

Competitive Advantage Derived From Learning Organizations: Unpacking the Concept and Its Strategic Implications for the Outsourcing Industry in India

Jaya Nair¹, Dr. Rajesh Paturkar²

¹Research Student, Department of Management Sciences (PUMBA), University of Pune, Maharashtra, India

²Assistant Professor, Department of Management Sciences (PUMBA), University of Pune, Maharashtra, India

Corresponding Author: Jaya Nair1

ABSTRACT : Outsourcing organizations in India have sustained their supremacy over competitors from other developing countries through their knowledge of the English language and a highly aspirational young college educated population. Until now the outsourcing industry integrated learning and invested in training its resources in basic client processes, six sigma, project management and driving small scale transformations to differentiate the services being offered. With the arrival of artificial intelligence and machine learning all major outsourcing vendors feel the need to strengthen the slim differentiators of the past in order to stay relevant. Service providers are beginning to position themselves as techno-functional experts who have the appropriate human capital needed to re-imagine processes and drive innovation and building a strong learning organization that focuses on developing 'future skills' needed by its workforce. While applying traditional frameworks of competitive advantage to the outsourcing industry the current research also calls out the pitfalls of limiting learning to client applications, the behavioral tendencies of supervisors and their inability to retain valuable talent. This paper also attempts to relate how a learning organization can play a strategic role in garnering competitive advantage in complex and challenging environment faced by the outsourcing industry today.

KEYWORDS - Competitive advantage, Resource based view, Learning organizations, Outsourcing, Dynamic capabilities, Synergistic fit, Ambidexterity and Competency traps

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I INTRODUCTION

The Globalization and the internet revolutionized the service industry by bringing in the concept of back office operations, prompting the development of shared service centers offshore. Outsourcing these operations to third party service providers to cut costs was a natural next step. Over the last 25 years the Indian BPO industry has integrated organizational learning and invested in training its resources in basic client processes, six sigma, project management and driving small scale transformations to differentiate the services being offered. The service providers differentiated themselves based on their ability to drive minor process improvements and gained competitive advantage by investing in maintaining past relationships, rates being offered, location strategy, and a zero surprise delivery. The arrival of artificial intelligence and machine learning now threatens their market position as these slim differentiators of the past appear to have become redundant with the arrival of artificial intelligence. In order to stay relevant service providers are beginning to position themselves as techno-functional experts who have the appropriate human capital needed to re-imagine processes and drive innovation.

How does this impact the choice of a vendor partner? What competencies will potential outsourcers seek? And what can bring in the much sought after competitive advantage in a knowledge based industry such as the 'BPO'? Adapting and adopting sound practices of a learning organization can help the service providers leverage years of experience gained by its workforce to derive sustainable competitive advantage. The value of this paper lies in its ability to unpack and apply some of these underlying concepts of competitive advantage and learning organizations in the context of the outsourcing industry. The paper begins with a brief outline of concepts of competitive advantage and applies two of the key perspectives as presented by Porter (1985) and Barney (1991) to the industry. The authors have also attempted to call attention to the role played by human capital, capabilities, learning and knowledge linked behavioral aspects that can impact the ability of the outsourcing industry to leverage industry knowledge gained by its employees well enough to derive competitive advantage. The authors also draw from a brief survey of outsourcers to understand factors that influenced the choice of a vendor the first time and how have these factors evolved to address the current environment. Terms such as outsourcing industry, service provider and BPO (Business Process Outsourcing) have been used interchangeably to represent the vendor organizations; Clients and Customers refer to the outsourcers.

II THEORETICAL ASPECTS OF COMPETITIVE ADVANTAGE

Competitive advantage is central to strategic management and is defined as superior organizational performance indicated by financial and non-financial indicators that allow it to command a higher market position. Three elements that describe competitive advantage are the Benefits or Value being provided, the changing Needs of the customer, and Competition which could come in various forms, as businesses leverage technology to widen their horizons and add new revenue streams. It is essential to be aware of the new trends and technological advances that could affect the nature of services or products being offered. It is equally critical to be aware of the customer's changing needs to stay relevant and in business and sustain the organization's market position.

While Michael Porter has extensively focused on the external factors that influence competitive advantage, Barney evaluated the role played by internal resources. Porter(1985) [1] outlined three ways in which companies could achieve sustainable competitive advantage, these are 'cost leadership' which refers to providing value at a lower price, 'differentiation' by providing a unique and higher quality product and 'focus' on a niche market. India created competitive advantage for itself when it successfully spearheaded the IT revolution an offshoot of which was the outsourcing industry; it had succeeded in utilizing its skilled, technically qualified English speaking resources to bring home jobs by providing services at a much lower price. Organizations provided the required Culture, domain and technical training in a variety of ways to derive competitive advantage.

Edith Penrose (1959) [2] had highlighted the link between effective utilization of resources, productive opportunities and competitive advantage through innovation and economic value creation. As each organization developed its own niche skill, leaving talent was not given much thought to in the wake of client specific knowledge which could not be replicated. What was lost in context was the tacit knowledge that the employees carried with them as they exited. Penrose had highlighted the importance of firm specific knowledge which cannot be easily transferred but can serve as a catalyst when responding to change. But what is 'firm specific' knowledge in the context of a BPO? The domain knowledge gained by the employees through their experience was a valuable component that clients valued given the impact it could have on a minimized learning curve and could bring in an advantage. When responding to changing external environment their shared experience, team learning and ability to innovate would define the agility of response. RBV (resource based view) model by Barney (1991) [3], highlighted the need to ensure these valuable and rare resources are well protected to derive sustained competitive advantage. The question is how do we retain and leverage talent in an outsourcing industry where the critical asset is the knowledge worker who is completely mobile and can only be temporarily rented by the organizations. How can talent that can easily be traded be leveraged to bring in competitive advantage?

2.1. Analyzing competitive advantage garnered by the Indian BPO industry using Porter's market based perspective: Michael Porter presented a market based view or the external factors that provide an organization competitive advantage. The 'Five Force model' which was based on an industrial perspective provided by Porter (1979) [4] analysed the five industry forces that determine the intensity of competition and its impact on the level of profitability. These five forces are the bargaining power of the suppliers, the bargaining power of the customer, competitive rivalry, threat from substitute products and threat from new entrants. In the BPO industry talent suppliers such as the resourcing organizations have very little impact on the profitability organization; however the compensation and benefit structure they benchmark against is a large component of the costs incurred by vendors. The outsourcing clients who are the customers have a huge bargaining power when arriving at the contract price. Competitive rivalry amongst service providers is very high where the services provided are similar; and the only service differentiators are built around competencies and capabilities gained from experience. In the absence of large capital investments for machinery and raw materials, entry barriers are not very high and outsourcing organizations may be as small as a 25 member operations or as large as a 70,000 employees. More recently the threat of substitutes from automation of routine jobs, and artificial intelligence is changing the nature of 'work' itself.

Porter's diamond Model (1990) [5] presented a market based view of factors that influence the success of a nation. Human resources play a major part in the BPO industry; its three elements are cost of labour, qualifications and employee commitment along with the role played by the Indian government in encouraging education ensured an immediate supply of qualified English speaking graduates. A skilled workforce and the cumulative learning of the workforce can become the driving force Reich (1990) [6], the BPO industry shifted the focus from natural resources to human capital in a developing economy driven by its national culture and the economic conditions. Hunger for monetary benefits, growth, and need to improve the social structure had created a work force that had no issues adapting to a new culture, working at odd hours and long hours with no over time. Willingness to learn and strong work ethics seen in these developing countries such as India and Philippines had resulted in the mass movement of jobs at levels never seen before.

2.2 Analyzing competitive advantage within the Indian BPO industry using Barney's RBV model

The resource based view (RBV) presented by Penrose in 1959 was augmented by Wernerfelt (1984) [7], and Barney (1991) who introduced the VRIO concept. The VRIO framework evaluates if resources are valuable, rare, in-imitable and whether the organization is structured to leverage the same. It presents a framework that views businesses as a bundle of resources that can deliver competitive advantage through internal resources rather than external competitive environment. Resources could be tangible such as location, building, geographic spread or capital available to a BPO service provider; or intangible such as brands, trademarks or intellectual property, frameworks that were developed by the BPO.

TABLE: 1

The skills and capabilities of the employees in a BPO combine to form a key asset mix that is difficult to replicate however, immobility of this asset is impossible in the current environment; hence the focus can only be on temporary immobility. The easy mobility of resources and the changing attitude of the workforce that is passionate about individual careers and area of specialization means, strong internal HRM policies that make it sticky for the employees to stay with an organization become very important. Service providers who have matured as learning organizations recognize this and are able to encourage personal mastery, team learning amongst its members and work towards a shared vision by challenging mental models that could serve as roadblocks. Opportunities to develop and apply new skills helps keep the talented resources actively engaged in experimentation and innovation.

Unique Resources that may be available and accessible to very few players are referred to as 'Rare' resources. In the outsourcing industry, being able to provide services from a specific location to meet with compliance requirements from clients can be a huge asset unique to each service provider. For example the restrictions placed by the European Union with respect to personal data moving out of the continent necessitate a near shore option which could become a 'Rare' resource. It will take a while for competitors to adopt the same strategy and set up operations quickly given the investments needed. Similarly partnerships which have been forged with allied industries such as automation and analytics experts are a rare resource.

Besides being valuable and rare a resource also needs to be inimitable i.e it cannot be easily developed by competitors or substituted with similar products. This ability to imitate the service, strategy or product is influenced by the cost involved in this exercise. Characteristics of learning organizations such as, team learning requires an element of trust before it channelizes the energies of its members towards a shared vision of excellence and innovation. Expertise, frameworks, strategies for project managing the transfer of jobs, career paths and location strategies, have evolved over a period of time and have been fine-tuned to bring in an advantage.

The ability of the organization to structure itself for maximum advantage from these resources is the last element highlighted by Barney. The organizations' ability to integrate, build, and reconfigure internal and external competencies to address a rapidly changing environment was referred by as 'Dynamic Capability' (Teece et al, 1997) [8]. The focus here was on the minimum capabilities needed to survive and create short term competitive advantage, which could eventually develop into a long term competitive advantage. Priem and Butler (2001) [9] argued that the idea of knowledge resources bringing in competitive advantage is vague and the impact of these dynamic capabilities is not very clear if the environment is dynamic. Since dynamic capabilities can be duplicated across firms, for them to bring in competitive advantage, the resource configurations they create need to make a difference and complement the strategy adopted by the firm. The resources as per RBV are also required to be valuable, rare, inimitable, immobile, non-substitutable for competitive advantage.

Over a period of time the industry has structured itself into separate verticals. Most players positioned themselves as experts in specific domains and developed frameworks for transitions, training, hiring models etc. bring in additional effectiveness that would be difficult to imitate. The easy mobility of talented resources makes it essential to have robust knowledge management system to manage the loss of knowledge, the retention strategies of the organization. The learning organization framework that covers all these critical aspects and invests in individual, team and organizational learning, helps the organization not just retain talent but also ensure the learning.

2.3 Adapting and responding to the changing business environment

The success of the service provider has been traditionally been measured by the number of people employed and the annual revenue numbers, with the arrival of automation the focus is on 'digital revenues' with reduction in head count. This challenges existing assumptions of what drives success. Domain capabilities supported by proof of concept continues to be relevant, the ability to leverage this with technology to drive innovation takes centre stage. Outsourcers had leveraged the internet revolution that enabled access to cheaper delivery locations to bring down labour costs and infrastructure related overheads. This allowed them to focus

on strengthening core competencies to enhance the product or service offering. Partner of choice was identified after multiple levels of evaluations, consultations with advisory firms and financial considerations. What influenced the choice of a vendor the first time, may not be the same as what influences a renewal. Competition is no longer limited to peer organizations but could come in from diverse sources. For example the arrival of a retailer such as Amazon in Healthcare Insurance or Banking is a prospect that was unheard of in the past. In order to identify what are these factors that influence the choice of a vendor partner, interviews with 62 outsourcers were conducted over a period of two years, and focused on two key questions:

- What influenced the choice of a vendor partner?
- What will influence the renewal of the contract ?

The interviews were open ended discussions and did not provide a fixed set of responses to choose from, yet, the remarkable similarity in the responses were an evidence of the key drivers in moving towards outsourcing. All interviewees were senior leaders from second and third generation outsourcers from Banking, Financial services, Insurance and the healthcare industries from Europe and North America.

1.4. 1 Factors that influence the choice of a vendor in the outsourcing industry:

During the survey, the outsourcers were asked about specific factors that helped zero in on the final vendor. In case of the IT based service providers, there were several cases where the decision to outsource business processes was linked to the success of an existing IT partnership. The captives, who had set up offshore shared service centres in India, did so to establish a centre of excellence to leverage the talent availability as well as positively impact the bottom line through the foreign exchange benefits garnered from moving jobs to India. The domestic outsourcers cite need to focus on core capabilities and minimizing overheads to stay ahead of their competitors. They seek outsourcing vendors who have the financial ability to scale up operations, and hire the right talent as a step towards establishing a lean operation. The front runners amongst the pure play service providers today, are the ones who had a head start and have successfully established credibility in specific domains and have partnered with technology companies to complement their process expertise.

Figure 1

The responses clearly indicated that clients value candidates who understand their business; 31% of the respondents indicated that the decision to go with a vendor partner was based on the industry experience displayed by the client and their ability to relate and empathise with the challenges faced by outsourcer. Outsourcers do not want to spend time teaching the vendor the finer nuances of their business and would prefer to immediately initiate transfer of work and rapidly move to a steady state. With the training time yielding no revenue, it is also in the interest of the vendor to have the shortest learning curve and an enhanced speed to delivery. Retaining an experienced pool of resources to establish this domain capability therefore plays a vital role in the early stages of wooing a potential customer.

Vendors who are able to leverage their experience with in the industry to make strategic recommendations on process enhancements were also seen as worthy partners in the ever evolving environment. Familiarity with the regulations, process value chain, and the cultural differences can help smoothen many of the teething issues experienced during the transition of work. 16% of the respondents valued the ability of the vendor to provide a consultative support and the partnerships which have been forged by the vendor to enhance the level of service delivery and the range of services that could be offered.

Partnerships that build synergies and have been forged over the years with organizations providing complementary services, access to technology or a geographical presence influenced the outsourcer's decision that is planning several years ahead. The financial strength of the vendor provider and its ability to be flexible and rapidly scale up on short notice was important to 13% of the respondents. Clients who are looking at a sell off seek partners who will be able to sustain the level of service their customers have become accustomed to and while keeping the sensitivities of their distribution channel in mind are looking for vendors who will be able to deliver some of the critical services from a near shore option.

2.4.2 Factors that influence the renewal of an existing contract

Most outsourcing contracts are signed for a 3, 5 or 7 year period. The experience of the outsourcer during the contracting period usually defines the prospects of a renewal. Some outsourcers are wary of putting all their eggs in one basket and opt for a multiple vendor approach, while there are other vendors who find it easier to consolidate their vendors to not more than 2 or 3 to simplify the outsourcing management. The question around what improvements need to be made by the vendor to ensure a contract renewal pointed to very similar expectations from most the outsourcers.

Most second and third generation outsourcers have already benefitted from having leveraged an offshore location and are now seeking vendor partners who can bring in additional benefits through business

transformations. They seek to radically change the process of service delivery and are open to recommendations from their vendors to help reimaging service delivery by leveraging the technology. The trust that is being placed in the vendor to help them move to cloud, platforms, BOTs, and implement artificial intelligence projects has never been this high. An indicator of the vendor's capability would be the level of innovation that was driven during the course of the contract and the responsiveness of the midlevel supervisors and the leadership teams.

Figure 2

As is indicated in the survey responses the outsourcers are need to immediately adopt advances being made in technology to drive innovation and sustain their market position. They are seeking to leverage the experience of the IT based service providers in helping them re-imagine their business processes and transform their service delivery platforms. 29% of the respondent indicated their expectations along similar lines. By donning the hat of a subject matter expert and a consultant who has also won the trust of the client, vendor partners could open up new arena of business partnership that is more rewarding and requires a completely new skill-set.

As the outsourced operations are viewed to be an extension of the parent organization clients also place equal importance on the ability of the vendor partners to retain their best talent, a lot of who have learnt and developed domain skills while being on the job. Domain knowledge they believe is vital for driving innovation, and the capability to handle complex work and high end exception processing can only come from experiential learning. HR policies and learning frameworks enable developing and retaining this knowledge and that is crucial and a key differentiator.

2.5. Learning Organizations and Competitive advantage: Peter Senge (1990) [10] introduced the concept of Learning organizations as places where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together. Senge popularised the idea of five disciplines that make a learning organization: Mental models, team learning, shared vision, personal mastery and systems thinking. Watkins and Marsick (1993) [11] referred to Learning Organizations as organizations that learn continuously and can “transform” themselves as it empowers the people, encourages collaboration and team learning, promotes open dialogue, and acknowledges the interdependence of individuals and the organization. The DLOQ model of a Learning Organization by Yang, Watkins and Marsick (2004) [12] emphasizes continuous learning opportunities, inquiry & dialogue, collaboration & team learning, systems for capturing and sharing learning, empowering people towards a collective vision, connect to the external environment, and strategic leadership. Some of the common threads that run across these definitions are the emphasis on continual learning, shared knowledge a connection with the external environment and a transformative leadership, all of which as seen above are vital intangible resources as defined by Barney.

Competition from a globalized economy and an upwardly mobile and highly aspirational workforce that offers its skills to the highest payer means the learning and development teams are expected to successfully develop skills and competencies that clients seek amongst the employees. The organization takes on the role of a coach and mentor who nudges the employee towards up-skilling on ‘future skills’ that the organization requires and the employee perceives is enhancing his employability. Through a culture that encourages problem solving through discussions, experimentation, and leveraging past experience, the organization is able to provide a psychologically safe environment for the employees to develop their skills.

In a VUCA world, organizations are expected to weather economic turbulence, deal with internal eddies caused by a churn of resources, and take on demanding customers and competition. A learning organization that sustains in such situations will have the strength of a honeycomb structure which represents efficiency, allows for free flow of information, has the strength to withstand fluctuations in the external environment, is lean and its industrious members are working towards a single shared vision. Drawing from the work done by scholars of Learning organization, the honeycomb design has been used to re-conceptualize and represent the attributes and characteristics of a learning organization in the modern world. These attributes are the organizational environment, External connect, transformational Leadership, Organizational Learning and Knowledge Management (Nair & Pahurkar, 2016) [13].

Figure 3

Learning and development strategies in the outsourcing industry: Organizations typically tend to be prescriptive in their approach to learning. The work break down structure that has been achieved by the clients allows them to outsource sections of the same value chain amongst different vendors. This serves as a risk mitigator for process bringing in a maker checker concept and ensures no single client has access to the complete information that would give them a higher bargaining power. When outsourcing work a lot of

emphasis is placed on teaching the vendor organization skills needed to navigate client systems and the activity is well documented through the routines that are being developed in the process. However the vendor is expected to have proactively invested in developing domain knowledge amongst its team to ensure the workers have the right perspective and understand the need to drive error-free delivery. Vendor Organizations invest heavily in having a Learning and development team that creates relevant content, deliver the trainings and plans against knowledge loss which could occur due to regular attrition. Organizations have developed L&D strategies that address the WIIFM factor (what's in it for me) in delivering behavioural, domain and functional skills using the e-learning, class room sessions and virtual modes of training.

III ORGANIZATIONAL CULTURE AND BEHAVIOUR THAT IMPACTS THE LEARNING PROCESS

Organizational capabilities are built on the competencies of its resource pool. Enhancing existing competencies and developing future skills can ensure the organization is ready for the challenges arising from automation. Training content is developed in house, or externally to address the changing needs and the ability to provide training that extends beyond current roles, and on demand can be a major differentiator. With contracts that have been tightly built allowing only an average of 24 hours of training per year, the kind of learning that can be incorporated becomes very limited and is at the discretion of the supervisors. Some aspects of learning that can impact the future role readiness of the employees in an organization have been outlined below:

TABLE 2:

3.1. Dynamic capability of a service provider: Dynamic capability in a BPO is the concept of routines and operating procedures which are detailed and built through accepted learning mechanisms- such as repeated practice, codification of this experience, and existing knowledge with predictable outcomes. Experiential learning within the BPO is collated to create new knowledge that is relevant in the developing market and is relevant to its clients. Dynamic capabilities however cannot bring sustainable competitive advantage for a long period and will need to be constantly reconfigured by the managers based on the context, and available tacit knowledge that is being codified using technology. An example is the shift from legacy operating systems to platforms being bundled in the offerings, which necessitate rewriting of procedures to align with the systems change. The tacit knowledge and domain expertise play a major role in this exercise.

The New dynamic Capabilities framework (Amy Shuen, 2009) [14], focuses on digital, information and network economics and impact on transaction cost. Real time communication to the employees on the changing skills and competency requirements helps them adjust their skills, and respond quickly at an individual and organizational level. Never before has this been more relevant than the current times, where BPO employees who did not require additional skills beyond what the clients trained them on, are now being encouraged to up-skill themselves in Analytics, automation and Machine learning. Dynamic capability enables the organization to sense new opportunities that may exist in the production ecosystem as well as the consumer ecosystem, and adapt integrate and reconfigure assets and competencies for competitive advantage.

3.2. Manager Perception and Organizational hegemony in learning: Core learning principles of the industry and the organization shape the perception of the managers towards Learning (Anotonacopoulou, 2006) [15]. Research studies by Antonacopoulou et al covering the banking industry indicated, the managers introspect and reflect upon the learning required within their teams. While they perceive experiential learning as being most critical even for new joiners who are expected to learn on the job, they also attribute equal importance to off the job learning for themselves. They see value only in what is being delivered through formal trainings organized by the organization that spoon feeds concepts and ideas with very little initiative been taken to self –learn. The organizations schedules these trainings perceived as the legitimate way of learning, based on the organization's idea of "how the members should develop", and interpret these skills as being highly valued by the organization which is inadvertently indicating control over what its members learn. Anotonacopoulou also pointed out to the underlying assumption that managers will accept the ideas being shared and not question the same as they participate in sessions or courses mandated by the organization, in order to survive in the organization by demonstrating acceptable behavior. The managers are expected to set learning goals as a part of their personal development, most of the skills or competencies they target arise from their present jobs. This organizational hegemony defines what is to be learnt, and controlling the same with individuals depending on the organization for all learning requirements.

3.3. Leveraging Technology for on demand Mass learning content: Structure of learning in the BPO sector revolves around developing skills to perform in the current job as well as the potential needs of the organization which is growing. When building career paths competencies and proficiencies required at each level is identified

and programs are structured to cater to this requirement. The political factors in organizational learning are just as active when the organization is seen to be calculative, structured and with mechanisms that control the what, who, when, where and how of learning. Left to pursue their own learning could perhaps jeopardize the existing structures and practices of the employing organization that may prefer to maintain status quo in relation to changing trends in the sector. Training cost and impact on daily production are two factors that impact the amount of learning each individual is able to get. Learnings from outside vendors and experts come at a huge cost and these are generally reserved for the more senior levels in BPOs. Entry and mid-level learning is more routine and is tailored for mass consumption by leveraging technology to create e-learning, Gamification, virtual trainings and webinars, the movement is towards “Digital learning” (Bersin, 2017) [16]. Developing micro-learning or byte sized videos helps busy corporate leaders catch up with learning on the go. While organizational learning seems to impact individual learning, individual learning pursued on the outside does not seem to impact the organization directly, which in the words of Argyris and Schon makes for an interesting paradox. (Argyris and Schon,1996) [17]. The learning outside appears to be more aligned with the individual’s long term goals while the learning provided from within are in alignment with the organization’s immediate goals.

3.4. Employee entrepreneurship: Joseph Schumpeter(1934) [18] argued that competition and dropping profit margins encourage technical and financial innovation. The entrepreneur is able to identify changes in the demand patterns gather customer inputs and reconfigure resources to craft a differentiated product or service that gives the firm the required advantage. Employee entrepreneurship drives innovation in products and services, given the deep knowledge and passion the employees working on these have. We see this amongst the BPO workers who have the domain knowledge required, access to new technology and their end customer’s perspective. They are able to develop ideas and build a proof of concept. They are able to convince all his stakeholders to believe in the ideas. This entire journey requires organizational commitment, collaborative team that shares experience and knowledge, and leverages systems and processes. However the likelihood of these ideas and concepts being developed to an extent that can be commercially exploited have several softer elements or Organizational behaviour that are at work in the background, referred to as the synergistic fit. Choking this creativity and discouraging experimentation can result in spin-offs that take the form of competition (Garvin, 1983) [19] .

3.5. Transactive Memory Systems and the inimitable synergistic fit: Learning organization framework focuses on training alone to encourage learning, however, there are several other relevant factors in an organization. (TMS)Transactive memory systems i.e knowledge of who knows what, is one of the fundamental elements of dynamic capabilities which facilitates the reinvention of the organizations knowledge in different domains to play a central role (Linda Argote and Yuqing Ren in 2011) [20]. This is also in line with the “O” of the VRIO framework. In an effective learning organization three indicators of TMS Lewis (2003) [21] are: memory specialization, which is the tendency to remember specific aspects of a task and develop expertise in some specific areas or domain, second is task credibility where members trust the expertise of some members to deliver on some specific tasks, and third is task coordination which is ability of the members to collaborate and deliver desired outcomes. The synergy that exists within an effective team is unique and the fit that has been found is difficult to decipher and imitate. This unique fit sees the value of one asset depended upon its conjunction with another asset (Teece et al, 1997) [22] making this a rare and inimitable resource capable of bringing in sustained competitive advantage. When people move organizations, there is a loss of this ‘Transactive’ memory for the organization and crucial tacit memory is lost. Therefore there is a need for BPOs to focus on retention of resources to allow time for these synergies to evolve and develop their ambidextrous capabilities.

3.6. Organizational Ambidexterity and Competency traps: The ability of the organization to leverage human capital and the competencies they carry to transform it collectively into value creating resources can bring in competitive advantage (Duncan, 1976; March, 1991; Liqin et,al, 2010) [23,24,25]. Organizations that successfully leverage their strengths – business capability while investing sufficiently in identifying new ones are said to be ambidextrous (Cao et al., 2009). Being ambidextrous can help the knowledge and people intensive BPOs adapt to the turbulent environment resulting from the political and technological changes impacting the industry (Junni et al., 2013) [26]. However, there may be internal structures within organizations that may or may not be conducive to learning and reflection, and may lack the tools needed to guide their members through a phase of ambiguity and uncertainty. In a Learning Organization, organizational learning becomes apparent when the members are seen to learn by encoding lessons learned in the past into routines of client processes. The ability to be ambidextrous can be impacted when employees accept this learning without ever challenging the concepts and ideas fall into the competency trap. A competency trap results when even inferior processes are

yielding the desired results, prompting the organizations to continue with the same (Fiol and Lyles in 1985; Levinthal and March, 1993; Levitt and March in 1996 and; Heracleous et al, 2017) [27, 28, 29, 30]. These competency traps do not allow space for innovation and interfere with the flexibility and agility of the organization when responding to the client’s changing needs. (Srivastava and Gnyawali, 2011) [31]. Building routines could therefore be a first step towards coding tacit leaning, however, a wider perspective of the industry through organizational learning will be essential to develop superior skills and thereby superior resources who can create a competitive advantage (Day and Wensley,1988) [32].

Figure 4:

Being able to create this win-win for the employees and the organization is the hall mark of a learning organization. Retaining talent, long enough for them to meet their synergistic fit and developing innovative solutions which combine domain knowledge, experiential learning and functional digital skills to move from a vendor based approach to a true partnership with their clients is the need of the hour. The outsourcing vendor organizations are attempting to differentiate themselves in a highly competitive environment based on their expertise in specific domains, or through the partnerships forged with technology companies. The investments being made in developing capabilities of the employees and creating safe entrepreneurial work environment by building a strong learning organization can lead to strong sustainable competitive advantage.

IV FIGURES AND TABLES

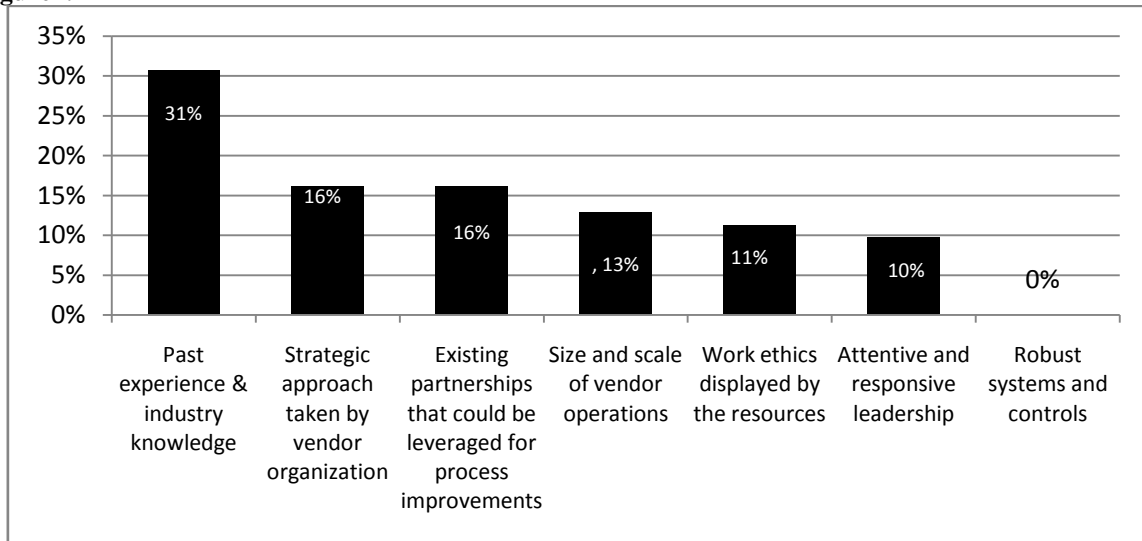
Table1: Resource categorization based on Barney’s VRIO framework

Category	Resources
Valuable	Financial strength, Location, Human Capital with its experience, access to technology, transformative leadership
Rare	Niche Domain expertise, Personal mastery, technology partnerships
Inimitable	Synergistic fit, intellectual property, shared vision, systems thinking, team learning, Mental models, organizational culture
Organized to derive maximum advantage	KM framework, HR Policies, Market Strategies, operational frameworks, Learning and development framework

Table 2: Factors that impact learning in an organization

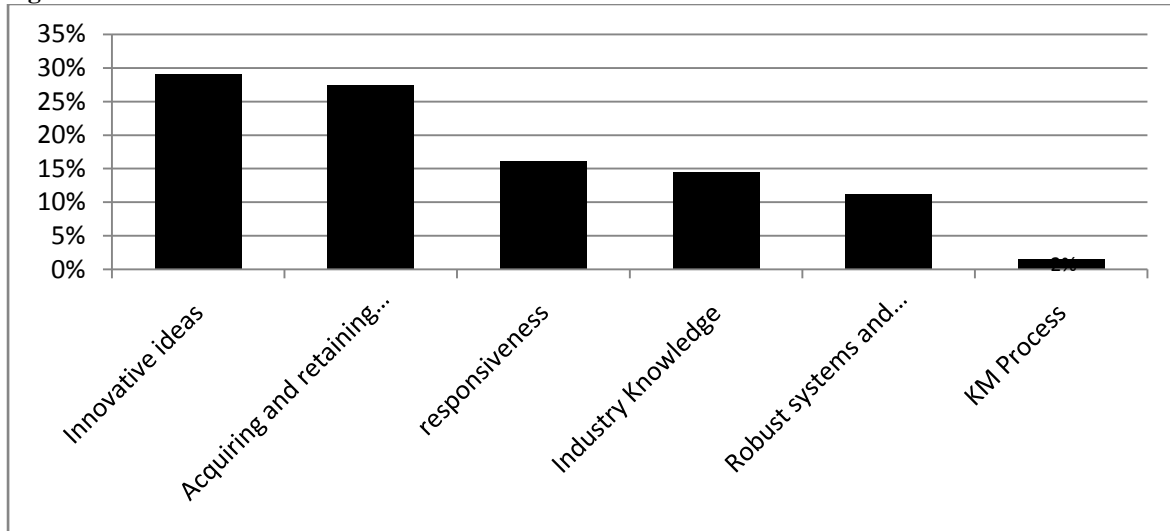
Factors impacting Learning	Concept popularised by	Description
Dynamic Capability Framework	(Teece et al,1997)	The ability of the organization to integrate, build and reconfigure internal and external competencies to address a rapidly changing environment
Organizational hegemony in learning	(Antonacopoulou, 1996, 1999)	The influence of supervisors and the organizations in defining who, what and how learning should occur
Leveraging technology for on demand Mass learning content	(Bersin, 2017)	Opportunities to leverage technology and develop digital learning that accessible to all employees
Employee entrepreneurship	(Garvin, 1983; Franco, 2005)	The need to have employees participate in innovation and their ability to do so given eth proximity to business
Transactive memory system and synergistic fit	(Wegner, 1995, Linda Argote and Yuqing Ren in 2011)	TMS involves encoding , storage and retrieval of information, and the process occurs as information is exchanged by members through knowledge sharing and requires a trust and building synergies to be effective for innovation to occur
Organizational Ambidexterity and Competency traps	(Duncan, 1976; March, 1991; Cao et al., 2009)	Adapting and coping with the changes in the external environment makes an organization ambidextrous, however limiting learning to client systems without challenging can lead to competency traps

Figure 1:



Factors that influenced the choice of an outsourcing vendor

Figure 2:



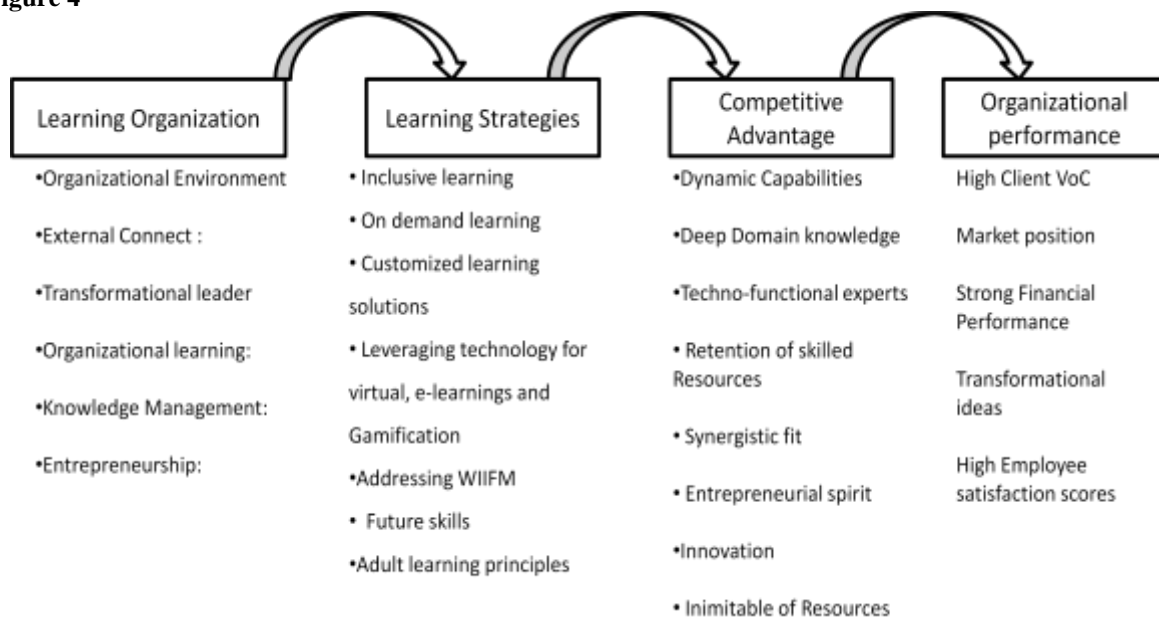
Factors that impact a contract renewal

Figure 3:



Hybrid model of Learning Organizational Model in the VUCA (volatile uncertain, complex and ambiguous world) world (Nair & Pahurkar, 2016)

Figure 4



Learning Organization and competitive advantage to drive Organizational performance

V CONCLUSION

The current study has attempted to revisit some of the basic concepts of strategic management and the role played by the learning organization in delivering against changing client expectations. Leaders in the Outsourcing industry have a crucial role to play in developing competency based differentiators to derive competitive advantage by encouraging innovative thinking, providing learning opportunities and creating a secure environment that encourages experimentation. Competitive advantage in the outsourcing industry can be derived from the skills and competencies of its workforce. However, as seen above it can only be rented temporarily. Implementing the Learning Organization framework allows for employees to see a clear career path

that provides for opportunities to develop additional skills, time for cognitive learning and opportunities to display these skills. In the absence of this framework competent employees will exit the organization before these competencies have been leveraged to develop commercially exploitable innovative products or services that can bring in competitive advantage. Implementing a strong learning organizational framework and people centric learning strategies can lead to competitive advantage and strong organizational performance.

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