

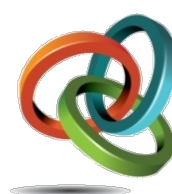


# In Search of Organisations that Learn



**e-Organisations & People**  
The Journal of the Association for  
Management Education and Development

ISSN 2042-9797



**amed**  
developing people  
developing organisations



## In Search of Organisations that Learn

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## In Search of Organisations that Learn

- 1.01**      **The learning goes on - Editorial**  
*David McAra*  
I chose the theme with a sense of yearning for the many transforming ideas whose early promise seems doomed to remain unfulfilled. Our exploration has reminded me of the importance of recognising how far we have come and not being daunted by the distance still to go. The glass is half full.
- 1.07**      **The tendering game which obstructs learning - Vignette**  
*Aidan Duff*
- 2.01**      **The Learning Organisation in 2010: From a conversation with Arie de Geus**  
*Graham Robinson*  
With a principal author of the concept of organisational learning, we remember the thinking that went into it: about learning, planning, decision making and play; the breakthroughs and setbacks; how computer modelling made 'play' acceptable to Shell and hopes for the future including new large group processes and better understanding of our brain functioning.
- 2.14**      **Learning from the back end - Vignette**  
*Beth Duff*
- 3.01**      **A contemporary view of corporate universities in a learning organisation**  
*Dr Lindsay Ryan*  
Are corporate universities the answer to the age old challenge to align learning and development provision to the needs of the organisation? Judging by the level of investment in them, many global corporations appear to believe so. The extent to which they succeed in enabling their patrons to create a culture for organisational learning is less clear.
- 3.10**      **Transforming the culture of an elite profession - Vignette**  
*Vic Baxter*

- 4.01 Organisational Learning underpinned by Knowledge**  
*Gordon Hall*  
Mostly, we don't even notice that we hold theories, believing instead, we simply understand how the world really is, except we keep getting it wrong. We need to examine the underlying worldviews or theories which govern what we perceive and how we make our interpretations and respond.
- 4.12 Learning is a messy process - Vignette**  
*Beth Duff*
- 5.01 Why aren't we all working for Learning Organisations? [15 pages]**  
*Professor John Seddon and Brendan O'Donovan*  
To improve quality, service and all aspects of performance at less cost managers should concern themselves less with trying to control resources and activities and more with smoothing the flow of services and information.
- 5.17 Portsmouth City Council Housing Service- Case Study**  
*Brendan O'Donovan*
- 5.19 Collective intelligence - Vignette**  
*David McAra*
- 6.01 A story for our times: a short history of the Learning Organisation**  
*Deborah Booth*  
A note of caution: the Learning Organisation may be desirable when business priorities demand an engaged workforce – to provide good customer service, for example. When profits can be made faster in other ways, leaders are less eager to invest in their people.
- 6.16 Enabling epiphanies: supporting Tin Gods in their quest to join the Human Race- Vignette**  
*Vic Baxter*
- 7.01 The Learning Organisation 20 Years On**  
*Professor John Burgoyne*  
Ownership of the means of production of knowledge work ("mentofacture" rather than manufacture) rests with the workers - so leadership, rather than management, is required. This shift in power will give renewed impetus to the further development of the concept of organisational learning.

### **Acknowledgements**

Thanks to all whose contribution is essential to the success of O&P including

- the Aberdeen team – Aidan Duff, Beth Duff and Vic Baxter - who have created the May edition, collecting and editing articles, writing 'vignettes' and helping with formatting and
- the England team – Bob MacKenzie and Deborah Booth – who develop and maintain the journal, creating the annual programme, aligning editors with themes and sustaining the standard set by the long term editor, Terry Gibson and his team, Tricia Lustig and Geof Cox

Thanks to all our authors and also to our readers. Please help us to turn this into a conversation. Let us know what you think and join in the discussion on [O&P Dialogue](#).

David McAra  
28 May 2010

# *The learning goes on - Editorial*

David McAra

## **Learning: easier said than done!**



This has been fascinating. I hope this publication reflects a fraction of what I've learnt from compiling it. Our small editorial team – to whom I am highly indebted – has striven, with some difficulty, to be a learning organisation. I'm not sure we'd even agree what it takes to be one.

Isn't it hard enough to learn as an individual? We must perceive our experience before we can think about it. We must articulate our own implicit explanation before we can compare it with the theories of others or test it in life. Meanwhile, our perception, interpretation and communication are often critically flawed and our conclusions wildly off the mark.

How much more difficult it is for an organisation to learn. What's to perceive? The share price is falling. Customers are restless. Quality is an issue. Is clean perception even possible, before we start bringing our diverse theories to bear on cause and effect? Who senses? Who needs to act? Are we listening to each other? Do we share a common interest in the outcome?

### **Organisational learning vignettes**

Interspersed between the articles you will find a series of vignettes or short sketches, compiled by the editorial team as we explored the concept of organisational learning in pursuit of our own understanding. In these we describe:

- organisations where it has been easier or more difficult or indeed, impossible for individuals to learn
- cultural obstacles to individual learning, and their removal
- instances of collective learning, where the role of individual learning is almost incidental

We hope you will join in with this exploration in our [O&P Dialogue](#) discussion pages. A brief introduction to each article follows. Full members may download individual articles or the whole journal.

*We hope you will join in with this exploration in our [O&P Dialogue](#) discussion pages.*

# 1.01

## **Learning Organisations or organisational learning?**

When I read Peter Senge's Fifth Discipline in the early 90s I was thrilled by his model of the Learning Organisation with its emphasis on connectedness and shared sensing, exploration and learning. Two decades later, I set out on the task of compiling this journal with a sense of disappointment and frustration. Why hasn't this great thinking had more impact on the world?

How exciting it has been to receive, via Graham Robinson, a contribution from Arie de Geus, grandfather of the idea and to hear his concerns about the coining of the term, 'Learning Organisation'. His own concept was 'organisational learning' and his argument is that all organisations learn, although not always fast enough to survive. For him, the term, 'Learning Organisation,' implies an unhelpful, binary distinction between organisations that learn and others that don't. His big fear was that, with its capital letters, it would turn out to be just another, short-lived fad.

Happily, the fear was unfounded and the concept remains alive and well. Graham has drawn from his conversation with Arie a broad sweep from the 'prequels' of Chris Argyris and Arie himself, through the fascinating work with Shell and on into a cautiously optimistic view of the future. I was much intrigued by the correspondence between planning and decision making and learning and between learning and play. To think of these ideas being explored at Shell - one of the least playful working environments I have experienced – heightened my interest.

Looking back, I recognise that my arrival at Shell in 1989 coincided with the twilight of this creative period. There were still some glowing embers but they were soon extinguished. I suppose we stumble here on some of the obstacles to organisational learning. If my client can't grasp my concept, there's no point feeling hurt or angry or frustrated. The responsibility remains with me. For Arie, at Shell, computer simulation arrived which made the notion of 'play' appear more grown up and therefore, more acceptable to some of the more resistant senior managers of the day.

### **Do Corporate Universities educate Learning Organisations?**

Lindsay Ryan provides a useful history of the origins and development of corporate universities. This seems to have been a response by large organisations, public and private, to better align the learning and development of their employees with their strategic goals. I'd heard of such institutions associated with Motorola, MacDonald's and Disney but I had no idea that there were so many more.

Dr Ryan's main theme is the importance of aligning learning and development with the strategic goals of an organisation. He discusses the evidence that the corporate university approach helps while still acknowledging that 80% of learning happens in the workplace, "clarifying an issue with a colleague or discussing a situation with a mentor".

So, while organisations will make huge investments in pursuit of learning with high relevance, they still haven't fully resolved the challenge of transfer, application and the harvesting of a return. The 'soft' skills necessary to develop and sustain a culture of shared visions and team learning continue to prove elusive, in our western culture at least. In our private correspondence, although not in his article, Lindsay refers to a very successful Indian institution whose curriculum addresses this area explicitly. Perhaps we may look forward to a future article on the evolution of management education and organisational learning under the influence of Eastern cultures.

### **Thinking about thinking**

Two of our contributors are long term exponents of the thinking of Dr W Edwards Deming. Gordon Hall writes about the need to examine the underlying worldviews or theories which govern what we perceive and how we make our interpretations and respond. Habitually, he argues, we don't even notice that we hold theories, believing instead, we simply understand how the world really is.

If we didn't 'know', for example, that people are 'obviously' motivated by incentives but recognised instead, that a theory of sorts, some

assumptions about people and human nature, lay beneath this 'knowledge', we could examine our thinking rather than just respond to it by reflex.

Once we uncover these assumptions and become curious, we may be amazed by the quantity of evidence in the literature and in our own environment of the negative consequences of rewards and bonus schemes.

Gordon discusses a number of examples illustrating how extraordinarily blind we can be to information which would contradict our prevailing worldview. His particular challenge is for managers to transform their profession from a 'craft', where the knowledge is tacit into a science with a more soundly based understanding of cause and effect. When managers improve their ability to learn, the prospect of organisations learning to learn becomes more conceivable.

### **The blinding flash of the obvious**

It occurred to me, as I read John Seddon and Brendan O'Donovan's article and pressed them for more examples, that the basic idea of systems thinking is obvious when you grasp it. The trouble is, it's by no means easy to grasp. Many counter-intuitive ideas follow. For example, if you focus on the parts to drive down their individual costs, you drive up the cost of the whole. This is perhaps why the notion of organisational learning has been so slow to spread. Many managers have a low tolerance for counter-intuitive ideas.

Managers should concern themselves less with managing resources and activities and instead pay more attention to the flow of services and information and to the effective resolution of an inquiry in a single transaction. Then they would find quality and service improving at the same time as costs falling. In the predominantly 'command and control' paradigm of today, the cost of 'failure demand' as they term it - the unnecessary work created by a failure to provide satisfaction to the customer at the first opportunity – is severely underestimated.

A case study from Portsmouth County Council Housing Services illustrates how the improvements in performance that follow from a shift in thinking of this sort can be significant. For example, average time to complete a repair fell from 24 days to 7 while costs also fell and contractors improved their profits.

### **Some see a shadow side**

We take a cautionary tone now. Deborah Booth and I wrangled hard over her article because Critical Management Theory was completely new to me and I was slow to see what she was getting at. My introduction to systems thinking involved a paradigm shift for me. I can still see myself sitting there, with my mouth open, drinking it in. “Now this makes more sense!” At that moment, my picture of the world changed forever. It never occurred to me that systems thinking might have a ‘shadow side’.

Deborah’s account suggests that Arie de Geus’s fears about the Learning Organisation being misunderstood were well-founded although perhaps not for the same reasons. She suggests that we enthusiasts for the concept have been taken in by the masters of capitalism. The implicit humanistic values can be seen to pay a return when a compliant, trusting, engaged community of humans is needed – to provide high quality goods and services to customers, for example. When bigger profits can be made faster in other ways, business leaders seem to feel less inclined to invest in their people.

So systems thinking never took root in the minds of the powerful. It simply enabled a more effective exploitation of the workforce at a particular point in history. While I feel this may contribute to our understanding of why the predominant paradigm of management remains untransformed, it leaves intact the validity of systems thinking as a value-free way of achieving a more accurate grasp of what is happening and why. [Link to Deborah’s article.]

### **The restless search for transformation**

John Burgoyne brings another long term perspective to the topic and reminds us of the significance of labelling. He suggests that anything with ‘learning’ in the title will end up in HR (the kiss of death, surely).

Knowledge management, a natural development from organisational learning was more closely associated with IT (not much better). It's interesting that our aspirations to integrate systems thinking should founder on our habit of managing the parts. In more contemporary terminology he suggests 'dynamic capability' is a concept from economics. Perhaps this will make it easier to keep the whole in view.

John also alludes to the 'shadow side' to which Deborah Booth had alerted me in the preceding article and the charges of "naivety about power" and "lack of obvious concern for the moral and ethical aspects of organisations". He points out that, with knowledge workers, "the ownership of the means of production" rests with the workers (engaged in "mentofacture" as opposed to manufacture - with their minds rather than their hands) so leadership, as opposed to management, is required. At the same time, he observes that enthusiasm for leadership may be waning, "even as all these Leadership Centres have been set up". What next?

His concluding paragraphs are wonderfully upbeat as he corrals together all the creative forces emerging into contemporary thinking about organisations, reminding us that there is a lot going on and that there are plentiful grounds for hope. [Link to John's article.]

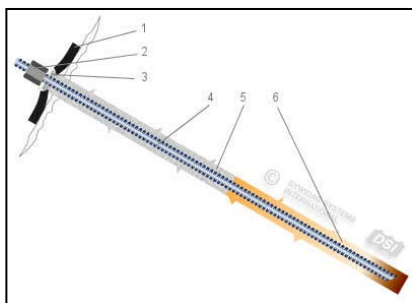
We hope that you will find these reflections stimulating and that you will join our [O&P Dialogue](#) discussion pages on our AMED website.

### **Biographical Note**

David McAra is a recovering engineer and presently Learning Consultant for Petrotechnics in Aberdeen where he tries to help the organisation and its oil industry clients understand why their software works so extraordinarily well. (They think it's because it gives managers control. David believes it's because it helps them to learn.)  
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# The tendering game which obstructs learning

I remember working on the construction of Kariba North Bank Power Station in Zambia. The first main civil engineering contractor went bust only a short time after the construction began.



## The reason?

Rock conditions meant that many costly rock bolts had to be put in the machine hall where it was discovered that the presence of flakey 'schist' was more evident than the expected robust 'gneiss'.



## What happened?

The contractor claimed huge extra amounts of money, which appeared to be justified insofar as unforeseen physical conditions were clearly emerging. The consultants assessed the claims very critically, aware that the contractor, in order to win this prestigious contract, had grossly underbid and then embarked on the construction work in a 'panic-oriented' claims mentality.

## The consequences?

Conflict and an eventual court case from which neither side emerged unscathed.

## No room for reflection

It struck me during the preparations for litigation that the geological experts employed by both the contractor and the consultant, each produced 'independent' reports supporting their 'paymasters'. How could this be so? The conditions **were** the conditions, and the pre-contract site investigation survey information used by each geological expert was identical. Clearly a bigger game was in play.

Huge sums of money were spent and not simply in litigation. A second contractor had to be brought in at a significantly greater contract sum and there were consequential delays which resulted from a second tendering process. Meanwhile the construction site had to be kept secure during the interim period. And all this because neither party was prepared to accept blame for this failure, each keeping quiet about (or even hiding) the extent of its own contribution to the fiasco.

Learning in such an environment is impossible. Who had the information and the authority to question the costly and destructive, conflict? How much courage would it have taken to speak out and call for an honest dialogue?

This is an old story but I fear our attitudes to contracting have changed little.

Aidan Duff



# *The Learning Organisation in 2010: From a conversation with Arie de Geus*

Graham Robinson



## **Abstract**

*This paper summarises a conversation between Arie and Graham Robinson, during which Arie reflected on the concept of the Learning Organisation, twenty two years after his HBR paper appeared and twenty years on from the publication of "The Fifth Discipline".*

## **Keywords**

Organisational learning, planning, decision making, play, computer modelling, knowledge economy

*"... we think of planning as learning and of corporate planning as institutional learning."*

## **Origins**

Arie de Geus has been credited by Peter Senge and others with having originated the term 'The Learning Organisation' in a paper that appeared in the March/April 1988 issue of the Harvard Business Review<sup>1</sup>.

In the paper Arie wrote:

*"Institutional learning is the process whereby management teams change their shared mental models of the company, their markets and their competitors. For this reason, we think of planning as learning and of corporate planning as institutional learning."*

## 2.01

When the paper was published, Arie was Group Head of Planning at the Royal Dutch Shell Group and, inevitably, it reflects the context and time in which it was written. Twenty two years later, Arie continues to be a passionate champion of organisational learning within the business arena – an arena that includes organisations with practices, values and traditions very different from those that characterised Shell in 1988. Such organisations include young, entrepreneurial start-ups, rapid growth global businesses, Google for example, and a climate flavoured by the activities of recently departed institutions such as Enron and Lehman Brothers.

This paper summarises a conversation between Arie and Graham Robinson, during which Arie reflected on the concept of the Learning Organisation, twenty two years after his HBR paper appeared and twenty years on from the publication of “The Fifth Discipline”.

Publication of Peter Senge’s book served to bring the concept of the Learning Organisation into the world beyond its original, MIT setting. So the twentieth anniversary of its publication is, perhaps, a good time to ask where the idea came from; where it is now in 2010 and where might it be going?

### **Decision Taking as Learning**

*“a search for new solutions to new problems”*

Where the idea came from is an interesting consideration. The origin of the notion of organisational learning was the hypothesis that certain of the decision processes that take place within companies are concerned basically with a search for *new solutions to new problems* and that these decision-taking processes come very, very close to learning. As such, they are quite different from another, very important group of organisational decision taking processes. This group involves the *application of accumulated knowledge*. Within a company context decisions of this variety relate to *situations that are familiar*, recognisable or which involve the repetition of such situations.

It’s interesting that when we make such a distinction, we reinforce the link between decision processes and learning, because the first group of decisions is very close to Piaget’s category of *learning by accommodation*, while the second group is close to what he termed *learning by assimilation*.

*“...the process of taking decisions is essentially a learning process”*

It was this similarity that led the planning people at Shell to ask the question: “*What would it mean if we were to accept the hypothesis that the process of taking decisions is essentially a learning process?*”

Although at that time the Shell planners were not familiar with the work of Piaget, they were working on this decision-taking/learning hypothesis at a time when two publications on the subject of learning had attracted a somewhat wider interest than that of just a narrow group of specialists. These books were John Holt’s phenomenological studies (published as ‘How Children Learn’ and ‘How Children Fail’)<sup>3</sup> and Seymour Papert’s book, ‘Mindstorms’.

Clearly not that many senior managers in Shell or elsewhere were reading phenomenological texts on children’s learning in the late nineteen seventies (or today either, come to that). But these books fitted well with the hypothesis that was beginning to be discussed by Shell planners at that time.

### **Explorations in a Wider Context**

Accepting the idea of decision taking as a learning process opens up a whole world of possible insights into the manner in which decisions in organisations are taken. In the management literature that was current at that time, phrases such as ‘decision taking’ and ‘decision making’ were widely used while demonstrating little or no insight into how the processes that were involved might work. One exception to this limited way of thinking was provided by Henry Mintzberg in a study that he had undertaken into how managers *behaved* when taking decisions. His study was one among a very few considering decision taking processes and the behaviour of managers at that time. In contrast, most of what there was in the management literature was mostly quasi scientific and really rather superficial. This new hypothesis opened up a whole new body of literature that was to be found *outside* that of the field of management. It provided access to some very important research that had been pursued between the early sixties and the early eighties. This research included the work of Piaget in Europe and of John Holt in the USA – which we have already mentioned – and of Seymour Papert at MIT.

*the management literature was mostly quasi scientific and really rather superficial*

*one of the most powerful  
means of learning is  
'learning through play'.*

Also, but much closer to Shell in London was the work that was going on at the Tavistock Institute. The Shell planners made contact with the Institute very early on and it was from Tavistock that the idea came that, if the process of taking a decision and implementing it is not only analogous to, or the equivalent of, learning (and their work seemed to prove this beyond doubt), then one of the most powerful means of learning is 'learning through play'.

### **Learning through Play**

decision taking ... based  
upon their personal ...  
talents

If it is accepted that we learn through play then it follows that if we were to incorporate play into the process of decision taking, not only would the *quality* of the learning/decision be improved, but also the *speed* at which it took place would be increased. At the time, this was not a very helpful contribution to the conversation that was taking place between the Shell planners and their colleagues in line management. The latter had a natural tendency to see their contributions to the decision taking processes within their business units as being based upon their personal (brain-based) talents and upon their accumulated collective and individual experience. After all, that is how they saw themselves as having arrived at their lofty place in the corporate hierarchy. To be told that there were better ways of taking decisions, namely through a process of new knowledge development by means of a group (i.e. through team or through organisational learning), rather than by applying (imposing) an individual's accumulated knowledge, was not always welcomed by some of these managers.

The Tavistock research served only to make such matters worse in their eyes, because not only did it tell them that, in situations of decision taking by accommodation (Piaget), they should not teach or impose, but 'learn' (i.e. jointly create new knowledge and understanding) but, also, that the best way of building such learning was 'by play'! No wonder that several of these senior managers saw (and many still see) this as adding insult to injury.

Seymour Papert at MIT in his book, *'Mindstorms: Children, Computers and Powerful Ideas'* also explored the idea of learning through play. But, whereas the Tavistock approach considered such learning as what we might now refer to as 'experiential learning', Papert's work was based on

*learning by playing with  
computers*

the idea of learning by playing with computers and thus, with computer models. This provided the spark of the idea that this approach might offer something that could possibly be sold to Shell management groups. Computers in those days were becoming smaller and, therefore, more accessible. Papert's ideas allowed the planners to go to the management teams of the three hundred or more different Shell companies, some of which were facing some serious challenges of the first variety (new and unfamiliar situations providing new and unfamiliar problems), and help them to explore the effectiveness of their decision taking processes by enabling them to 'play' with computer models.

### **Playing with Computer Models**

Computer modelling was then very much in vogue through the contributions of operations research, cybernetics and the like. So anything that involved the application of computers was likely to have an intrinsic appeal.

In Shell there were scores of computer models operating in and around the company. But nearly all of these models were based on techniques such as linear programming, which had been developed in the interests of finding the 'optimum solution' to well defined problem situations. Whereas what we were looking for were models that could express the reality of changing external world situations as perceived by the particular management team that happened to be making use of the model. This meant that the models that they used had to be capable of permitting the computer to enter 'circular loops' without the risk of such loops becoming infinite. Up until that time, our computer people didn't know how to deal with such problems.

*permitting the computer to  
enter 'circular loops'  
without the risk of such  
loops becoming infinite*

It was while trying to find a way to overcome this problem that the Shell planners discovered the link that eventually led them to Peter Senge. Somebody suggested that they should go and talk with Jay Forrester at the System Dynamics Group at MIT. The Group was using a computer language called Dynamo that enabled them to deal with feedback loops and, therefore, made it possible to play the kind of games that enabled learning through play. The link between Shell and the System Dynamics Group was instant – established after just one visit – and it led to the development of two 'products'.

## **2.05**

### **Stella and The Fifth Discipline**

The first of these products was developed by a PhD student, Barry Richmond, in the shape of a user-friendly, dynamic modelling system called Stella (the version of this system that is in use today is known as i-Think). Stella made it possible to set up the first experiments in 'learning by play' with a number of senior management teams in Shell, involving them in addressing some significant strategic problems. These initial experiments provided the planners with some very encouraging results, notably an acceleration of the time span between the commencement of the decision taking process and the *implementation* of the resultant action by a *factor of 2 to 3!*

*acceleration of the time ...  
between ...  
commencement ... and ...  
implementation ... by a  
factor of 2 to 3!*

The second was the group had developed a strong relationship with Peter Senge who wholeheartedly grasped the way of thinking that was now beginning to emerge at that time and, since he was engaged with a number of U.S. corporations including AT&T, Ford, Herman Miller and Hanover Insurance in addition to Shell, Peter was able to develop and apply the ideas that he went on to publish in 'The Fifth Discipline'. But between the initial development of this thinking and the publication of the book something important occurred.

*something important  
occurred*

### **Organisational Learning or Learning Organisations?**

The thinking that initiated these explorations had concerned processes of managerial decision taking (or decision making as Americans seem to prefer to label it). Peter, however, adopted the term 'the learning organisation'. So that while the original thinking had been about a managerial process of decision taking having the characteristics of organisational learning, when it emerged into the wider world with the publication of Peter's book, it was transformed into something that appeared to differentiate one group of organisations from all others: learning organisations and 'the rest'.

The adoption of that particular phrase carried with it a tremendous risk – which was that the Learning Organisation would become just another management fad.

*the tacit implication  
that some  
organisations learn  
while some  
organisations don't*

There is a simple but fundamental weakness in the term, 'The Learning Organisation', and that is that it carries with it the tacit implication that some organisations learn while some organisations don't. Whereas, originally, seeing the managerial process of decision taking as organisational learning meant that while *all* organisations learn (after all, every organisation has to take decisions), some learn *better* than others and especially, some learn *faster* than others. Faster decision taking (including its implementation) can provide an important competitive advantage!

### **Organisational Learning as Competitive Advantage**

This latter idea, that some organisations learn faster than others, was a key point in the article, 'Planning as Learning', published in the Harvard Business Review some two or three years before Peter published 'The Fifth Discipline'. Apart from the quote mentioned by Peter at the beginning of this conversation, there is another quotation from that paper that frequently appears in the management literature and that is that:

*"an organisation's only  
sustainable competitive  
advantage is an ability to  
learn faster than its  
competitors."*

*"an organisation's only sustainable competitive advantage is an ability to learn faster than its competitors and, therefore, to take decisions faster than its competitors."*

The link between organisational learning and decision taking has been crucial right from the start. This link has not always been clear in discussions of the Learning Organisation.

So, a tension between the idea of the learning organisation and those of organisational learning has existed during each of the twenty years that are marked by this edition of e-Organisations and People.

*the learning organisation  
... is as vitally important  
now as new forms of  
organisation come into  
being with new and  
different learning needs*

Fortunately, it seems that the idea of the learning organisation has not degenerated into a mere fad to blossom for four or five years only to be replaced by yet another one. Moreover, we need to remember that the idea of organisational learning was around and being explored, by Chris Argyris and others, before Arie de Geus and Peter Senge came along and we need to acknowledge that it is as vitally important now as new forms of organisation come into being with new and different learning needs.

## **The Learning Organisation in 2010: the Impact of New Forces**

So, where are we now with the learning organisation and organisational learning in 2010? Well, new forces have entered the picture.

*... the critical success factor ... has moved away from considerations of money and capital and towards that of human talent.*

One of these forces is a development that has taken place over the past twenty years and which is growing steadily and growing stronger. This development is the recognition that the critical success factor within more and more businesses, both small and large, has moved away from considerations of money and capital and towards that of human talent. It is abundantly clear that if money, capital and physical assets are no longer the critical success factors within companies, then the quality of their decision making processes must come to the fore. The more businesses come to be dependent upon human talent, the more they require a population with a higher level of educational attainment than has been required in the past – as nearly all government educational policies would seem to imply. Therefore, the processes by means of which organisations take their decisions will need to be different. It needs to be one that comes much closer to being one of joined-up, team based learning than the application of proven, scientific or taught causal thinking processes that typified traditional, command and control structures.

### **Positive Signals**

*the reaction of many companies has been quite different from that of similar businesses in past recessions*

In 2010 this change is more apparent than ever and it is also more readily recognised, though its implications are not necessarily widely appreciated or understood. There are, however, some positive signals. For example, during the past two years of major financial crisis, the reaction of many companies has been quite different from that of similar businesses in past recessions. The reaction has differed, in the sense that many companies have made a much greater and more visible effort to try to hold on to the human talent in which they have invested.

Thus, we have witnessed numerous businesses seeking to find ways through the present crisis while maintaining, as far as they could, the pool of talent upon which they see themselves as being dependent. Such efforts have not always seemed laudable – as may be observed in the example of the international banks, desperately attempting to maintain and to justify their bonus cultures in the face of mounting public and political distaste. But it is also visible in those manufacturing, service and craft based companies that have negotiated part-time working and

*Talent is increasingly recognised as being the provider of the 'family silver' for the twenty first century*

was the usual response to recession in the past. It is noteworthy that while this has been the deepest recession since the nineteen thirties, levels of unemployment, while bad, have not been as disastrous as was the case in the recessions of more recent decades.

This is not simply a matter of costs. Talent is increasingly recognised as being the provider of the 'family silver' for the twenty first century. Maintaining such talent through the crisis has involved, in many cases, though by no means in all, processes of discussion, dialogue and engagement between different interest groups within organisations.

In some business and trade union organisations, however, the old, baronial styles have been maintained with neither side being prepared to engage in new approaches to and styles of organisational decision making. British Airways, the London Underground and the Railways have all provided illustrative examples of situations where the new learning that is required has not been evident. But this is a digression.

Where are we in 2010? We still need to accept the need to think of decision taking as a process of organisational learning.

### **Organisational Learning in the Knowledge Economy**

*senior managers had little or no understanding of what these bright people were doing*

The new generation of business employees and staff is better educated, more questioning, more demanding and more mobile than its predecessors. But isn't it also true that many organisations have demonstrated, especially within the finance sector, that their senior managers had little or no understanding of what these bright people were doing? More worryingly, didn't they demonstrate that, just as long as the profits rolled in they didn't much care either?

*One reason for such differences is that there is a much greater female presence in these companies*

That's certainly true. Many management organisations are still living in the past. But in the new, younger, knowledge-based industries which are beginning to drive the global economy, such practices have never really developed. These businesses are very different from their predecessors. One reason for such differences is that there is a much greater female presence in these companies. As a consequence, there is a greater, perhaps a more natural, readiness to see organisational decision taking as a joint or collaborative process.

*Decision taking is based  
on conversation ... each  
organisation develops and  
sets its own rules for such  
conversations*

### **Conversation, Language and Organisational Learning**

Another development that is apparent in 2010 is the developing insight that the process of organisational learning is language based. Decision taking is based on conversation and we are beginning to understand that each organisation develops and sets its own rules for such conversations. This is a matter of a management's style and confidence and of the composition (and dialects) of the various groups who can participate in the conversation etc. Of course there are still companies and other organisations within which the rules of organisational conversation determine that it shall be monolithic; a series of monologues, conforming, as far as possible, to the traditions of command and control. In such cases, the conversation is one sided and not a process of dialogue at all.

In today's world to continue to act in this way involves a very dangerous gamble. It is dangerous because it is a gamble that involves betting on the qualities of one particular person, or on that of the few persons who happen to have come to dominate the monologue.

If these people are not capable or, for whatever reason, have come to lose the capabilities that they might once have had, they will drag the organisation down. We have seen recently more than enough examples of this being demonstrated, from Lehman Brothers, Northern Rock, Royal Bank of Scotland and so on. This has been picked up clearly by business writers such as Jim Collins and in the political and neurological spheres by Lord David Owen and John Davidson.

### **Inhibiting Monologues; Liberating Cafes**

There are still plenty of organisations dominated by monologues that inhibit their capacity for learning. But we need to develop our understanding of the behaviour patterns in organisations that are not so dominated. We need a lot more of the kind of work that has been done by Lord David Owen and his colleagues. They show quite convincingly that the continuous, long term presence of people in leadership positions with a tendency to dominate the corporate conversation can have disastrous consequences; leading, for example, to the contamination of the whole organisation with their personal hubris. This opens up a whole new context for inquiry.

*the contamination of the  
whole organisation with  
their personal hubris*

## **2.10**

*... the continuous, long term presence of people in leadership positions with a tendency to dominate the corporate conversation can have disastrous consequences*

On a more positive note, there are an increasing number of academic studies that suggest that, by consciously and deliberately setting the rules of the corporate conversation, one can have a beneficial impact upon organisational performance and outcomes. We have mentioned already the pioneering work that Chris Argyris has been carrying out in this area for many, many years. But there are other examples, one of which was, for example carried out under the auspices of the Society for Organisational Learning (SoL) and which concerns the nature and effectiveness of certain rules for the governance of group decision taking conversations within organisations. The results of this work have been quite spectacular and are demonstrated in the processes employed by what has come to be known as 'The World Café'.

We are now witnessing a situation in which the nature of a great many organisations is quite different from what was typical twenty years ago. Such organisations continue to have to take decisions and therefore to learn. They do this sometimes more, sometimes less effectively. There is a need to continue with the work necessary to developing our understanding of the nature of the corporate conversations that take place in these new kinds of organisation. We need to discover what the most appropriate rules for their governance might be. These include those rules that govern the conversations that determine their processes of decision taking and, therefore, of their learning.

### **New Fields for Play**

*A whole new field of knowledge is now opening up with developments in neurological research*

Finally, there is another area of organisational learning that we may have neglected or lost sight of over the past twenty years and to which we need to return. This is the work of the Tavistock Institute and of Seymour Papert and the idea of learning as play. A whole new field of knowledge is now opening up with developments in neurological research offered to us by radically new technologies. This shows, for example, how different parts of the brain become engaged in quite different ways in processes of learning and, in particular, demonstrates the importance of learning by trial and error during the course of play. Such research carries a promise of developing our insights into the nature of decision taking, corporate conversation and, therefore, of organisational learning. It does this by demonstrating the more subtle processes by means of which such learning takes place (both within individuals and between members of a team). Some of the findings of this research have been taken up already

*such initiatives will have to overcome the barriers that are presented by the traditions of established teaching, as opposed to learning, institutions*

by those engaged in innovative processes of team learning in related fields, including in the worlds of sport and of entrepreneurial learning that are being developed by the Team Academy in Finland and elsewhere. But, like their predecessors twenty years ago, such initiatives will have to overcome the barriers that are presented by the traditions of established teaching, as opposed to learning, institutions.

Like their predecessors, these new practices will prevail, but only after their champions have shown a readiness to challenge and to overcome the many sources of resistance that they will encounter.

So, it is clear that twenty years on from publication of 'The Fifth Discipline', there is more than enough going on to enable us to look forward with a great deal of confidence to numerous exciting developments in the field of organisational learning over the next twenty years.

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## **Biographical Note**

### **Arie de Geus**

A 'global statesman' of business change, Arie de Geus is widely recognised as the originator of many of the principles and practises underlying the "Learning Organisation" concept, and is one of the world's most effective business strategists. After a remarkable career in scenario planning and organisational learning, he now helps organisations of all kinds reorganise and prepare for their futures.

A master storyteller, he uses business parables to give audiences messages that stay with them long after the event. His extraordinary experience and his strategic thinking and research have given him a depth of content that matches his style, and has made him one of the most sought-after speakers in the world.

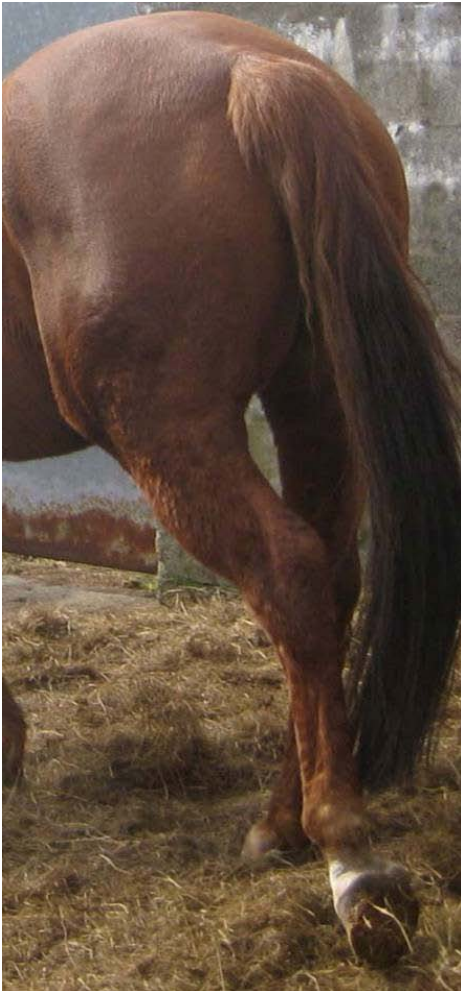
### **Graham Robinson**

Dr Graham Robinson has been concerned with organisational learning throughout his career. This has involved him in roles as a business school academic in the UK and the Netherlands; as a senior manager and director in two multinational I.T. companies, and as director of an international business development consultancy. He is currently a Visiting Research Fellow at the Centre for Management Learning and Development at The University of Surrey where he gained his PhD - based on his research into patterns in directors' learning and sensemaking processes.

He is a director of SoL-UK and the author of several business books and numerous articles on management and organizational learning and change. His latest book, "Unsecured Ladders", co-authored with John Harris, was published by Palgrave in 2009.

# *Learning from the back end*

This took place during a workshop with my horses and hopefully resulted in at least part of an organisation having the freedom to grow, learn and be much more successful.



I was working with a senior manager who seemed to be very sure of himself, to the point of arrogance. I invited him to work with Chelsea, our lead mare. He marched up to her and as he was approaching she simply turned her butt towards him and looked round as if to say “I don’t think so.” He stopped in his tracks. She had no intention of kicking him but even so, a horse’s butt is not particularly attractive. “What should I do?” he enquired, now looking much less sure of himself. I let him think for a few moments. In short, we had a discussion about the difference between ‘Ask’ and ‘Tell’ and he confessed to only ever telling. I suggested that he try asking Chelsea. She was delighted to co-operate and they went on to complete the activity.

He later acknowledged that asking might be much more successful with his team and that not everything had to be done his way. It was just possible that his team had good ideas and wanted to be successful – but had never had the space to do so. Indeed he wondered if they too really wanted to turn their butts on him– but were just too polite.

Beth Duff

# *A contemporary view of corporate universities in a learning organisation*

## **Dr Lindsay Ryan**



*The purpose of this paper is to provide a brief background on corporate universities, current trends in corporate universities and their likely direction into the future, especially as organisations continue to embrace the concept of a learning organisation.*

### **Keywords**

Corporate Universities, Globalisation, Engaging Employees, Knowledge Economy, Employee Learning, Lifelong Learning

### **Background**

The first formal corporate university was established in 1927 in the United States by General Motors and was referred to as the GM Institute (Nixon and Helms, 2002). High profile examples of corporate universities include Motorola University, McDonald's Hamburger University and Disney University. At times, some of these corporate universities have had operational size and scale equal to large traditional universities. For example, at its peak Motorola University offered accredited degrees and had up to 400 full-time staff and 800 part-time teachers in 19 countries delivering programs to over 100,000 students a year (Bedar, 1999).

Corporate universities began in the United States and the concept gradually expanded to other countries, particularly where United States organisations were competing internationally with other major organisations. In the United Kingdom and Europe, for example, such organisations as BAE Systems, Daimler Chrysler, Deutsche Bank, Barclays and NHS launched corporate universities (Andresen and Irmer, 1999).

## **3.01**

*The number of corporate universities increased significantly from the late 1980s*

### **Three views on the origins of corporate universities**

The number of corporate universities increased significantly from the late 1980s as leading organisations in the computer and high technology industries introduced structured employee training and education initiatives which they labelled as corporate universities (Arnone, 1998). At the time these industries were experiencing exceptional growth and facing increasing competition in a global marketplace. One view was that corporate universities were a means of providing intensive, company-specific education and training to large numbers of employees in order to develop the skills and competitive advantage of these organisations.

An alternative perspective on the sudden growth in corporate universities was the level of dissatisfaction among corporations with the standard of business school education programs particularly with soft skills such as communication across disciplines, flexible and creative problem solving and working cooperatively in teams (Waks, 2002). Waks suggests the dissatisfaction with business schools was dominated by senior managers wanting the training of their younger managers to be closely aligned with their organisation's specific missions and markets. While Waks concurs that some criticisms by organisations toward university business schools was justified, he is also critical that corporate universities lack appropriate resources, such as comprehensive libraries, to support enquiry and learning and that teaching delivered within corporate universities is significantly influenced by a profit motive.

Another view is that corporate universities are part of a longer-term trend associated with the emerging 'knowledge economy'. This trend began in the early 1950s with the gradual transformation of industrialised economies into knowledge and information driven economies and a shift to developing knowledge as a means of industrial competitive advantage (Rademakers, 2005). Organisations started to see the potential to influence and shape corporate education through the development of in-house corporate universities and use this facility to develop the skills and knowledge of employees as well as facilitate innovation of new products, services, processes and organisational systems.

The knowledge and insights for this type of innovation could be generated through the corporate university facilitating interaction and knowledge sharing among employees within an organisation and sometimes extending the input by involving external parties such as supply chain partners and customers. A number of progressive organisations began to realise the role they played in preparing their employees to compete in a global economy “to meet and exceed service expectations, to adjust to changing roles and new technologies, and to respond to current and future global pressures” (Meister 2001, p2).

*corporate universities have not been limited to large profit-oriented corporations*

Although many corporate universities tend to be associated with post-industrial organisations, such as banks, insurers, telecoms, IT firms and retailers, corporate universities have not been limited to large profit-oriented corporations. Corporate universities are also utilised by such industries as not-for-profit, government, defence, hospitals and health services.

### **Current Developments in Corporate Universities**

There are a number of factors influencing the evolution of corporate universities, how they are structured and their operational approach. One major factor affecting development is globalisation, where organisations are now operating and competing within a global economy and business occurs 24 hours a day 7 days a week. Corporate universities are being utilised by organisations to assist with engaging and training their workforce. Information and telecommunications technology is allowing greater opportunities and flexibility for distributing learning to employees and delivering education and training programs online.

Globalisation is creating demand for standardised products, services and technical infrastructure, which means organisations now need to ensure they have consistency in the training of their employees across all their operations. Some organisations are using a federation model of corporate university, with the core or fundamental corporate education and training programs managed and coordinated

from a central point, complemented by local or regional training managed and coordinated through local or regional training and development managers.

Another dimension of globalisation is the increasing competition within industries, which is prompting some organisations to differentiate themselves from competitors through the knowledge and skills of their employees and to manage the learning and development of employees through their corporate universities (Schugurensky, 2000).

*Factors ... are seeing the traditional corporate university model evolving to a virtual corporate university*

The corporate university as a physical entity is waning, having peaked around the year 2000. Factors such as engaging, training and developing global workforces and access to new and often low cost technologies are seeing the traditional corporate university model evolving to a virtual corporate university. Rather than having dedicated corporate universities as places where employees go to learn, the virtual corporate university is now a popular model for managing and coordinating learning and development within an organisation. Employees, regardless of their physical location, can now access corporate learning programs at times and locations that suit them. This means significantly reduced travel budgets, greater access to corporate education and training by all employees and online programs can be updated or refreshed at any time.

Virtual and physical corporate universities are now playing an integral role in the upskilling and multi-skilling of employees to assist in alleviating the impact of an ageing workforce in many western countries in response to a shrinking skills pool. For example, in the United States an estimated 70 million Baby Boomers are expected to retire from the workforce in the 10 years to 2020, while only 40 million new workers are expected to enter the workforce during that time (Gordon, 2003).

A shortage of skilled workers in a number of industries increases the level of competition among organisations to attract and retain suitable employees.

## 3.04

However, research finds those organisations that invest in quality corporate education and training programs for employees enhance staff retention rates and have increased financial returns for the organisation (Labi, 2000).

For many organisations facing projected shortages of skilled workers, maintaining a corporate university, or its virtual equivalent, may be the most cost-effective solution for attracting and retaining skilled employees (Morin and Renaud, 2004). Advanced economies, like the United Kingdom and United States, need to modify their business culture with organisations developing internally more of their own highly-educated and trained workforce so they can provide for future employment demands and ensure they have employees with the right skills and talent, as required.

*One of the main drivers in the development and expansion of corporate universities is the ability of organisations to transfer learning by their employees into immediate business benefits.*

One of the main drivers in the development and expansion of corporate universities is the ability of organisations to transfer learning by their employees into immediate business benefits. The more a corporate education program aligns with the corporate goals of an organisation, the more the outcomes from the program contribute to increasing shareholder value through the upgrading of the skills, knowledge and capabilities of employees (Madden, 2005). In some cases the increasing number of corporate universities is driven mainly by the financial bottom line: “companies are finally recognising executive development has a measurable financial benefit.” (Cave, 2001, p19).

### **Future Directions for Corporate Universities**

Research finds that more successful organisations, as measured by higher profits and return on investment as well as higher customer and employee satisfaction levels, usually invest above average in the learning and development of their employees. The average expenditure on employee training and development is in the range of three to five percent of payroll, with the more successful and innovative organisations investing between seven and ten percent of payroll.

*As industry continues to embrace the notion of the knowledge economy, it is likely the average investment on employee training and development will increase to a range of five to seven percent of payroll.*

*CEOs want more information about the return-on-investment from corporate training*

*Emerging research suggests that around 80 percent of employee learning takes place in the workplace.*

As industry continues to embrace the notion of the knowledge economy, it is likely the average investment on employee training and development will increase to a range of five to seven percent of payroll.

Increasing the investment in corporate education and training means organisations will also be seeking higher returns from their corporate education and training. This view is reinforced by recent research of the Fortune 500 companies by the ROI Institute in the United States that found 96 percent of the CEOs and senior managers want to see greater impact on the business from their corporate education and training programs. CEOs want more information about the return-on-investment from corporate training instead of general information like attendance figures and how much employees liked a program. The research found 74 percent of executives want to see return-on-investment data, but only four percent are currently receiving that information.

In order to better measure the impact of corporate education and training on an organisation, employee training and development will need to more closely align with the strategic goals of the organisation rather than allowing training to occur on a random or ad hoc basis. Ideally, an organisation's strategic goals provide the direction and priorities for where an organisation is heading over a three-year period, or longer. By aligning corporate education and training with an organisation's strategic goals, an organisation is better able to harness the combined and accumulating knowledge, skills and capabilities of its employees. In particular, an organisation is able to involve its employees in the strategic development of their organisation and not just utilise training to address operational requirements.

Organisations will also need to develop an integrated approach to corporate education and training that blends formal programs with informal and workplace learning. Emerging research suggests that around 80 percent of employee learning takes place in the workplace. This includes such aspects as learning on-the-job, clarifying an issue with a colleague or discussing a situation with a mentor.

## 3.06

Therefore, organisations will need to ensure employees have the opportunity to undertake formal learning and then apply that learning in their workplace through such initiatives as workplace projects, leading new or special projects in an organisation and sharing what employees learn with their colleagues in workplace forums or lunch-and-learn seminars.

*it is better to develop strategic partnerships with two-to-three carefully selected education and training providers*

As organisations adopt a more strategic approach to organising and managing corporate education and training programs for employees, the more they will need to expand the range and diversity of corporate education and training programs provided. Rather than drawing on in-house trainers, increasingly organisations will need to partner with external education and training providers, including universities, higher education and vocational training providers. In these types of arrangements, it is better to develop strategic partnerships with two-to-three carefully selected education and training providers instead of a broad range of providers or choosing trainers on the basis of price. By having a strategic partnership with a few key education and training providers, those providers are more likely to invest time to better understand the organisation and, in turn, adapt program content to the specific needs and learning goals of the organisation. In addition they are more likely to make suggestions regarding new programs, provide access to emerging research and thinking on a topic relevant to the organisation and arrange guest speakers as part of the partnership arrangement.

*there is a growing expectation by employees that their training will have some formal recognition.*

### **Corporate universities and learning organisations**

While research finds that organisations do not necessarily want to provide their employees with corporate education and training programs that have links to formal qualifications, there is a growing expectation by employees that their training will have some formal recognition. Although an organisation might provide the training program, training resources and time for employees to attend the programs, employees also commit time to reading, studying and preparing assignments which often intrude into their personal and family time. Therefore, while employees are increasingly keen to learn and develop their knowledge and skills, they also want their learning to be recognised as part of a formal learning framework.

## **3.07**

This issue becomes more important with the growing emphasis on lifelong learning, where different education and training programs build on existing programs or integrate with other modules and courses into a broader learning plan.

*For an organisation to be a true learning organisation, it must encourage all its employees at all levels to participate in learning and development*

In most cases it is external factors that are driving the evolution of organisations to become learning organisations. These factors include globalisation, increasing competition, shrinking product lifecycles, skills shortages or a desire by an organisation to develop a competitive edge over others in its industry. As these factors continue to grow and other new factors emerge to also impact on business, the concept of the learning organisation will take on a higher priority. For an organisation to be a true learning organisation, it must encourage all its employees at all levels to participate in learning and development and not treat learning and development as elitist or a reward for selected employees. Those organisations that do strive to become learning organisations will be recognised as innovative and rewarded by retaining and attracting high calibre employees. Therefore, the growing role and importance of employee learning and development means corporate universities, especially virtual corporate universities, will play an increasing role in managing and coordinating a learning organisation's corporate education and training programs.

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### **Biographical note**

Dr Lindsay Ryan is the Director of Corporate Education Advisers and specialises in working with industry to improve the relevance and value of their corporate education and training programs. In particular, Lindsay assists clients to adopt a strategic approach to the learning and development of their employees by aligning corporate education and training programs with the strategic goals of the organisation. Lindsay was previously Director Strategic Partnerships, the corporate education unit, of the University of South Australia.

With over 20 years experience in developing, delivering, coordinating and managing executive, professional and corporate education programs, Lindsay has just published a book: Corporate Education – A Practical Guide to Effective Corporate Learning.

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# Transforming the culture of an elite profession



## From complaining to coaching

I heard the leader of the General Medical Council speaking recently. He said the GMC receives around 8,000 complaints against doctors every year. Of these:

- 4,000 are of little consequence and go away by themselves
- 2,000 are dealt with by a written apology
- 1,000 more need a minor investigation and report

The remaining thousand require serious attention, time and effort costing around £20 million and finally some 50 doctors are struck off for serious incompetence or malpractice.

The total cost is around £30 million. In short it costs around half a million pounds to strike a doctor off the register.

The head of the GMC invited us to imagine an alternative process he is proposing for the medical community. He is asking members of the profession:

If you observe a colleague who appears to be operating in a way that gives cause for concern....

- Ask them to explain this to you
- If they decline to do so, ask them to seek guidance from their clinical supervisor
- If they decline to do so, ask them to join you for a discussion with their supervisor
- If they decline to do so, advise them that you will be seeking guidance from their supervisor

This process is not aimed at developing informants – quite the reverse. It is aimed at supporting excellence in practice through coaching. Imagine £25 million being released for training and development of doctors!



Vic Baxter

## 3.10

# Organisational Learning underpinned by Knowledge: “There is no substitute for knowledge”

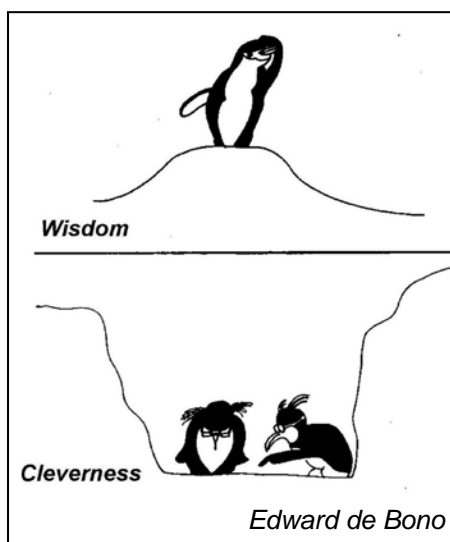
Gordon Hall



*It is essential for the 'Management' profession to have an appreciation of its underpinning assumptions or paradigms and be prepared to challenge them in light of modern research. In so doing we will see 'Management' as a social science that is supported by theories that can be described, updated and refuted. We will also recognise the organisation as a living entity that has its own unique learning ability, or lack of it.*

## Keywords

Knowledge, Management Theory, Scientific Method, Organisational Learning, Society Learning, Paradigms, Systems Thinking, Mental Models



## Knowledge/Wisdom

De Bono (1994), Einstein and Deming (1990) are just three of many thinkers telling us that, if we want change and to secure different outcomes, we and our organisations have to start at the thinking level, not at the action level. We have to be able to identify how the organisation thinks and then be prepared to challenge it, and improve it relative to modern research.

*“We cannot solve our problems from the same level of thinking that created them.”*

*Albert Einstein*

*“Best efforts and hard work, not guided by knowledge, only digs deeper the pit we are in ...there is no substitute for knowledge”*

*W Edwards Deming*

There are four words inscribed on the Scottish Mace:

*Wisdom, Justice, Compassion, Integrity.*

4.01

So it is a Scottish national aim to develop our wisdom. The Chambers Dictionary defines wisdom as the application of knowledge. So what is knowledge? To quote the eminent management scholar W Edwards Deming – “*Knowledge is built on theory*”. So we can argue that wisdom is the application of the underpinning theoretical assumptions of our society.

But wisdom and knowledge are never static. New theories are continually being researched and proven. So as a nation, does Scotland have, as a core value, the continual development of its ‘Wisdom’? This paper explores these issues of wisdom, knowledge and underpinning theories.

*But wisdom and  
knowledge are never  
static. New theories are  
continually being  
researched and proven*

### **Scottish Enlightenment**

The eighteenth century Scottish enlightenment was possible when the restrictions of freedom of thought began to be lifted. The Christian Church of that time was hierarchical in that it considered itself the sole arbiter of ‘The Truth’. The flock were actively discouraged from questioning and challenging any part of the doctrine, to the extent that a young man, Thomas Aitkenhead, was hanged in 1696, for ridiculing the church.

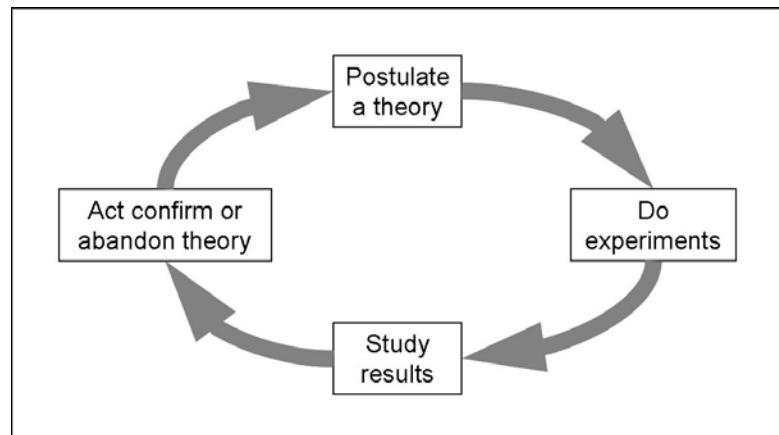
From this time the obsessive authority of the church began to be broken down. The “Act for Setting Schools” was passed and a school was established in every parish. By the end of the eighteenth century Scotland had a literacy rate approaching 75%, higher than any other European country.

There were also philosophers such as Rene Descartes promoting the individual’s right to think and develop logical conclusions – “*I think therefore I am*” – plus many eminent Scots such as David Hume who was calling for knowledge to be based on experience and observation. It was from a critical mass of alternative thinkers that the Scottish Enlightenment was born.

### **Scientific Method**

What evolved is now referred to as scientific method. It is an approach that considers that knowledge, rather than being handed down from authority, is developed by disciplined experimentation. It is a cyclical process starting with a hypothesis followed by experiments and then the careful analysis of the results with the loop being closed by action that confirms or disproves the hypothesis.

This process eventually develops a theory – that can be supported, updated and refuted.



The practice of science allows us to predict. Through the above cyclical process we gain a confidence level that if a set of conditions apply then we can predict the outcome. If the outcome does not match our prediction then we must return to our theory and consider revisions. For example, a scientific law states that water boils at 100°C. It enables prediction.

It also enables experiments to refute this law. If we attempted to boil water on the top of Mount Everest, we would find that water boils at 69°C. We therefore need to revise our scientific law to say that water boils at 100°C when it is at sea level. With each disciplined experiment we extend our knowledge.

In this way the application of scientific method has seen the most amazing development of our knowledge over the past three hundred years. We just need to consider developments in medicine, engineering and electronics. The doubling of life expectancy in the developed world, being able to fly around the world at near the speed of sound and the modern marvel of the internet and the mobile phone.

An important exploration of Scientific Method comes from the work Carl Popper. We recommend the short book on Popper by Bryan Magee.

## 4.03

### **Scientific Method in Management**

Douglas McGregor in his seminal book "The Human Side of Enterprise" (McGregor, 1960) took this concept of Scientific Method into the realm of organisations: *"The theoretical assumptions management hold about controlling its human resources determine the whole character of the enterprise"*

We interpret his word 'management' as a collective term to mean the thinking of the organisation as represented by 'management'. What he was pointing us towards was the significant opportunities available – akin to engineering and medicine – when our organisations or society moves into a disciplined learning mode as exemplified by Scientific Method. In the conclusion to his book he writes: *"The purpose of this volume is not to entice management to choose sides between theories. It is rather, to encourage the realisation that **theory is important**, to urge management to examine its assumptions and make them explicit. In doing so it will open the door to the future"*

We can encapsulate McGregor's message in the following:

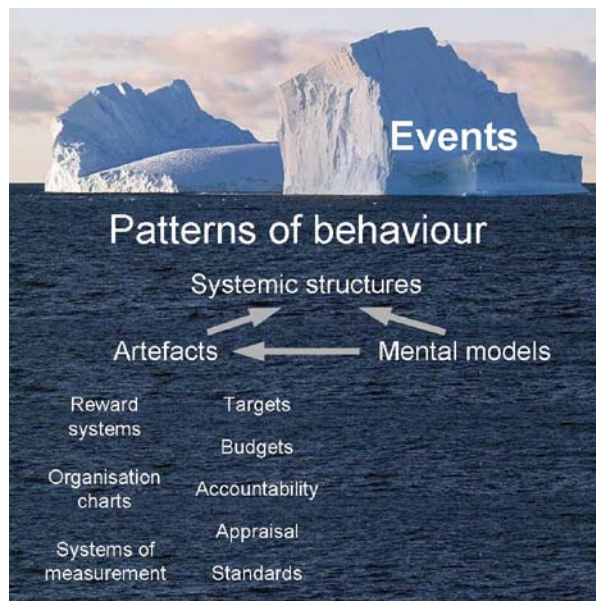
**Theories** lead to **Methods Used** which provide **Results**

The methods the organisation uses evolve out of its underpinning assumptions. The enterprise makes progress by the development of new theories – at the thinking level. If the focus is on simply improving the methods the organisation will achieve only minimal improvement because the basic thinking remains unchanged.

In his book "The Fifth Discipline", (Senge, 1990), Peter Senge states: "We are coming increasingly to believe that this (failure to implement modern concepts) stems not from weak intentions, wavering will, or even from non systemic understanding, but from mental models. More specifically, new insights fail to get into practice because they conflict with deeply held internal images of how the world works, images that limit us to familiar ways of thinking and acting. That is why the discipline of managing mental models – surfacing, testing and improving our internal picture of how the world works – promises to be a major breakthrough for building learning organisations."

For an expansion of this section please visit [www.learningsociety.org.uk](http://www.learningsociety.org.uk) and go to the file on 'Theories'

In a presentation to the Society in Sync conference in Aberdeen, Peter Senge used the analogy of an iceberg to portray the depth of thinking necessary if the organisation is to actually to secure progress.



Senge is portraying that Mental Models evolve into artefacts which underpin the systemic structures of the organisation. Systemic structures are the interrelationships between variables that cause the organisation to behave in certain ways. For example, an organisation may wish to eradicate the negative effects of 'crisis management' only to find that the root causes are somewhere deep inside the organisation in how they collect and analyse data and how they 'motivate' their managers. We are usually unaware of these structures but they influence the more subtle patterns of behaviour, which in turn lead to observable events or results.

*... if the organisation is not aware of the mental models that underpin their methods, then there can be little expectation that it will learn from the knowledge and many improvement opportunities that are available*

In other words if the organisation is not aware of the mental models that underpin their methods, then there can be little expectation that it will learn from the knowledge and many improvement opportunities that are available.

### **Revolutions in Science**

Thomas Kuhn in his book "The Structure of Scientific Revolutions" postulated that there are three stages in the development of scientific knowledge.

## **4.05**

1. **The Craft Phase** - where there is no concept of theory. Learning is through the passing down of craft skills through the generations and through experience. The continual development of knowledge is very limited because there is no recognised foundation which can be challenged and improved.
2. **The Development Phase** – where the community does have an agreed set of theoretical assumptions and resources are committed to developing and extending these theories and their application. This is where science begins.
3. **The Transformation Phase** – where a step change is achieved when a few scientists begin to recognise anomalies in context of the accepted theories, until eventually a new theory is postulated that negates the validity of the established theories. There is usually great resistance to these new concepts until, bit by bit, further experiments are carried out proving the new theory.

Examples of scientists achieving a step change in thinking would be Albert Einstein and his relativity theory, Pasteur identifying germs and thus transforming medicine's perception of infection and in the social sciences, Alfie Kohn's work showing that externally determined incentives actually reduce motivation.

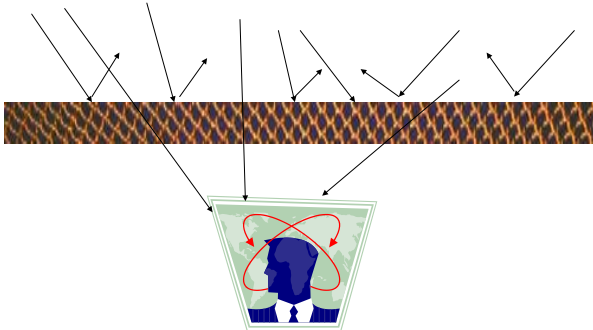
Kuhn further identified the existence of 'paradigms'. Members of a scientific community, while developing existing theories, programme their minds to think from a fixed perspective. In so doing they close off considerations of alternative perspectives.

### **Paradigms**

In expanding our appreciation of paradigms we look to Noel Baker in his book "Future Edge" To define a paradigm he uses this quote from Adam Smith.

*"A shared set of assumptions – a paradigm – is the way we perceive the world; water to a fish. The paradigm explains the world to us and helps us predict its behaviour ... when we are in the middle of a paradigm it is hard to imagine any other paradigm."*

## Paradigms



What Noel Baker recognises is that we are flooded with information every minute of the day. Paradigms help us cope by filtering out any information that does not agree with our present thinking. It allows through only that information that is in sympathy with our existing mental model. It reverses the old adage of 'seeing is believing' – to 'we see what we believe'. While Paradigms help us cope, they have a down side in that they block new thinking. They filter out information that conflicts with our existing mental models. Noel Baker refers to this feature as 'Paradigm Paralysis'. It makes it very difficult for us and our organisations to absorb new concepts. It is a wide spread disease.

The classic example of paradigm paralysis is the Swiss clock making industry. Built on the highly developed clockwork model with its gears, pinions and springs, it was unable to comprehend the potential of the competing paradigm, the digital electronic watch. Slow to adapt, the industry shrank rapidly over the next few years. The irony is that it was the Swiss themselves who invented the digital watch. The developers got no encouragement from their own companies and eventually made it available to the open market. The Japanese saw it and the rest, as they say, is history.

### Where is management?

In line with Douglas McGregor, we see 'Management' as a social science. So we would ask where is 'management' in context of Thomas Kuhn's picture of the three stages of scientific development:

1. The craft phase.
2. The development phase.
3. The transformation phase.

Is management still in the craft phase where the majority of knowledge is acquired through experience with many skills being passed down from the culture of the organisation; or is it a profession that is progressing by identifying and continually developing its underpinning theoretical assumptions; or is it even in the transformation phase where new theories and concepts are readily accepted?

*All the evidence points to the conclusion that management is still in the craft phase*

All the evidence points to the conclusion that management is still in the craft phase. Very few managers are aware of the underpinning theoretical assumptions of their organisation. The result is that our management thinking has failed to develop over the past decades.

### **Lack of Development Examples**

#### *Systems Thinking*

This concept was well developed by the Second World War and during the 1950s, W Edwards Deming and J. M. Juran taught Systems Thinking to the Japanese.

The primary message of Systems Thinking is the recognition that at least 90% of outcomes are a function of the design of the system rather than the diligence of the individual, yet in 2010 we still have concepts of individual accountability and the belief that our problems would be solved if we had better, more skilled, more motivated people.

#### *A Reward Culture*

It has been long established that the most valuable asset of an organisation is the intrinsic motivation of the individual. Furthermore research conducted by Alfie Kohn in the 1980s showed that the persistent use of extrinsic motivators such as targets, bonuses, qualifications, etc. actually damage intrinsic motivation. It moves the person's focus from the work itself to securing the reward.

*...persistent use of extrinsic motivators such as targets, bonuses, qualifications etc. actually damages intrinsic motivation*

The focus on the reward can be such that the individual may even destroy their organisation to secure the maximum reward. The banking industry is the most recent high profile example.

We can also see how our love of learning is destroyed through having to chase qualifications. Students attend university for the qualification not for learning and knowledge. The use of targets in the public sector has developed widespread manipulation of data – 'gaming' as it is commonly called. All these ploys actually undermine our intrinsic motivation to do a good job.

### *Management by measurable figures alone*

In “The New Economics”, Deming records Edwards Baker’s (of the Ford Motor Company) observation that the unique processes that provide measures amount to only 3% of the whole. Other considerations such as training, morale, teamwork, purchasing policy, appraisal systems, etc are non measurable but still require to be managed. As organisations get larger they have drifted, over the past 30 years, into the trap of managing by visible figures alone. The Oil Industry has a phrase – *“If you cannot measure it you cannot control it”* – which means that the industry is managed by looking at only 3% of the whole.

There is a growing belief that our management practice over the past 30 years has been getting worse rather than better. This view has been expressed in “The New Economics” by W Edwards Deming, “The Puritan Gift” by Kenneth and William Hopper, and a presentation by Simon Caulkin to the Deming Forum in 2009.

### **Organisational Thinking and Learning**

Now we come to what is possibly the most challenging recognition. It is not so much individuals that believe in rewards or manage by visible figures alone but the organisation of which they are part. We work within organisations, and to survive and develop within that organisation, we have to adapt to its culture and way of operating. It might be possible to have different approaches within the section for which we are responsible, as long it does not attack the basic thinking of the organisation.

So the opportunity is for the organisation rather than the individual to learn. This implies that the organisation is a living entity, with a learning ability.

*“Organisations are living entities. They too are intelligent, creative, adaptive, self organising, meaning seeking”*

*Margaret Wheatley*

Our education and culture has for centuries been founded on tackling problems by reducing them into their component parts and addressing each part individually. This style of thinking goes under the name of reductionist thinking. But through the development of systems thinking we are now having to turn our attention not simply to the parts but also to how the parts interrelate.

We are being asked to think of the whole – the parts **and** their interrelationships. We are being asked to think how the organisation, with its interrelationship patterns, is to learn.

So the challenge has moved from how do we educate, provide knowledge (wisdom) to the individual, to how do we provide knowledge for the whole, the organisation or society?

*... the challenge has moved from how do we educate, provide knowledge (wisdom) to the individual, to how do we provide knowledge for the whole, the organisation or society?*

Our education system, for example, has evolved out of the dominant thinking of our society. How do we change society's thinking? The bonus culture of the banks may have evolved from the culture of individualism and financial rewards coming from the USA. It will also have been heavily influenced by the short term thinking of the stock exchange. So how do we reform our banks?

So our future challenge is not so much how do we develop the learning of the individual but how we develop the learning of the organisation or society. How do we establish a society that recognises 'management' as a social science? How do we get society to be comfortable with ongoing experiment and the learning and application from those experiments? How do we create a culture of knowledge (wisdom) in our society? How do we create learning organisations and a **learning society**?

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### **Biographical Note**

Gordon is the Chief Executive of The Deming Learning Network which identifies with W Edwards Deming's vision, to start us "*on the road to knowledge and to create a yearning for more knowledge.*" The significant events in Gordon's personal journey include: a study tour to Japan in 1989, Dr Deming's Four Day Seminar and Ashridge Study Weekend and a decade studying Deming's thinking about management with Professor David Kerridge of Aberdeen University. He is also broadly read in many other perceptions of management.

The challenge for the DLN is to provide a bridge between the extensive, fully researched knowledge that is readily available and the practical application of that knowledge within our organisations. Over the years, in pursuit of this challenge, the Network has run a wide range of facilitation events including a CEO club and groups looking at safety, psychology, systems and statistical process control.

Gordon has worked with many organisations to transform their understanding and engage the potential from the intrinsic motivation of staff. He asks the enterprise to see the frontline worker as the customer of the company's systems. As ISO 9001 is seen as a requirement in many commercial organisations, he invariably uses the standard to involve staff in ongoing and continuous improvement. The outcomes have been more effective systems, better quality and enhanced profit but the majority of the benefits are non measurable such as improved morale, better communication and cooperation across the whole company.

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# Learning is a messy process



Recently, some-one I was coaching with the horses wanted to be able to have more time to read but he found it hard to say, “No,” to all the people who made demands on his spare time.

He marked out a circle in the sandy surface of the arena and then stood in the circle with a bowl of horse nuts, as representation of his time and space to read. The horse, of course, kept trying to get the nuts and he had to be very firm and persistent in saying “NO!” to it. Finally it gave up and went off to eat the grass at the edge of the arena.

It wasn't easy for him and the greatest gift he got from this simple activity was the feeling of how hard and awkward it would be to say, “No!” until people believed he meant it and went off, leaving him in peace with his book. Interestingly, when the horse came back again to try to get the nuts, he was able to send it away much more quickly – which he found encouraging.

Beth Duff

# Why aren't we all working for learning organisations?

Professor John Seddon and Brendan O'Donovan



## Abstract

*Revisiting Peter Senge's work 'The Fifth Discipline' twenty years on, the authors reflect on why there are not more 'learning organisations' around us. They conclude that W Edwards Deming's critique of Western management practices apply as equally to Senge's ideas as they do to those of other*

*theorists. By using Argyris's model of 'Double-Loop Learning', the authors suggest a way for managers to switch from a 'command and control' to a 'systems thinking' mindset in order to achieve genuine organisational learning.*

**Keywords:** Senge, Seddon, systems thinking, learning organization, double-loop learning.

In Peter Senge's best-seller *The Fifth Discipline* (Senge, 1990), he popularised the idea of the 'learning organization'. In the book, Senge defined learning organisations as:

"... organizations 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 how to learn together." (Senge 2006 p3)

Learning in this context has a specific meaning for Senge, which he terms 'metanoia', a Greek word meaning 'a shift of mind'. A learning organisation is therefore: "... an organization that is continually expanding its capacity to create its future.

"For such an organization, it is not enough merely to survive. 'Survival learning' or what is more often termed 'adaptive learning' is important

*“For ... an organization, it is not enough merely to survive. ‘Survival learning’ ... must be joined by ‘generative learning,’ learning that enhances our capacity to create.”*

indeed it is necessary. But for a learning organization, ‘adaptive learning’ must be joined by ‘generative learning,’ learning that enhances our capacity to create.” (Senge 2006 p14)

Getting organisations to ‘shift their minds’ in order to produce both adaptive and generative learning was the intent of Senge’s work twenty years ago. Fortune magazine went as far as predicting that “the most successful corporation of the 1990s will be something called a learning organization, a consummately adaptive enterprise.” (Fortune 1989, in Senge 1990).

So why is it that these predictions do not appear to have materialised in 2010? Why do we not see examples of learning organisations all around us?

We believe that the biggest clue as to why we are not all ‘learning organizations’ was given by W Edwards Deming, one of the original reviewers of the book back in 1990. As Senge commented after reading Deming’s review, he “slowly started to realize (Deming) had unveiled a deeper layer of connections, and a bigger task, than I (Senge) had previously understood” (Senge 2006 p x).

Deming’s review said:

“Our prevailing system of management has destroyed our people. People are born with intrinsic motivation, self-respect, dignity, curiosity to learn, joy in learning. The forces of destruction begin with toddlers – a prize for the best Halloween costume, grades in school, gold stars – and on up through the university.

On the job people, teams, and divisions are ranked, reward for the top, punishment for the bottom. Management by Objectives, quotas, incentive pay, business plans, put together separately, division by division, cause further loss, unknown and unknowable.” (Deming in Senge 2006)

It is our contention that Senge’s work did not tell managers how to tackle this “deeper layer of connections” that was necessary before they could become a ‘learning organization’. However, a combination of the works of Chris Argyris (Argyris 1999) on intervention theory and Deming’s own

## 5.02

systems perspective on management can provide us with a way forward. We will go on to explain this in more detail, and also to present a systems archetype for managing a generative transactional service.

*Command and control: the prevailing system of management*

One of the authors of this article (John Seddon) has worked extensively with service organisations and has developed his own term for the elements of Deming's "prevailing system of management". Seddon and Caulkin have defined 'command and control' management thus:

"Command and control means regulation by management, with its battery of computer and other informational aids ... where decision-making is distant from the work and based on abstracted measures, budgets and plans" (Seddon and Caulkin 2007 p12)

*"Command and control means regulation by management, with its battery of computer and other informational aids ... where decision-making is distant from the work and based on abstracted measures, budgets and plans"*

Command and control ideas have their roots in Taylorism (Taylor 1998 - first published 1911) and the mass production innovations of Henry Ford (Ford 2003 - first published 1926) and Alfred Sloan (Chandler 1977). Command and control thinking continues to see organisations as top-down hierarchies, where work is designed in functions, managers make decisions and workers do the work.

Managers make decisions using budgets, targets, standards; they seek to control the workers with a variety of management practices: procedures, rules, specifications, inspection and so on. The management ethic is to manage budgets and manage people.

These features of a 'command and control' mindset manifest themselves in service organisations as an obsession with managing the activity of workers. This has been characterised as forming the 'Core Paradigm' for conventional service management (Seddon2008) and consists of three questions which preoccupy managerial decision-making in transactional service organisations such as financial services, telecommunications, IT services, police, local authority, government agencies and housing services.:

- How much work is coming in?
- How many people have I got?
- How long do they take to do things?

In this dominant management paradigm, managers think of their job as a

## 5.03

resource-management problem. It leads managers to do the following types of things in pursuit of improving service operations:

- Reduce average activity time (through procedures, job aids, call coaching and targets)
- Use I.T. to replace, support or control the service agent
- Outsource activity to lower-cost organisations/economies
- Increase functional specialisation (to reduce training costs)
- Standardise work processes
- Put similar work into back-office factories

These are all examples of what Argyris and Schön would call the actions of a manager going through 'single-loop learning' (Argyris and Schön 1974).

For Argyris and Schön, single-loop learning involves improving incrementally through learning new skills or capabilities, with managers perhaps learning to do something better but without challenging the underlying beliefs and assumptions behind their problems (see Fig 1). In Senge's language, this is what he describes as 'adaptive' learning (Senge 2006 p14).

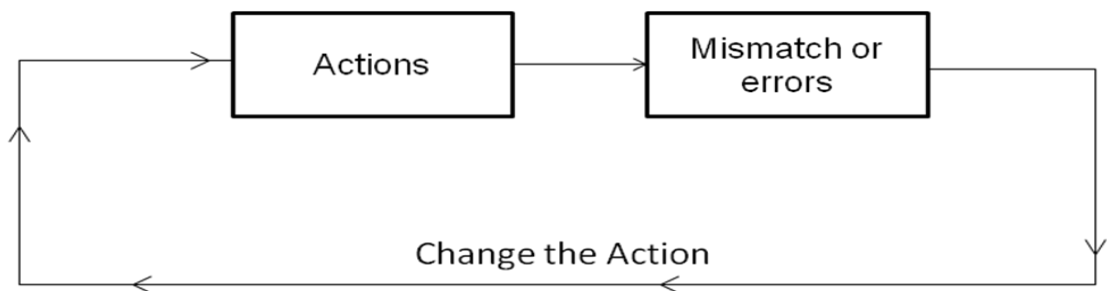


Fig 1: Single-loop learning (from Argyris 1990 p92)

*Managers assume that people need to be commanded and controlled*

So, the problem as it is conceived by managers in the 'Core Paradigm' is how best to manage activity. Managers assume that people need to be commanded and controlled (Seddon 2003). Scripts, procedures, targets, standards, inspection and compliance govern the way that these organisations work. The managerial tactics listed above are all essentially concerned with managing cost. For example, a call centre manager might be tasked with reducing costs in line with an enforced efficiency target dictated higher up the hierarchy. In order to do this, he/she might decide to focus on service levels: how long it takes an operator to pick up the telephone. Also, by imposing a standard time on calls, the manager may

## 5.04

think that calls will be cheaper. But when the manager is then unexpectedly faced with rising costs due to rising 'failure demand' (Seddon 2003) as explained in greater detail below, he/she might decide to impose scripts on the workers.

When this is equally unsuccessful, the manager may enforce greater inspection of work to ensure the workers are complying with the scripts, so as to ensure they reduce the time taken per call. We see that managers become further and further entrapped in the core paradigm described above, where their focus becomes fixed on making the worker work harder. The manager becomes ensnared in 'single-loop' learning, unable to see the deeper assumptions beneath their actions.

Senge represented many of his ideas in a series of systems archetypes, saying that "the template shows the basic structural form of the archetype but lets managers fill in the variables of their own situation" (Senge 1990 p17). We have represented the command and control view of service work as an archetype:

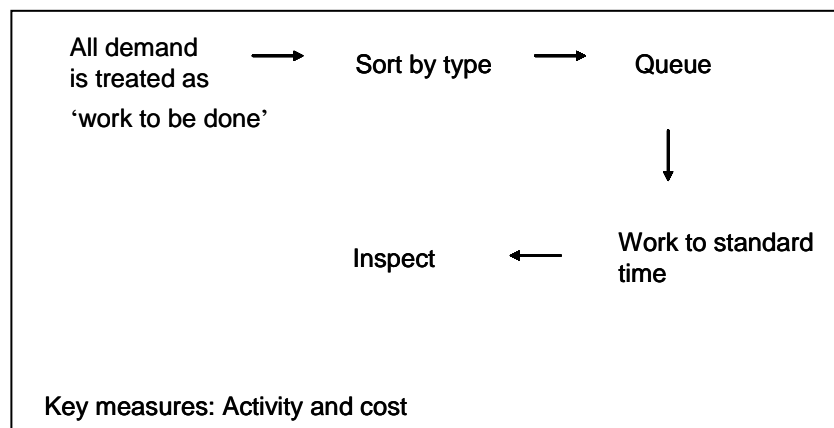


Fig 2: Command and control archetype for factory service management

This archetype is a high-level representation. In practice, service organisations are much more complex but the complexities, nevertheless, follow this quintessential logic. Managers schedule resources according to the volumes of work coming into the system.

Usually, the first step in the flow is to 'sort' the work by, for example, using interactive voice response [IVR] systems in telephony ("press 1 for x, 2 for y") and with incoming mail the work is typically scanned and sorted into pre-determined electronic work queues, often breaking one customer

## 5.05

*“... most possibilities for improvement add up to proportions something like this: 94% belong to the system (responsibility of management) 6% special.”*

demand into a variety of sub-tasks, allocating each to its own queue. When work is done it is managed by ‘standard times’, the assumed time it takes to complete each task and resources are devoted to inspection to control the output to the customer. Often a customer demand into such a system is fragmented into many sub-tasks and consequently the flow of work crosses functional, organisational and geographic boundaries. For managers imprisoned by what Deming called the “prevailing system of management”, efficiency is assumed to be associated with controlling the costs of activities.

#### **Deming’s insight: focus on the system**

The assumption is mistakenly being made that performance is all about people and their activity. It is, as Deming pointed out, to focus on the wrong things:

“The fact is that the system that people work in and the interaction with people may account for 90 or 95 percent of the performance”  
(Deming, in Scholtes 1998 p296)

“I should estimate that in my experience most troubles and most possibilities for improvement add up to proportions something like this: 94% belong to the system (responsibility of management) 6% special.”  
(Deming 1994 p xv)

To escape this organisational prison, Deming instead advocated that management’s focus ought to be with the flow of work through the broader organisational ‘system’, rather than measuring and managing work in functional activities.

Operating at this ‘system’ level achieves far more than focussing on the refinement of individual functions and/or processes. His famous “Figure 1” – a picture capturing the flow of work through a manufacturing organisation – became notorious because it was often the only visual aid he would use to orientate his post-war Japanese audiences as to what to pay attention to when considering their work as leaders.

He believed that constancy of purpose to improve the system should be the cornerstone of management’s efforts; his figure served also to provoke

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discussions of what the suitable method and measures of achievement of purpose should be.

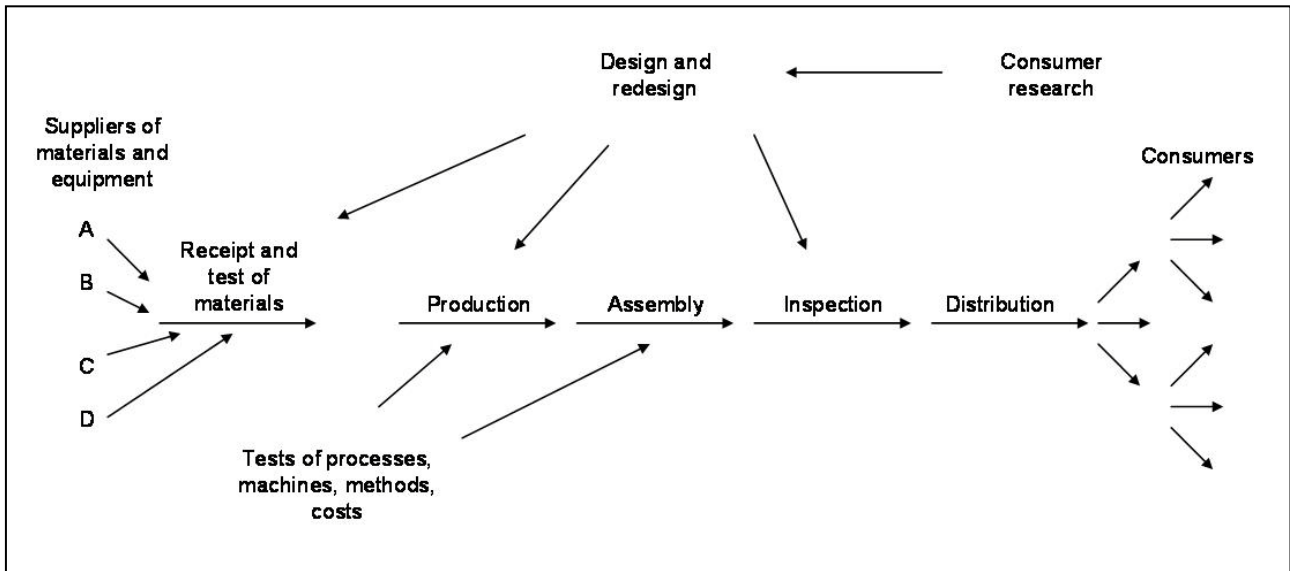


Figure 3: Deming's famous "Fig 1 diagram"  
Production viewed as a system" (Deming 1982 p4)

### Counter-intuitive truths

When one learns how to apply this key Deming insight (study organisations as systems), certain counter-intuitive truths are discovered. The industrialisation of services is the result of the management of workers' activity which, as we have already discussed, is based on the assumption that activity equals cost. Moving work to call centres, the separation of front-office tasks from the back-office 'factory', the specialisation of tasks and the standardisation of work are all management activities driven by this basic belief in the need to manage activity as cost. Paradoxically, one discovers that the consequence of service managers' focus on costs is that they inadvertently drive costs up: the number of steps it takes for a customer to get their demand satisfied increases, with each unnecessary step adding extra costs to the organisation and causing greater customer dissatisfaction (the "unknown and unknowable" costs Deming referred to in his book review).

*Paradoxically, one discovers that the consequence of ... focus on costs is that they inadvertently drive costs up*

The process of realisation that comes with the discovery of such counter-intuitive truths marks the first step for service managers towards what Argyris and Schön call 'double-loop learning'(Argyris and Schön 1974). Double-loop learning goes further than single-loop learning by reshaping

the patterns of thinking and behaviour which govern why actions are taken (see Fig 4).

We believe that double-loop learning is a necessary condition for the development of what Senge called 'generative learning' and thus essential in the progression towards becoming a 'learning organization'.

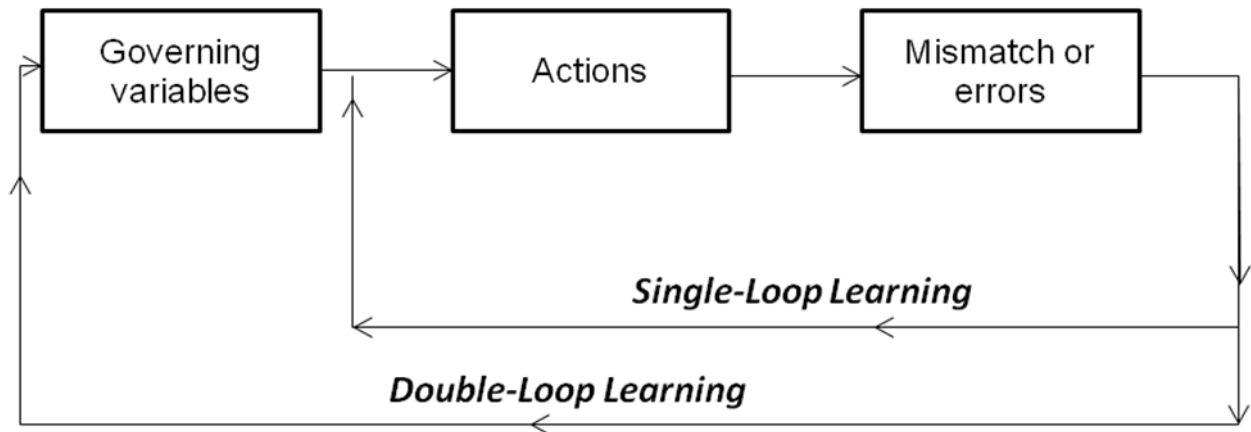


Fig 4 Double-loop learning (from Argyris 1990 p94)

*... managers must study their workplace and understand the underlying causes of the problems that they have, instead of jumping to their well trodden, 'core paradigm'-based solutions*

For double-loop learning to take place, managers must study their workplace and understand the underlying causes of the problems that they have, instead of jumping to their well trodden, 'core paradigm'-based solutions. Only in this way can the 'governing variables' behind their actions be surfaced and subsequently altered.

Managers find that studying services as systems often reveals other similar counter-intuitive truths:

*Demand is the greatest lever for improvement*

By measuring the type and frequency of demands into a service, one can start to understand how a service is currently performing. In service organisations, there are two types of demand: value demand and 'failure demand'. Failure demand is "*demand caused by a failure to do something or do something right for the customer*" (Seddon 2003 p26).

The industrialisation of services creates failure demand; often failure demand into services can run as high as 80% or more of the total demand. It is understood that things will always go wrong. Understanding

## 5.08

what is going wrong predictably leads to productive action – only predictable failure demand is preventable (Seddon 2009).

Studying value demand enables services to be designed from the users' point of view, enabling the user to 'pull value' – to get what they want. In that way, service improves as costs fall.

*It is the system that accounts for performance*

*95% of variation in performance is due to the system (Deming 1982). This shows the futility of managing workers' activity*

It is as Deming taught: 95% of variation in performance is due to the system (Deming 1982). This shows the futility of managing workers' activity and re-focuses management on their responsibility to design a system that delivers what customers need.

*Any failure to absorb variety will drive up costs*

An important feature of transactional services is the variety of demands they experience from their customers. Front-office/back-office splits (the common practice of separating the customer-facing part of an organisation from its back-office functions such as HR or IT departments in order to run the back-office like a production-line), specialisation of work and standardisation of work are all tactics which prevent services from absorbing variety and thus implementing these measures drives up overall costs (Middleton 2010).

Systems thinkers set out to design a system to absorb the variety of customer demands. The correct approach is to train workers against demand, to put them in control of their work – doing it as well as improving it – and to design management roles that are complementary to the work, where action is required on the system.

*Argyris and Schön's concepts of single- and double-loop learning explain how a command and control outlook prevents managers from learning and improving*

*What can be done to create learning organizations?*

Returning to the question of how we create more of Senge's 'learning organizations', it is our contention that it is the command and control 'prevailing system of management' which prevents organisations from creating generative learning. Senge's work does not tackle the subject of how to overcome these dominant command and control management assumptions. Argyris and Schön's concepts of single- and double-loop learning explain how a command and control outlook prevents managers

## 5.09

from learning and improving. Distinguishing between single- and double-loop learning, Argyris explains that:

“Single-loop learning occurs when matches are created, or when mismatches are corrected by changing actions. Double-loop learning occurs when mismatches are corrected by first examining and altering the governing variables and then the actions.”

(Argyris 1999 p68)

Command and control managers are trapped in the single-loop, never questioning their faulty governing variables. Systems thinking allows for double-loop learning.

Helpfully, Argyris has also written about how to practically intervene to create double-loop learning:

“Research on intervention suggests that it is possible to help individuals learn new theories-in-use and to create new learning systems. The intervention requires the creation of a dialectical learning process where the participants can continually compare their theories-in-use, and the learning system in which they are embedded, with alternative models. This requires that interventionists make available alternative models with significantly different governing values and behavioural strategies.”

(Argyris 1999, p90)

By recognising that there is a system of interaction which underpins one's actions, it is possible to change and in the process become more open and self-aware. Seddon and Caulkin describe this process as the need to 'unlearn' before one can 'learn' the new way that a system should work, in an 'emergent, adaptive' approach to change.

*“Systems thinking is only truly learned by doing, by action learning: it is only by doing that managers can unlearn, can find out for themselves where their current beliefs about the design and management of work are flawed*

“Systems thinking is only truly learned by doing, by action learning: it is only by doing that managers can unlearn, can find out for themselves where their current beliefs about the design and management of work are flawed, in order to put into place something that works systematically better, and can systemically be further improved” (Seddon and Caulkin 2007)

Elsewhere, Seddon has written about the practical method for studying and then redesigning a service (Seddon 2003). It is the authors' belief

## 5.10

that attempts to create learning organisations which do not challenge the status quo of command and control will prevent the double-loop, generative learning which is an essential ingredient for continuous improvement: it is necessary for managers to unlearn before being able to learn a better way.

*The link between Thinking, System and Performance*

Within all organisations, we posit that there is a systemic relationship between the underlying thinking of the managers, the ability of the system to improve and performance to the end user. The 'thinking' of managers, as architects of their organisational systems, needs to be capable of double-loop learning if the goal of creating a learning organization is to be achieved (as illustrated in figure 5).

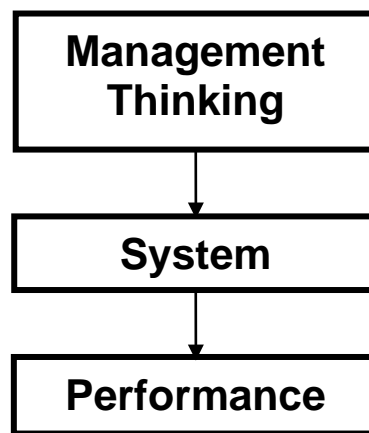


Fig 5: The relationship between the thinking of management, the system and its performance (Seddon 2003 p10)

In this analysis, it is critical that managers are able to make the transition from the prevailing system of management to systems thinking. The assumptions of the command and control logic remain deeply ingrained within Western management culture, developed as they were to solve the problems of the early pioneers of mass production. In modern service organisations, we no longer face the same problems that these solutions were created to solve (Seddon 2003). The basic precepts of command and control have remained unquestioned whilst the underlying paradigm has outlived its usefulness. The problem is not a general problem of culture, but more specifically is one of management thinking. In order to change this mindset, managers must learn to study their organisation as a system, and to understand the true nature of the problems facing them.

*In order to change this mindset, managers must learn to study their organisation as a system*

## 5.11

### A systems archetype for a learning organization

In keeping with Senge's ideas about archetypes, the authors have proposed a systems archetype for transactional service organisations which can be contrasted with the command and control factory archetype in Fig 2.

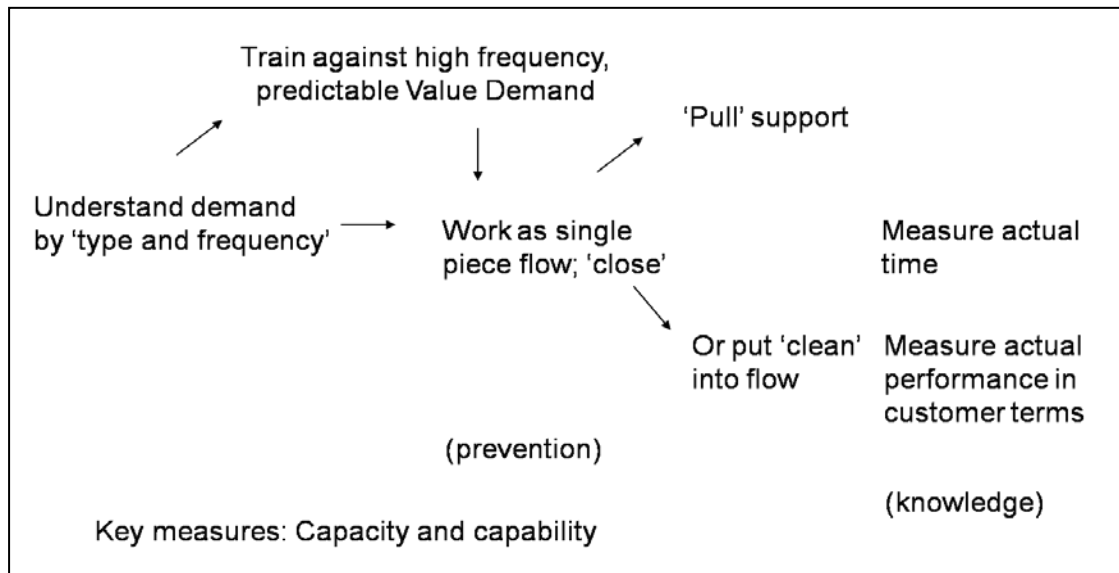


Fig 6: The systems archetype for transactional service systems (Seddon, O'Donovan and Zokaei 2010)

By understanding the demands that arrive at the organisation from customers, it is possible to train workers against the high frequency, predictable value demands (things we know we are going to get a lot of) that are hitting the system. The consequences are shortened training times (for example from eight weeks to two weeks in financial services) and more productive employment of the worker. When the worker receives a customer demand for which he or she is not trained, the required expertise is 'pulled' as needed. In this way worker training is directly related to the requirements of the work. The worker aims to achieve single piece flow (to deal with each demand as it enters the system right through to resolution for the customer, before beginning with another demand) or, if the work has to be handed on to a flow, then the worker is focussed on passing it 'clean': it must be in such a state that the next person has everything they need to take the next step. Workers are allowed to develop measures which relate to the customer's purpose and given control over them (one-stop capability, measures of end-to-end flow) and they consequently have the latitude to experiment with and improve the work design.

Training workers against demand and ensuring they are responsible for what they do is preventative (the better alternative to inspection for compliance with command and control targets and specifications). All arbitrary measures (standard times, cost, targets, standards) are removed from the system and instead real measures are used to help managers and workers alike understand and improve the work. It is better to know the actual time it takes to complete transactions as 'one-stop'; this improves resource planning. Similarly it is better to know the true experience of the customer for any work that goes through a flow (end-to-end time or on-time-as-required) in order to improve the flow and, consequently, reduce costs.

There are many published examples of these principles in use including ODPM (2005), Jackson, Johnstone and Seddon (2007), Pyke (2008), McQuade (2008), Middleton (2010) and Zokaei et al (2010). The examples documented in these studies show that it is possible to create genuinely generative learning organizations.

### **Conclusion**

At its heart, the above systems archetype (Fig 6) is concerned with designing against demand, managing value rather than cost and genuinely generating organisational learning. This is in contrast with the actions represented in the command and control service management archetype, mired as it is in dealing with the old 'core paradigm' problems. We would conclude by reiterating that the key to the creation of learning organisations comes from enabling managers to 'shift their minds' – Senge's 'metanoia' put into practice. Our argument is that Deming's statements in his 1990 review of Senge's work continue to hold true: it is the dominance of the command and control management thinking which, 20 years on, still prevails and prevents the development of more generative learning. It is only by studying an organisation as a system and creating double-loop learning that we might finally see Senge's 'learning organizations' stop being the exceptional and instead become the norm.

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### **Biographical Note**

John Seddon is an occupational psychologist who began his career researching the reasons for failures of major change programmes. Based on what he learned he developed his own methods for change, which he describes as a combination of systems thinking - how the work works - and intervention theory - how to change it. He is a Visiting Professor at Cardiff and Derby Universities and author of 'Freedom from Command and Control' (2003). Email: [John@vanguardconsult.co.uk](mailto:John@vanguardconsult.co.uk)

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# Portsmouth City Council Housing Service



Portsmouth City Council is a local authority on which has retained direct ownership and management of its housing stock. This housing service has become one of the public sector's most fully-developed examples of systems thinking,

and has also integrated its private sector supply chain into the systems thinking way of working.

## **A group of workers take a systems view of their service**

One of the first services they decided to change was their housing repairs system. A group of workers from across the system, including from the private sub-contractor repairs firms, was tasked with investigating their service to find out how it was currently performing. They decided that the purpose of this service from a customer's point of view was simply 'to do the right repair at the right time'. An analysis of the demands that were coming into the system through the council call centre showed failure demand (Seddon 2003) to be running at an astonishing 60% of all demands.



*end-to-end time for a repair was averaging at 24 days, with 15% of repairs requiring four or more visits*

*As is often the case to managers examining their service from a customer's perspective for the first time, these results came as a tremendous shock*

What was discovered to matter to customers was that jobs would be completed in one visit, that they would stay fixed, not requiring another call to the council for a further repair and that they were undertaken either as soon as possible or at a time convenient to the customer. By looking at work historically, it was possible to see how the organisation had been performing against these customer expectations. Housing staff found that the end-to-end time for a repair was averaging at 24 days, with 15% of repairs requiring four or more visits for a job to be satisfactorily completed.

As is often the case to managers examining their service from a customer's perspective for the first time, these results came as a tremendous shock – the service had previously been commended by inspectors and was well within national targets for providing a service.

## 5.16

In fact, when they delved deeper they discovered that it was a concentration on meeting these targets which was causing many of the dysfunctional outcomes for residents.

- To meet time targets, single jobs were being fragmented into many.
- To meet budgetary requirements, short-term patch-up jobs were being applied rather than tradesmen being allowed to attack the root cause of a repair problem.

Conversely, they found perfectly functioning bathrooms or kitchens were being ripped out at great expense and replaced to fit a planned maintenance schedule, based on the idea of supposedly accruing savings through exploiting economies of scale. In the private contractor organisations, the repairs tradesmen were found to have under-stocked vans as their managers did not trust them not to use the stock to do other things.



These consequences of the management worldview were imperceptible to the managers and the inspectors themselves, but ended up having an incredibly disruptive effect on the lives of the council's housing tenants.

### **Experimenting with new approaches**

Starting from scratch, the organisations experimented with new ways of working based on doing work right first time, at a time that suited the resident. In effect, the tradesman undertaking the work was allowed to decide the best way to do it, unencumbered by management diktats or presumed budget constraints.

*the tradesman undertaking the work was allowed to decide the best way to do it, unencumbered by management diktats or presumed budget constraints*

In order to work in this way, it was discovered through experimentation that tradesmen needed a service which brought the building materials (e.g. doors or windows made to order) directly to them whilst they were attending a property. One of the contracting organisations thus started a new firm to do exactly that.

Houses are now repaired in an average time of 7 days, and more importantly at a time suiting the resident. The contractors have designed their system such that they arrive within 15 mins of the resident's specified time for an appointment 94% of the time.

## **5.17**

*Houses repaired in 7 days;  
contractors arrive within 15  
mins of specified time;  
99% satisfaction from  
residents,  
over 90% of jobs right first  
time.  
contractor firm profits rise  
steeply*

The service has recorded a 99% satisfaction rating from residents, with over 90% of jobs being completed right first time. The private contractor firm has subsequently seen their profits rise steeply, as costs per job for them have been halved and they have been able to win more work because of greater capacity. None of this could have been planned at the beginning of the intervention – it was only by systematically examining their service, understanding what mattered to their customers and then designing to perform this work and this work alone that they have been able to achieve this remarkable success.

Brendan O'Donovan

# Collective intelligence

I have been so schooled in thinking of myself as an autonomous individual that the notion of organisational learning is hard for me to grasp and hold. Here are a couple of examples which have helped me.



*... so many elements  
integrating effectively,  
enabling and constraining  
the behaviour of the  
unpredictable, error-prone,  
human individuals*

## **Traffic**

When I am in big city commuter traffic, I am a tiny component in a huge and highly intelligent system. Intelligence is embedded in the street layout, road and vehicle design, signposting and traffic signals. It's in the culture of the community and its assumptions about the law, commuting, good manners and risk. It's in the knowledge, skill and attitudes of drivers, driving instructors and examiners, cyclists, pedestrians and traffic police: unbelievable, self-organising complexity.

There are so many elements integrating effectively, enabling and constraining the behaviour of the unpredictable, error-prone, human individuals who keep it all happening. As the whole entity learns, more people make more journeys, more quickly and more safely.

## **Dancing**

Jive Class is another intelligent system. The class lines up in rows, men facing women. Usually there are more women than men, with a group of women waiting. The instructor explains a move and demonstrates it, breaking it down into small pieces.



Dancers practise together for a couple of minutes until the instructor stops and calls, "Eight women on," (depending on the number waiting). Partners acknowledge each other and the men wait while the women file past, counting up to eight. New partners greet one another and learn the next piece together.

*As an entity, ... the class  
... learns and increases  
its capacity for learning.*

As a novice, many of your partners will be experts but it won't be long before someone less experienced will need your help.

This is a well-designed system for supporting *individual* learning. Is it, in any sense, organisational? I think so. It's in the culture. Novices are helped over their shyness. Strangers may look each other in the eye, touch, hold hands. Women may safely invite men to dance and the etiquette discourages refusal. As an entity, not just a collection of individuals, the class has intelligence, learns and increases its capacity for learning.

David McAra

# A story for our times: a short history of the Learning Organisation

Deborah Booth



*This article takes a critical look at the Learning Organisation using an approach drawn from Social Anthropology and Critical Management Studies. Placing the concept of the Learning Organisation in its historical context leads to a deeper exploration of the reasons for both its popular success and its fall from prominence. Learning from this analysis leads to a prediction that business leaders may again become interested in organisational development and that they will wish to use OD to align the ethos of their organisation with that of the wider community. Finally it is suggested that context-independent prescriptions for theories about organisational or business success, such as the Learning Organisation, are unlikely to survive changing socio-economic conditions.*

## Keywords

Learning Organisation, Organisational Learning, Systems Thinking, Organisational Trust, Organisational Commitment

## Introduction

Peter Senge's description of the Learning Organisation (Senge, 1990) was a manifesto for the humanising of the workplace, a welcome antidote to command and control organisations and an acknowledgement of employees humanity and autonomy. Today's paucity of Learning Organisations [LOs] could be seen as a regrettable consequence of the LO's explicit challenge to the cult of 'hero-managers', or of the difficulty of implementing Senge's utopian vision in real organisations.

This article seeks to challenge these ideas by suggesting that the Learning Organisation may have had the opposite effects to those intended by Senge – it may have extended business leaders' control over

## 6.01

employees at a time (the early 1990s) when this was critical to business profitability. The Learning Organisation's key assumptions about the importance of organisational learning to business success, regardless of economic conditions and about the best ways to increase the speed of this organisational learning are then questioned, giving an alternative explanation for the decline in its popularity. Reflection on the nature of recent changes in the business environment suggests that organisations' leaders will become, once again, interested in organisational development strategies which, like the Learning Organisation, engage with employees at an emotional or spiritual level.

### What did the Fifth Discipline say?

<b>Peter Senge's Five Disciplines:</b>
<b>Personal Mastery</b> – a lifelong commitment to the discipline of personal learning
<b>Mental Models</b> – giving people tools and guiding ideas to make sense of situations they face
<b>Building a Shared Vision</b> – enhancing capacity of all people to work productively towards common goals
<b>Team Learning</b> – teams are the 'fundamental learning unit in modern organisations'
<b>Systems Thinking</b> – using systems theory to comprehend the whole and examine the interrelationships between the parts, the fifth discipline and conceptual cornerstone of his ideas
(Source: AMED 1993, Smith 2001)

Peter Senge believed that implementation of the five disciplines listed here, in the panel, would create:

"... organizations 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, 1990:3).

He believed that it was necessary to bring human values to the workplace and argued that the essence of being human is real learning. He believed that 'we love to learn' and that people seek meaning and fulfilment in their work.

Senge also believed that in situations of rapid change only flexible, adaptive and productive organisations would excel – in other words organisations as well as people need to learn. And, crucially, he believed this learning was necessary at *all levels of the organisation*.

As many another engineering graduate, he seems to have been enthralled by the idea that cybernetic concepts could simplify otherwise baffling complex human

organisations. He envisaged organisations as complex social systems which can be mapped to show otherwise hidden positive

*the complexity of real organisations might be better captured by mapping their dynamics (processes) than by their organisational structures*

and negative feedback loops and relationships between causes and effects which, because they are separated by time, might otherwise go unnoticed. He advocated using 'system maps' showing the key elements of systems and how they are causally connected to gain a holistic understanding of an organisation's dynamics. He showed how the complexity of real organisations might be better captured by mapping their dynamics (processes) than by their organisational structures. Systems thinking would give organisation leaders a rational and effective tool to learn, for all levels of the organisation, how actions, decisions and behaviour leads to consequences, and how changes to the former might affect the nature of the latter (Senge, 1990:12 quoted in Smith 2001).

Senge's 'theory' of The Learning Organisation conflates Senge's beliefs about the need for individual learning (the 1<sup>st</sup> to 4<sup>th</sup> disciplines) with his assumption about organisational learning (systems thinking, the 5<sup>th</sup> discipline) to powerful effect. *The Fifth Discipline* implied that:

1. the human needs of organisation members can be met when organisation leaders offer support for individual and team learning throughout their organisations and
2. when this is combined with systems thinking organisational learning is facilitated.

This 'recipe' was very attractive to both employees and employers in the early 1990s and Senge can be credited with the subsequent popularising of the application of systems theory to organisations.

### **The Learning Organisation was popular with organisation leaders in the early 1990s**

In the 1980s Peters and Waterman had told business leaders what 'Excellence' looked like (Peters and Waterman 1982) and Porter had taught them what could be gained from 'competitive advantage' (Porter 1985). However, by the end of the decade it had become obvious that some businesses which had been described as 'excellent', or 'competitive', were no longer so and a desperate search was on amongst business schools and international management consultancies for the secret of how competitive advantage could be *sustained*.

*“The ability to learn faster than your competitors may be the only sustainable competitive advantage.”*

Senge was responding to this commercial imperative when he began his book with Arie de Geus' words, “The ability to learn faster than your competitors may be the only sustainable competitive advantage.” (Senge 1990 quoted in AMED 1993). By offering business leaders a way to continue making profits, during the early 1990s recession, his book became an instant bestseller.

What did organisation leaders need to do to stay profitable? According to Senge the key to success is the application of systems theory, the ‘Fifth Discipline’: once their ‘systems’ had been mapped (feedback loops, causal relationships, etc. identified) organisations could use rational thinking to re-design’ the organisation’s processes to better achieve desired effects (Smith, 2001, AMED,1993, Stacey, 2001). Of course for ‘desired effects’ business leaders read ‘profits’ even if Senge and others had in mind the setting free of “collective aspiration” (Senge 1990:3).

But how to persuade staff to abandon old ways of behaving and adopt those dictated by the organisational re-design? What better way to do so than to propose the implementation of a Learning Organisation which promised to be more humanly meaningful and democratic.

### **How Systems Thinking enabled organisational leaders to extend their control over staff**

Like the ‘one ring’ in the Lord of the Rings, Systems Theory was to bind (integrate) the other four disciplines. Holistically integrated, the five disciplines would empower individuals and their work groups. Systems thinking terminology and language (positive and negative feedback loops, cause and effect, system maps etc.) was drawn from engineering and made what occurs in organisations appear as ‘logical’ and ‘rational’ as the inside of a computer (a dominant metaphor of the late 1980s). It also made techniques to predict and control human behaviour, like mapping and process re-design, appear as logical as those applied by a computer engineer.

*The import of the ‘systems’ metaphor to the field of organisational behaviour is ... misleading, because it minimises the impact of peoples’ inherently irrational feelings and beliefs on their behaviour at work*

The import of the ‘systems’ metaphor to the field of organisational behaviour is misleading, however, because it minimises the impact of people’s inherently irrational feelings and beliefs on their behaviour at work, and suggests that human behaviour, and related organisational outcomes, are susceptible to rational prediction and control. Senge’s

## 6.04

focus on formal organisation processes made these seem to have a tangible existence (and influence) independently of human agency. Yet such processes can only constitute a heuristic conceptual model, a *representation of patterns of many individuals' behaviours*. (In real life organisations individuals behave and interact in ways which cannot be fully predicted or controlled). Ralph Stacey calls the process of making the representations of reality seem to *be* reality 'reification' and suggests that it performs a political function by hiding the source of and nature of power within organisations. What seems to be a rational way to achieve legitimate organisational goals is actually an arbitrary exercise of power by organisation leaders.

"The focussing on systems and structures alone leads to a belief that their function is to control actions so as to yield globally intended consequences". (Stacey, 2001:232)

This view is consistent with one which sees capitalist organisations as existing to accumulate capital (profit) for their owners and managers resulting in an inherent conflict of interest between employees and employers, the existence of which is deliberately hidden by organisation leaders. One way to interpret the history of the shape of work organisations is as the outcome of a long succession of tacit renegotiations of the power relationships between employers and employees (Booth 1984, Morgan and Spicer 2009). If we understand employers and employees to be in constant (but publicly unacknowledged) competition for power, persuading employees to increase the value or quantity of work produced for the same remuneration can sometimes be an effective management strategy. An increase in the ratio of output to the cost of employment becomes a key objective for organisational leaders when other sources of increased profit (e.g. increased sales) are unavailable, for example during a time of very slow economic growth (such as the 1990s).

The design of most, if not all, of an organisation's formal processes and structures can be seen as the outcome of internal political conflict. Chris Rodgers in his book *Informal Coalitions* explains that effective organisational leaders perceive their role to be one of influencing others' interpretation of events so as to build support for organisationally beneficial changes (Rodgers, 2007: 59-60). One way to do so might be

## 6.05

*By hiding political action under the mantle of 'rationality' systems thinking gives organisational leaders an opportunity to increase their control over work processes and to expand their influence over workers' discretionary behaviour whilst they appear to be decreasing it*

by directing attention away from the personal (organisation leaders) towards impersonal (formal organisation processes) which are believed to be a 'rational' response to impersonal forces (as systems thinking suggests). Organisation leaders' need to improve productivity and profits by re-designing work processes to get each employee to contribute more may remain invisible. By hiding political action under the mantle of 'rationality' systems thinking gives organisational leaders an opportunity to increase their control over work processes and to expand their influence over workers' discretionary behaviour whilst they appear to be decreasing it (see Stacey, 2001:233).

To illustrate these ideas let us imagine that Company X's directors have decided to increase customer loyalty by improving customer service standards. These are based on the mapping of existing customers interactions with the organisation using a systems approach. This reveals that the mishandling of angry customers who've experienced unforeseen service delivery problems appears to have a severe impact on repeat business, which restricts the speed of growth of market share. A systems thinking consultant might want the process of dealing with the mishandled customer to be re-designed so the customer wants to come back in the future. As Company X is a 'learning organisation', customer service staff will be invited to play a large part in re-designing the ideal 'difficult customer encounter' in a way that the staff member is able to absorb the customer's anger without becoming defensive so the customer will feel that they have been listened to and their needs respected. All of this appears to be a 'rational' re-design of a business process in order to resolve a business problem.

However the consequence is likely to be a new demand on employees that they express authentic concern for a potentially rude and abusive person. This is an extension of managerial control from employees' physical behaviour at work to their *emotional behaviour at work*. At no stage have Company X's directors had to justify their increased demands on their staff, because the new demand *appears to flow naturally* from the needs of the system of organisational processes when one looks at things from a systems thinking perspective.

Whilst a limited number of employees engage directly with customers, others may be required to increase their contribution in other ways such

## 6.06

*Systems thinking has turned out to have been an excellent tool to tip the balance of power between employee and employer in the direction of the latter.*

as taking greater personal responsibility for problem-solving, participating in interpersonal training or taking part in co-worker 'learning' teams. Systems thinking has turned out to have been an excellent tool to tip the balance of power between employee and employer in the direction of the latter. Managers have been able to justify organisational changes which benefit employers more than employees by promoting systems thinking as a rational, non-political way to re-model organisational processes.

It is tempting to draw parallels with the justification of investment bankers' extraction of wealth from investors by reference to their 'scientific' financial models. Our shared reverence for science and rationality has led us to accept things as 'rational' and 'scientific' which on closer examination prove to be anything but. Recent anthropological research into the use of management consultants in hospitals describes how consultants' 'magic' relied partially on their being ascribed with an impartial objectivity which enabled them to gain legitimacy for (unscientific) organisational changes: the consultant's authority '... rests on the attribute of objectivity and using reification as a particular form of politics ... both consultants and their reifications have to be accepted and affirmed as objective by internal actors to serve their purposes' (Skovgaard Smith 2008: 219).

### **The Learning Organisation's humanistic values made it an effective vehicle to increase organisational trust and commitment**

"Free enterprise" cannot be justified as being good for business. It can only be justified as being good for society" (Drucker 1977:40)

*By appearing to care about their employees' human needs, a profit-driven organisation's leaders could hope to create genuine commitment to the organisation and its long term business goals*

The Learning Organisation promised emancipation, perhaps even spiritual growth, for employees. The involvement of organisation members in self-development, local problem-solving, negotiation of organisation goals and team development implied by a quick reading of Senge's first four disciplines certainly sounds empowering. An organisation or organisational leadership which demonstrates its sincere commitment to humanising the work environment in such a way is likely to engender a loyalty amongst its staff which over time may be transformed into trust. Thus the Learning Organisation offered organisational leaders a second way to extend their control over employees. By appearing to care about their employees' human needs, a profit-driven organisation's leaders could hope to create genuine commitment to the organisation and its long term business goals. Believing their organisation to be ethically

congruent with its host community, people might make their personal contribution to its success with pride, believing profit to be a by-product of its moral virtue.

Such beliefs could be expected to reduce employee turnover and reduce resistance to change. However the possible absence of any empirical support for this assertion from the 1990s suggests that employee trust and high turnover might have been less of an issue for business leaders then (a period of high unemployment and high trust in the socio-political elite) than it is now. I return to this theme in my final section.

Practical implementation of the Learning Organisation now appears likely to tip the balance of power between employees and employers towards the employers by:

1. extending the latter's influence into employee affective behaviour (bureaucratic control) and
2. enhancing the moral commitment of staff to their employer (ideological control).

Thus rather than 'empowering people' the Learning Organisation might actually reduce their power, albeit in ways which are not easily seen by those involved.

*Thus rather than  
'empowering people' the  
Learning Organisation  
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which are not easily seen  
by those involved*

I will now move on to examine some ideas which might explain why many business leaders lost interest in Senge's theory when it became easier for them to grow sales and markets to increase profits.

### **Was The Learning Organisation a useful tool to achieve sustained competitive advantage?**

1. Originally the Learning Organisation's attraction was its promise, not just to make businesses profitable, but to enable them to sustain profitability during a period of recession (i.e. to create *sustained* competitive advantage). This claim was based on the following assumptions, each of which will be explored in the following sections:
2. The business environment would continue to be turbulent and unpredictable, so only continuous adaptation (organisational learning) could bring sustained market success.
3. People yearn for real learning

4. Implementation of The Learning Organisation will empower all organisation members to learn
5. Empowerment of employees at *all* levels of an organisation will guarantee organisational learning (and a concomitant increase in profitability) occurs.

**Organisational Learning seemed increasingly irrelevant when the recession ended**

Senge's book was published towards the end of a long period of enormous market turbulence. It seemed plausible that any organisation which could learn continuously would be able to adapt more quickly than its competitors and so remain more profitable. However the business environment changed and has experienced a long bull market run from then until 2007, albeit with some significant interruptions along the way. The volatility of the business environment became so low that Gordon Brown could boast that both inflation and the 'boom and bust' economy had been defeated. In such an environment business leaders became much more interested in market growth as the primary source of profitability. Business schools and international consultancies began to sell claims that (their) research showed competitive advantage to be due to such things such as: mastery of the three 'value disciplines' of operational excellence, product leadership and customer intimacy (Treacy and Wiersema, 1993); the critical role of 'complementors' (Brandenburger and Nalebuff, 1995); 'customer bonding' (Hax and Wilde, 2002) or creating new market space (Chan Kim and Mauborgne, 2005).

*Systems thinking seems to have been more resilient: retaining its attraction, especially in the public sector, as a rational way to understand and influence complex human organisations*

The Learning Organisation ceased to be as attractive as the new recipes for business success. Systems thinking seems to have been more resilient, retaining its attraction, especially in the public sector, as a rational way to understand and influence complex human organisations. For many developers The Learning Organisation remains an ideal model of organisation.

Rapid organisational growth might be more difficult when an organisation is committed to participative management, so organisations which had become Learning Organisations in Senge's terms might have found it increasingly difficult to keep up with purely financially-driven competitors. In recent years many large businesses, especially banks and financial institutions, have been de-regulated or have become so large and

powerful that they can play one country's government off against another. These institutions' profits are based on their unchallengeable market power and their ability to attract a small elite of employees who are more than happy to do anything for a share of the mega-profits being made. RBS increased its profits by ten thousand per cent in ten years under Sir Fred Goodwin. Those in less exalted positions of the organisation may no longer be perceived as possessing vital leverage over profits, reducing the private sector market for organisational development of any sort.

In the next section the results of empirical research into organisational learning are used to evaluate Senge's assertion that empowerment of organisational members will lead to more rapid adjustment to environmental changes (i.e. faster organisational learning).

**Organisations learn by paying attention to the 'insignificant', avoiding 'groupthink' and accepting the need for constant change**

Senge's theory built on the work of Arie de Geus. The latter had described a process he called 'institutional learning' which he had observed in the Shell oil company, whilst he was Chief Planner. De Geus tentatively suggested that some organisations would be better prepared than others to notice and adapt quickly to unexpected environmental shocks, as Shell had been when the oil price suddenly did hit the floor in the mid-1980s. These organisations were those whose senior (operational) management teams created shared mental models of business dynamics (of their company, markets and competitors) and were encouraged to 'play' with these to rehearse likely and unlikely market conditions. De Geus suggested the speed and effectiveness with which an organisation 'learned' (i.e. adapted to new prevailing market conditions) depended on the existence of:

1. effective (synergistic) teams, in this case amongst management
2. open communication channels (so market data could be widely and quickly disseminated)
3. flexible organisation habits (enabling the organisation to accept the need for constant change)
4. organisational integration into their environment

(De Geus 1988, 1997)

De Geus doesn't suggest (as Senge does) that organisational performance depends on *all* organisation members re-framing their mental

*...some organisations would be better prepared than others to notice and adapt quickly to unexpected environmental shocks ... These organisations were those whose senior (operational) management teams created shared mental models of business dynamics ... and were encouraged to 'play' with these to rehearse likely and unlikely market conditions*

models, nor that such reframing is welcomed – rather that managers should be ‘continually nudged’ towards revising their collective view of the world. Here he is suggesting that the major obstacle to organisational learning is senior management groupthink, not an undemocratic organisation, or one in which all staff engage in the learning process. In an oil company the roustabout’s worldview may not be as critical to organisational success in the way a nurse or flight attendant’s could be in a service organisation. What is critical is that the senior management teams’ play/rehearsal of environmental shocks enables them to discover:

1. the importance of continuous attention to apparently insignificant environmental changes and
2. the need to become organisationally responsive to such data.

*... the major obstacle to organisational learning is senior management groupthink...*

I am struck by the similarities between de Geus’ process of ‘institutional learning’ and the characteristics of ‘High Reliability Organisations’ [HROs] (Weick et al, 1999 reported in Mavor 2010). These are organisations such as nuclear establishments and air traffic control systems which need to continue to function in expected and unexpected environmental conditions. HROs are greedy for learning and knowledge (they have big databases and reward the reporting of errors) and socialise organisation members to check and review their assumptions (they hold frequent reviews, rotate staff around the organisation and recruit a diversity of employees).

Weick emphasises the importance of expecting and preparing for the unexpected, as de Geus did. He also stresses the role played by a culture of trust and innovation, both of which are best nurtured in the synergistic teams favoured by de Geus.

*successful organisations have a purpose, an image of where they are and where are going, and through continuously monitoring the consequences of their own actions as well as environmental signals are able to keep updating their sense of where they are*

Weick’s earlier work (1995, quoted in Cowley 2001) concluded that successful organisations have a purpose, an image of where they are and where are going, and through continuously monitoring the consequences of their own actions as well as environmental signals are able to keep updating their sense of where they are. Weick points out that such organisations are unusual because instead of data being simplified so action can be taken, environmental signals may be amplified to give additional significance. Plausibility has become a greater driver than accuracy (Cowley). Kay describes a process of constant adaptation and

## 6.11

'pragmatic improvisation' as the most effective way to acknowledge that the complexity of reality is always going to outweigh our knowledge of it (King 2010).

The forgoing discussion leads to the conclusion that 'organisational learning' is the product of an organisation which anticipates the need to monitor and be ready to respond to even the tiniest perturbation in its relationship with its environment. There is little support here for Senge's assumption that organisational learning can only be assured through empowerment at all organisational levels or through the implementation of systems thinking and the other four disciplines, nor for his idea that learning is universally welcome. Rather that it is resisted.

In the current Low Growth, Low Trust environment business leaders can profit from organisational development strategies which increase trust and commitment

In 2010 we are now aware that not only are we in the aftermath of the second most serious financial crisis in 100 years, but that the origins of this crisis lay in the collective failure of those in whom we trusted (especially governments, regulators and non-executive directors).

Our society has seen a generalised erosion of trust in all those in authority from MPs to 'fat cat' business leaders.

*An anticipated tsunami of  
spending cuts will  
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services*

As we enter a period of *low growth and low trust*, business leaders may, once again, search for new ways to increase profits through an internal focus on 'productivity growth'. An anticipated tsunami of spending cuts will necessarily lead to a search for new ways to achieve cost reductions in the delivery of public services.

Since the 1990s changes designed to increase output and reduce costs tend to have been justified as rational, objective or scientific. However we no longer trust science (remember the furore about East Anglia's Climate Change scientists' 'data') and we now know that many organisations have been run by a self-serving elite of experts and business leaders who, whilst filling their pockets, demonstrate no concern for their customers, staff or anyone else. (Very recently, the Chairman of RBS, Sir Philip

*Perceptions of ... moral bankruptcy amongst those in authority is likely to lead employees to resist change ... from experts and business leaders who can no longer be trusted*

Hampton, admitted that the pay of his top staff was “almost certainly too high” in comparison with ordinary workers, yet made it very clear that he would continue to pay ‘market rates’ to avoid losing top people who are “very important to our prosperity” (R4 Today programme interview April 29<sup>th</sup> 2010.)

Perceptions of a general moral bankruptcy amongst those in authority is likely to lead employees to resist change legitimated by claims of objectivity, rationality and science, especially when these emanate from experts and business leaders who can no longer be trusted. This may sound the death knell for systems thinking, the conceptual cornerstone of the Learning Organisation.

However as we saw earlier, it is possible to suggest that the implementation of humanistic values such as those promoted by Senge may enable organisations to re-create genuine trust in leaders and commitment to business objectives. Support for this idea comes from Tesco and the John Lewis Partnership. Both are businesses in which most employees serve customers and in which the latter’s moral commitment to business goals may give them an edge over their rivals in a slow market.

The suggestion that moral congruence with the host community can deliver business success also receives support from Tesco. Terry Leahy, its chief executive, describes it as an ‘egalitarian organisation’. It has “no officer class ... no fast track” and only six levels of hierarchy in an organisation of 280,000 people. This egalitarian and ‘caring’ ethos permeates every aspect of the business; ‘Customers know everybody will be treated the same. They also know we care about our staff’.

In a year which has seen the closure of many retail businesses Tesco’s profits increased by 9% (Radio 4 interview quoted by Chris Blackhurst, Evening Standard 22 April 2010).

<i>Aspects of The John Lewis Partnership Model</i>
<i>Mutual respect between partners</i>
<i>Manager’s job = ‘to keep people happy’</i>
<i>Leadership = doing things that are right, not what is popular</i>
<i>Shared responsibility (being restlessly dissatisfied, showing enterprise)</i>
<i>Co-ownership – the organisation is owned by its workers (partners)</i>
<i>Secure employment</i>
<i>Source: ‘Inside John Lewis’ Episode 2 BBC 2, 17 March 2010</i>

**Conclusions**

Senge’s Learning Organisation was both more (a strategy to increase managerial control) and less (a recipe in which success was limited by economic change and Senge’s assumptions about learning) than it

seemed. From a Social Anthropology and Critical Management Studies perspective, I have attempted to understand both its success and its failure by reference to its specific historical context. This has made it possible to re-interpret its significance for today's developers and to offer some tentative thoughts about the sorts of development intervention which may soon become popular. Finally it can no longer be argued that any universal (context-free) prescription can deliver business or organisational success under all socio-economic conditions.

### **Acknowledgements**

I am very grateful to my friends, Chris Rodgers, who showed me how I might reduce my material from 10-articles-worth to one; Bob MacKenzie, who gave me detailed and insightful feedback about how to improve my writing and David McAra who helped me learn how to be more persuasive. This article does not necessarily reflect the views of Chris, Bob or David.

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# *Enabling epiphanies: supporting Tin Gods in their quest to join the Human Race*

The recent movie, "Up in the Air" (with George Clooney playing me!!!) pretty much summarises my job. For the past 20 years I have been a battle-hardened Outplacement Consultant. People I particularly remember, among many others, include:

- 3,100 staff released from Motorola with 100% re-engagement, using 55 consultants, 24/7 for 18 months
- one woman, after reading back the CV we'd just written together, telling me she now liked herself for the first time in her life
- one CEO telling me, had he not had his first "pick up" session after being fired, he'd have been on the way home to commit suicide

Each case brings rewards, whether it's small insights helping individuals to make significant changes or deep transformations enabling Sauls to become Pauls. The 'Tin Gods' are usually the ones in charge when the train left the tracks, the vessel foundered on the rocks or the blow out preventer failed. I see my fair share of these and it's seldom pretty.

The burden on such people is huge. Their capacity for self flagellation can be savage and while it isn't easy, bloodletting is necessary before healing can start. They must disgorge their bile before they can recover their equilibrium. As I say, it's not very pretty. However, the learning is real. Changes are largely embedded. Individuals seldom revert to type. A dear friend recently said, "We don't change when we get sick and tired. We change when get sick and tired of being sick and tired."

So here's to the Sauls who have become Pauls, the Scrooges who have become philanthropists, the bullies who are now mentors and coaches because of their epiphanies. Having fallen from grace, taken their time in the wilderness and looked into their depths, they emerge willing to learn, revise, rebuild and renew, climb back in the saddle and perform all the more effectively.

Vic Baxter

# *The Learning Organisation 20 years on*

Professor John Burgoyne



## **Introduction**

1990 was a landmark year for the Learning Organisation, marked principally by the publications of Peter Senge's 'Fifth Discipline', (Senge 1990) and to a lesser extent our (Pedler Burgoyne and Boydell 1990) book: 'The Learning Company'.

We called it 'Learning Company' partly to differentiate it, certainly not to identify primarily with the private sector, but mainly to reclaim the terms 'Company' for its original meaning of people being together.

There are earlier uses of the term and the idea. It gets a brief mention in Peters and Watermans' 'In Search of Excellence'. Arguably it is implicit in the total quality management idea which now goes back 60 years, and there are various other references to it in academic writing.

## **Keywords**

Learning, knowledge management, leadership, economics, dynamic capability, sustainability, networking

## **The Learning Organisation – a 'practitioner-led' concept**

However 1990 marks the moment when the idea took off in a significant way, both in practice and in theory. Interestingly it was in that order. The practitioner literature took off around this time, followed by the academic literature (we have suggested that we call these two 'learning organisation' and 'organisational learning' respectively, an idea first put forward in the introduction to a book I edited with Mark Easterby-Smith and Luish Arujo in 1999).

In the middle and late 1990s knowledge management took over from learning organisation as possibly the leading idea in business transformation. I have argued that when organisations learn to learn in the verb sense of the word learning they produce learning in the noun

*In the middle and late  
1990's knowledge  
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transformation*

# 7.01

sense, i.e. knowledge, and if this is to be used as an organisational asset then this has to be managed. This is perhaps too neat, but I think there is a core of truth in it.

Again development of practice preceded development of theory, but when the academics got round to studying it Harry Scarsborough of Warwick Business School pointed out that the learning organisation, despite being about organisations as a whole, and probably because of the 'learning' word, was largely taken up in the HR function, and knowledge management, probably because of a confusion between knowledge and information, was largely taken up in the IT function.

Interestingly people who thought about knowledge management soon concluded that one had to think about 'knowing' at the same time (and about what we mean by knowledge anyway), thus reversing the journey from learning as verb to learning as noun.

### **Knowledge Management**

In 1999 I had the honour of delivering the Alec Roger Memorial Lecture in the Department of Organisational and Occupational College at Birkbeck College London. I did it on the learning organisation ten years on (and now I am writing about it 20 years on, I will have to come out of retirement to do 30 years on!).

*... criticisms of the learning organisation idea.*

*Arguably the two most important of these were naivety about power and the moral and the lack of obvious concern for the ethical aspect*

The main argument was published at the time in *People Management* (Burgoyne 1999). In it I listed a number of criticisms of the learning organisation idea. Arguably the two most important of these were naivety about power and the moral and the lack of obvious concern for the ethical aspect of organisation and organisational learning. The former observed that early formulations of the learning organisation assumed a willingness of an open, collaborative, sharing approach to organisation, its work and rewards, which has to some extent been dealt with both in theory and practice since. The second related to crises like Enron and the subsequent developments of concern for corporate social responsibility and corporate governance.

With the benefit of hindsight, I should have added sustainability in the ecological sense. Interestingly the sub-title for our book 'The Learning Company' was 'A strategy for sustainable growth'. We were deliberately

playing on the double meaning of the sustainability word, the long term economic and the environmental sense. The environmental bit does get a brief look in the book, but it is far from highlighted. Today this meaning is much more prominent, and the issue of where the two priorities work together or are in conflict is of great interest.

Returning to the knowledge management move, it is also noticeable that learning organisation has been reinvented under the heading of 'dynamic capability', based much more in the language and theory of economics and corporate strategy, probably benefiting from not using the 'learning' word. It is about having systems and procedures for innovation.

*... the knowledge management move has lead to the creation of more knowledge workers, and that knowledge workers, unlike other kinds, need leading rather than managing*

Taking the argument forwards I argue that the knowledge management move has lead to the creation of more knowledge workers, and that knowledge workers, unlike other kinds, need leading rather than managing. This can best be explained in terms of Marxist theory.

Manual workers need access to the means of production (the machine on the factory floor) in order to add value to something and take a share of this as a wage. The machine is under managerial control so the managers have a relatively easy time managing the workers. However with knowledge work, 'mentofacture' as we call it, with the mind rather than the hand, the ownership of the means of production is returned to the worker, and walks out of the organisational door with the worker.

Not that the worker needs to go in through it in the first place. He or she can work from home or as an outsourced subcontractor. All they need is a back bedroom, a computer and a phone line, so setup costs are small. In fact, you can do it from Starbucks if you want to. So to align the efforts of a knowledge worker with corporate purpose needs leadership rather than management, in both the transactional and transformational senses.

*Leadership has preoccupied us for most of the new millennium so far, and may be reaching its end as a major preoccupation*

### **Leadership**

Leadership has preoccupied us for most of the new millennium so far, and may be reaching its end as a major preoccupation (now that all those Leadership Centres have been set up!).

What comes next is an interesting question:

## 7.03

Keith Grint argues that there is a pendulum swing back and forwards between scientific management and human relations. Learning organisation was human relations, knowledge management was scientific management, leadership is human relations. So it works so far.

In the Health Service I recognise a pulling back from leadership development towards things like Six Sigma, which is more scientific, more local in effect, quicker to implement and easier to evaluate.

*My current bet would be  
on Virtual, Scientific,  
Lean, Spiritual,  
Sustainable, Networking  
Leadership*

#### **What else?**

My current bet would be on Virtual, Scientific, Lean, Spiritual, Sustainable, Networking Leadership.

- **Virtual** because, as an extension of knowledge work, more and more work is becoming virtual, at three levels: for the individual more time at the workstation, which can be anywhere; for the organisation more work that is virtually mediated, virtual teams etc.; and for the organisation externally more interactions that are virtual – Amazon, E-Bay etc. And not just with customers – with employees and suppliers too.
- **Scientific** is the swing mentioned above.
- **Lean** is the likely response to the current financial situation, both in the public and private sector, the need to do the same with less.
- **Spiritual** is in response to what I see as the next step in the agriculture-manufacture-mentoculture progression, to what I call 'spiroculture', or, if I feel that is too whacky for my audience, 'identity culture'. In either case it is about meaningfulness, not only for customers but for employees and other stakeholders too. This is why organisations market their brands internally to employees as well as externally to customers. This may call for a new form of charismatic leadership.
- Then **Sustainability** in both the economic and environmental sense. I remain optimistic on the grounds that in the spiroculture world the rich as well as the poor can walk lightly on the earth.
- Finally **Networking**, in the network theory not just social networking sense, because, and this is a main current interest with my Learning Company co-authors and others, increasingly we think that leading in networks as parts of complex adaptive systems is where it is at. (If you want to join a consortium on this, ideally as a corporate member, get in touch with me at the email below).

## 7.04

- ... the title 'Worldly Leadership' is proving a great attractor

I might be tempted to add '**cross cultural**' and something like '**inter-faith**' to the overlong title. This because terrorism, for which read the tension between Islam (in it's fundamentalist form, moderate Islam provides a lot that we can learn from) and the liberal, free market, democratic, semi Christian western tradition, is the other big game in town as well as the ecological environment. I notice that the Leadership Trust at Ross on Wye is finding that the title 'Worldly Leadership' is proving a great attractor.

I am fairly sure that I have not got it right yet though. I suspect it is something more radical, with a shorter title and without the word 'leadership' in it at all, and the points above are just fingers in the direction of what it might be.

Thoughts anyone? Shall we meet again in 2020 to look back on this?

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John Burgoyne is Professor of Management Learning in the Department of Management Learning in the Management School, University of Lancaster, of which he is a founding member, and Professor of Management Learning at Henley Business School.

A psychologist by background he has worked on the evaluation of management development, the learning process, competencies and self-development, corporate management development policy, career formation, organisational learning, knowledge managing, the virtual organization and leadership.

He has recently completed a two year secondment as Policy Research Consultant to the Council for Excellence in Management and Leadership, a Government sponsored independent inquiry into the development and utilization of management and leadership talent.

He is concerned to apply ideas from research to the practical reconstruction of contemporary organisations through management and leadership development.

He is particularly interested in working with organisations that wish to use the formulation and implementation of Corporate Management Development Policy, and the evaluation of its implementation as a cornerstone of their efforts to create their futures. His research interests have recently returned to evaluation, and his current focus is evaluation led management education and development policy and practice.

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