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Conference Paper

Pursuit of Competitive Advantages for Entrepreneurship: Development of Enterprise as a Learning Organization. International and Russian Experience

44th Congress of the European Regional Science Association: "Regions and Fiscal Federalism",
25th - 29th August 2004, Porto, Portugal

Provided in Cooperation with:

European Regional Science Association (ERSA)

Suggested Citation: Dokukina, Anna (2004) : Pursuit of Competitive Advantages for Entrepreneurship: Development of Enterprise as a Learning Organization. International and Russian Experience, 44th Congress of the European Regional Science Association: "Regions and Fiscal Federalism", 25th - 29th August 2004, Porto, Portugal, European Regional Science Association (ERSA), Louvain-la-Neuve

This Version is available at:

<https://hdl.handle.net/10419/116995>

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Pursuit of Competitive Advantages for Entrepreneurship: Development of Enterprise as a Learning Organization. International and Russian Experience

Paper prepared for the 44th Congress of the ERSA, Porto, Portugal, 25-29 August 2004

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Abstract

The range of up-to-date means to achieve success in business is rather extensive. The question is how to use them effectively taking into consideration conceptual changes in modern business strategies.

Characteristics of development of the firm as a learning organization and creation of corporate universities has been discussed during last decades by corporate and human resources managers, economic consultants and business education professionals. Most researchers emphasize the role of a corporate training system as an important competitive advantage in the dynamic conditions of modern business activity.

Interest of Russian businessmen and economists to the new ways of solving managerial and production tasks has emerged quite recently. The pursuit of effective decision in management and production corresponding to the actual business strategies leads to the increase of significance of intellectual capital as a base of a system of competitive advantages of Russian enterprises.

The current and planned research is devoted to the problem of pursuit and creation of unique resources such as systems of corporate training and knowledge management which are main elements of strategic planning and management of a firm.

The framework of research includes the following main points:

- Analysis of the modern market development and related new business concepts.
- The role of intellectual capital as an important part of a business life.
- Dynamics of business environment and the necessity of learning organizations' creation and development.
- Modern Corporate Universities as the most important institute of the enterprise.
- International and Russian tendencies in accumulation and application of intellectual capital and creation of Corporate Universities.

The present article is dedicated to the consideration of the reasons and directions of conceptual changes in the business activity realization; to the problems of the development of business enterprise as learning organization and creation of the corporate universities; to the experience and tendencies of the concentration and realization of intellectual capital.

Key words: entrepreneurship, economics of the firm, competition, intellectual capital, learning organization, knowledge management, corporate university.

Introduction

The severe conditions of the modern competition engendered the necessity for the search of new ways to achieve stable business success. Enterprises should continually seek the tools of qualitative changes of their activity. One of effective ways to solve the complicated and actual problems in managerial and production spheres is application of available intangible capital as the basis for creating a competitive advantage. Considering the business enterprise from the point of view of Institutional Theory, which provides the most comprehensive base for understanding the enterprise as a focus of a great number of economic institutions, we search the institutions of enterprise's internal environment, where the intellectual capital is being accumulated and developed.

Modern market and new business conceptions

At present time of the age's changes, all factors of business life are transforming swiftly. The cardinal changes of business life conditions include the transition of civilized countries to the postindustrial society, increase of market differentiation, dynamism and demands of business environment, strengthening of scientific and technological progress impact and, at last, introduction of the latest technologies into both production and management.

In these conditions great importance is given to the information medium, global communication networks and new on-line technologies of information seeking and processing. The removal of limits for access to the information resources and increasing speed of communication are the main reasons of the market operations intensity, reduction of communication costs and enhancement of efficiency in relations between producers and consumers.

As a result of these processes, enterprises and business companies as the basic market units enjoy the extensive opportunities to realize business activity on one hand, and to conform to severe unsteady market conditions on the other hand. As for the high degree of complexity in market decisions, the fact is that the main feature of present market is the evolution of the nature of modern competition. Today companies compete not on the level of product (i.e. competition for the accordance with standard characteristics and quality specifications) and even not on the level of organizational and production processes (i.e. competition for the technical and technological advantages), but on the very first stage of product development - competition for the perspective idea as a basic condition for business success.

Consequences of this shift in the phases of competitive struggle manifested themselves in modification of companies' business strategies and emergence of new approaches to business priorities' establishment and new tools of goal achievement.

It is becoming obvious, that all attempts to create universal strategic and tactical business rules, which would be automatically successful, are not so effective now. One would think that each business step is based on the previously received information, market analysis, creation of the alternative variants and plans, and selection of the best

one. However, this model, although its high effectiveness has not been questioned earlier, means that an entrepreneur can predict behavior of his competitors. In other words, all modern businessmen are expected to behave in accordance with the same concept in their activity realization, i.e. «properly made» decision. It means that we are expecting our decisions, made in accordance with fixed rules, to lead to adequate reaction from competitors. But now, in severe conditions of dynamic environment it is becoming difficult and even almost impossible to make a perfect model of the competitor's reaction. The entrepreneur can create an irreproachable strategic plan, but competitors or partners will run their business in an unpredicted way. Besides, the role of time factor has increased dramatically during the recent years. Therefore, additional research, analysis and revision of the ways to correct business activity can lead to unsatisfied results. In accordance with aforesaid, the conclusion, which is currently being made by the plenty of modern researchers and businessmen, is the following: all economic and managerial schemes and theories can not guarantee business success, even if they have been successfully practiced in the past. Moreover, they often show examples of business decisions which turned out to be good regardless of the rules and theoretical formulas¹ (Vikhanski, Naumov 2002)

Thus, we are speaking about the emergence of a new law for modern business life. The idea of this law is enterprises' aspiration to be different. Only being different can give modern companies a chance to win in modern competition. The most progressive method can be used very well until it is widely spread and realized by others. The probability of high effectiveness is reduced and then lost at all when an enterprise stops to differ from other companies in quality, price, service, management and so on.

The fact is that the changing concept of entrepreneurship engendered the necessity for the search of new ways to achieve the stable business success. This process is expressed in the principal transformation of the means of achieving new goals in strategic planning and management of the enterprise.

Intellectual capital and entrepreneurship

Till recent time successful business was defined by the presence of tangible assets such as buildings, constructions, machines and so on. Now the tools for achieving competitive advantage are transforming: abilities to develop real assets and create new

kinds of capital in accordance with market requirements play the leading part today. In this situation, intangible assets obtain a decisive importance. We have discussed above that knowledge and technologies, which can be gained outside the company, mean using somebody else's experience with poor potential. Skills to manage all business processes effectively, to create systems of communication with clients and abilities for quick procurement of necessary funds require much more professional management, efforts and time to accrue an experience as well. A report of the American Booking Institute's research acknowledges the fact that the time of business strategies created on the basis of material resources has gone and will never return. Now this concerns also the traditional branches of industry. In confirmation following statistics is shown: in 1982 the part of tangible assets at balance sheet structure of American enterprises was 62%; in 1992 this part reduced to 38%; in 2000 it was about 10-15% (Idrisov 2001).

To win the modern competitive struggle company must possess the highest dynamic abilities such as the following:

- perception of changeable market requirements and tendencies;
- formulation of the vision of company's future and correction of plans according to market changes;
- development of necessary key competencies providing the competitive advantage;
- realization of restructuring procedures aimed on the consolidation of the market position with the support of production, office and management personnel.

In present conditions the significance of dynamic opportunities and necessity of their introduction into everyday business decisions leads to the increase of the role of intellectual capital. One of the main features of the intellectual capital is a company's ability to learn faster than its competitors. That very ability of effective learning becomes the most important market advantage nowadays.

Learning organization

Responding to market requirements in the end of XX century, many business enterprises initiated the structure transformation, aimed at the optimal use of the unique knowledge about business and ways to achieve stable success, which the enterprises have accumulated in the process of their business life (Evenko 1998).

Dynamics of the business processes has achieved such level when even a narrow gap between education and practice becomes more than expensive and inadmissible. In early 1980s that gap began to develop in the chain «business education – entrepreneurship», in spite of the widely practiced MBA programs in courses of business-schools, which had the main goal to prepare high quality business managers. However researchers have outlined the serious break of MBA graduates from the real life and their inability to react to possibilities and risks, to promote a corporation's survival and to favor the development in the changeable and highly competitive business world. The situation was kept in plenty of cases in spite of the perfect business school's teaching programs, including all functions of the company. All managers have more or less similar set of skills and as a result they could not create competitive advantage of the firm — to make the company unique through their knowledge.

In that situation, aspiring to correspond to this fact business schools began to modify their approaches to MBA programs. The traditional methods have been changed to create flexible courses, selected disciplines and individual plans. The teaching programs were reoriented towards the solution of practical tasks for the appointed group of students in specific conditions. Today graduates represent leaders, who can manage both personnel and knowledge.

Unfortunately this tendency is developing not as intensively as it is necessary for entrepreneurship needs. Researchers emphasize that the teaching system, based on the stable scientific disciplines and formal transmission of experience, still prevails in the practice of even the most progressive business schools. But as the real business practice shows, that system cannot provide the development of creative leaders.

Since the breach between the real managerial problems and managers' education continued to exist, enterprises started to seek the ways of gaining intellectual capital,

making a revolution in business education. As it is generally known, the leading part in the business world today is played by large integration organizations, which concentrate independent enterprises for joint realization of complex tasks on the basis of stable mutual relations. The main feature of enterprise networks is the innovational character of the activity, which is grounded on the own intangible assets rather than on the physical educational capital of the personnel. At the same time the company is not just the owner of a gigantic intellectual capital; it also disposes of broad operational abilities. That is why the companies can share the lead with universities and business schools as sources of economics and managerial knowledge (Evenko 1998). So the conclusion is that a modern enterprise has managed to find a way of the effective strategic development, which consists of the enterprise creation as a learning organization and a knowledge management system.

The terms «learning organization» and «knowledge management» have been widely practiced in Europe and America since 1980s. These terms have expressed the results of leading corporations' efforts in the sphere of seeking tools suitable for modern informational challenge. In fact the system of knowledge management and learning organization creation is not an absolutely new model of market enterprise development. It is closer to the innovational means to apply progressive managerial methods.

As for a scientific theory as the basis of the learning organization conception, there are two models: American model by Peter Senge and European model, created by several authors (Vill'-Villiams 2002, Senge 2001, Pedler 1997). Those theories formulate the following main elements of the learning organization (see Table 1).

The combination of all elements into a single system provides a real advantage for the organization. At the same time the very training process, which is realized to some extent at every enterprise, is gaining great importance now. Since the learning organization is the structure permanently seeking the tools for the improvement, the education is not so much the knowledge collection as the intelligent creation to apply those tools (Vedomosti 2001).

Learning organization	
American model	European model
<ul style="list-style-type: none"> • system thinking • group training • personal improvement • intellectual models • common vision 	<ul style="list-style-type: none"> • learning methods of the strategy creation • corporate policy of employees' participation in the process of strategic planning • transparency of information • corporate activity accounting and controlling • internal exchange of corporate services • flexible system of remuneration • mobile structures • permanent environmental research • joint projects of corporation and work groups • corporate climate of personnel training and development

Table 1. Learning organization models

Corporate university

The essence of the idea of corporate university is a direct transfer of serious professional education into the sphere of real business and management of a corporation on the basis of its own corporate training center.

There are two ways to create the corporate universities. First, it is an alliance of a company with ordinary educational organizations – business schools or institutes of high education. Second, it can be independent department in the structure of the company. The first way is more widely spread. The combination of the educational and practical experience of companies and educational organizations is the ground for a quick and comparatively cheap creation of the corporate training center (Vikhanski, Naumov 2002).

Teaching programs are constructed in accordance with business requirements: all sets of modules and subjects, teaching schedules, duration of the courses and so on

are designed in conformance with the corporate requirements. The learning system gives an opportunity to improve skills remaining in the professional environment. Besides, the possibility to study at the corporate university is the additional motivation for the employees.

Certainly the professional universities cannot substitute of the fundamental educational system. However, they are spreading at a rapid pace and modern companies assign considerable funds to support them.

At the beginning of 1980 there were about 400 training centers. At present their number exceeds 2 000 (Kommersant-Money Magazine, vol.6, 2002). Good examples of the most famous foreign corporate universities are the University Motorola, Coca-Cola Learning Center, International McDonald's training center – Hamburger University, and Xerox Document University.

Those universities cooperate with the world's leading institutes of higher education, schools of business and economics. Invited teachers and employees of the company conduct the teaching process as well. Leading managers act as teachers on the learning courses. As a result, there appears a real knowledge system in the company. This system lets the specialists of the company pass on their experience using the approved methods, and the educational organizations receive access to the information collected by the company.

As for the practical results of the corporate universities' creation, they are confirmed by the experience of Motorola Company. The Motorola's unique learning system is created on the ground of the enormous data base, collected during the decades of the Motorola's life. All data is divided into compact and independent fragments, which could be used as a basis for the separate educational courses according to the routine business requirements. In 1987 University Motorola developed the special «Six Sigma» program for the quality improving. That program led to elimination of rejects to 0,1% and to cutting down 84% of expenses associated with low quality (Capital Market, vol. 12, 2001).

Thus, the company includes into its structure a new department oriented at the solution of the specific educational tasks for real business. Obviously, at that moment

the company also increases its intellectual capital as a necessary requirement for the creation of a new competitive advantage. Moreover, if the personnel development is not the sole reason for the creation of corporate university we can speak about an additional direction of diversification as the most effective means for the market success achievement.

Russian tendencies

The process of Russian enterprises' evolution into learning organization can be characterized as unique one. Radical changes of economic and political environment in modern Russia can not be compared with changes occurring in other countries. During a short period of time social and economic structure, property relations, juridical, financial and managerial forms have undergone dramatic transformation. Relations between the members of economic processes have also been changed. Russian enterprises came across such problems as political instability and financial crises. Manufacturers, who could overcome these the difficulties were immediately involved into the intensive competitive struggle, sometimes even on international scale. All these processes went on very quickly without the time for necessary adaptation.

In conformity with the present moment, we should specially underline that the educational system existing at the enterprises is one of the tools for the attraction of foreign investments. On the contrary, the lack of that system blocks Russian companies' ability to attract investments as long as investors take into account not only the factor of business profitability, but also the factor of the managerial transparency, which depends directly on approaches to the corporate teaching process² (Volkov 2002).

Therefore, every Russian enterprise needs systematic business education, which is developing swiftly now in spite of the number of serious obstacles.

Today it is possible to state that there is the market of business-educational services in Russia. It is rather discrepant, but at the same time extremely dynamic, competitive and answering the requirements of Russian companies, aiming at increasing their intellectual assets.

Russian market of MBA, where the first projects have been begun no more than 10 years ago, demonstrates now the speedy growth. About 10 000 managers already

have Russian MBA diploma. In 2003 some Russian business schools could not take all persons interested. There is a tendency to modify teaching programs in accordance with real needs of the enterprises (Izotov, 2003).

However, the question is – what kind of means is the most effective to increase the corporate knowledge through the teaching process? Obviously, maximal return will be received by a company that has abilities to evaluate the perspectives of the development by the creation of learning organization. Only this way will let the company achieve the unique competitive advantage.

It is important to emphasize that there is a number of Russian companies, which conduct serious practical research in the sphere of the knowledge management and building of the learning system. There is already Russian experience of corporate universities creation such as «Bee Line University» (mobile connection), «Eurosib University» (oil and gas production) and so on.

Taking these facts into account, we can say with confidence that the need for development of corporate business-education in Russia will be rather high during the nearest years, especially if we take into account those financial and competitive results, which constitute the effect of the new Russian learning organization.

Footnotes

¹ There are plenty of cases illustrating the reasons for the refuse from prescribed models of business realization, as long as using those models leads to significant entrepreneurial risks. For example, researchers describe feeble attempt of IBM Corporation to create a copy machine like the already existing product of Xerox. Another example is unsuccessful Sony's plan aimed at purchase of Columbia Pictures. Both projects failed, in spite of highly qualified research, detailed calculations and forecasts.

² According to data of McKinsey's and PriceWaterhouseCoopers's research, three quarters of 200 largest investors attach equal importance to financial factors and the corporate managerial transparency. The lack of such transparency in Russian companies is the reason of receiving 10 milliards less of American direct investments per year.

Acknowledgments

The paper presents the author's scientific work at the Plekhanov Russian Academy of Economics (Moscow, Russia). The author takes this opportunity to express special thanks to Plekhanov International Business School (Plekhanov – IBS). The author wishes to express her appreciation to Dr. Irina Petrovskaja (M.V. Lomonosov Moscow State University) for her valuable suggestions, criticism and all efforts in helping with preparation of this paper.

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