triggering both cognitive and behavioural changes. In case the leader fails to achieve this, the changes that happen at certain levels will be futile and the previous conditioning mechanisms will continue to prevail. This will result in the strengthening of previous routines in the organization.

However, it is likewise not sufficient if the changes are only induced by the executive manager and the top management, since the changes must be conducted through the whole organization. Previous experience towards the top management influences the organization to such extent that after a while the organization does not have belief in the management being capable of a different way of thinking and acting, since earlier experiences prove it otherwise. The longer was the duration of the routines to become ingrained and conditioned to that behavioural pattern, the more difficult it is to induce a shift and the unlearning of old badly ingrained routines at an organizational level. The first reaction will be that nothing is going to change anyway.

Besides, the less the employee experiences changes in higher positions, the less they will change themselves or they will soon stop attempting, since it is more secure and less confrontational to reach back to the old habits and work alongside them, using old tools. In order to achieve behavioural changes in the organization, being exposed to new experiences is necessary for the individual and thus the organization, which can result in new ingrained routines. This can be generated by the top management.

This is not a temporary, but a constant and continuous activity and process, which, if not managed by the top management and is not harmonized with the environment and the internal context of the company, will still develop in a certain manner. What is not developed by the management, will be developed by the organization, primarily by dominant individuals within the organization. Therefore, the top management has a prominent role in properly developing, managing and controlling the learning mechanisms of the organization.
This requires not using exclusively the previous routines but recognizing when certain routines become outdated, when it is time to let them go and return to a previous solution, and when it is more beneficial to keep something that functions properly. This must be acquired at the level of the individual or the top management team, since if the top management fails to induce changes, it authorises the organization not to feel responsible as individuals to trigger changes.

The effect of expert intuition, an experience-based intuition and learning, is greatly significant at this point. It is challenging for an executive manager to “drag” the organization out of old routines when the manager was partly responsible for their presence or for their development. This requires individual unlearning and thus double-loop learning. Following the individual learning, it is important that the manager is capable of institutionalizing this learning at cognitive and behavioural levels alike.

### 3. 4. Organizational learning is a process and therefore must be studied like one

My research confirmed that the organization becomes accustomed to what can and cannot be done. As a result of past conditioning processes, consequences of events are ingrained in the organization, i.e. the processes become embedded. In order to ensure that proper organization learning takes place with regard to changing conditions of the environment, these ingrained routines must be changed. From a research point of view, this highlights that the roots of learning, the presence, deficiencies or absence of learning abilities cannot be tackled independently of past learning processes and knowledge of the organization that accumulated in the course of time. It can thus be concluded that studying organizational learning at such depth requires longitudinal research that reaches down to the levels of routines and embeddedness.
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