

# **ASSURING ORGANIZATION'S SUCCESS IN THE ERA OF CHANGE BY BALANCING EXPLORATION AND EXPLOITATION THROUGH COMMUNITIES OF PRACTICE**

Key words: community of practice, exploration, exploitation, organizational learning

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## **Abstract**

Like waves, organization's success is undulating because of various things, for example changes in organization's business environment (e.g. environmental, social and economical) - organizations are facing both the time of changes and stability. In prevailing theories of organizational learning, exploitation and exploration are assumed to be very distinct activities, and thus it is not possible for an organization to enhance both at the same time. This paper represents that communities of practice can be seen to be those who take care of the exploration while the organization's main function could be the exploitation. As one contribution of this study is that I substantiate the importance of communities of practice perspective in the field of knowledge management and organizational learning. This study represents how, in practice, members of a community change their practice or innovate.

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## **1. INTRODUCTION**

In literature addressing organizational learning, innovation is described as the creation or discovery of new solutions, new approaches or new ideas. By contrast, exploitation is the integration of new ideas into everyday practice, whereby they are shared and eventually become taken-for-granted routines. Both innovation and the exploitation of ideas are important forms of everyday practice-based learning. But in contemporary environments of uncertainty and instability, innovative learning may have greater importance: those organizations that prove to have superior abilities to manage exploration will be better able to adapt to changing circumstances.

This research is based on an organization owned by a non-profit foundation: part of the profits generated is used on welfare work, but organization also offers modern and versatile state-of-the-art health services. The case organization is operating in the health care area where the markets have changed substantially and new markets and demands have arisen. I show that communities of practice can be seen to be those who take care of the exploration while the organization's main function could be the exploitation; learning to refine their capabilities, for example, to exploit communities of practice's existing knowledge, learning to focus the activities on certain domains and learning what brings success and failure.

The fundamental core of knowledge management is the development and astute deployment and utilization of intangible assets, of which knowledge, competence, and intellectual property are the most significant. As one contribution of this study is that I substantiate the importance of communities of practice perspective in the field of knowledge management and organizational learning. Community of practice theory tells us nothing much about how, in practice, members of a community change their practice or innovate. This study represents how, in practice, members of a community change their practice or innovate, for example, by creating new ideas and ways of doing things, creating so called new 'best practices'. There is order within these communities: communities are part of the formal organization, but they can be considered to be a world of their own where the members have their own rules and ways of doing things. The focus is in the organizational learning as a process in communities of practice - diffusion of knowledge and competences through informal, innovative communities of practice.

## **2. FROM SOCIAL LEARNING TO KNOWLEDGE MANAGEMENT**

The social learning theory focuses on learning that takes place within a social context. It assumes that people learn from one another, through processes such as observational learning, imitation, and modelling. The social learning theory explains human behavior in terms of continuous reciprocal interaction between cognitive, behavioral, and environmental influences. Among others, Albert Bandura is considered to be the leading proponent of this theory: the social cognitive theory stemmed from the social learning theory which has a colourful background dating back to the late 1800's. In 1986, Bandura officially launched the social cognitive theory with his book *Social Foundations of Thought and Action: A Social Cognitive Theory*.

The traditional cognitive theory dominates the thinking on learning and the practice of education (Fox 1997). In management studies, the theory has been influential vis-à-vis the 'upper echelon theory' which sees 'the organization as a reflection of its top managers' and applies cognitive psychology to top management's perceptions of the environment (Hambrick & Mason 1984). The traditional cognitive theory has also been

influential in Daft and Weick's (1984) 'model of organisations as interpretation systems'. More recently, the approach has been modified to incorporate a 'political' dimension (Schwenk 1989) and to develop the idea of 'congregate' cognitive maps (Bougon 1992) and 'shared' cognitive maps (Langfield-Smith 1992). Organizations themselves are seen to possess 'knowledge structures' on the model of the individualist cognitive theory (Lyles & Schwenk 1992).

The social learning theory spans both cognitive and behavioral frameworks. Bandura's theory improves upon the strictly behavioral interpretation of modeling provided by Miller and Dollard (1941). Bandura's work is related to the theories of Vygotsky and Lave which also emphasize the central role of social learning. The concept of *Situated learning* - has been put forward by Lave and Wenger (1991). Rather than looking at learning as the acquisition of knowledge, they have tried to place it in social relationships – situations of co-participation.

Ethnographic studies of management-in-practice have focused on 'self-management' and careers from an increasingly critical viewpoint (e.g., Grey 1994, Watson 1994, Brewis 1996). Management learning shares with both the situated learning theory and the traditional cognitive theory an interest in researching learning processes. Although unlike conventional learning research, criticized by the situated learning theory for being dominated by the traditional cognitive theory, management learning, if anything, is emphasized to the study of management-as-action-in-context. By focusing on learning processes, the ways they are managed, and the ways people learn to manage (Fox 1994a/1994b), management learning's crucial research problems encompass the nature of management as a range of social actions and the nature of learning as a complex set of relations between the context, text, decontextualized, and recontextualized knowledge.

According to Lave and Wenger (1991), most learning takes place in practice and in communities of practice. For the situated learning theory and management learning, theory becomes practice, contextualized both socially and textually in the hypertext of the world's total volume of interpretations (see Fox 1996). According to Fox (1997, 744), "Situated learning theory and management learning open our eyes to everyday learning in situ in worlds of practice which include the specialized theoretical and practitioner-communities of the academy."

## 2.1 Knowledge management perspective

Knowledge management is an emerging discipline, with its roots in a variety of related disciplines and domains such as organization theories, management theories, computer technology and cognitive science. Knowledge management literature provides a complicated conceptual framework derived from various organization theory traditions such as strategic management theory, human resource management and institutional theory. Knowledge management theorists approach the topic from a multiplicity of different, and at times contradictory, perspectives in order to make sense of the use of knowledge-based resources in organizations.

Two main or metalevel paradigms have been identified in knowledge management literature, namely, the scientific view and the social view (Hazlett & McAdam & Gallagher 2005). The scientific view of knowledge takes a "knowledge is truth" view (Alvesson & Willmott 1996). This view considers knowledge to essentially be a

canonical body of facts and rational laws (Swann & Scarborough 2001). These “facts” are labelled as scientific and are therefore reified.

Considering the limitations of solely relying on the scientific paradigm to interpret knowledge management, a different view or paradigm is needed (Demerest 1997). Such a paradigm is a view that is loosely referred to as the social paradigm of knowledge construction. Describing this paradigm, Burgoyne, Pedler and Boydell (1994) state that the “philosophy of science has largely been replaced on the intellectual agenda by the history and sociology of knowledge which emphasises cultural and historical processes rather than rationally superior knowledge.” In other words, knowledge can be socially constructed rather than being seen as universal scientific truth, which Burgoyne et al. term “constructionist consciousness.” This concept agrees with Habermas’s view that knowledge constitutes human interest rather than being restricted to a functionalist science approach (Hazlett & McAdam & Gallagher 2005).

In particular, *organizational learning* according to the cognitive approach is closely associated with knowledge management. One of the core topics of knowledge management – knowledge creation – is a central issue in organizational learning; a core topic of organizational learning – organizational diffusion of innovations and practices – is a major problem in knowledge management. The wide-ranging concept of “*organizational knowledge creation*” could be considered a topic which specifies and brings new dimensions to the concept of organizational learning itself. Ikujiro Nonaka (1994, 14-37) has discussed in his ‘*Dynamic theory of organizational knowledge creation*’ the ways in which individuals manage knowledge: knowledge is created only by individuals, organizations cannot create knowledge without individuals, and therefore organizations support creative individuals or provide conducive contexts for them to create knowledge (Nonaka & Takeuchi 1995). This dynamic model of knowledge creation is anchored in the critical assumption that human knowledge is created and expanded through social interaction, and a mixture of tacit and explicit knowledge.

### **3. THE ORGANIZATIONAL LEARNING AS A PROCESS IN ‘COMMUNITIES OF PRACTICE’**

In recent years, the concept of organizational learning has enjoyed a renaissance among academics and practitioners alike seeking to improve organizations (e.g., Argyris & Schön 1978, Srivastava 1983, Fiol & Lyles 1985, Levitt & March 1988, Huber 1991, Hayes & Wheelwright & Clark 1988, Pedler & Burgoyne & Boydell 1990, Senge 1990, Argyris 1993, Garvin 1993): the need to understand learning in organizations is one of the latest ‘isms’ of current management literature, partly driven by the to adapt organizations to the steadily accelerating pace of change in an increasingly complex environment. Not only is the ability to learn expected to create a major source of competitive advantage in the future (Stata 1989, Senge 1990), but learning itself is also seen as a prerequisite for the survival of today’s organizations. In the future, according to Arie de Geus (1988), learning will be the only lasting competitive advantage.

Organizational learning is used by Pedler, Boydell and Burgoyne (1989) in a metaphorical sense: the transformation of organizations is considered similar to individual learning. The use of metaphor is effectively used by Morgan (1986), as “... *the use of metaphor implies a way of thinking and way of seeing that pervades how we understand our world generally*”. Dodgson (1993) points out that individuals are the

primary learning party in firms, and it is individuals who create organizational forms that enable learning in ways which facilitate organizational transformation.

It can be concluded that learning and action are related, and either enhanced or diminished effectiveness may result from organizational learning. In other words, learning does not always imply enhanced effectiveness. Organizations may learn superstitiously, or they may learn inappropriate behaviors vicariously from other organizations. Organizations may also develop "competency traps", in which knowledge gained from past successes is incorrectly applied to present problems (Levitt & March 1988, Miller 1993). While the normative thrust of the literature on organizational learning tends to frame learning as a positive force - which it can be - recognition must also be given to "learning disabilities" that result in unwanted outcomes for the organization.

The search for "best practices" has also directed the discussion of organizational learning towards the search for universal mechanisms and solutions, independent of the content and local contingencies of learning. New findings concerning the nature of knowledge and learning have, however, emphasized the local and embedded nature of learning processes (see Blackler 1993, Brown & Duguid 1991, Tyre & von Hippel 1993). These findings show the limits of the best practice approach and pose the practical question: how can managers and consultants direct learning and development processes if there is no best practice to follow?

### **3.1 Idea of communities of practice**

The term "communities of practice" was first coined by Etienne Wenger and Jean Lave (1991). Academics, technologists, and management professionals have discussed knowledge and communities for over 15 years, both from theoretical and practical perspectives. Social scientists have used versions of the concept of community of practice for a variety of analytical purposes, but the origin and primary use of the concept has been rooted in learning theory. Once the concept was formulated, Wenger and Lave started to see these communities everywhere, even when no formal apprenticeship system existed. According to them, learning in a community of practice is not limited to novices: a community is dynamic and involves learning on everyone's part.

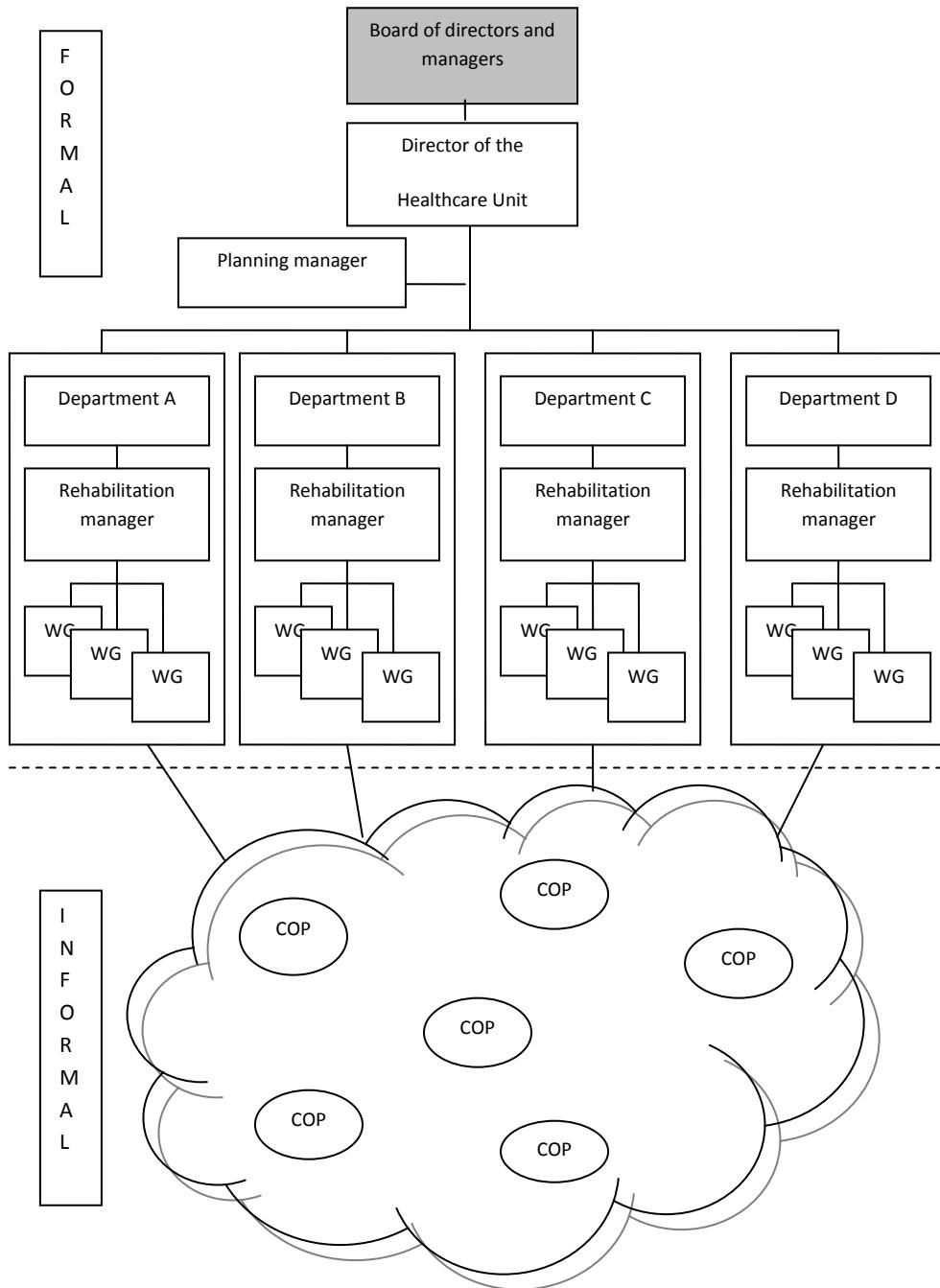
'Communities of practice' can be defined as informal social structures which have long traditions, all the way from tribes to today's informal groups. According to Wenger (2006), communities of practice are formed by people who engage in a process of collective learning in a shared domain of human endeavor: a tribe learning to survive, a band of artists seeking new forms of expression, a group of engineers working on similar problems, a clique of pupils defining their identity, a network of surgeons exploring novel techniques, a gathering of first-time managers helping each other cope. In short: "*Communities of practice are groups of people who share a concern or a passion for something they do and who interact regularly to learn how to do it better*".

The concept of a 'community of practice' provides a useful perspective on knowing and learning. A growing number of people and organizations in various sectors are now focusing on communities of practice as key to improving their performance (Wenger 2006). The popular image about communities of practice is that they are analytic and holistic structures, gangs which 'float in the air'. Despite its popularity, the concept of communities of practice remains rather abstract with relatively little concrete substance.

In some organizations, the communities themselves are becoming recognized as valuable organizational assets. Whereas the value was previously seen as relevant primarily to the individual members of a community, it is often now recognized that benefits can also accrue to the organization itself. Acknowledging that communities of practice affect performance is important in part because of their potential to overcome the inherent problems of slow-moving traditional hierarchy in a fast-moving virtual economy. Communities also appear to be an effective way for organizations to handle unstructured problems and to share knowledge outside of traditional structural boundaries (Lämsä 2008; Peltonen & Lämsä 2004). In addition, the community concept is acknowledged to be a means of developing and maintaining long-term organizational memory. These outcomes are an important, yet often unrecognized, supplement to the value that individual members of a community obtain in the form of enriched learning and higher motivation to apply what they have learnt.

#### **4. CASE ORGANIZATION: HEALTH CARE UNIT**

The health care area has undergone significant changes in the last decade. The public sector reform in the health care area has been led up to the situation where the markets have changed substantially (e.g. Lämsä & Savolainen, 2003). For example, the situation in the field of rehabilitation is very competitive and the organizations are forced to increasingly develop both in the public and the private sector. This research is based on an organisation owned by a non-profit foundation: part of the profits generated is used on welfare work, but organisation also offers modern and versatile state-of-the-art health services. The case organisation has faced major changes recently which have varied from organisational to managerial changes and changes in human resources. The competition for market share has tightened all the time, and it has created demands to focus and develop competitiveness, not just at the strategic but also at the human resources level of the organization. The healthcare unit has faced various changes recently which have varied from organizational to managerial changes and changes in human resources. A major reform was initiated and undertaken a few years ago. The organizational structure was reorganized and the unit was divided into four independent departments with differentiated functions. Figure 1 illustrates both the formal and informal structure of the case organization.



**Figure 1. The organizational structures of the healthcare unit; formal and informal**

Besides the organizational changes, also the power and hierarchy relations had changed. The changes had taken place in the management structure where the organization moved from a command-and-control system to a structure of units and teams. Decision-making is now done by managers in each department, who then report directly to the director of the unit. The intention is to share strategic decision-making responsibilities and ultimately to deal with the most crucial strategic decisions at board meetings.

The scenarios for the future seem relatively positive, in terms of both the unit's internal development and the markets. The situation in the field of rehabilitation is competitive and the unit is forced to increasingly develop both in the public and the private sector. On one hand both structural and managerial changes, and on the other hand the

demanding job where skills and competencies of the personnel are in focus, created a favorable basis for this research.

#### **4.1 The formal organization and cooperation partners**

The chosen healthcare unit consists of four accountable independent departments lettered A, B, C and D. The unit offers versatile fitness services for individuals and groups. Their aim is to improve customers' general well-being and their ability to work. The unit's business idea is to produce high quality and price-quality ratio rehabilitation services in collaboration with customers and society. The business has long-term experience in professional, medical and social rehabilitation, and skilled and committed personnel. When needed, the unit has the flexibility to use other units' versatile services. The unit is staffed with rehabilitation professionals from various competence areas.

#### **4.2 The informal organization: the constellation of communities of practice**

The formal structure may be contrasted with an informal environment that is more based on social interactions and individual relationships. A number of potential communities of practice are found within the unit. I've used some basic characteristics to identify the social structure of each of the communities of practice in the healthcare unit. According to Wenger (2006), there are some crucial characteristics of communities of practice which help to identify them within an organization: the domain, the community and the practice. It is the combination of these three elements that constitutes a community of practice. And it is by developing these three elements in parallel that one cultivates such a community. I used an interviewing process to accomplish my aim by following the existing networks and exploring the potential benefits of forming communities of practice.

First, a community of practice has an identity defined by a shared domain of interest (Wenger 2006). Membership therefore implies a commitment to the domain, and therefore it is the shared competence that distinguishes members from other people. These domains of practice should be concrete enough to permit members to engage fully and develop their expertise and their professional identities. Without this kind of personal engagement and passion for something they do, communities of practice would not emerge and thrive.

Secondly, by pursuing their interest in their domain, members engage in joint activities and discussions, help each other, and share information. They build relationships that enable them to learn from each other. It should be remembered that, for example, having the same job or the same title does not make for a community of practice unless members interact and learn together.

Thirdly, the members of a community of practice are developing a shared repertoire of resources: experiences, stories, tools, ways of addressing recurring problems - in short, a shared practice. This takes time and sustained interaction. The development of a shared practice may be more or less a conscious process.

According to the above-mentioned influencing factors, I recognized a number of distinct communities of practice within the unit (Table 1).

**Table 1. The communities of practice within the unit**

Communities of practice	Members	From where
Cop of PHY	Physiotherapists	A, B, C and D
Cop of PSY	Psychologists	A, B, C and D
Cop of SOS	Rehabilitation social workers	A, B, C and D
Cop of MGR	Rehabilitation managers	A, B, C and D
Cop of SEC	Departmental secretaries	A, B and D
Cop of PSOS	Psychologists, rehabilitation social workers	A, B, C and D

The first four communities of practice (cop of PHY, cop of PSY, cop of SOS, and cop of MGR) each consisted of employees who work in the same professional field. All departments were also well represented in these communities - the members came from every department of the unit. The members of the cop of SEC came from three departments; A, B and D, yet all departments were represented in practice because the appointment and other practicalities of department C fall within the remit of the departmental secretary from department A. The psychologists and rehabilitation social workers were the members of the cop of PSOS, even if they had their own professional communities (namely: cop of PSY and cop of SOS).

#### **4.2.1 The communities of occupational groups**

The communities of PHY, PSY, SOS, and PSOS are regarded as relatively natural, and these communities have emerged for the purposes of their own, and not formed by the organization. Each community reinforces itself, and supports the commitment of the members to the group by dealing with shared, interesting issues. The communities pursue both personal and professional interests. By discussing, for example, different working methods or processes, they help each other to face and cope with various problem situations and changes in their daily work, and also have an effect on the fluency of their work. The members are also very intrinsically motivated. Although the members are not necessarily working together, they are facing the same kind of problems in their daily work. In these meetings they share knowledge, experiences, and deal with difficult issues which are, for example, related to their work or their own resources and competencies.

Rehabilitation workers of various occupational groups encounter different kinds of problems in their daily work. For example, they face managerial problems and problems related to customer work; in the relations between workmates, customers or partners (like occupational healthcare, the Social Insurance Institution, etc.). The members of these occupational groups exploit each other's skills and experiences, exchange their views and knowledge. Many of these problems are very practical, and are related to problematic situations with their customers.

Rehabilitation workers develop and maintain their knowledge. The members of these communities of practice gather information about new trainings and other sources to

advance their know-how. The members appreciate updating the information related to their own work and the development of the work.

#### **4.2.2 The community of SEC**

The community of SEC is the most informal community within the unit. These interests are both personal and professional, while social interests are emphasized in their meetings. The interviewees also point out the importance of sharing information and getting professional support in these groups. The members of this community are – first and foremost – intrinsically motivated. They want to share their tacit knowledge and know-how, and to help each other to cope efficiently in their work; they transfer and transform what they know. The departmental secretaries have created a peer network where they can freely, without any external pressure (for example, from the organization), to share information and experiences among colleagues.

The knowledge and know-how of the departmental secretaries is important for the fluency of activities in the departments. They work as a link between both departments and working teams and other staff in the department. Departments use shared information and accounting systems, in which case departmental secretaries' smooth collaboration benefits the whole organization. In their own community of practice, the departmental secretaries discuss their daily work, the practical problems they face, exchanging their knowledge and learning from each other. Because they have a lot of shared resources and use common systems, they also face the same kind of practical problems.

#### **4.2.3 The community of MGR**

The community of managers is mainly management initiated. The community was born out of organizational change when the unit was broken down into four independent departments with differentiated functions. The community of MGR is a self-ruling and creative community, though the organization builds the community's goals into its annual planning process, allocating funds to each department as their goals and the business strategy line up. This gives the community's members a lot of power and influence, but it also places clear management expectations on them, so the community cannot be as informal as the previous ones.

Every department is a stand-alone profit center, but departments have lots of shared resources, for example human resources, the devices and the premises. The rehabilitation managers are those responsible for the allocation of these resources and expenses. Taking care of the department's finances, the allocation of resources and budgeting are emphasized in the community. One of the most important functions of the community is to ensure fluent collaboration between departments, both financially and professionally.

Besides the above-mentioned financial aspects, the community is also focused on serving professional interests. The managers participate in several official meetings in the organization, for example in the meetings of the executive group or the meetings common to all employees in the organization. In the community meetings they discuss and deal with issues arise from their own departmental meetings. This way they aim to - in a certain way - standardize their operations in their own departments, touching upon central issues such as human resources, administration, and marketing policy. Also the rehabilitation managers – in comparison to the members of the previous communities -

are motivated, even if differently. Mainly external factors drive the motivation of managers.

The rehabilitation managers face similar problems in their daily work, varying from managing human and physical resources to administrative questions. Sometimes managers find themselves without ready-made solutions for solving these practical problems. The managers have to invent their own solutions and new standards of activity – a new way of doing things. If a department already has an active and functional way to deal with a certain situation, others may ask about it for their own needs and implement it in their own departments.

## **5. THE WORLD OF COMMUNITIES AND THE WORLD OF FORMAL ORGANIZATION**

In this paper I have made a leap from cognitive into social learning. There wasn't a ready-made model available but I have pulled together aspects from knowledge management, organizational learning and communities of practice theories in this work. I have tried to support the idea of communities and have been able to follow people's and communities' activity closely. People do their jobs well but some problems can be found at the organization level. I found that there exist two different kinds of worlds: the world of communities and the world of the formal organization (Table 2).

**Table 2. The world of communities and the world of formal organization**

Communities	Formal organization
Free, spontaneous – like primitive, natural tribes	Mechanistic, administrative, bureaucratic
Order	'Chaos'
Exploration	Exploitation
A certain search for innovativeness	Refine and integrate new ideas into practice
Development of skills and competence	Exploit skills and competence
Knowledge creation and learning	Exploit existing knowledge

Communities of practice can be seen as free and spontaneous, like primitive tribes which are natural by nature. Members in the communities of practice have an identity defined by a shared domain of interest, they give each other peer-to-peer help in problem-solving, develop best practices, distribute knowledge in their daily work and foster unexpected ideas and innovation. There is order within these communities: communities are part of the formal organization, but they can be considered to be a world of their own where the members have their own rules and ways of doing things. On the other hand, the case organization is seen to be quite mechanistic, administrative and bureaucratic where 'chaos' prevails. New levels of hierarchy in the case organization have increased bureaucracy.

March (1991, 71) described two processes of learning: exploration for new knowledge, skills, and processes, and exploitation of existing knowledge, skills and processes in terms of refinement and incremental improvement. In general, exploitation includes "*refinement, efficiency, reverse production ... and execution of routines already located in the organizational knowledge base*" (March 1991, 71). The exploitation of routines

based on prior knowledge occurs when organizational members make current decisions based upon past experiences and actions.

Exploration encompasses search, variation, risk-taking, experimentation, and innovation to develop new routines (March 1991, 71). It generally occurs when new situations arise or previous outcomes from existing routines do not meet goals and objectives set by the organization. March (1991) argued that a trade-off is required in terms of exploring or exploiting. Exploitation may not be sufficient in the long run to maintain a competitive advantage over time, in that the environment does not remain constant. However, March also pointed out that if organizations continually explore, they incur higher costs of experimentation that may not have been necessary or beneficial. When organizations face similar situations, it depletes their scarce resources to explore, but they may lose competitive advantage if they continue to exploit. However, both appear to be necessary, but which behaviour better serves the organization? The organization needs both; both are key sources of sustainable competitive advantage: in the case organization, a balance between exploration and exploitation is achieved when communities of practice explore and the organization exploit.

It is certainly commonly stressed in organizational learning literature that “maintaining an appropriate balance between exploration and exploitation is a primary factor in system survival and prosperity” (March 1991, 71); “renewal requires that organizations explore and learn new ways while concurrently exploiting what they have already learned” (Crossan & Lane & White 1999, 522); “a key dilemma in organizations involves the trade-off between adaptation to exploit present opportunities and adaptability to exploit future opportunities” (Weick 1982, 386); and “Existing definitions of organizational learning tend to focus either on learning as exploitative ... or on learning as exploration” (Weick & Westley 1996, 445).

In literature addressing organizational learning, innovation is described as the creation or discovery of new solutions, new approaches or new ideas (McGrath 2001, Weick & Westley 1996). By contrast, exploitation is the integration of new ideas into everyday practice, whereby they are shared and eventually become taken-for-granted routines (Crossan *et al.* 1999). Both innovation and the exploitation of ideas are important forms of everyday practice-based learning. But as McGrath (2001, 119) argues, in contemporary environments of uncertainty and instability, innovative learning may have greater importance:

*“... those organizations that prove to have superior abilities to manage exploration will be better able to adapt to changing circumstances”.*

All learning at work is to some extent innovative in that it introduces change. Organizational learning is typically described in terms of ‘change’, as for example in the following definition:

*“... changes in organizational practices ... that are mediated through individual learning or problem-solving processes”* (Ellström 2001, 422).

And thus, as Weick and Westley (1996) point out, organizational learning is a disorder because it contravenes the central existence of workplace organizations as ordered. That is, learning breaks moulds, challenges structures and routines, and casts doubt upon the knowledge that holds the organization together. This is why so many theorists of organizational learning stress that innovation cannot happen in a vacuum, but must live

in dynamic tension with processes of exploitation, or the integration of innovative changes towards long-term organizational improvement (Crossan *et al.* 1999, Leavy 1998, Weick & Westley 1996).

## 6. DISCUSSION

Despite the efforts of the mainstream debates to incorporate social and situational learning into knowledge management frameworks, there is a lack of coherent approaches that would sufficiently account for the social organizational learning community dimension. “Communities of practice” are presented as a fruitful theoretical and action-oriented framework for social learning and knowledge creation. Every organization can be seen to leave some white spaces where the greatest potential often exists: behind every organization chart lie these kinds of informal clusters and networks of employees who work together – sharing knowledge, solving everyday problems and exchanging insights and experiences and telling stories (Lämsä 2008).

Communities of practice are important to the functioning of any organization, but they become crucial to those that recognize knowledge as a key asset. From this perspective, an effective organization comprises a constellation of interconnected communities of practice, each dealing with specific aspects of the company's competency – from the peculiarities of a long-standing client, to manufacturing safety, to esoteric technical inventions. Knowledge and know-how cannot be separated from the communities that create it, use it, and transform it (Lämsä 2008). This is especially the case with this kind of knowledge-based work, where the nature of the work necessitates actors' actual interactions, as people require discussion and shared experiences with other people: as a result, the workers rely heavily on their own community of practice as one of their most important knowledge resource. Knowledge is created, shared, organized, revised, and passed on within and among these communities. In a deep sense, it is by these communities that knowledge is ‘owned’ in practice.

According to Davenport, De Long and Beers (1998), knowledge can be considered information combined with experience, context, interpretation, and reflection. It is a high-value form of information that is ready to be applied to decisions and actions. This research revealed ways in which individuals acquire new knowledge to address work-related problems. Some knowledge is gained through access to codified sources such as databases, the Internet, intranet, work descriptions, procedures and literature. However, most (and also the most valuable) knowledge is gained through the work itself and through one's own experience, and first and foremost, through interaction with other people – with in the organization but also outside of it. Especially through these multiple interactions with other directions, actors gained valuable knowledge for solving work-related problems. The rehabilitation workers' interaction happens mainly with colleagues, customers and partners.

The search for 'best practices' has directed the discussion of organizational learning towards the search for universal mechanisms and solutions, independent of content and local contingencies of learning. New findings concerning the nature of knowledge and learning have, however, emphasized the local and embedded nature of learning processes (see Blackler 1993, Brown & Duguid 1991, Tyre & von Hippel 1993). As shown in this research, the case organization comprises of several communities of practice that often cross the formal boundaries of organizational units, like departments and formal working groups. The findings show how people in these communities create new insights, learn and develop their know-how. Dealing together with the problematic

situations and discovering new ways of doing work, communities of practice are also creating their own practices. These shared practices help the members of the communities to keep up better with their work, and also to standardize their actions into working routines.

Organization's success is undulating because of various things, for example changes in organization's business environment (e.g. environmental, social and economical) - organizations are facing both the time of changes and stability. But, the interrelationship between change and stability has to be optimal – organization cannot be in the continuous state of change without it would suffer of it at some level (e.g. profitability, well-being of human resources, etc.). At any point in time an organization cannot simultaneously exploit or explore (Weick 1979). In prevailing theories of organizational learning, exploitation and exploration are assumed to be very distinct activities, and thus it is not possible for an organization to enhance both at the same time (March 1991, Crossan *et al.* 1999). Communities of practice can be seen to be those who take care of the exploration while the organization's main function could be the exploitation; learning to refine their capabilities, for example, to exploit communities of practice's existing knowledge, learning to focus the activities on certain domains and learning what brings success and failure.

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