Chapter 3
Organizational Learning Mechanisms and Corporate Entrepreneurial Orientation

Anastasiia Lutsenko

Learning is a fundamental requirement for business renewal and innovative activities. It is defined as a cumulative concept, which allows a firm to increase its stock of knowledge and experience, as well as of capabilities, which, in its turn, provides the company with the opportunity to undertake innovation activities. Apart from that, it is a process of accruing additional knowledge and technical skills by individuals as well as by the organization from its internal and external sources of knowledge, which organization possesses (Cohen and Levinthal 1989; Malerba 1992). Learning can be understood as a mechanism providing individuals with an opportunity to acquire knowledge from external sources (Amsden 1989; Viotti 2002).

Some researchers concur in that low level of learning infrastructure development within the organization is a basis for impaired development and may affect the overall quality of the organization. Furthermore, Tajeddini (2009) argues learning orientation as a critical key to business success. Additionally, Huber (1991) shed light on the importance of gaining new knowledge for the new services development. And, Slater and Narver (1995) describe learning orientation as an instrument, which allows firms to gain flexibility and ability to react to macroeconomic factors "faster and with more knowledge in operation." Being introduced by Popper and Lipshitz (1998), organizational learning is described by number of academics as a lifelong process (Reuber and Fischer 1999) and OLMs are important antecedents for improvement, renewal and sustainable development (Eisenhardt and Martin 2000; Zollo and Winter 2002) and competitive advantage (Brockman and Morgan 2003). Kars-Unluoglu and Easterby-Smith (2011) also emphasize the unity aspect of OLM stating that "OLMs are social arenas where individual experience and knowledge are shared with and analyzed by other organizational members." Nevertheless, this process must be supported by organizational culture, as Popper

A. Lutsenko (✉)
UGSM-Monarch Business School, Hagendorn-Zug, Switzerland
e-mail: anastasiia.academic@gmail.com; prof.lutsenko@monarch-university.ch

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and Lipshitz (2000) suggest and by contextual and organizational factors (Zollo and Winter 2002).

A number of endeavors were made by researches to systematize knowledge within the domain of OLM. For instance, Edmondson and Moingeon (1998) came up with the following notion: "the process in which an organization's members actively use data to guide behavior in a way as to promote the ongoing adaptation of organization." One of the recent ones there is a description of Armstrong and Foley (2003), who found OLM to be an "An instrument for systematically measuring and monitoring progress toward achieving a learning organization." Additionally, according to Schildt et al. (2005), learning mechanisms proved its vitality for the entrepreneurial activities, as training was found to be positively related to the innovation processes (Lau and Ngo 2004). Next part is designed to provide the reader with the critique in the domain of corporate entrepreneurial orientation.

Corporate Entrepreneurial Orientation

Although Schumpeter (1934) was one of the first to emphasize importance of the innovation for the entrepreneurial process, term entrepreneurial orientation itself was founded by Miller in 1983 and consists of three components: innovativeness, proactiveness, and risk-taking. According to them, an entrepreneurial firm is one that engages in product–market innovation, undertakes somewhat risky ventures, and is first to come up with "proactive" innovations (Miller 1983).

Straight after that interest to the term has increased significantly (Covin et al. 2006) and Covin and Slevin developed the concept further in 1989 and Lumpkin and Dess polished it in 1996. So, nowadays entrepreneurial orientation is known to be a five-dimensional concept, which includes proactiveness, innovativeness, risk-taking (Miller 1983), autonomy, and competitive aggressiveness (Lumpkin and Dess 1996; Covin and Slevin 1986, 1989). Additionally, it is recognized as a firm-level phenomenon and firms with higher level of innovativeness and proactiveness are performing better. Furthermore, researchers concurred on that EO refers to the strategic orientation of the business (Lumpkin and Dess 1996) and is more related to the organizational behavior rather than the action of individuals (Covin and Slevin 1991).

Dimensions of Entrepreneurial Orientation

A substantial number of researchers investigate field of entrepreneurial orientation (EO) and find that its dimensions have a high level of inter-correlation (Richard et al. 2004; Bhuian et al. 2005). Therefore, often those dimensions are seen as a single factor (e.g., Lee et al. 2001; Naman and Slevin 1993; Walter et al. 2006; Wiklund and Shepherd 2003).

Nevertheless, EO dimensionality is still a question for debate within academia. From one side, Slevin and Covin (1997), as well as Knight (1997), find EO as a one-dimensional concept with three components. From the other, Lumpkin and Dess (1996), George (2006), and Kreiser et al. (2002) suggest that EO is a multi-dimensional concept.

Within the existing body of knowledge, the following characteristics of dimensions are outlined:

Innovativeness—is a central aspect for success of the organization in long-term performance (Hult et al. 2004; Atuahene-Gima 1996) and has been studied widely within the research community (e.g., Lumpkin and Dess 1996; Kimberly and Evanisko 1981). For example, according to Lumpkin and Dess (1996) innovativeness is a tendency saying that its "firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes." Later, Rauch et al. (2004, p. 165), having a similar understanding of the term, add that innovativeness is related to R&D processes stating that innovativeness is a "predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes." Furthermore, researchers also attempt to classify innovativeness. Authors suggest having two types: technological (Lumpkin and Dess 1996) and product–market (Lumpkin and Dess 1996; Miller and Friesen 1982; Scherer 1980) innovations.

Risk-taking is a vital component of entrepreneurial orientation (Tajeddini and Mueller 2009), as it has a positive correlation with business success and performance (Lumpkin and Dess 1996). However, according to Rauch et al. (2009) there is no significant relationship between these two variables. According to Miller and Friesen (1982), risk-taking is "the degree to which managers are willing to make considerable and risky resource commitments—i.e., those which have a reasonable chance of costly failures." Apart from that, it is about being aggressive in the exertion of new opportunities and Lumpkin and Dess (1996) also suggested that there are particular types of risks—safe and heavy risks—which may involve different amounts of financial capital at risk.

Proactiveness is understood as interpretation of entrepreneurial orientation from the point of view of anticipation of future possibilities in terms of products and new markets, and technologies (Lumpkin and Dess 1996; Miller and Friesen 1982; Miller 1983) and is about "eagerness to take initiative" (Tajeddini and Mueller 2012): "forward-looking perspective that is accompanied by innovative or new-venturing activity" (Lumpkin and Dess 1996). Additionally, it is suggested that proactiveness is about emphasizing initiating activities and being rather a leader than a follower and is a crucial competitive advantage (Lumpkin and Dess 1996). Venkatraman (1989) provided the following definition: proactiveness is "seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and brands ahead of competitors, and strategically eliminating operations which are in the mature or declining stages of life cycle."

Competitive aggressiveness is the style in which the company interacts with its competitors by classifying them into different groups based on value and danger.

According to statements of Dean (1993), it is the most vital component of corporate entrepreneurial orientation. Additionally, Lumpkin and Dess (1996) suggest that CA is "a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the marketplace." Moreover, Covin and Slevin (1989) supported the tendency within the literature to equate and interchange notions of proactiveness and competitive aggressiveness and entrepreneurship as characterized by constant and extensive technological and product innovation, a high risk-taking propensity by top management, and an aggressive competitive orientation.

Meanwhile, *autonomy* refers to "the independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion" (Lumpkin and Dess 1996).

Relationship Between OLM and CEO

An extensive number of works has been written in the field of entrepreneurship within the transitional and developing countries, and with different social canons and culture. It was found that OLM has a greater impact on CEOs in big business rather than within smaller ones. Additionally, the value of learning is widely recognized within the entrepreneurship literature (Moingeon and Edmondson 1996) and Wang (2008) suggests that entrepreneurial orientation is a determinant of the level of learning orientation existing within an organization. Furthermore, academicians also studied learning mechanisms widely, as they are found to be bases for the innovation for the organization (Malerba 1992; Cohen and Levinthal 1990; Zollo and Winter 2002).

General Conclusions

According to Naman and Slevin (1993) and, entrepreneurship is understood as the ability to permanently innovate, renew, take risks, and convert innovative ideas into valuable products. In spite of some authors emphasized the importance of strong entrepreneurial orientation for the technological sector of economics (Tajeddini 2011), not that many works have been conducted within the domain of entrepreneurial orientation and its antecedents. Apart from that, software development industry is growing and developing by leaps and bounds (Tessler et al. 2003) and depends a lot on the well-trained high-quality employees (Dessler 2006).

Furthermore, an extensive literature review has shown a lack of research and literature in the field of relationship between the components mentioned above for the software development industry in the emerging countries, countries with the unstable economic and social situations and for the countries in the state of war globally as well as Ukraine, in particular. Therefore, it is recommended to

investigate the following relationship in the domain of software development services sector of the economy in Ukraine with the further possibility of transmitting this research framework forward to the countries with the similar characteristics.

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