

# **Facilitating a Learning Organization: The Case of a Small Consulting Firm**

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## **Declaration**

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## Opsomming

Die tesis bied 'n integrasie van die teorieë oor Organisasoriese Leer en 'n spesifieke raamwerk oor die dimensies van Lerende Organisasies. In 'n gevallestudie word die mate waartoe 'n klein konsultasie firma die eienskappe van 'n Lerende Organisasie vertoon ondersoek en gereflekteer op die uitdagings wat soortgelyke organisasies moet oorkom om hulself toenemend in Lerende Organisasies te omwentel.

Dit word gedoen deur 'n oorsig van verskillende teorieë van Organisasoriese Leer en daarna word die idee van 'n Lerende Organisasie uitgepak in sewe dimensies. Die beskrywing van bestuurspraktyke rondom Lerende Organisasies en die toerie van Organisasoriese Leer word dan geïntegreer in die vorm van 'n stappe wat 'n organisasie sou kon volg.

Hierop volg die gevallestudie waarin 'n vraelys (Watkins en Marsick se “Dimensies van 'n Lerende Organisasie Vraelys”) gebaseer op die sewe dimensies van die Lerende Organisasie onder bestuurders in die organisasie versprei is. Die resultate van die vraelys word bespreek teen die agtergrond van die voorafgaande literatuur-oorsig. Die verhoudinge tussen organisasoriese leer en organisasie kultuur, sowel as tussen leierskap en leerprosesse, en die impak van die sistemiese ontginning van kennis-bates op organisasoriese effektiwiteit word ondersoek.

Uit die resultate is dit duidelik dat die organisasie nog nie werklik 'n Lerende Organisasie is nie, maar dit vertoon wel eienskappe wat eie is aan Lerende Organisasies. Leierskap en die koppeling van die organisasie aan sy omgewing is die areas waar die organisasie die meeste ontwikkeling getoon het, terwyl die bemagtiging van mense om 'n bydrae te lewer tot die kollektiewe visie van die organisasie die minste ontwikkelde area was as gevolg van die indruk onder lede dat hulle min vryheid het om hulle take te kies en die gebrek aan 'n uitnodiging om deel te neem.

## Summary

The thesis offers an integration of theories of Organizational Learning and a specific framework regarding the dimensions of Learning Organizations. In a case study the extent to which a small consultancy firm display the characteristics of a learning organization is investigated and used as a basis to reflect up the challenges faced by similar organizations trying to increasingly become Learning Organizations.

At first various theories of Organizational Learning are reviewed and thereafter the notion of a Learning Organization is unpacked along seven dimensions. The description of management practices for facilitating a Learning Organization and theories about Organizational Learning are then brought together in the form of steps an organization could follow.

In the case study a questionnaire based on Watkins and Marsick's "Dimensions of a Learning Organization Questionnaire" is administered in the organization and the findings discussed against the background of the preceding literature review. The relationship between organizational learning and organizational culture, as well as the relationship between leadership and learning processes, and the impact of systemic exploitation of knowledge assets on organizational efficiency and effectiveness are examined.

From the results it is clear that the organization cannot yet lay claim to being a learning organization, yet it displayed some characteristics of a learning organization. Leadership and connecting the organization to its environment were the areas where the company showed most development. However, empowering people toward a collective vision was the least developed area in the organization due to the perception of lack of freedom to choose one's work assignment and the invitation to contribute to the organization's vision.

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# CHAPTER 1

## INTRODUCTION

### **1.1 Introduction**

During the last four decades, the concept of learning has become a dominant concept in theory and research about organizations. Concepts of organizational learning are no longer peripheral in organizational theory but have entered core domains such as strategic planning and change (Mintzberg, 1994) as well as production management and innovation. Furthermore, organizational learning has become a central concept in such traditionally diverse fields as research on economic growth and regional development and research on the conditions for promoting ‘health conducive’ work.

The concept of learning has also strongly influenced thinking about the nature of work in modern society. In an influential essay, Giddens (1990) argues that the reflexive use of knowledge is a salient consequence of the current period of ‘high modernity’, and indeed, a necessary condition for practical action in a complex and opaque world.

However, despite the dramatic growth in popularity and a proliferation of literature around the concept of organizational learning, there is little convergence or consensus on what is meant by the term, or its basic nature (Huber, 1991; Kim, 1993). In large part, convergence has not occurred because different researchers have applied the concept of organizational learning, or at least the terminology, to different domains.

For example, Huber (1991) takes an information-processing perspective of organizational learning, whereas Nonaka and Takeuchi (1995) are concerned with product innovation, and March and Olsen (1975) are interested in exploring how the cognitive limitations of managers affect learning. These works share some common threads, but the domains differ significantly. They concern different phenomena: information processing, product innovation, or bounded rationality. The central idea suggested by authors is that organizations cannot continue to perform and achieve competitive advantage in a global economy without organizational learning

(e.g. : Appelbaum and Galagher, 2000; Argyris and Schon, 1996; Barnes, 1991; Dixon, 1994; Garratt, 1987; Garvin, 1993; Iles, 1997; Nonaka, 1991; Senge, 1990a; Schein, 1993).

Ross Ashby's (1958) *law of requisite variety* stipulates that, for a system to preserve its integrity and survive, its rate of learning must at least match the rate of change in its environment. Dodgson (1993) argues that the greater the degree of uncertainty in the economic environment the greater the need for learning at all levels in the organization. This has placed considerable attention on the study of management of knowledge in organizations by both the practitioner and the academic communities. Management consulting companies have not been an exception as some of these companies have been pioneers in developing and implementing KM systems that were based primarily on capturing information, making it accessible and/or connecting people (e.g. KPMG: Alavi, 1997; Andersen Consulting: Davenport and Hansen, 2002; Ernst and Young: Chard and Sarvary, 1997; PricewaterhouseCoopers: McCauley, Fukagata, Lovelock and Farhoomand, 2000). These approaches are sustained under the belief that relevant knowledge can be captured and that, once knowledge is captured, it will be made accessible and, eventually, people will act according to the application of that knowledge (Bou and Sauquet, 2005).

Management consulting companies are commonly discussed as the archetype knowledge-intensive firms (Alvesson 1993, 1995; Starbuck 1992). Similarly, the literature on knowledge management draws extensively on examples from the management consulting industry (Empson 2001; Hansen 1999; Morris 2001; Sarvary 1999), and an increasing amount of literature on the potential and challenges of knowledge management in management consulting is emerging (Bartlett 1996; Chard 1997; Davenport and Hansen 1998; Dunford 2000; Martiny 1998).

The knowledge-intensive character of the management consulting industry is further discussed by studies that point to the role of management consultants as knowledge brokers between their client organizations (Bessant and Rush 1995; Hargadon 1998) and in the production of management knowledge (Furusten 1995; Suddaby and Greenwood 2001). In spite of this focus on knowledge in the context of management consulting companies our current understanding of this knowledge and how it is managed is quite crude, and a more empirically based discussion of knowledge in management consulting has been called for (Kipping and Armbruster 1998; Morris 2001; Salaman 2002). Our current understanding of knowledge management in management consulting organizations is to a large extent characterized by a polarization with respect to the character of organizational knowledge. Current conceptions of organizational knowledge often

describes this as dominated by either articulate knowledge, as represented by documents, databases, and so on, or by tacit knowledge, as ingrained in the brains of the organization's members (Hansen and Haas 2001; Hansen et al. 1999; Sarvary 1999).

However, studies of the use of structured methods in management consulting companies have previously indicated a potential complementarity between explicit knowledge in the form of methods, tools, and cases, and personal and tacit knowledge, in the form of the consultants' ingrained experience, in the generation, dissemination and application of knowledge (Werr et al. 1997). Such a complementarity of tacit and articulate knowledge has also been pointed out in other areas, such as that of organizational knowledge creation (Nonaka and Takeuchi 1995), and in studies of the knowledge of professionals (Polanyi 1966; Schon 1983), but has yet to be explored in the context of management consulting organizations or professional service firms more generally.

Based on the central tenet that organizations can create a key source of competitive advantage, embrace innovation, and improve bottom-line results by developing capabilities for becoming a learning organization, this study develops and describes the change processes, from a cultural and leadership point of view designed to facilitate the transformation of a small-to-medium management consultancy company to a learning organization with an emphasis on systematic knowledge exploitation and proactive business development.

## **1.2 Background of the study**

NokusaEI is an international consulting company specialising in Enterprise Content Management (ECM) strategies, solutions and implementations. It is a South African based black empowered company consulting to many blue-chip companies throughout the world, with recent projects ranging from Canada, through Europe, Africa and the Middle East to Australasia.

NokusaEI is a recognised leader in the field of ECM, which includes:

- Records management
- Document management
- Imaging and scanning
- E-mail management
- Knowledge management

As ECM Partners of SAP, Microsoft and Jam Warehouse (KnowledgeTree), NokusaEI is recognised as having a significant track record in successfully implementing ECM solutions at customers. The company was established as Engineering Informatics in 1997 and has grown into a full-blown ECM consultancy, with divisions offering strategic advice for companies embarking on ECM projects and implementations, ECM solutions on the popular Microsoft SharePoint Portal, the South African Document and Records Management System KnowledgeTree and supporting the full SAP ECM suite of functionality.

As an organization NokusaEI is rather hierarchical: there are five main professional positions and three subdivisions within the organization and vertical “ladders” within each subdivision. The consulting process begins when a business opportunity has been identified. Opportunities can present themselves through tendering processes or through one of the marketing channels in the organization.

A service proposal is written and presented to the client and if the bid is successful, the project is internally registered and planning is initiated. At this point, the project is developed. During this phase, agreed deliveries are created and presented to the client. There is also project follow-up and evaluation, with working hours and expenses controlled and registered. Once the work is complete, the project is closed and there is a final review and evaluation by the team.

Each project is undertaken by a group of consultants holding different positions, and the members of the team usually vary from one project to another. The different activities of the projects are assigned to the consultants according to their hierarchical position and skill sets in the company, which reflects clear and formalized division of labor. From a project and consulting point of view, six functions can be identified in the work of management consultants at NokusaEI. These functions concern the client organization (facilitating collaboration and knowledge transfer from consultant to client and facilitating the collaboration between client representatives by providing a common framework) and the consulting organization (providing cognitive support to the individual consultant, providing an organizational memory, facilitating experience exchange, and enabling flexible staffing).

There are a number of methods and tools available to consultants within the company as they carry out their tasks. These include mainly a database with a collection of previous projects that the company has delivered, methods and processes outlining in detail the activities required in a project and some guidelines on how to configure some of the ECM systems that the company

sells. These methods and tools provide abstract and generally applicable structures to the overall consulting process and the solving of specific problems, by defining a number of activities and their sequence, as well as central concepts in thinking about a client organization and the consulting process. This shared structure, though not rigidly adhered to in the consulting process, is an important enabler when working in a project group for both senior and junior consultants.

Due to the nature of the business that company is involved in; certain challenges present themselves frequently that require careful management and certain strategies to be adopted. The first challenge is presented by the nature of the business and the size of the company. The company tends to be sensitive to events and influences that occur outside the company since most of the time it can exert little or no control over the external environment, and uncertainty of the impact of external events on the organization. Environmental uncertainty can be conceived as coming from three different sources. The first source of uncertainty arises from interactions with others and the development of relationships and networks, and in particular from the unpredictable outcomes from these exchanges. Due to its dependence on SAP ERP as a means of business, relationships with big resellers have to be established and maintained to ensure that the company becomes viable and keep in business. This is purely because the ECM modules in SAP are not the primary reason why companies implement ERP systems such as SAP.

The second source of uncertainty consists of the events and influences that affect the company that have the potential to modify or alter behaviour within the firm. The third aspect of the external environment that can generate or cause uncertainty is the context or specific situation within which the business operates, in that it can either constrain or prevent business responses.

In terms of the relational context, many small businesses experience, cope with and negotiate external uncertainty via the development and management of a series of critical relationships focused on the business's transactional environment (Gibb, 1997). These interactions relate to commercial activities, and so involve customers, suppliers, competitors and so on. Often, the transactional environment consists of a small number of key relationships, focused primarily on major customers (Curran, 1996; Curran and Blackburn, 1994). The embeddedness of the organization in a series of dependent and interdependent relationships produces uncertainty in its own right. Complexity is inherent in the formation and manipulation of a network that includes multiple actors and that is based on many, often overlapping, interactions and relationships (Atherton, 2003).

Small businesses are also sensitive to external events and influences that arise independently of their own activities (Gibb and Scott, 1985; Merz et al. 1994). In their most immediate form, events and influences directly affect the business. In situations where the event or influence is not anticipated, expected or identified, the response is essentially reactive. This would typically include events such as loss of key personnel and changing market requirements. At NokusaEI the most prevalent event is the loss of key personnel.

Another challenge that is faced by the company is that knowledge that is created and held by organizational members is highly idiosyncratic and contingent upon the organizational environment. This consideration leads to identification of multiple types of knowledge-as-knowing that are shaped by and in turn shaping the business environment.

After careful analysis of these and many other challenges that were identified as part of this study, it was decided that the company should transform itself from an essential “reactive” company to a more “proactive” company through adoption of the concept of organizational learning and learning organization and to build processes that will help with the systemic exploitation of the highly idiosyncratic ‘knowledge’ possessed by organizational members to introduce more innovative solutions and to manage the knowledge resources more effectively.

### **1.3 Research Problem**

The real world problem from which this thesis takes its cue is the challenges faced by small organizations, like the case of NokusaEI, that include high employee turnover due to increased employee mobility, a lack of free knowledge flow within the organization as the knowledge possessed by organizational members is highly ‘tacit,’ and a lack of systems and inefficiencies in capturing and sharing knowledge within the organization. These challenges require some form of organizational learning to be solved.

The research problem is that theories of learning are often far removed from management interventions and policies designed to encourage learning. This thesis takes aim at the gap between theories about Organizational Learning and frameworks for establishing Learning Organizations.

The specific questions to be addressed are:



- How are the notions of Organizational Learning and Learning Organization related?
- How can organizations bring these together?
- What processes can facilitate this?

## **1.4 Research Objectives**

The main aim of this thesis is to investigate how organizations can transform themselves into learning organizations through development of a learning culture and the application of principles of a learning organization and knowledge management.

In order to achieve its aim, the literature on Organizational Learning (essentially theories about learning) must be related to the management interventions advocated by frameworks for establishing a Learning Organization (essentially theories about organization).

A case study administers a diagnostic tool for measuring the dimension of the learning organization, developed by Marsick and Watkins (1993; 1996; 2003), in a small consultancy firm with the goal to interview management about their objectives regarding organizational learning.

This thesis will also highlight the important role played by organizational leadership in facilitating and encouraging learning processes within an organization. It has been shown that successful implementation of knowledge management processes and organizational learning rests heavily on organizational culture and organizational leadership. This will be explored in more detail in the subsequent chapters. This study will also aim to highlight the link between the notions of culture, leadership and learning in facilitating a learning organization. Due to the dynamic nature of these three notions, the researcher expects varied opinion on the impact of these on one another.

## **1.5 Research Methodology**

This study's exploration into organizational learning and learning organization is based on a study of a group of consultants involved in the consulting practice of a specific firm, referred to as NokusaEI. The method of study included a number of tools and sources. The first method of study was based on integrated literature review. The selection of sources (documents, texts, and websites) was driven by the theoretical considerations such as the aim of the study, the research

questions, as well as pragmatic considerations such as time frames and level of study. The second method used was detailed interviews with the senior management of the company to get a clear understanding of the direction the company wants to take. The third method was administering a questionnaire to all employees of the company mainly to measure their perceptions about their current and desired environment. The subsequent paragraphs will describe these methods and tools in more detail.

### **1.5.1 Learning organization measurement tools**

Similar to the variety of definitions of learning organizations encountered in the literature, there is also an abundance of tools available for measuring and diagnosing learning organizations (Jamali et al., 2009). Through literature review, seven such measurement instruments were identified and these will be presented in this section followed by a comparison of these various instruments in terms of scope, depth and reliability leading to the selection of the measurement tool that was used in the empirical component of this study.

One of the main diagnostic tools, the Learning Company Questionnaire, was developed by Pedler et al. (1988, 1989) and used in a research study conducted in several British companies. The tool, which initially comprised nine dimensions (Pedler et al., 1988), was later developed into 11 dimensions (Pedler et al., 1991). The 11 dimensions of the learning company according to Pedler et al. (1991) are:

- A learning approach to strategy
- Participative policy making
- Informating
- Formative accounting and control
- Internal exchange
- Reward flexibility
- Enabling structures
- Boundary workers as environmental scanners
- Inter-company learning
- A learning climate
- Self-development opportunities for all

With this questionnaire, the emphasis is on the role of the individual in the context of the whole organization, while managing the whole consciously or leading learning are not considered as imperative (Moilanen, 2001). According to Moilanen (2001) this is attributed to the background of the authors in action learning.

The second diagnostic tool, the Learning Environment Survey was developed and tested scientifically by Tannenbaum (1997). This questionnaire is not as comprehensive as the tool described above, but can be used for diagnosing the learning organization (Moilanen, 2001; Jamali et al., 2009). The focus of this tool is on the learning environment with attention accorded to existing processes, including opportunities for learning, tolerance for mistakes, accountability and high performance expectations, openness to new ideas, in addition to policies and practices supportive of training and learning (Jamali et al., 2009). This instrument can easily be used by managers as a checklist as they strive to foster and encourage learning within their organization.

The third diagnostic tool, the Learning Audit, developed by Pearn et al. (1995) has not been tested scientifically (Jamali et al., 2009). This questionnaire consisting of five parts examines the role of the organization as a whole, the individual's specific role and that of the HR function in leading and encouraging learning (Jamali et al., 2009). In the last section, it invites general comments from the participants regarding things that hinder their learning and what would help them to learn and acquire new skills (Pearn et al., 1995). Therefore, it focuses on gauging participant's perceptions of the learning environment and assessing the role of departments and managers in fostering learning within their respective organizations (Jamali et al., 2009).

The fourth diagnostic tool, the Complete Learning Organization Benchmark, which was introduced by Mayo and Lank (1994) is quite comprehensive and consists of 187 questions grouped into nine dimensions. The questionnaire diagnoses the practices that should be fostered in pursuit of a learning organization (Jamali et al., 2009). The emphasis is on organizational factors, individual and team-based learning, and managing and leading. It is a rather long and detailed questionnaire that is designed to collect data from both managers and lower level employees, which if administered properly can facilitate the compilation of relevant data regarding learning organization development (Moilanen, 2001).

The fifth tool, Recognizing Your Organization, was introduced by Sarala and Sarala (1996) in order to identify whether an organization qualifies as a learning organization. This tool studies

the following organizational dimensions: philosophy and values, structure and processes, leading and making decisions, organizing the work, training and development in addition to the internal and external interactions of the organization. These dimensions are then evaluated across different archetypes of organizations, including bureaucratic organizations, quality management and process oriented firms, and learning organizations (Moilanen, 2001; Jamali et al., 2009).

The Learning Organization Capability Assessment was introduced by Redding and Catalanello (1997). Similar to the tool by Sarala and Sarala (1996), this tool defines three archetypes of organizations, traditional, continuously improving, and learning organizations. The questionnaire is simple and easy to administer and can be used to gauge the basic practices and orientations of an organization, but is also general or not sufficiently tailored to gauge learning or learning organizational practices per se and hence does not provide a thorough understanding of capabilities needed in the context of learning organizations (Moilanen, 2001; Jamali et al., 2009).

The last diagnostic tool to be reviewed is the Dimensions of the Learning Organization Questionnaire (DLOQ), which was introduced by Watkins and Marsick (1998). It is organized into five sections addressing individual level, team level, and organization level learning, and measuring the financial performance of the organization, with the last section gathering information about the organization and the role of the respondent in that organization. The questionnaire is organized around seven dimensions:

- Creating continuous learning opportunities;
- Promoting inquiry and dialogue;
- Encouraging collaboration and team learning;
- Establishing systems to capture and share learning;
- Empowering people towards a collective vision;
- Connecting the organization to its environment;
- Modeling/supporting learning, as well as measuring financial and knowledge
- Performance (Marsick and Watkins, 1999, p. 50).

The instrument is intended to gauge the perceptions of employees regarding these seven constructs at a particular point in time i.e. to take the pulse of an organization at a particular moment in time.

Table 1 below (Adapted from Moilanen, 2001) below presents comparison of learning organization questionnaire.

<b>Name of the Instrument</b>	<b>Holistic</b>	<b>Profound</b>	<b>Tested</b>
Pedler et al. (1991, 1997): The Learning Company Questionnaire	Yes	Yes	-
Mayo and Lank (1994): The Complete Learning Organization Benchmark	Yes	Yes	-
Tannenbaum (1997): Learning Environment Survey	-	Yes	Yes
Pearn et al. (1995): The Learning Audit	-	-	-
Sarala and Sarala (1996): Recognizing Your Organization	-	Yes	-
Redding and Catalanello (1997): Learning Organization Capability Assessment	Yes	-	-
Watkins and Marsick (1998): Dimensions of the Learning Organization Questionnaire	Yes	Yes	Yes

**Table 1: Comparison of learning organization Questionnaires**

A review of the seven measurement instruments (Table 1) in relation to three basic dimensions, including scope, depth and validity, suggests that the DLOQ of Watkins and Marsick (1998) meets the three criteria of comprehensiveness, depth, and validity (Moilanen, 2001; Jamali et al., 2009). This is true in view of the scope of the DLOQ and the fact that it addresses individual, team, organizational and global dimensions as will be further detailed below. Aside from breadth, the instrument has depth and integrates important attributes of learning organizations (e.g. continuous learning opportunities, learning and dialogue, team learning, empowerment, systems, and leading learning). The DLOQ has also been revised many times and scientifically validated to be reliable (Marsick and Watkins, 2003; Yang, 2003) as well as validated in a developing country context in specific (Hernandez and Watkins, 2003).

### **1.5.2 Dimensions of the Learning Organization (DLOQ)**

This thesis adopts Watkins and Marsick's (1996) concept of a learning organization as its theoretical framework. They defined a "learning organization" as one that captures, shares, and utilizes knowledge to change the manner in which an organization responds to challenges. Watkins and Marsick (1996, p. 4) proposed an integrated model for a learning organization and

defined a learning organization as “one that learns continuously and transform itself . . . Learning is a continuous, strategically used process – integrated with and running parallel to work”. This model proposes that learning activities should occur at different organizational levels: individual; team and/or group; and, system. Watkins and Marsick (1996) further indicated that learning organization design depends on seven complementary imperative actions as shown in the figure below and explained in the table below:

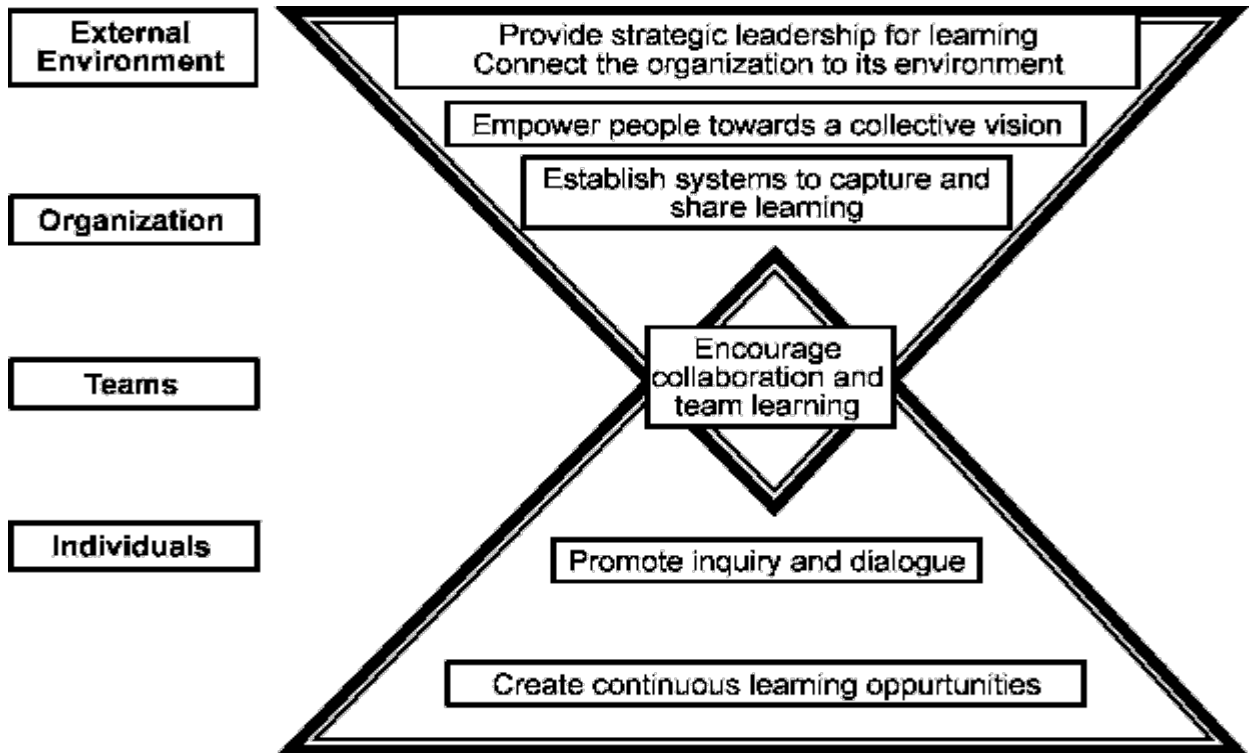


Figure 1: Action Imperatives

The seven action imperatives shown in the figure above can be explained as follows:

Dimension	Definition
<b>1. Create continuous learning opportunities</b>	Learning is designed into work so that people can learn on the job; opportunities are provided for ongoing education and growth
<b>2. Promote inquiry and dialogue</b>	People gain productive reasoning skills to express their views and the capacity to listen and inquire into the views of others; the culture is changed to support questioning, feedback, and experimentation
<b>3. Encourage collaboration and team learning</b>	Work is designed to use groups to access different modes of thinking; groups are expected to learn together and work together; collaboration is valued by the culture and rewarded
<b>4. Create systems to capture and share learning</b>	Both high- and low-technology systems to share learning are created and integrated with work; access is provided; systems are maintained
<b>5. Empower people toward a collective vision</b>	People are involved in setting, owning, and implementing a joint vision; responsibility is distributed close to decision making so that people are motivated to learn toward what they are held accountable to do
<b>6. Connect the organization to its environment</b>	People are helped to see the effect of their work on the entire enterprise; people scan the environment and use information to adjust work practices; the organization is linked to its communities
<b>7. Provide strategic leadership for learning</b>	Leaders model, champion, and support learning; leadership uses learning strategically for business results

**Table 2: Action Imperatives** Source: Marsick and Watkins, 2003, p. 139

According to this model observable actions can be utilized to build a learning organization. The model also addresses the two principal components of any organization namely people and structure. Based on the above model of a learning organization Watkins and Marsick (1997) developed a questionnaire called the Dimensions of the Learning Organization Questionnaire (DLOQ) to identify the learning activities in organizations. This is discussed in more detail in the subsequent paragraphs.

From what they termed the seven “action imperatives”, as explained above, of the learning organization, Watkins and Marsick (1996, 1997, 2003) have developed the Dimensions of the Learning Organization Questionnaire (DLOQ), in order to assess the extent to which a company meets certain criteria as a learning organization. While there is a number of audit instruments available in the areas of organizational learning (e.g. Garvin, 2000; Templeton et al., 2002), the DLOQ was chosen for the study because it was specifically designed as a “diagnostic tool to measure changes in organizational learning practices and culture” as perceived by the employees (Watkins and Marsick, 2003, p. 136), and it has been validated as a research tool (Yang, 2003). The utility of the instrument has also been verified in several empirical studies (see for example, Ellinger et al., 2002; Watkins and Marsick, 2003; Yang et al., 2004). These studies indicate that DLOQ has acceptable reliability estimates and the seven-dimensional structure fits the empirical data reasonably well.

The DLOQ is divided into five sections of questions: “Individual level”, “Team or group level”, “Organization level”, “Measuring performance at the organization level”, and “Additional information about you and your organization”. In the present study, questions from just the first three sections were used in line with Yang’s finding (2003, p. 160) that this slightly shorter version “provides a comprehensive assessment of the learning culture in seven dimensions”. Respondents were asked to rank a total of 43 questions on a scale of 1 to 6 in those three sections. Respondents determine the degree to which each question reflects their organizations in the context of learning culture (1, almost never; 6, almost always). The questions in those sections specifically seek employee perceptions (Watkins and Marsick, 2003).

The method used for the questionnaire in this study was an impersonal one. The questionnaire was sent out to 23 employees at NokusaEI, comprising 4 managers and 19 consultants, via email and the responses to the questionnaire were also received via email. A copy of the questionnaire can be seen in Annexure A. Another data collection method that was used was detailed interviews with management and senior consultants in the company as discussed below.



### **1.5.3 The management Interview**

Before the questionnaire was sent, a detailed interview was conducted with management and senior consultants in order to develop an understanding of the vision and strategies of the company in its development of a learning culture.

## **1.6 Significance of the research**

There's a significance literature written on the notion of a learning organization, however, there is limited empirical evidence in supporting its practicality and how companies can put it into practice. As well as adding empirical data to the theory-dominated literature on learning organizations, this study contributes towards a better understanding of the perceptions of employees in the development of a learning organization and towards a better understanding of diagnosing and measuring a learning organization in practice.

## **1.7 Research outline**

This sub-section outlines the layout of this thesis. Chapter 1 addresses the research problem, the background, the relevance of the research and methodology. Watkins and Marsick's concept and framework of a learning organization is adopted for the study and the DLOQ is used as an instrument to measure employee perceptions around the learning environment in the company.

Chapter 2 focuses on the notion of organizational learning. In this chapter various theories on organizational learning are explored and discussed and contextualized for the study. These theories will help uncover and to define key factors in analyzing and managing organizational learning through the process of knowledge management.

Chapter 3 focuses on the notion of a learning organization. In this chapter various theories on learning organizations will be explored and also contextualized for the study. This chapter will also explore ways and strategies of implementing learning organizations and how this can be achieved for this study.

Chapter 4 synthesizes the description of management practices and policies about learning organizations in particular and organizational learning in general and also develops strategic building blocks that small organizations (like NokusaEI) can use as a guide to transform themselves into learning organizations.

Chapter 5 presents a case study with the results that were obtained when the DLOQ was administered at NokusaEI. This chapter also discusses and interprets the results obtained from the survey.

Chapter 6 outlines the conclusions of the research. It summarizes the results of the investigation from the literature review, the questionnaire and the management interview. This chapter also presents the challenges encountered and recommendations for future research on the topic.

# CHAPTER 2

## ORGANIZATIONAL LEARNING

### 2.1 Introduction

The topic of organizational learning has gained a lot of attention, but there is little agreement on what *Organizational Learning* means (Fiol and Lyles, 1985) and even less on how to create a *Learning Organization* (Kim, 1993; Dodgson, 1993; Garvin, 1993). According to Kim (1993), all organizations learn, whether they consciously choose to or not – [learning] is a fundamental requirement for their sustained existence. Kim further argues that some firms deliberately advance organizational learning, developing capabilities that are consistent with their objectives; others make no focused effort and, therefore, acquire habits that are counterproductive.

However, conceptions of Organizational learning are ubiquitous (Dodgson, 1993), and the concept of organizational learning has existed in our lexicon at least since Cangelosi and Dill (1965) discussed the topic over 30 years ago (Crossan *et al*, 1999). The lengthy history of the concept of organizational learning is matched by a range of academic disciplines studying it (Dodgson, 1993). Rosenberg (1976), for example, has examined the importance of learning, from an economic historian point of view, in the development of new industries and technologies, and the development of formal Research and Development as institutional learning mechanisms (Dodgson, 1993). The economic definition of learning has been couched in terms of the outcomes of learning. These outcomes are productivity (Arrow, 1962) and industrial structures (Dosi, 1988). Learning within firms has been a feature of the theory of the firm since Cyert and March (1963).

Organizational learning is a complex and multidimensional construct used to describe certain processes, together with types of activity and their outcomes, which make up the learning organization. Organizational learning has now emerged as a subject of considerable interest and is researched by a number of research disciplines, including organizational theory, industrial economics, economic history, business, management and psychology.

Organizational learning has become prominent in the corporate environment; particularly amongst those organizations who are seeking to reposition themselves in their respective markets and to develop structures and systems which are more adaptable and responsive to change (Pedler, Boydell and Burgoyne, 1989; Dodgson, 1993).

Strategic management and the recognition of strategic skills required for competitive advantage have highlighted the role of organizational learning in corporate strategy (Iles and Altman, 1998; Iles, 1997). According to Dodgson (1993), the strategic management has also looked at the relationship between learning and innovation. Management and innovation literature view learning as a process with clearly defined outcomes to retain and improve competitiveness, productivity and innovation in dynamic markets (Dodgson, 1993).

Rapid technological change is increasingly influencing organizational development, in terms of systems used or the development of new systems and products, or both. This technological change in processes, products and organization increases the uncertainty faced by organizations (Dodgson, 1993). The greater the degree of uncertainty in the economic environment, the greater the need for learning. Dodgson (1993) suggested that organizations want to go beyond being 'bundles of resources' and that learning is a dynamic concept that suggests a philosophy of continuous change.

According to Dodgson (1993), a number of reasons can be suggested why the study of organizational learning is so fashionable:

- First, the concept of 'Learning Organization' is gaining currency amongst large organizations as they attempt to develop structures and systems which are more adaptable and responsive to change. This development has been described and influenced by a number of management analyst such as Senge (1990a).
- Second, and partly related, is the profound influence that rapid technology changes are having on organizations. The turbulence engendered by technological change in products, processes and organization increases the uncertainties facing firms and the conflicts within them.
- Third, Learning is a dynamic concept and its use in organizational theory emphasizes the continually changing nature of organizations. Furthermore, it is an integrative concept that can unify various levels of analysis: individual, group, corporate, which is particularly helpful in reviewing the cooperative and community nature of organizations.

It is the application of learning theory, that is, the process of learning and the outcome of learning that is essential to any understanding of organizational learning. In organizational terms, organizational learning may be defined as the way organization create, accumulate, store, supplement and organize their knowledge and routines around their activities and cultures for competitive advantage (Dodgson, 1993; Garvin, 1993; Pedler *et al*, 1988; Pedler *et al*, 1989).

Garvin (1993) states that continuous improvement programs are sprouting all over as organizations strive to better themselves and gain an edge. Garvin (1993) further argues that failed programs far outnumber successes, and improvement rates remain distressingly low because most organizations have failed to grasp a basic truth that continuous improvement requires a commitment to learning. There is an apparent disconnect between learning and performance (Thomas and Allen, 2006) and while knowledge and knowledge management processes should impact organizational performance, there is evidence that suggest something is lacking (Bierly *et al*, 2000; Cavaleri, 2004). Assuming that well-developed core competencies serve as a launch point for new products and services (Nevis *et al.*, 1995), what underpins the general prescription that firms become learning organizations is the capability to create, integrate and apply knowledge. Such capability is critical to firms developing sustainable competitive advantage (Bierly *et al.*, 2000).

Questions also remain about how senior managers might apply specific leadership actions in order to foster organizational learning (Johnson, 2002) or overcome barriers to organizational learning (Argyris, 1990).

The concepts of organizational learning and the learning organization have been debated as to whether they refer to same or different phenomenon (Goh, 1998). However, Easterby-Smith and Araujo (1999) indicated that, although theorists of learning organizations have drawn on ideas from organizational learning, there has been little traffic in the reverse direction. Moreover, the two sets of literature have developed along divergent tracks. The literature on organizational learning has concentrated on the detached collection and analysis of the processes involved in individual learning inside organizations; whereas the learning organization literature has an action orientation toward using specific evaluative methodological tools to promote and evaluate the quality of learning processes inside the organization (Easterby-Smith and Araujo, 1999; Tsang, 1997).

In this chapter the author shall seek to fulfil several objectives. First of all, basic concepts of organizational learning shall be discussed by reviewing various literatures on the concept of organizational learning and learning organizations. The central question which the chapter aims to resolve is what is organizational learning and how is it affected by individual learning and vice versa. The author shall then move on to examine the goals of organizational learning; third, the learning processes in organizations; and fourth, the ways in which organizational learning may be facilitated or impeded.

The main questions are: what is organizational learning, and how can organizations develop into effective learning systems? Furthermore, the aim is to investigate the relationship between organizational learning practices and the learning organization.

## **2.2 What is Organizational Learning?**

The idea of organizational learning and its attendant proposal for the learning organization has been hailed as an important conceptual and practical advance in organizational studies. Most recently, connections have been made between organizational learning and knowledge management (Lakomski, 2005). The belief that organizational learning and knowledge provide competitive weapons to generate productivity and secure organizational survival was reinforced by Nonaka and Takeuchi's influential 1995 book: *The knowledge-creating Company*. But what exactly does it mean for an organization to learn?

There is rarely agreement within disciplines as to what learning is and how it occurs (Fiol and Lyles, 1985), let alone agreement between disciplines (Dodgson, 1993). Economists tend to view learning either as simple quantifiable improvement in activities, or as some form of abstract and vaguely defined positive outcome. The management and business literature often equates learning with sustainable comparative competitive efficiency, and the innovation literature usually sees learning as promoting comparative innovative efficiency. These various literatures tend to examine the *outcomes* of learning, rather than delve into what learning actually is how these outcomes are achieved (Dodgson, 1993).

Argyris and Schon (1996) state that learning may signify either a *product* (something learned) or the *process* that yields such a product. In the first sense, the question is around what has been learnt, referring to an accumulation of information in the form of knowledge or skill; in the second sense, the question is round how we learn, referring to an activity that may be well or

badly performed (Argyris and Schon, 1996). The product/process ambiguity, they argue, which cuts across the many different meanings scholars and practitioners give to learning in general and ‘organizational learning’ in particular is important to every other question concerning organizational learning.

According to Kim (1993) “we can think of organizational learning as a metaphor derived from our understanding of individual learning”. This view was also expressed by Weick (1995) when he mentioned that “the concept of ‘learning organizations’ has in fact been taken from the psychological concept of ‘individual learning’ (Weick, 1995). Organizations ultimately learn via their individual members. Hence, theories of individual learning are crucial for understanding organizational learning (Kim, 1993). To understand how individual learning advances organizational learning, Kim further argues that we must address the role of individual learning and memory, differentiate between levels of learning, take into account different organizational types and specify the transfer mechanism between individual and organizational learning.

### **2.3 Individual Learning**

According to Kim (1993) the importance of individual learning for organizational learning is at once obvious and subtle – obvious because all organizations are composed of individuals; subtle because organizations can learn independent of any specific individual but not independent of all individuals. Psychologists, linguists, educators and others have heavily researched the topic of learning at the individual level (Garvin, 1993; Dodgson, 1993; Kim, 1993). They have made discoveries about cognitive limitations as well as the seemingly infinite capacity of the human mind to learn new things. Piaget’s focus on the cognitive development processes of children and Lewin’s work on action research and laboratory training have provided much insight into how we learn as individuals and in groups.

Some of these theories are based on stimulus-response behaviourism. Some focus on cognitive capabilities and others on psychodynamic theory. Numerous other theories have been proposed, debated and tested such as Pavlov’s classical conditioning, Skinners operant conditioning, Gestalt theory and Freud’s psychodynamics. Despite all the research done to date, we still relatively know little about the human mind and the learning process (Kim, 1993).

## **2.4 Operational and Conceptual Learning**

Kim (1993) states that the dictionary definition of learning is: “the acquiring of knowledge and skill.” Thus learning encompasses two meanings:

- The acquisition of skill or *know-how*, which implies the physical ability to produce some action
- The acquisition of *know-why*, which implies the ability to articulate a conceptual understanding of an experience.

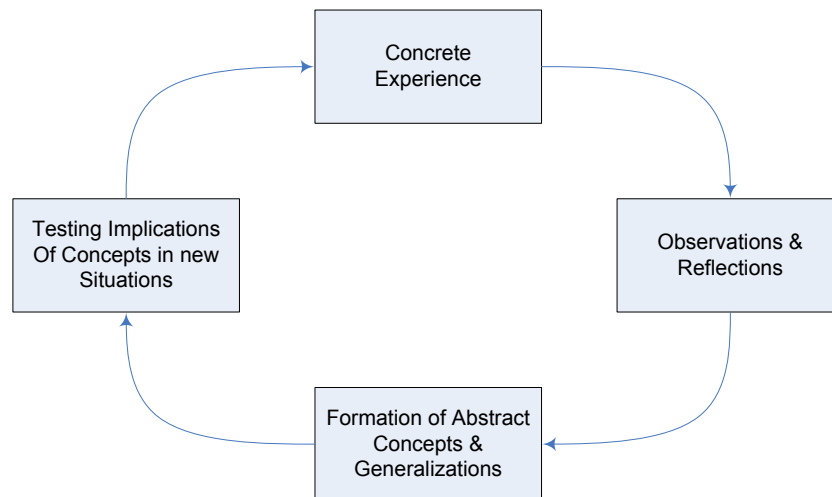
A number of theorists make this connection between thought and action. Argyris and Schon (1978) argue that learning takes place only when new knowledge is translated into different behaviour that is replicable. For Piaget, the key to learning lies in the mutual interaction of accommodation (adapting our mental concepts based on our experience in the world) and assimilation (Integrating our experience into existing mental concepts). Kolb (1976) states: “Learning is the process whereby knowledge is created through the transformation of experience.” Thus both parts of the definition are important: what people learn (know-how) and how they understand and apply that learning (know-why). Learning can thus be defined as *increasing one’s capacity to take effective action* (Kim, 1993). Kim further defines these two definitions as *operational* and *conceptual* learning.

## **2.5 Experiential Learning**

According to Kim (1993), experiential learning theory is the school of thought that best accommodates operational and conceptual learning.

The model is labelled “experiential” for two reasons. The first is historical, tying it to its intellectual origins in the social psychology of Kurt Lewin in the 1940s. The second reason is to emphasize the important role that experience plays in the learning process (Kolb, 1976). The core of the model is a simple description of the learning cycle – how experience is translated into concepts, which in turn are used as guides in the choice of new experiences, as reflected in the figure below (Kolb, 1976):

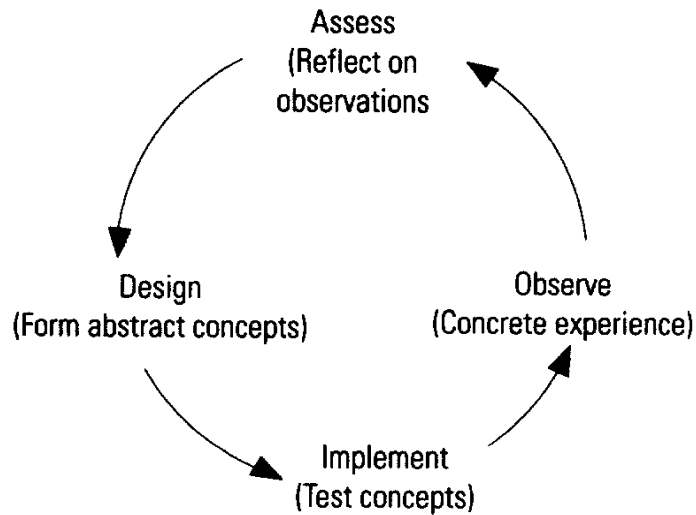




**Figure 2: Experiential Learning Cycle**

Learning is conceived of as a four stage cycle. Immediate concrete experience is the basis for observation and reflection. These observations are assimilated into a theory from which new implications for action can be deduced. These implications or hypotheses then serve as guides in acting to create new experiences (Kolb, 1976). Kolb (1976) further asserts that for the learner to be effective, the needs to be four different kinds of abilities – Concrete experiences (CE), Reflective observation (RO), Abstract conceptualization (AC), and active experimentation (AE). That is the learner must be able to be involved fully, openly, and without bias in new experience (CE); The learner must be able to reflect on and observe these experiences from many perspectives (RO); the learner must be able to create concepts that integrate observations into logically sound theories (AC); and the learner must be able to use these theories to make decisions and solve problems (AE). Thus in the process of learning one moves in varying degrees from actor to observer, from specific involvement to general analytic detachment (Kolb, 1976).

The model that will be adopted for this study is that of Kim (1993) which is based on Kofman’s version of the learning cycle as shown in the figure below:



Source: Adapted from F. Kofman, lecture slides  
(Cambridge, Massachusetts: MIT Sloan School of Management, 1992).

**Figure 3: OADI Model of learning**

The Observe – Assess – Design - Implement (OADI) preserves the salient features of the version mentioned above, but the terms have clearer connections to activities conducted in an organizational context (Kim, 1993). In the OADI cycle, people experience concrete experiences and actively observe what is happening. They assess (consciously and subconsciously) their experiences by reflecting on their observations and then design or construct an abstract concept that seems to be an appropriate response to the assessment. They test the design by implementing it in the concrete world, which leads to new concrete experience, commencing another cycle.

A basic assumption is that insights and innovative ideas occur to individuals – not organizations (Nonaka and Takeuchi, 1995; Simon, 1991). According to Crossan et al (1999) individual learning, at its most basic level, involves perceiving similarities and differences – patterns and possibilities. Therefore, the process of *intuiting*, they argue, is an important part of individual learning framework. Although there are many definitions of intuition, most involve some sort of pattern recognition (Crossan et al., 1999). The outcome of individual intuition is an inexplicable sense of the possible, of what might be done (Crossan et al., 1999). They further argue that “... intuitions are preverbal. No language exists to describe the insight or to explain the intended action.” Consequently, intuition may guide the actions of the individual, but this intuition is difficult to share with others (Nonaka and Takeuchi, 1995).

According to Crossan et al. (1999), imagery in the form of metaphors and “visions” aid the individual in his or her interpretation of the insight and in communicating it to others. Scholars have recognized metaphors as a critical link in the evolution from individual intuitive insights to shared interpretations (Tsoukas, 1991; Nonaka; 1991; Nonaka and Takeuchi, 1995). As Tsoukas (1991) explains, “Metaphors involve the transfer of information from a relatively familiar domain... to a new and relatively unknown domain.”

### **2.5.1 Interpretation**

According to Crossan et al (1999), the process of interpretation begins picking up on the conscious elements of the individual learning process. Through the process of interpreting, they argue, individuals develop cognitive maps about the various domains in which they operate. They further assert that language plays a pivotal role in the development of these maps, since it enables individuals to name and begin to explain what were once simply feelings, hunches, or sensations. Further, once things are named, individuals can make more explicit connections among them. Interpreting takes place in relation to a domain or an environment.

The cognitive map is affected by the domain or environment, but it also guides what is interpreted from that domain. As Weick (1979) suggests, people are more likely to "see something when they believe it" rather than "believe it when they see it." As a result, individuals will interpret the same stimulus differently, based on their established cognitive maps.

Senge (1990) describes mental models as deeply held internal images of how the world works, which have a powerful influence on what we do because they also affect what we see. The concept of mental models differs from the traditional notion of memory as static storage because mental models play an active role in what an individual does and sees (Kim, 1993).

Mental models represent a person’s view of the world, including explicit and implicit understandings. Mental models provide the context in which to view and interpret new material, and they determine how stored information is relevant to a given situation.

Mental models represent more than a collection of ideas, memories and experiences and they not only help us make sense of the world we see, they can also restrict our understanding to that which make sense within the mental.

## **2.5.2 Frameworks and Routines**

The two levels of learning – operational and conceptual – can be related to two parts of mental models. Operational learning represents learning at the procedural level, where one learns the steps in order to complete a particular task. This know-how is captured as routines such as operating a piece of machinery. Operational learning not only accumulates and change routines, but routines affect operational learning as well.

Conceptual learning has to do with the thinking about why things are done in the first place, sometimes challenging the very nature or existence of prevailing conditions, procedures, or conceptions and leading to new frameworks in the mental model. The new framework, in turn, can open up opportunities for discontinuous steps of improvement by reframing a problem in radically different ways.

To make the dynamic link between learning and mental models, Kim (1993) provides this example:

Most of us probably know several ways to get home. The route we use most often has been chosen based on our beliefs about what makes a “good” route home from work. These belief systems are our frameworks that guide our choice between a route with the fewest stoplights and the one with the most scenic views. Once we have settled on a route, it becomes a route that we execute whenever we want to go home. Now we can drive home on automatic pilot. If we encounter road constructions that block our normal route or if our route becomes consistently congested, however, we rethink our criteria of what the best route home means and select a new route. This is the model of individual learning – a cycle of conceptual and operational learning that informs and is informed by mental model.

## **2.5.3 The Role of memory**

Psychological research makes a distinction between learning and memory (Huber, 1991). Learning has more to do with acquisition, whereas memory has more to do with retention of what was acquired. In reality, however, separating the two processes is difficult because they are tightly interconnected – what we already have in our memory affects what we learn and what we learn affects our memory (Kim, 1993). Kim further states that memory in this case should be understood as active structures that affect our thinking and the actions we take and the good way to understand this is through the concept of mental models. Although the OADI cycle helps with understanding of learning, it does not explicitly address the role of memory, which plays a

critical role in linking individual learning and organizational learning. In the figure below, mental models have been added to the OADI cycle to address this issue.

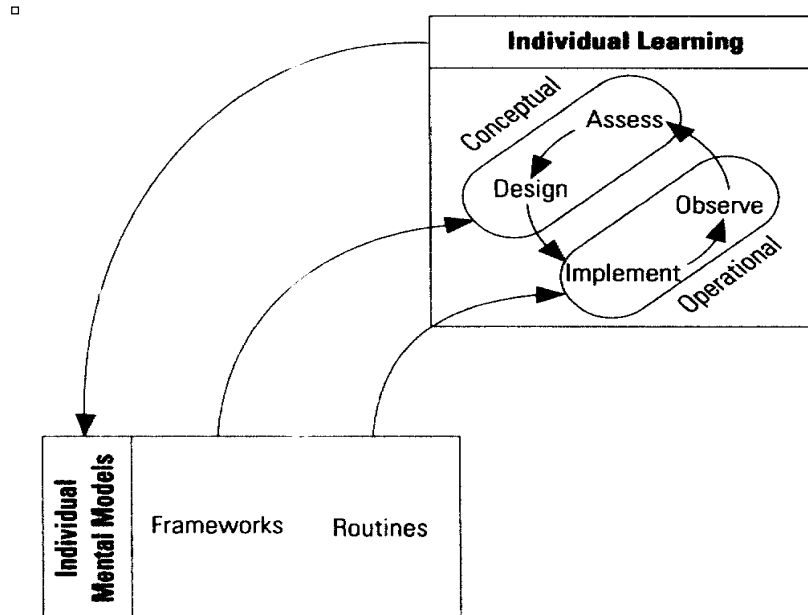


Figure 4: The role of memory in learning

## 2.6 From Individual to Organizational learning

Organizational learning is more complex and dynamic than a mere magnification of individual learning (Kim, 1993). Kim further argues that “although the meaning of the term “learning” remains essentially the same as in the individual case, the learning *process* is fundamentally different at the organizational level.

It is the opinion of the author that in order to analyze how individual learning or knowledge can become organizational, it is essential to investigate the concept of “Organization” in relation to the individual actor.

### 2.6.1 Defining Organizations

The concept of Organization, according to Weick (1995), can be defined in three ways. First, there is the organization as rational system and defined as “collectivities oriented to the pursuit of relatively specific goals and exhibiting relatively highly formalized social structures”. Second, there is the organization as a natural system defined as “collectivities whose participants share a common interest in the survival of the system and who engage in collective activities, informally

structured, to secure this end”. And third, there is the organization as an open system defined as “coalitions of shifting interest groups that develop goals by negotiation; the structure of the coalitions, its activities, and its outcomes are strongly influenced by environmental factors”. These three definitions are ordered from less to more openness to the environment and from tighter to looser coupling among the elements that comprise the system.

According to Drucker (1993), an organization is a human group, composed of specialists working together on a common task. Drucker (1993) further states that unlike society, community, or family – the traditional social aggregates – organization is purposefully designed and grounded neither in the psychological nature of human beings nor in biological necessity.

Tsoukas and Chia (2002), state that for an activity to be said to be organized, it implies that *types* of behaviour in *types* of situations are systematically connected to *types* of actors. An organized activity provides actors with a given set of cognitive categories and a typology of actions (Weick 1979). Tsoukas and Chia (2002) further state that organizing implies generalizing; it is the process of subsuming particulars under generic categories. However, although the generic categories and the purposes for which they may be used are, at any moment, given to organizational members, they are nonetheless socially defined. Moreover, those categories are subject to potential change: The stability of their meanings is precariously maintained. The organization is both a given structure (i.e., a set of established generic cognitive categories) *and* an emerging pattern (i.e., the constant adaptation of those categories to local circumstances). Institutionalized cognitive categories are drawn upon by individuals-in-action but, in the process, established generalizations may be supplemented, eroded, modified or, at any rate, interpreted in oftentimes unpredictable ways.

In other words, Organization is the attempt to order the intrinsic flux of human action, to channel it towards certain ends, to give it a particular shape, through generalizing and institutionalizing particular meanings and rules (Tsoukas and Chia, 2002).

There seems to be certain themes that are observable from the above paragraphs with regards to the concept of organization and these are:

- Organizations are special-purpose institutions. They are effective because they are task oriented.

- Organizations have agreed-upon procedures for making decisions in the name of the collectivity,
- Delegate to individuals the authority to act for the collectivity, and
- Set boundaries between the collectivity and the rest of the world.
- Finally, to be able to perform, an organization must be autonomous

According to Argyris and Schon (1996), as these conditions are met, members of the collectivity begin to become a recognizable “We” that can make decisions and translate their decisions into action. In Weick’s view (1979), organizing consists of reducing differences among actors; it is the process of generating recurring behaviours through institutionalized cognitive representations.

Daft and Weick (1984), state that organizations have characteristics typical of very complex system. They further assert that “Organizations are vast, fragmented and multidimensional “. Any approach to the study of organizations is built on specific assumptions about the nature of organizations and how they are designed and function (Daft and Weick, 1984). The most basic assumption adopted for this study is that organizations are open social systems that process information from the environment. The environment contains some level of uncertainty, so that the organization must seek information and base organizational action on that information. Organizations must develop information processing mechanisms capable of detecting trends, events, competitors, markets and technological developments relevant to their survival.

The second assumption concerns individual versus organizational interpretation. Individual human beings send and receive information and in other ways carry out the interpretation process. In this study it is assumed that the organizational interpretation process is much than that of the individual. Organizations have cognitive systems and memories. According to Daft and Weick (1984) “individuals come and go, but organizations preserve knowledge, behaviours, mental maps, norms and values over time”.

According to Simon (1991) for the purposes of discussing organization learning, organizations should also be viewed as systems of interrelated roles. A role is not a system of prescribed behaviours but a system of prescribed decision premises. Roles tell organizational members how to reason about the problems and decisions that face them: where to look for appropriate and legitimate informational premises and goal evaluative) premises, and what techniques to use in processing these premises. The fact that behaviour is structured in roles says nothing, one way or

the other, about how flexible or inflexible it is. Each of the roles in an organization presumes the appropriate enactment of the other roles that surround it and interact with it. Thus, the organization is a role *system* (Simon, 1991).

Argyris and Schon (1996), argue that in order for us to understand what it means for an organization to learn we need to learn what it means for an organization to take action. They further state that state that the idea of organizational action is logically prior to that of organizational learning, because learning itself – thinking, knowing, or remembering – is a kind of action, and because performance of an observable action new to an organization is the most decisive test of whether a particular instance of organizational learning has occurred.

### **2.6.2 Organizational action**

By establishing rule-governed ways of deciding, delegating, and setting boundaries of membership, a collectivity becomes an organization capable of acting. However, organizational action cannot be reduced to the actions of the individuals, even of all the individuals that make up the organization, yet there is no organizational action without individual action (Argyris and Schon, 1996).

An organization learns when its members acting on behalf of it learn for it (Kim, 1993; Dodgson, 1993), and carrying out on its behalf a process of *inquiry* that result in a learning product (Argyris and Schon, 1996). “Inquiry” here is not used in the colloquial sense of scientific or juridical investigation but in a more fundamental sense of the intertwining of thought and action that proceeds from doubt to the resolution of doubt (Argyris and Schon, 1996). Inquiry, they argue, begins with an indeterminate, problematic situation, a situation whose inherent conflict, obscurity, or confusion blocks action. And the enquirer seeks to make that situation determinate, thereby restoring the flow of activity. In this sense, doubt is construed as the experience of a “problematic situation” triggered by a mismatch between expected results of action and the results actually achieved. Such a mismatch – a surprise, as we experience it – blocks the flow of spontaneous activity and gives rise to thought and further action aimed at re-establishing that flow (Argyris and Schon, 1996).

A related conceptualization, grounded in Cognitive dissonance theory is found in the work of Karl Weick (1995). Weick (1995) asserts that active agents construct sensible, sensible events and structure the unknown through the process of *sensemaking*. He views sensemaking as a



thinking process that uses retrospective accounts to explain surprises. “Sensemaking can be viewed as a recurring cycle comprised of a sequence of events occurring over time. The cycle begins, he argues, as an individual form unconscious and conscious anticipations and assumptions, which serve as predictions about future events. Subsequently, individuals experience events that may be discrepant from predictions. Discrepant events, or surprises, trigger a need for explanation, or post-diction, and correspondingly, for a process through which interpretations of discrepancies are developed.

According to Weick et al., (2005) sensemaking is central because it is the primary site where meaning materializes that informs and constrains action. This, they argue, implies that sensemaking is an issue of language, talk and communication. Situations, organizations and environments are talked into existence.

According to Weick et al., (2005) explicit efforts at sensemaking tend to occur when the current state of the world is perceived to be different from the expected state of the world, or when there is no obvious way to engage the world. In such circumstances, they argue, there is a shift from the experience of immersion in projects to a sense that the flow of action has become unintelligible in some way. They further argue that “to make sense of the disruption, people look first for reasons that will enable them to resume the interrupted activity and stay in action. These “reasons” are pulled from frameworks such as institutional constraints, organizational premises, plans, expectations, acceptable justifications, and traditions inherited from predecessors. If resumption of the project is problematic, sensemaking is biased either toward identifying substitute action or toward further deliberation”.

People not only usually think and act together in a social setting, but the very process of inquiry, individual or collective, is conditioned by membership in a social system that establishes inquiry’s taken-for-granted assumptions (Argyris and Schon, 1996). According to Weick (1995), human thinking and social functioning are essential aspects of one another (p.38). An organization is a network of intersubjectively shared meanings that are sustained through the development and use of a common language and everyday social interactions (p.39). This definition is social several times over in its references to “network”, “intersubjectively shared meanings”, “common language”, and “social interaction”. Therefore, viewing sensemaking and Inquiry as a social process gives us a constant substrate that shapes interpretation and interpreting. Individual conduct becomes contingent on the conduct of others, whether those others are imagined or physically present (Weick, 1995).

The output of organizational inquiry may take the form of a change in thinking and acting that yields a change in the design of organizational practices. Inquiry does not merely remove doubt by recurrence to a prior adaptive integration but institutes new enviroing conditions that occasion new problems. Organizational inquiry yields new ways of thinking and acting that enable the improved performance of an organizational task (Argyris and Schon, 1996).

What organizations learn obviously depends on their environment. As Simon's article about the Economic Co-operation Administration suggests, until an organization makes basic decisions about goals, relatively few other things can be learned (Cangelosi and Dill, 1965).

## **2.7 Organizational learning**

Cyert and March (1963) viewed learning in an organization as change in behaviour in a response to a stimulus. This definition is mainly a description or adjustment to the social and physical environment, and is a behavioural approach to learning (Crossan *et al.*, 1995). This was followed by one of the pioneering empirical studies of the phenomenon of Organizational learning performed by Cangelosi and Dill (1965). They concluded:

To specify the constructs of organizational learning, to elaborate them, to test them, or to replace them, more empirical work is needed. Such work should focus on the study of interactions between individual and organizational learning; on the identification of those facets of environment, organization, and personality that define an organization's unique learning task and its learning potential; an on the search for behavioural cues that will let us better anticipate and identify learning when it actually takes place.

Since Cangelosi and Dill (1965) a range of academic and business disciplines have undertaken to study organizational learning. The reason for this is that learning has been recognised as a dynamic concept, and its use in Organizational learning theory emphasises the continually changing nature of organizations (Dodgson, 1993). Learning, Dodgson argues, is an integrative concept that can unify various levels of analysis, and in industry this includes individuals, groups and organizational levels of organization.

Organizational learning is a multidimensional construct used to describe certain processes, together with types of activity and their outcomes which make up the learning organization.

Organizational learning has now emerged as a subject of considerable interest and is researched by a number of research disciplines, including Organizational theory, industrial economics, business, management and psychology (Dodgson, 1993). This has led to multiple perspectives and definitions of organizational learning. The definitions of organizational learning are the consequence of different theoretical traditions and academic disciplines, all of which start from different assumptions and perspectives.

Definitions of Organizational Learning (see table 3) are numerous. Table 3, below, provides a sample of definitions that best define organizational learning. While these approaches have contributed to Organizational Learning individually, none has been comprehensive or able to suggest how the levels of learning interact with each other.

*“Organizational learning is a change in behaviour in response to stimuli” (Cyert and March, 1963).*

*“Organizational learning is a process of detecting and correcting error” (Argyris, 1977).*

*“Organizations learn through the collective capability of its members to learn... there is no organizational learning without individual learning, and that individual learning is a necessary but insufficient condition for organizational learning” (Argyris and Schon, 1978).*

*“Organizational learning includes both the processes by which organizations adjust themselves defensively to reality and the processes by which knowledge is used offensively to improve the fit between organizations and their environment” (Hedberg, 1981).*

*“Organizational learning means the process of improving actions through better knowledge and understanding” (Fiol and Lyles, 1985).*

*“Organizational learning occurs through shared insights, knowledge, and mental models... [and] builds on past knowledge and experience – that is on memory” (Stata, 1989).*

*“An entity learns if, through its processing of information, the range of its potential behaviours is changed” (Huber, 1991).*

*“...the acquiring, sustaining or changing of inter-subjective meanings through the artifactual vehicles of their expression and transmission and [through] the collective action of the group”*  
(Cook and Yanow, 1993).

**Table 3: Definitions of Organizational learning**

Although they recognized that there are processes at work linking these different levels, none of these definitions discuss what these processes might be. Only outcomes are discussed. It should be noted that a recognition and understanding of the processes leading to Organizational Learning outcomes are important because it is at the process level that change can be effectively implemented.

Although there is rarely agreement within or between disciplines as to what organizational learning is and how it occurs, none of the definitions are wrong. All include elements that are part of learning *in Toto*, though none offers a complete and accurate definition. Given the multidisciplinary and multilevel approach to OL, there has been considerable development of OL models which are discussed in subsequent sections of this study.

Dixon (1994) identified four themes which are common to the definitions of Organizational learning:

2. There is a causal relationship between the quality of knowledge of the employees and the effectiveness of an organization's actions.
3. The environment is used as a reference about which the organization must learn, and which it must subsequently manipulate or adapt to.
4. The employees have in common shared assumptions or understandings. These shared understandings must be uncovered, corrected and modified to facilitate effective action.
5. The definitions suggest that a proactive stance be taken in terms of the organization changing itself.

Moreover, Dixon (1994) suggested that through learning, the organization is able to self-correct in response to changes in the economic environment, or to transform itself in anticipation of a desired future.

Before analysing the processes of organizational learning, a question should be posed: why do organizations learn?

According to Dodgson (1993), learning can be seen to have occurred when organizations perform in better and changed ways. He further argues that common explanation of the need to

learn is the requirement for adaptation and improved efficiency in times of change. The management and innovation literature sees learning as a purposive quest to retain and improve competitiveness, productivity, and innovativeness in uncertain technological and market circumstances (Dodgson, 1993).

Freeman and Perez's (1988) theory of changing 'techno-economic paradigms' describes the way that profound changes in technologies, most recently seen in information technology, cause considerable environmental turbulence to organizations as they attempt to respond to, as well as being part of, these radical changes (Dodgson, 1993; Freeman and Perez, 1988).

### **2.7.1 The goals of organizational learning**

Before analysing the processes of organizational, a question should be posed: why do organizations learn? Essentially learning can be seen to have occurred when organizations perform in changed and better ways. According to Dodgson (1993), common explanations of the need to learn are the requirement for adaptation and improved efficiency in times of change implying that the learning outcomes are useful. Psychologists, for example, see learning as the highest form of adaptation, raising the probability of survival in changing environments.

From the management and innovation literature, learning is seen as a purposive quest to retain and improve competitiveness, productivity, innovativeness, in uncertain technological and market circumstances. Amongst other factors stimulating environmental uncertainty and learning, two are particularly important: Responses to technological change and responses to the competitiveness of alternative forms of industrial organization. Freeman and Perez's (1988) theory of changing 'techno-economic paradigm', describes the way that profound changes in technology, most recently seen in information technology, cause considerable environmental turbulence for organizations, as they attempt to respond to, as well as being part of these radical changes. The goals of learning in these circumstances can therefore be seen as a response to the need for adjustment in times of great uncertainty.

Dodgson (1991) argues that it is the differential ability to learn quickly about technological opportunities that has been responsible for the changing pattern of competitive relationships large and small companies which have been so important in the development of technology.

Learning is a key feature in the process by which organizations accumulate technology in order to compete.

The efficiency goals of learning are commonly equated with productivity. For instance, productivity is argued to be assisted through ‘learning-by doing’ (Arrow, 1962).

### **2.7.2 The processes of organizational learning**

To resolve some of the complexities within the processes of organizational learning, (Dodgson, 1993) argues that we need to analyze by continuing with the metaphor of individual learning.

According to Dodgson (1993), interpreting the works of Corsini (1987), individual learning involves five ‘learned capabilities’:

- Verbal Knowledge (Declarative knowledge) – this ranges from isolated ‘facts’ to bodies of organized information.
- Intellectual skills (Procedural knowledge) – this enable the individual to demonstrate the application of concepts and rules to specific instances.
- Cognitive strategies involve a number of processes such as perceiving, encoding, retrieving and thinking; they can be problem solving, and can control and modify other cognitive processes of learning and memory such as attention, encoding and retrieval.
- Attitudes are ‘learned states that influence the choices of personal action the individual makes towards persons, objects or events’.
- Motor skills – Learning by doing

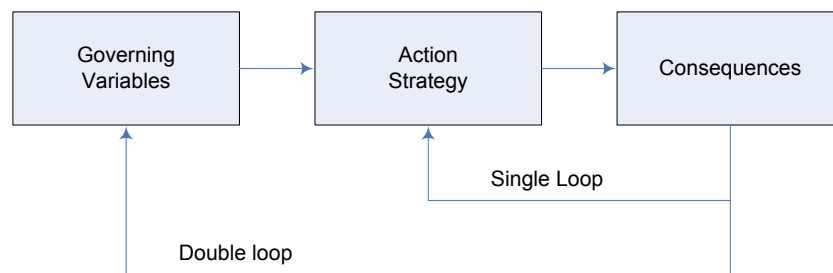
The process of building declarative knowledge, Dodgson (1993) argues, is akin to the economists’ view of ‘search’ activities. It includes methods such as R&D, education and training. He further argues that it is in the process of building procedural knowledge, cognitive strategies and attitudes that the major organizational challenge lie. As Corsini (1987) suggests, it is not enough to ‘know-what’, it is also essential to ‘know-how’ (Dodgson, 1993). A number of studies into learning from a management studies perspective similarly distinguish various types and levels of learning.

Fiol and Lyles (1985), for an example, distinguish *higher* and *lower* level learning:

- Lower level learning occurs within a given organizational structure, a given set of rules. It leads to the development of some rudimentary associations of behaviour and outcomes, but these usually are of short duration and impact only part of what the organization does. It is a result of repetition and routine and involves association building. Cyert and March (1963) identify success programs, goals, and decision rules as illustrative of learning based on routine. Because of this reliance on routine, lower-level learning tends to take place in organizational contexts that are well understood and in which management thinks it can control.
- Higher-level learning, on the other hand, aims at adjusting overall rules and norms rather than specific activities or behaviours. The associations that result from higher level learning have long term effects and impacts on the organization as a whole. This type of learning occurs through the use of heuristics, skill development, and insights. The context for higher-level learning typically is ambiguous and ill-defined.

Senge (1990a, b) differentiates *generative* from *adaptive* learning.

Argyris and Schon (1996) develop a three fold typology which they describe as *single-loop*, *double-loop* and *deutero-learning* as reflected in the figure below:



**Figure 5: Single and double loop Learning**

This they explain as follows:

Organizational learning involves the detection and correction of error. When the error detected and corrected permits the organization to carry on its present policies or achieve its present objectives, then that error-detection and correction process is single loop learning. Double-loop learning occurs when error is detected and corrected in ways that involve the modification of an organization's underlying norms, policies and objectives.

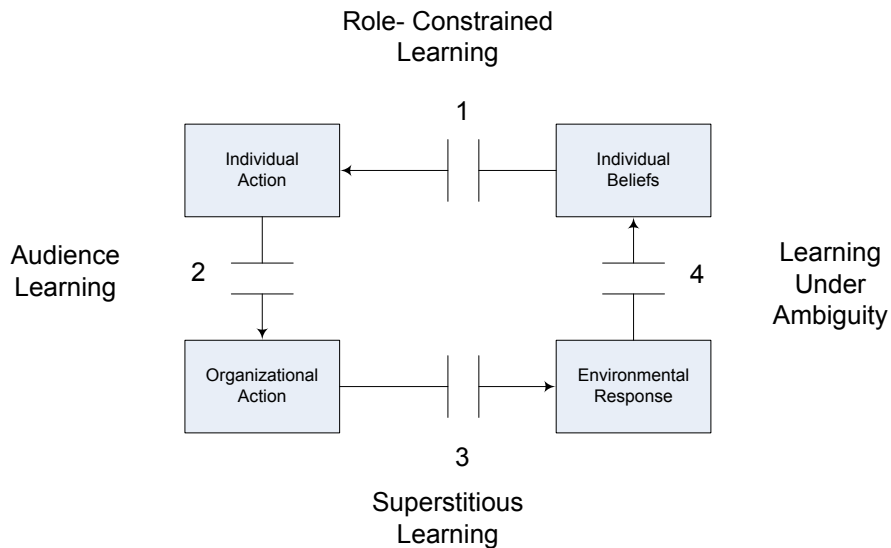
According to Argyris and Schon (1996), organizations need to learn how to carry out single and double-loop learning and this they call deuterio-learning.

When an organization engages in deuterio-learning its members learn about previous contexts for learning. They reflect on and inquire into previous episodes of organizational learning, or failure to learn. They discover what they did that facilitated or inhibited learning, they invent new strategies for learning, they produce these strategies, and they evaluate and generalize what they have produced.

Cyert and March (1963) see the organization as an adaptively rational system that learns from experience. An organization, they argue, changes its behaviour in response to short-term feedback from the environment according to some fairly well-defined rules and adapts to longer-term feedback on the basis of more general rules.

March and Olsen (1975) make a distinction between individual and organizational learning (see figure below). In this model, individual actions are based on certain individual beliefs. These actions, in turn lead to organizational actions, which produces some environmental responses. The cycle is completed when the environmental response affects individual beliefs. Tracing this loop, we see that if the environmental response is static and unchanging, individual beliefs, actions, and therefore organizational action will also remain unchanged. March and Olsen's model also address the issue of incomplete learning cycles, where learning in the face of changing environmental conditions is impaired because one or more of the links is weak or broken. They identify four cases where the learning cycle is incomplete and leads to dysfunctional learning.

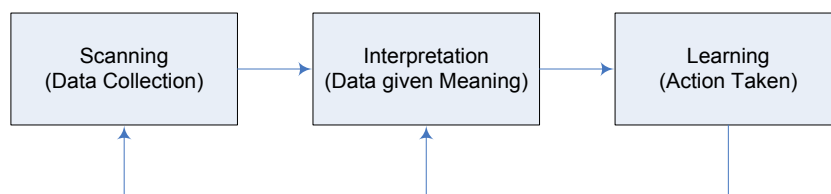




**Figure 6: March and Olsen's Model of learning**

*Role-constrained learning* can occur when individual learning has no impact on individual action because the circle is broken by the constraints of the individual's role. *Audience learning* occurs when the individual affects organizational action in an ambiguous way. In *superstitious learning* the cycle proceeds and learning happens, but the organizational actions have little impact on the environmental response. In *learning under ambiguity* the individual affects organizational action, which affects the environment, but the causal connections among the events are not clear.

This view is supported by Daft and Weick (1984), when they mention that "Organizations must make interpretations. Managers must literally wade into the ocean of events that surround the organization and actively try to make sense of them". They further assert that the concepts of interpretation in relation to organizations can be roughly organized into three stages that constitute the overall learning process, as reflected in the figure below.



**Figure 7: Daft and Weick's Model of Organizational learning**

The first stage is scanning, which the authors define as the process of monitoring the environment and providing environmental data to managers. Interpretation occurs in the second

stage. Data is given meaning through the engagement of the human mind. Perceptions are shared and cognitive maps are constructed. Learning is the third stage, is distinguished from interpretation by the concept of action. Learning involves a new response or action based on the interpretation (Argyris and Schon, 1978).

According to Daft and Weick (1984), organizations may vary in their beliefs about the environment and in their intrusiveness into the environment. Therefore, they suggest that organizations can be categorised according to interpretation modes. The two authors use two dimensions, *assumptions about the environment* and *organizational intrusiveness*, as the basis for an interpretation system model as reflected in the figure below.

<b>ASSUMPTIONS ABOUT ENVIRONMENT</b>	<b>Unanalyzable</b>	<b>UNDIRECTED VIEWING</b> Constrained interpretations. Nonroutine, informal data. Hunch, rumor, chance opportunities.	<b>ENACTING</b> Experimentation, testing, coercion, invent environment. Learn by doing.
	<b>Analyzable</b>	<b>CONDITIONED VIEWING</b> Interprets within traditional boundaries. Passive detection. Routine, formal data.	<b>DISCOVERING</b> Formal search. Questioning, surveys, data gathering. Active detection.
		<b>Passive</b>	<b>Active</b>
		<b>ORGANIZATIONAL INTRUSIVENESS</b>	

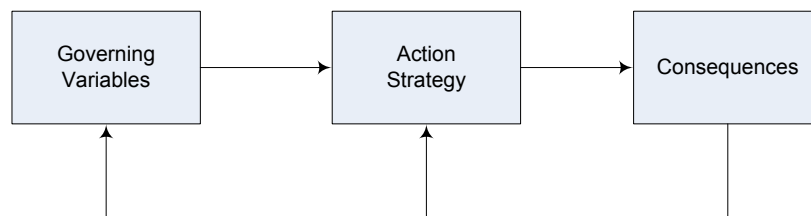
Figure 8: Daft and Weick’s Model of OL (b)

The horizontal axis, *Organizational intrusiveness*, is a measure of the organization’s willingness to look outside its own boundaries. For example, a technology focused company’s efforts may be inwardly directed, whereas a market focused company’s efforts are outwardly directed (Kim, 1993). According to Daft and Weick (1984) the two axes represent the organization’s assumptions about the world and its role in it, the combination of which captures the company’s worldview. This determines how an organization interprets environmental responses, whether it will act on them, and what specific means it will employ if it chooses to act.

To determine the conditions that such knowledge become “organizational”, Argyris and Schon (1996), recognized two distinct but complementary answers to this condition. First,

organizations function in several ways as holding environments for knowledge, including the knowledge gained through organizational inquiry. Such knowledge may be held in the minds of the individual members. Boisot (1999) also states that “knowledge economizes on the use of physical resources (Space, time and energy) by enhancing the understanding of intelligent agents that interact with physical resources – i.e., by embedding itself in the brains of individuals or organizations”. If it only held this way, then the knowledge may be lost when the relevant individuals leave the organization (Argyris and Schon, 1996).

However, knowledge may also be held in an organization’s files, which record its actions, decisions, regulations, and policies as well as in the maps, formal and informal, through which organizations make themselves understandable to themselves and others (Boisot, 1999; Argyris and Schon, 1996). Finally, organizational knowledge may be held in the physical objects that members use as reference and guideposts as they go about their business. Second, organizations directly represent knowledge in the sense that they embody strategies for performing complex tasks that might have been performed in other ways. This is true not only of an overall task system but of its detailed components. Organizational knowledge is embedded in routines and practices which may be inspected and decoded even when the individuals who carry them out are unable to put them into words. Such organizational task knowledge may be variously represented as systems of beliefs that underlie action, as prototypes from which actions are derived, or as a procedural prescription for action (Argyris and Schon, 1996). Such knowledge is represented through what Argyris and Schon (1996) call “theories of action”. These theories have an advantage of including strategies of action, the values that govern the choice of strategies and the assumptions on which they are based as shown in the figure below:



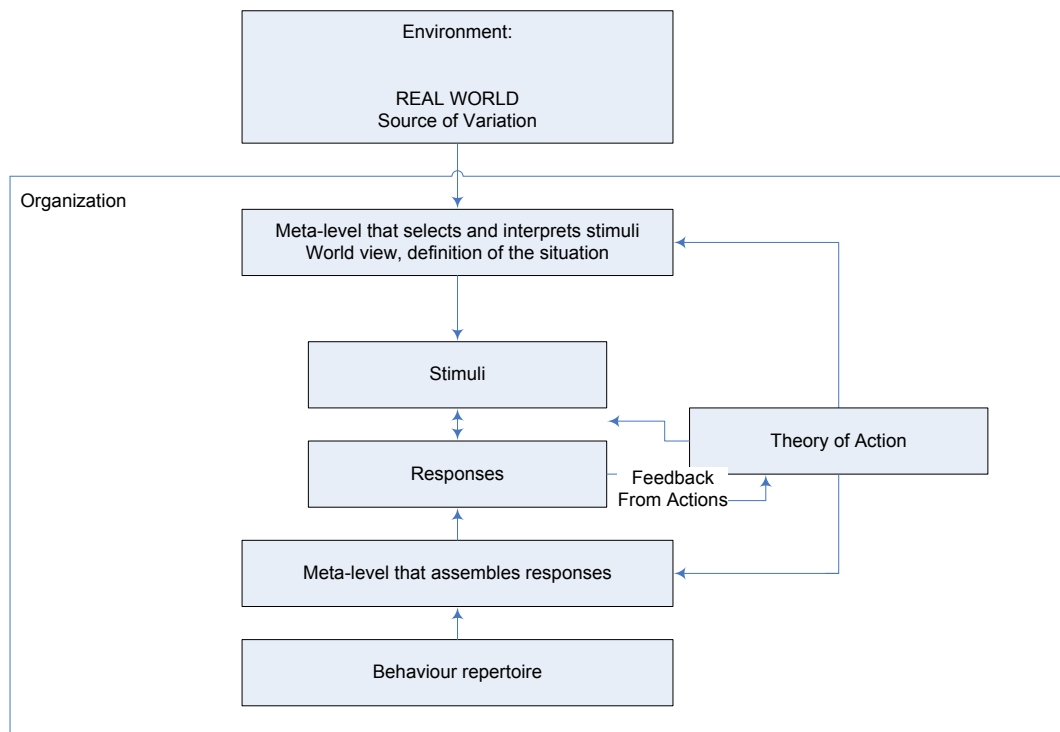
**Figure 9: Theory of Action**

A theory of action is defined in terms of a particular situation, S, a particular consequence, intended in that situation, C, and an action strategy, A, for obtaining consequence C in situation S. The general form of a theory of action is: If you intend to produce consequence C in situation S, then do A. Two further elements enter into the general schema of a theory of action: the

values attributed to C that make it seem desirable as an end-in-view and the underlying assumptions, or model of the world, that make it plausible that action A will produce consequence C in situation S (Argyris and Schon, 1996).

According to Weick (1995), theories of action are for organizations what cognitive structures are for individuals. They filter and interpret signals from the environment and tie stimuli to response. They are metalevel systems that supervise the identification of stimuli and the assembling of responses. People in organizations build knowledge as they respond to the situations they encounter. These trial-and-error sequences include both the processes by which organizations adjust themselves defensively to reality and the processes by which knowledge is used offensively to improve the fits between organizations and their environments. Individual stimuli are aggregated into compound meaningful stimuli that map the territory for action. These interpretations activate other rules by which responses are assembled (p. 121).

According to Weick (1995), the basic process by which theories of action exert their influences is illustrated in the figure below and described this way:



**Figure 10: Theory of action**

To identify stimuli properly and to select adequate responses, organizations map their environments and infer what causal relationships operate in their environments. These maps

constitute theories of action which organizations elaborate and refine as new situations are encountered... Maps, knowledge structures and mental models all contain substance that provides a meaningful frame that facilitates meaningful noticing (Weick, 1995).

Theory of action, whether applied to organizations or individuals, may take two forms through “Espoused theory” and “Theory-in-use”. Espoused theory is the theory of action which is advanced to explain or justify a given pattern of activity. Theory-in-use is the theory of action which is implicit in the performance of that pattern of activity. A theory-in-use must be constructed from observation of the pattern of activity in question. In the case of an organization, a theory-in-use must be constructed from observation of the patterns of interactive behaviour produced by individual members of the organization, insofar as their behaviour is governed by formal or informal rules for collective decision, delegation and membership (Argyris and Schon, 1996).

Like the rules for collective decision and action, organizational theories-in-use may be tacit rather than explicit and tacit theories-in-use may not match the organization’s espoused theory. An organization’s formal documents, such as organization charts, policy statements, or job descriptions, not infrequently contain espoused theories of action incongruent with the organization’s actual patterns of activity (Argyris and Schon, 1996).

Organizational theory-in-use may remain tacit because it is indescribable or undiscussable. It may be indescribable because the individual members who enact it know more than they can say and are unable, rather than unwilling, to describe the Know-how embedded in the day-to-day performance of organizational tasks. It may be undiscussable because any attempt to reveal its incongruity with the organization’s espoused theory would be perceived as threatening or embarrassing (Argyris and Schon, 1996).

### **2.7.3 Transfer mechanisms – Routines and Culture**

Organizational learning, throughout the various literatures, is commonly argued to be more than the sum of the parts of their employee’ learning (Dodgson, 1993). Dodgson (1993) further argues that *shared norms* and *values* are agreed to be indicative of organizational rather than individual learning.

According to Dodgson (1993), there are three main concepts that are used to analyze the activities and behaviour of organizations which inform and direct learning in a collective rather than the individual sense: 'Knowledge-base', 'firm-specific competencies' and 'Routines'.

The term knowledge-base is used to analyze the form of knowledge and the focus of its accumulation (Dodgson, 1993). Dodgson (1993) further asserts that organizational uniqueness is defined by knowledge bases and the processes of acquisition, articulation and enhancement of the knowledge over which it has control. Firm-specific competencies approach also argues for the uniqueness of firm's knowledge and learning. Firm specific competencies are described as the collective learning of the organization. The organizational learning process involves harmonizing streams of technology, the organization of work, delivery of value, communication and involvement and the commitment to working across functional boundaries (Prahalad and Hamel, 1990).

For Nelson and Winter (1982), it is the establishment of *routines* which operationalize organization's memory and knowledge bases. The notion of *routine*, repertoire of organizational knowledge and standard procedures responding to a given situation, is used as much in organization working studies, in deciding to make process as in learning (Levitt and March, 1988). In a holistic perspective, organizational learning based on the routines, corresponds to learning by adaptation of the organization to its environment. This is what Levitt and March (1988) refer to as *adaptive learning*. Learning takes on incremental characteristic and is carried out by routine adjustments, that keeps on evolving with past experiences and environment change (Fillol, 2006). From an individual perspective, Argyris and Schon (1996) assert that defensive routines are the policies or actions people put in place to prevent themselves and their organizations from experiencing embarrassment or threat.

Another concept that plays a key role in linking individual and organizational learning is that of 'beliefs' (Williams, 2001). This ties back to the concept of theories-in-use as explained above. Open systems thinking, with its emphasis on organizational dependence upon the environment and the role of feedback in adapting to environmental change, has encouraged viewing organizations as learning systems (Senge, 1990). At the same time research, theory and practice have highlighted the role of beliefs in understanding organizational culture (Schein, 1993). The term 'beliefs' is being used to cover assumptions or cause-effect relationships, values which are cherished, deep rooted and consistent and attitudes which reflect a consistently favourable or

unfavourable predisposition towards an object or person (Williams, 2001). According to Levitt and March (1988), routines in organizational settings are diffused by exchanges and socialization. The socialization process not only ensures the routine diffusion but also the organizational learning (Argyris and Schon 1978; Nonaka, 1994; Nonaka and Takeuchi, 1995).

An organization's resistance to change in the face of environmental pressures and uncertainty is a phenomenon for which many interpretations are offered (Lakomski, 2005). One popular and widely discussed approach is the suggestion by Schein (1993) that, at root, it is the organization's *culture* that causes resistance, and that needs changing. An organizational learning process needs to push the organization beyond its currently held understandings of itself and its ways of dealing with its internal and external reality (Lakomski, 2005). The concept of culture helps us understand why organization members do the things they do, or do not wish to do. Culture is viewed as:

... the accumulated shared learning of a given group, covering behavioural, emotional, and cognitive elements of the group members' total psychological functioning. For shared learning, there must be a history of shared experiences, which in turn implies some stability of membership in the group. Given such stability and a shared history, the human need for parsimony, consistency, and meaning will cause the various shared elements to form into a patterns that eventually can be called a culture. (Lakomski, 2005, p.44)

In this sense, culture formation is always a matter of striving toward patterning and integration and group learning happens at the behavioural as well as at the conceptual internal level. The assumptions used in viewing culture this way are similar to Argyris and Schon's (1996) concept of theories-in-use (Lakomski, 2005).

The recognition that an organization's *culture* is an important phenomenon that contributes to the understanding of its functioning has emerged relatively recently in organization theory (Lakomski, 2005). More specifically, she argues, the emphasis on organizational culture denotes a development away from structuralist-functionalist explanations of the workings of organizations to an emphasis on language and the creation of meaning, and how organization members *interpret* their reality. The many advantages of employing the conception of culture in the study of organizations are outlined by Weick and Westley (1997):

First and foremost it is embodied in the language, the words, phrases, vocabularies and expressions which individual groups develop. Secondly, it is embodied in artifacts, the material objects a group produces, from machines to decorative objects, from buildings to paintings. Lastly, and most ephemerally, it is embodied in coordinated action routines, predictable social exchanges from highly stylized rituals to the informal (but socially structured) convention of greetings with acquaintances. Thus culture as theoretical construct meets all three... criteria for social science of organizations: the invisible (social relations) made manifest in the tangible (artifacts as models); the middle-range concepts which offer experiential reference points; and an option of approaching the phenomena with methodologies which build on empathy and empathize feeling (such as literary analysis, ethnographic analysis and ethnomethodology (Lakomski, 2005, p.10).

The role of change agents needs to be understood on the basis of the processes of organizational change. The organization must first experience *unfreezing* of old assumptions. This phase is followed by a second development characterized by a process of cognitive restructuring. It is in part defined by new trial and error learning or by imitating a role model with which members identify. The result of this process is some cognitive redefinition of a core part of the organization's basic assumptions. Finally, once cognitive restructuring has taken place, a process of *refreezing* ends this episode of change. This means that the changed behaviours and new assumptions become entrenched and reinforced as the new culture that enables the organization to solve its problems (Lakomski, 2005).

#### **2.7.4 Integration and Institutionalization**

For coherence to evolve, shared understanding by members of the group is required (Crossan et al., 1995). It is through the continuing conversation among members of the community and through shared practice (Seely-Brown and Duguid, 1991) that shared understanding or collective mind (Weick and Roberts, 1993) develops and mutual adjustment and negotiated action (Simon, 1991) take place.

The parts of an organization's memory that are relevant for organizational learning are those that constitutes active memory – those that define what an organization pays attention to, how it chooses to act, and what it chooses to remember from its experience – that is individual and shared mental models (Kim, 1993). Kim further states that organizational learning is dependent on individuals improving their mental models and by also making them explicit so that shared



mental models can be developed. The strength of the link between individual mental models and shared mental models is a function of the amount of influence exerted by an individual or a group of individuals. CEOs and upper management are influential because of the power inherent in their positions.

According to Dodgson (1993), in conflating the cacophony of terms used above to describe organizational learning, we can equate single-loop learning with activities which add to 'knowledge-base' and organization-specific competencies or routines without altering the nature of the activities and with 'lower level learning' (Fiol and Lyles (1985). 'Double loop' learning involves changing the knowledge base, organization specific competencies and routines and is analogous to intellectual skills. Dodgson (1993) further argues that double loop and deutero-learning involves consideration of why and how to change, and hence the analogy with the development of cognitive strategies and attitudes (Dodgson, 1993). These three concepts usefully illustrate some of the forms of collective learning and its importance for organizations. The nature of the knowledge-base or 'firm-specific competencies' are unique to particular firms and is a crucial factor affecting their competitiveness. Collective learning is dynamic, but the way that it develops is constrained by existing ways of doing things, know-how and routines (Dodgson, 1993).

The process of organizational learning is set apart from individual learning and ad hoc learning through a process which Crossan et al. (1995) call *Institutionalization*. The underlying assumption is that organizations are more than simply a collection of individuals; organizational learning is different from the simple sum of the learning of its members. Although individuals may come and go, what they have learned as individuals or in groups does not necessarily leave with them. Some learning is embedded in the systems, structures, strategy, routines, prescribed practices of the organization, and investments in information systems and infrastructure (Crossan et al., 1999).

## **2.8 The effects of leadership on organizational learning**

Organizational learning has been proposed as a fundamental strategic process and the only sustainable competitive advantage of the future (DeGeus, 1988). Unfortunately, despite the growing interest in the topic, researchers have said little specifically about the role of CEOs and top management teams in implementing organizational learning in their firms (Crossan and Vera,

2004). Yet strategic leadership theorists (Hambrick and Mason, 1984) assert that top managers are crucial to firm outcomes because of the decisions they are empowered to make and because, “ultimately, they account for what happens to the organization” (Hambrick, 1989: 5). Although there is an implicit assumption that strategic leaders are the guiding force behind organizational learning (Mattila et al, 2001), researchers have not delineated the specific behaviours and mechanisms through which leaders impact learning.

### **2.8.1 Definitions of leadership**

There is no concept more deeply entrenched in the collective mind than that of Leadership (Lakomski, 2005). According to Berson et al. (2006) definitions of leadership often address the nature of influence and the role of individuals who are defined as leaders. Berson et al. (2006) further state that researchers define leadership in terms of group processes, traits, behaviours, or as an instrument of goal achievement. Leadership scholars traditionally associate management with fulfilling organizational goals and processes, whereas leadership definitions include social influence and the leader’s role is setting a purpose or vision of change (Bass, 1985). Yet since definitions of management and leadership styles overlap and both are argued to be important predictors of organizational learning (Crossan and Vera, 2004), we may refer to management styles when they overlap with leadership, as is the case with transactional leadership (Bass, 1985). The concept of transactional leadership is explained in more detail in the coming paragraphs.

For the purposes of this study, Yukl’s (2006) definition of leadership will be adopted as follows:

Leadership is a process of influencing and teaching others to understand why and how certain activities and goals need to be accomplished. As such, it constitutes a process of facilitating individual and collective efforts to learn and accomplish shared goals in organizations.

The definition above is in line with Bass’s (1985) distinction between *transactional* and *transformational* leadership. Transactional leadership motivates individuals primarily through contingent-reward exchanges and active management-by-exception (Avolio, Bass and Jung, 1999). Transactional leaders set goals, articulate explicit agreements regarding what the leader expects from organizational members and how they will be rewarded for their efforts and commitment, and provide constructive feedback to keep everybody on task (Avolio, Bass and

Jung, 1999). Operating within an existing system, transactional leaders seek to strengthen an organization's culture, strategy, and structure (Berson et al., 2006).

Transformational leadership, in contrast, is charismatic, inspirational, intellectually stimulating, and individually considerate (Avolio, Bass and Jung, 1999). These leaders help individuals transcend their self-interest for the sake of the larger vision of the firm. They inspire others with their vision, create excitement through their enthusiasm, and puncture time-worn assumptions through their resolve to reframe the future, question the tried-and-true, and have everybody do the same (Bass and Avolio, 1993).

According to Crossan and Vera (2004), the roles and behaviours of effective top managers differ considerably from those of middle managers. In most prior research, Crossan and Vera (2004) argue, scholars have looked almost exclusively at small group leadership and made it applicable to middle and lower managerial levels (see Bass, 1990, and Yukl, 2006, for reviews), but theories that describe the dyadic relationship between supervisors and their followers ought not to be stretched upward. One branch of leadership research that has, however, proven useful to the study of CEO-level management is Bass's (1985, 1998) framework of transactional/transformational leadership (Crossan and Vera, 2004). Bass's framework was developed within larger organizational contexts (Burns, 1978), and it has been successfully applied to the study of top-level managers (e.g., Lowe, Kroeck, and Sivasubramaniam, 1996). Cannella and Monroe (1997) indicate that, together with advances in personality theory, transformational leadership and visionary leadership theories can contribute to a more realistic view of top management.

Burns (1978) represents transformational and transactional leadership styles as the opposite ends of a continuum. Bass (1985, 1998), however, views them as distinct dimensions, which allows a leader to be transactional, transformational, both, or neither.

### **2.8.2 Leadership and learning at multiple levels**

Organizational learning scholars often focus on different forms of learning without explaining who initiates such processes (e.g. Gibson and Birkinshaw, 2004; March, 1991). Other approaches (e.g., Crossan et al., 1999) differentiate learning phenomena at each level of analysis but provide only hints regarding the role of leaders in motivating organizational learning. However, according to Berson et al. (2006), what is common to all domains of organizational

learning is the emphasis on strategic renewal which requires that organizations explore new ways, and at the same time exploit, what they have learned. A tension exists between exploration and exploitation as they compete for organizational resources and require different organizational contexts for support (March, 1991).

According to March (1991), “Exploration includes things captured by terms such as search, variation, risk taking, experimentation, play, flexibility, discovery, innovation. Exploitation includes such things as refinement, choice, production, efficiency, selection, implementation, execution.” Exploration is variance-seeking and encompasses the constructs of creativity and innovation, whereas exploitation is reliability-seeking and incorporates learning of standard routines, transfer of existing knowledge, and incremental adaptation (Berson et al, 2006).

Positing transformational and transactional leadership as strategic approaches, Crossan and Vera (2004) suggested that both transformational and transactional leaders stimulate exploration and exploitation, yet transformational leaders usually inspire learning that challenges the status quo, and transactional leaders facilitate learning that reinforces existing practices. Crossan and Vera (2004) focused mainly on leadership at the upper echelons of organizations and limited their discussion to transformational and transactional styles. In this study, the author shall explore multiple approaches to learning and leadership at multiple levels of analysis.

### **2.8.3 Leadership and exploratory process**

Beginning with intuition, individuals learn by recognizing patterns with which they are either very familiar, or among which they see novel connections (Behling and Eckel, 1991; Crossan et al. 1999). The first form of intuiting is typical of experts who rely on tacit knowledge (Polanyi, 1966; Nonaka, 1991), involving little awareness of the process that leads to their actions. Since tacit knowledge is deeply rooted in action, it is difficult to formalize and share it with others (Nonaka, 1991; Nonaka, 1994; Nonaka and Takeuchi, 1995). According to Berson et al. (2006) leaders can help convert tacit to explicit knowledge by turning individual experiences into shared experiences or facilitating “communities of practice” at work.

Berson et al. (2006) further state that more common to organizations is a form of intuiting whereby individuals seek knowledge by making novel connections between stimuli or by generating new insights. In such situations, they argue, intuiting is focused on exploring new ideas that may lead to innovation and change. The extant work on leading creative people

suggests that individuals rarely come up with intuitive ideas and insights without external support (Berson et al., 2006). Furthermore they argue that intuiting involves individual insight that may not occur in organizations without supportive leadership as it is primarily a subconscious process for which leaders may not have direct access. It is the type of leader involvement, and not its extent, that may impact the intuiting of followers. Leaders may be able to help followers view their work differently by challenging existing ways of doing things or by redirecting the efforts of individuals (Berson et al., 2006).

Bass (1985) argued that transformational leaders use intellectual stimulation to have followers view problems from different angles. Other leaders were shown to use a transactional approach and set rewards and development strategies that prevent followers from being distracted by the mundane (Ford, 1996; Berson et al., 2006). However, Crossan and Vera, 2004, argue that both transformational and transactional approaches to leadership may serve to stimulate exploration, although transformational leadership is likely to be more effective for exploration that challenges the status quo.

Analyzing leadership and learning at group level Berson et al. (2006) state that leaders are expected to be important drivers of the group process of interpreting that is associated with reducing the equivocal meaning of stimuli. Stated differently, following the intuiting stage, individuals may have a vague image of their ideas, which different individuals may interpret differently, based on their cognitive maps. This equivocality is reduced through a group process that enables individuals to develop a shared understanding of the original idea (Berson et al., 2006). They further argue that a leader's vision may be a source for building a shared language or mental model ultimately making the individual idea a group process. Visions not only inspire individuals to commit to a new idea but also serve as a course of action.

Conceptual work on impressions management suggests that leaders may use impression tactics to help followers from context-specific metaphors, which followers use to name concepts at early stages of learning (Gardner and Avolio, 1998; Berson et al., 2006). Mio et al. (2005) suggest that leaders rely on metaphors as a means of encapsulating issues and making them more vivid and emotionally appealing to followers. By using metaphors, leaders may help followers frame the contribution of their learning and align it with the goals of the organization (Berson et al., 2006).

Leaders may also affect the intuition of followers by building the type of organizational contexts (i.e., cultures or climates) that encourage intuition (Berson et al., 2006). Some of the literature on leadership in groups suggests that exploration is a result of input from both leaders and followers, thus hinting towards the relevance of shared leadership (Berson et al., 2006). Berson et al. (2006) also argues that strategic leadership behaviours by senior executives, comprised of transformational leadership, vision development, and transactional leadership, are positively related to firm innovation, but moderated by top management team tenure heterogeneity.

Another literature that associates leadership to learning at the organizational level focuses on leadership practices that facilitate a learning organization (Senge, 1990). Among these are works by Bass (2000) and most notably by Fry and colleagues (Fry, 2003; Fry, Vitucci and Cedillo, 2005; Berson et al., 2006). The learning organization, sometimes used synonymously with organizational learning, is highly recognized in the practice literature as an organization form that has been designed to support learning (Easterby-Smith and Lyles, 2003; Tsang, 1997).

Exploration is further supported by interactions with others in shared contexts (Nonaka, Toyama and Konno, 2000). Leaders may play a role in forming the context that maximizes the creativity of individuals by affecting team and organizational conditions that foster innovation (Jung, Chow and Wu, 2003; Berson et al., 2006).

The effect of leadership on exploration may also be mediated by the leader's development of HRM policies which influence the type of individuals selected to the organization (Berson et al., 2006; Mumford, 2000). According to Crossan et al., (1999) the stage of integrating involves sharing the learning and achieving convergence through conversation among members that lead to shared understandings. The literature describes multiple processes associated with integrating, including the evolution of language (Daft and Weick, 1984), communities of practice (Seely-Brown and Duguid, 1991), and storytelling. However, past research is not always clear as to who is responsible for facilitating these integration processes, which seem to evolve within and among groups. Berson et al., (2006) argue that such processes may often be initiated and managed by leaders.

Conversations among members of the organization that begin with the language formed to communicate new ideas in the interpreting stage are integrated with existing dialogue in the integrating stage (Crossan et al., 1999). Such integration is achieved by sharing ideas both between leaders and members and between leaders and their groups of followers.

According to Berson et al., (2006), Bass' (1985) concept of intellectual stimulation could be another relevant approach to understanding how individuals share learning and integrate it as a group. Intellectual stimulation, they argue, is especially important when leaders support a feed-forward learning loop by transforming learning from the interpreting to the integrating stage. They further state that transformational leaders who rely on intellectual stimulation do not accept the status quo, thereby creating the conditions that stimulate constant learning. Furthermore, when such leadership is present, followers are more likely to share new learning with other group members, making the learning a shared understanding among them. Similarly, charismatic leaders may use vision that enables followers to understand individual learning in the context of the goals of the group, hence boosting shared meaning among group members (Berson et al., 2006).

At a broader level, integration may result from the consistent conversations that often occur in the form of storytelling within entities (Seely-Brown and Duguid, 1991). Community members share stories as a form of learning. These stories convey the complexity of the learning and represent a contextualized integration of the learning (Crossan et al., 1999). Stories serve as an organization's repository of wisdom (Weick and Roberts, 1993) that can be easily communicated among members of the community. Leaders often rely on such stories to situate organizational learning (Berson et al., 2006).

Leaders may also kick-start conversations that ultimately lead to more stable dyadic and group processes. These conversations are often guided by values consistent with the culture of the group and organization (Berson et al., 2006). Leaders build on these shared understandings as a platform upon which new learning is integrated (Schein, 1993). In other words, leaders can potentially integrate new learning with existing knowledge based on its consistency with the values of the organization. This is one method by which leaders address the tension between exploring new learning and exploiting existing knowledge (Berson et al., 2006).

#### **2.8.4 Leadership and exploitative processes**

In this section, the discussion centres around the relationship between leadership and exploitative learning, sometimes termed single-loop or incremental learning (Argyris and Schon, 1978; Edmondson, 2002; March, 1991). These processes begin with institutionalized knowledge and then move through the organization via interpretation (Berson et al., 2006).

Institutionalizing sets learning apart from individuals, and hence, manifests itself in routines, structures, and practices of the organization (Crossan et al., 1999; Nahapiet and Ghoshal, 1998; Nelson and Winter, 1982). Depending on the nature of communications within organizations, leaders at lower levels may have some influence over institutionalized learning (Berson et al., 2006). However, many practices at this stage are initiated with executive action, and learning becomes manifested in artifacts and values, or the culture of the organization (Schein, 1993).

According to Berson et al. (2006) the key process that supports exploitation of institutionalized knowledge is knowledge transfer. The team learning literature focuses on several aspects of this process: knowing where the knowledge is, disseminating the knowledge, and building a shared understanding of it. At the team level, knowing who holds the knowledge is a function of transactive memory systems (Berson et al., 2006).

Exploitation depends more upon explicit knowledge, while exploration depends more upon tacit knowledge. One of the key challenges in exploration is identifying sources for information, while the challenge in exploitation is to make known sources of knowledge accessible (Nonaka, 1994). Therefore, to become an effective firm resource for exploitation, the knowledge to be exploited must be usefully organized, accessible, and communicable (Duncan and Weiss, 1979). Knowledge stored in practiced routines computer systems, structures, shared cultural beliefs, or the minds of experts may be sources of exploitation (Huber, 1991).

Effective knowledge exploitation requires a common interpretation of the new cognitive model and a shared vision of how to employ it (Duncan and Weiss, 1979). Knowledge transfer requires both diversity in knowledge content (something new to learn) and similarity in knowledge structure (a common basis from which to communicate) (Berson et al., 2006).

In concluding their study on leadership and organizational learning, Berson et al. (2006) state that leaders play a central role in the organizational learning process in multiple ways:

- First, by providing the contextual support in the organization, leaders obtain the needed resources for learning to occur through exploration and exploitation.
- Second, leaders are critical to the integration of learning across group and organizational levels. Leaders enable and enhance this integration by providing a foundation of shared understandings of needs and purpose at different levels of the organization. Throughout



the learning process, leaders provide the guidance necessary to cross organizational boundaries and integrate what is learned.

- And third, leaders are important in institutionalizing learning by integrating new and existing knowledge in the organization's policies and practices.

While the review above has presented leadership as a positive influence on organizational learning, the author realizes that this is not always the case. Authoritarian forms of leadership and even management-by-exception leadership (Bass, 1985) may actually inhibit learning. When leaders rely on warnings and fear, followers may avoid bringing new ideas and accept institutional procedures (Berson et al., 2006). Given the common emphasis in the organizational learning literature on learning as a positive and strategic process (e.g., Easterby-Smith and Lyles, 2003), negative influences of leadership in this review were not included.

# CHAPTER 3

## LEARNING ORGANIZATIONS

### **3.1. Introduction**

In today's contemporary society the one constant factor is the exponential increase in the rate of change. To respond successfully to rapidly changing environments and markets, organisations need to learn at least as quickly as the prevailing rate of change. During the past several years, many scholars have suggested that learning may be the only source of competitive advantage for organisations and that the hallmark of effective organisations will become their capacity to learn (De Geus, 1988, 1997; Tsang, 1997). In particular, the notion of the learning organisation has generated tremendous debate. However, Garvin (1993), states that despite the encouraging signs, the topic of learning organization in large part remains murky, confused and difficult to penetrate. Garvin further argues that scholars are partly to blame for the confusion, as their discussions around learning organizations tend to be reverential and utopian. Garvin (1993) further states that:

The recommendations are far too abstract, and too many questions remain unanswered. How, for an example, will managers know when their companies have become learning organizations? What concrete changes in behaviour are required? What policies and programs must be in place/ how do you get from here to there? Most discussions of learning organizations finesse these issues. Their focus is high philosophy and grand themes, sweeping metaphors rather than the gritty details of practice. Three critical issues are left unresolved; yet each is essential for effective implementation. First is the question of meaning...Second is the question of management... and third is the question of measurement.

Once these "three Ms" are addressed, managers will have a firmer foundation for launching learning organizations. Without this groundwork, progress is unlikely, and for the simplest of reason (Garvin, 1993).

### **3.2. What is a Learning Organization?**

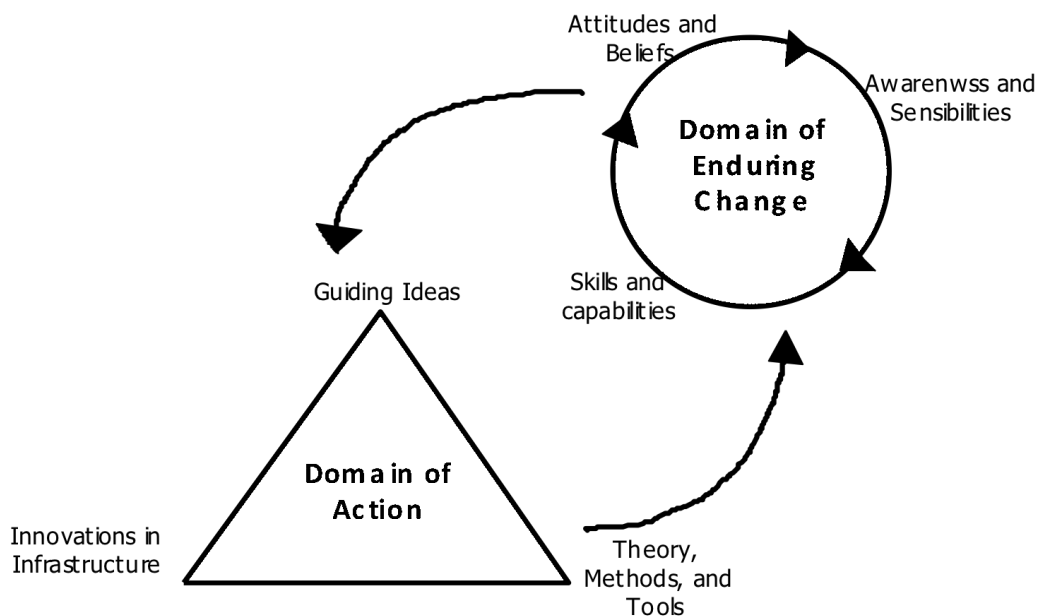
According to Dodgson (1993), firms that purposefully construct structures and strategies so as to enhance and maximise organizational learning have been designated 'Learning Organizations'. As defined by Senge (1990a), a learning organization is one "where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, and where collective aspiration is set free". It is in essence a type of organization that promotes continual organizational renewal by weaving in/embedding a set of core processes that nurture a positive propensity to learn, adapt and change.

In *The Fifth Discipline*, Peter Senge (1990a) popularized five core disciplines or pillars of learning organizations. These include personal mastery, mental models, team learning, shared vision and systemic thinking. A discipline according to Senge (1990a) is "a body of theory and technique that must be studied and mastered to be put into practice." A discipline in other words can be conceived as a higher order capability resulting from the gradual integration of an assortment of competencies and skills (Jamali *et al.*, 2006). Senge (1990a) explains the five disciplines as follows:

- **Personal Mastery** - Learning to expand our personal capacity to create the results we most desire, and creating an organizational environment which encourages all its members to develop themselves toward the goals and purposes they choose.
- **Mental Models** - Reflecting upon, continually clarifying, and improving our internal pictures of the world, and seeing how they shape our actions and decisions.
- **Shared Vision** - Building a sense of commitment in a group, by developing shared images of the future we seek to create, and the principles and guiding practices by which we hope to get there.
- **Team Learning** - Transforming conversational and collective thinking skills, so that groups of people can reliably develop intelligence and ability greater than the sum of individual members' talents.
- **Systems Thinking** - A way of thinking about, and a language for describing and understanding, the forces and the interrelationships that shape the behaviour of systems. This discipline helps us to see how to change systems more effectively, and to act more in tune with the larger processes of the natural and economic world.

These disciplines are never fully mastered, but gradually nurtured by the best organizations; Organizations can thus develop gradual proficiency through practice and by acquiring new competencies over time (Senge, 1990a). This is consistent with the frequent characterization of a learning organization as a journey, rather than a destination, a dynamic quest, rather than a concrete outcome, a tentative roadmap, still indistinct and abstract (Jamali *et al.*, 2006).

Senge’s philosophy has been graphically illustrated using the domain of enduring change as a circle and the domain of action as a triangle (Figure 11 below). It is the interaction between the two that creates the dynamic of the learning organization.



**Figure 11: Senge's Philosophy on LO**

The core concepts contained in this model are: “At its essence, every organization is a product of how its members think and interact...Learning in organizations means the continuous testing of experience, and the transformation of that experience into knowledge—accessible to the whole organization, and relevant to its core purpose” (Senge et al, 1994. p 48-49). The creation of this type of learning organization comes from establishing a group that learns new ways to work together: discussing priorities, working through divergent thinking, clarification, then convergent thinking to come to conclusions and implementation of the solution. The learning organization discovers how to best work with individual styles, allowing for reflection and other individual needs.

Pedler, Burgoyne, and Boydell (1991) define the learning organization as “an organization that facilitates the learning of all of its members and continuously transforms itself in order to meet its strategic goals” (p.1). They identified eleven areas through which this occurs: a learning approach to strategy, participative policymaking, informing, formative accounting and control, internal exchange, reward flexibility, enabling structures, boundary workers as environmental scanners, intercompany learning, learning climate, and self-development for everyone. This learning perspective provides comprehensive aspects of learning all organizational levels (Watkins and Marsick, 2004). Watkins and Marsick (2004) argue that although this approach has the merit of comprehensiveness, it fails to provide a parsimonious framework of the construct of Learning Organization. They further argue that the eleven identified areas are conceptually overlapping, and thus the non-distinctive components of the concept make it less useful in guiding instrument development.

Nonaka (1991) states that “when markets shift, technologies proliferate, competitors multiply, and products become obsolete almost overnight, successful companies are those that consistently create new knowledge, disseminate it widely throughout the organization, and quickly embody it in new technologies and products”. These activities define the “Knowledge-Creating” company whose sole business is continuous innovation. Nonaka (1991) characterized knowledge-creating companies as places where “inventing new knowledge is not a specialized activity... it is a way of behaving, indeed a way of being, in which everyone is a knowledge worker”.

The paragraph above suggests a new way of looking at organizational processes and managerial processes within an organization. Furthermore, it breaks the old traditional way of viewing the organization, where knowledge is passed from one department to the next. It also suggests a new “culture” that can facilitate the creation of knowledge from all facets of the organization. It is an approach that puts knowledge creation exactly where it belongs: at the very centre of a company’s human resource strategy (Nonaka, 1991).

Garvin (1993) defines a Learning organization as an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights. Garvin (1993) further states that Learning Organizations are skilled at five main areas:

- Systematic problem solving
- Experimentation with new approaches
- Learning from experience and history
- Learning from experience and best practices of others
- Transferring knowledge quickly and efficiently throughout the organization

Having synthesized the description of management practices and policies related to the construct of a learning organization, Goh (1998) contends that learning organizations have five core strategic building blocks:

- Clarity and support for mission and vision
- Shared leadership and involvement
- A culture that encourages experimentation
- The ability to transfer knowledge across organizational boundaries
- Teamwork and cooperation

Further, the strategic building blocks require an effective organization design to support the building blocks and appropriate employee skills and competencies needed for the tasks and roles described in the strategic building blocks (Goh, 1998).

According to Watkins and Marsick (2004) these strategic building blocks can serve as practical guidelines for operational and managerial practice, however, they emphasize the macro level and neglect individual or continuous learning.

Within these definitions, there exists considerable variation in what constitutes a learning organization, ranging along a continuum from the philosophical to the pragmatic. It is this variation in definition that gives rise to the difficulty in identification of a learning organization in practice. Most scholars view organizational learning as a process that unfolds over time and link it with knowledge acquisition and improved performance. But they differ on other important matters (Garvin, 1993). Some scholars, for example, believe that behavioural change is required for learning; others insist that new ways of thinking are enough. Some cite information processing as the mechanism through which learning takes place; others propose shared insights, organizational routines, even memory. And some think that organizational learning is common, while others believe that flawed, self serving interpretations are the norm (Garvin, 1993).

Although there are different approaches to and definitions of a learning organization, some common characteristics can be identified. First, all approaches to the construct of a learning organization assume that organizations are organic entities like individuals and have the capacity to learn. More and more organizational researchers realize that an organization's learning

capability will be the only sustainable competitive advantage in the future. Second, there is a difference between two related yet distinct constructs—the learning organization and organizational learning. The construct of the learning organization normally refers to organizations that have displayed these continuous learning and adaptive characteristics, or have worked to instil them, Organizational learning, in contrast, denotes collective learning experiences used to acquire knowledge and develop skills. Third, the characteristics of a learning organization should be reflected at different organizational levels—generally, individual, team or group, and structural or system levels (Watkins and Marsick, 2004).

The learning organization paradigm has indeed offered hope and critical insights for firms seeking to remain competitive in a hyper-dynamic environment. The essence of this paradigm is that organizations must nurture a positive propensity to learn, adapt and change by weaving in/embedding a set of core processes or disciplines that expand the ability of the firm to shape its future (Jamali *et al.*, 2006).

### **3.3. An integrative Perspective**

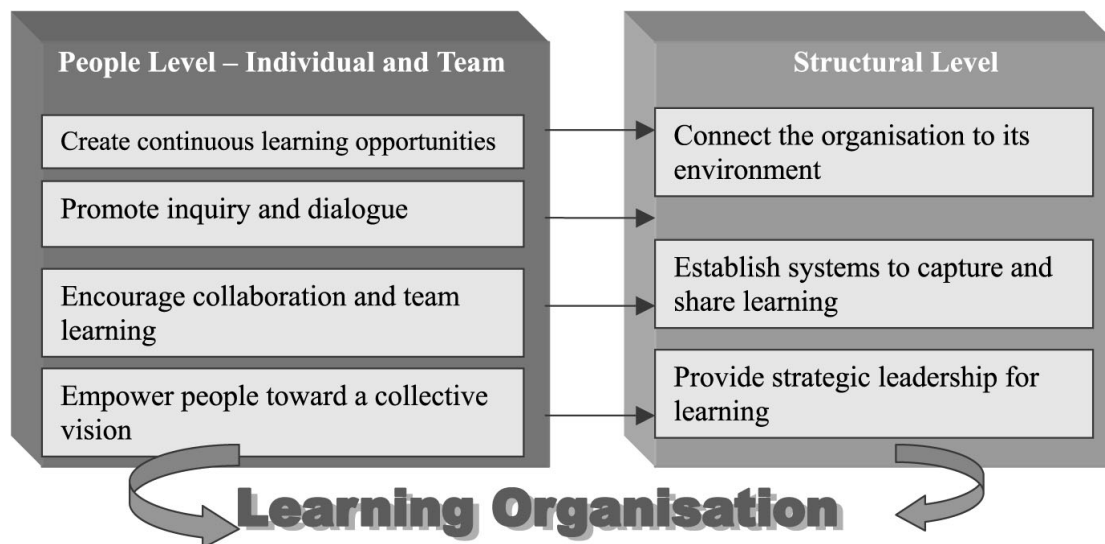
The foundation of this study is based on Watkins and Marsick's (1993, 1996, 1997) model of the learning organization. Watkins and Marsick (1993, 1996) provide an integrative model of a learning organization. They originally defined the concept of the learning organization as "one that learns continuously and transforms itself Learning is a continuous, strategically used process—integrated with and running parallel to work" (1996, p. 4). In their more recent book, Marsick and Watkins (1999) state:

We originally defined the learning organization as one that is characterized by continuous learning for continuous Improvement, and by the capacity to transform itself (Watkins and Marsick, 1993. 1996). This definition captures a principle, but in and of itself, is not operational. What does it look like when learning becomes an intentional part of the business strategy? People are aligned around a common vision. They sense and interpret their changing environment. They generate new knowledge which they use, in turn, to create innovative products and services to meet customer needs. We have identified seven action imperatives that characterize companies travelling toward this goal...Our model emphasizes three key components: (1) systems-level, continuous learning (2) that is created in order to create and manage knowledge outcomes (3) which lead to improvement in the organization's performance, and ultimately its value, as measured

through both financial assets and non-financial intellectual capital. Learning helps people to create and manage knowledge that builds a system's intellectual capital.

Their proposed learning organization model integrates two main organizational constituents: people and structure. These two constituents are also viewed as interactive components of organizational change and development. Watkins and Marsick (1993, 1996) identified seven distinct but interrelated dimensions of a learning organization at individual, team, and organizational levels.

The figure below illustrates the proposed learning organization model as designed by Watkins and Marsick (1993, 1996, 1997):



**Figure 12: Dimensions of a learning organization**

These dimensions and their definitions are described as follows. The first dimension, *continuous learning*, represents an organization's effort to create continuous learning opportunities for all of its members. The second dimension, *inquiry and dialogue*, refers to an organization's effort in creating a culture of questioning, feedback, and experimentation. The third dimension, *team learning*, reflects the "spirit of collaboration and the collaborative skills that undergird the effective use of teams" (Watkins and Marsick, 1996, p. 6).

The fourth dimension, *empowerment*, signifies an organization's process to create and share a collective vision and get feedback from its members about the gap between the current status and the new vision. The fifth dimension, *embedded system*, indicates efforts to establish systems to capture and share learning. The sixth dimension, *system connection*, reflects global thinking and actions to connect the organization to its Internal and external environment. The seventh



dimension, *strategic leadership*, shows the extent to which leaders "think strategically about how to use learning to create change and to move the organization in new directions or new markets" (p, 7). The learning organization is viewed as one that has the capacity to integrate people and structures in order to move toward continuous learning and change. This review of the conceptualizations of the learning organization reveals that there are as many definitions as there are different perspectives on this organizational construct. Garvin (1993) contends that although organizational theorists have studied this concept for many years, a clear definition remains elusive.

The theoretical framework, mentioned above, has several distinctive characteristics. First, it has a clear and inclusive definition of the construct of the learning organization. It defines the construct from an organizational culture perspective and thus provides adequate measurement domains for scale construction. Second, it includes dimensions of a learning organization at all levels. Redding (1997) reviewed several assessment tools of learning organizations and suggested that the framework created by Watkins and Marsick (1996) was among the few that covered all learning levels (that is, individual, team, and organizational) and system areas. Third, this model not only identifies main dimensions of the learning organization in the literature but also integrates them in a theoretical framework by specifying their relationships. Such a theoretical framework not only provides useful guidelines for instalment development and validation but also suggests further organizational studies. Last, it defines the proposed seven dimensions of a learning organization from the perspective of action imperatives and thus has practical implications. This action perspective of the learning organization both provides a consistent cultural perspective on the construct and suggests several observable actions that can be taken to build a learning organization (Watkins and Marsick, 2004).

In a recent comprehensive review of literature on learning organizations, Ortenblad (2002) developed a typology of the idea of a learning organization. He suggested that there are four understandings of the learning organization concept. The first is the *old organizational learning perspective*, which focuses on the storage of knowledge in the organizational mind. Learning is viewed as applications of knowledge at different levels. The second type is the *learning at work perspective*, which sees a learning organization as an organization where individuals learn at the workplace. The third is the *learning climate perspective*, which sees the learning organization as one that facilitates the learning of its employees. The fourth is the *learning structure perspective*, which regards the learning organization as a flexible entity. Among the twelve perspectives of the learning organization evaluated by Ortenblad (2002) Watkins and Marsick's (1993) approach

is the only theoretical framework that covers all four understandings of the idea of a learning organization in the literature.

Research conducted by Argyris and Schon (1978), Dixon (1992), Hedberg (1981), Kim (1993), Klimecki et al., (1991), Marquardt (1996) and Simons (1995) has indicated that in order to identify the factors contributing to the learning organization one must analyze an organization based on three levels: the individual level, the team level and the organizational level. Therefore, since the framework proposed by Watkins and Marsick examines the learning organization based on these three levels this leads to a justification for the use of their framework for this study. Finally, previous research using this framework has been conducted by Watkins and Marsick (1997), Yang et al. (1997) and Yang et al. (2004) with the family business as the unit of analysis.

### **3.4. Building a learning Organization**

Organizational research over the past two decades has revealed three broad factors that are essential for organizational learning and adaptability: a supportive learning environment, concrete learning processes and practices, and leadership behaviour that provides reinforcement (Garvin, 2008). According to Redding (1997) the learning organization is understood to be an ideal form of organization that allows organizations to both anticipate and respond to demands for fast and fundamental change. There are three key concepts underlying the concept of Learning Organization:

- Organizations and groups - not just individuals – learn
- The degree to which organizations learn is a key determinant of their abilities to transform themselves when faced with demands for fast and fundamental change.
- A firm is a "learning organization" to the degree that it has purposefully built its capacity to learn as a whole system and has woven that capability into all of its organizational components -- vision and strategy, leadership and management, culture, structure, and systems and processes.

According to Redding (1997) when comparing two competitors, learning organization advocates suggest that the firm possessing higher levels of learning organization characteristics is more likely to be adaptable and flexible, to avoid complacency, to experiment and create new knowledge, to rethink means and ends, and to tap the human potential for learning as a strategic

competitive advantage. The "learning organization" is an ideal. No pure learning organization exists. The learning organization is a journey.

Redding further suggests that it is probably less useful to ask whether your organization "*is*" or "*is not*" a learning organization than to ask:

- "What specific learning organization characteristics does my company need to develop to be successful in its unique strategic context?"
- "To what degree does my organization possess the characteristics of a learning organization?"

According to Birdthistle and Fleming (2005) the search for best ways to build learning organizations has been connected with different purposes. One is to create an inspiring philosophy of lifelong learning and living, embedded in the workplace, which will "empower" employees to release their potential and find fulfilment (Birdthistle and Fleming, 2005). Another is to replace traditional train-and-transfer practices with a holistic approach to worker development (Cervero, 1992). A third purpose is to resuscitate workplace organizations through change, dismantling static hierarchies to become more flexible and responsive. Allen (1996) identified the reasons why learning organizations work as he stated that a learning organization encourages its members to improve their personal skills and qualities, so that they can learn and develop. They benefit from their own and other people's experience, whether it be positive or negative. This is what Garvin (2008) referred to as *psychological safety*. According to Garvin (2008) "to learn, employees cannot fear being belittled or marginalized when they disagree with peers or authority figures, ask naive questions, own up to mistakes, or present a minority viewpoint. Instead, they must be comfortable expressing their thoughts about the work at hand".

Birdthistle and Fleming (2005) argue that the learning organization provides greater motivation because employees are appreciated for their own skills, values and work. All opinions are treated equally and with respect. They further argue that by being aware of their role and importance in the whole organization, workers are more motivated to "add their bit". Furthermore, this encourages creativity and freethinking, hence leading to novel solutions to problems. Garvin (2008) argues that recognizing the value for competing functional outlooks and alternative worldviews increases energy and motivation, sparks fresh thinking, and prevents lethargy and drift. Garvin (2008) further argues that employees should be encouraged to take risks and test the unknown. All in all there is an increase in job satisfaction (Birdthistle and Fleming, 2005). The learning organization leads to a workforce that is more flexible. People learn skills and acquire

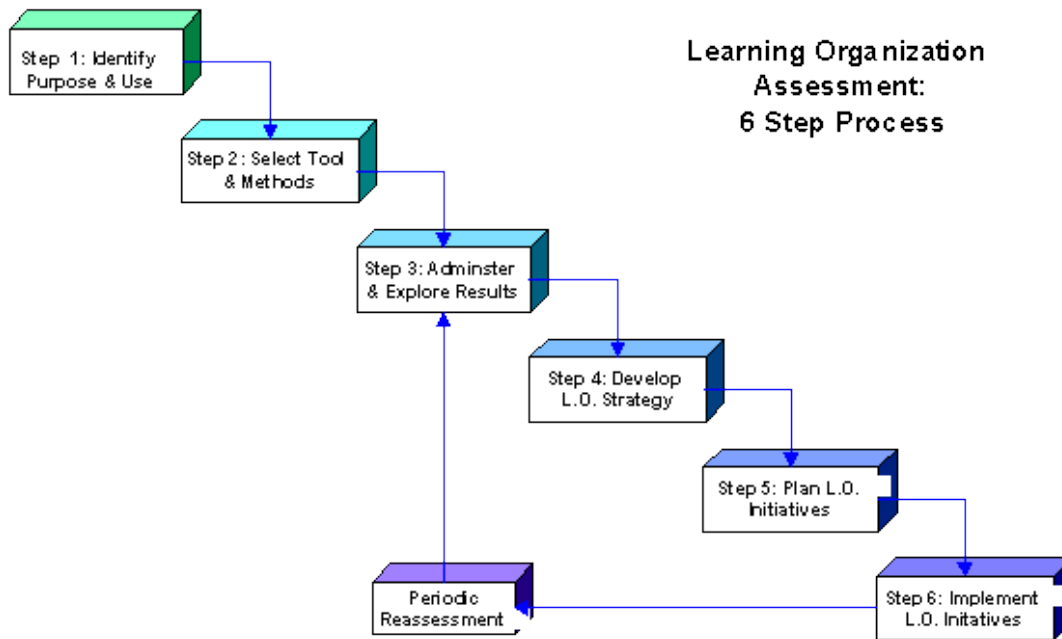
knowledge beyond their specific job requirements. This enables them to appreciate or perform other roles and tasks (Birdthistle and Fleming, 2005).

According to Garvin (2008) a learning organization is not cultivated effortlessly. It arises from a series of concrete steps and widely distributed activities, not unlike the workings of business processes. Flexibility allows workers to move freely within the organization, whilst at the same time it removes the barriers associated with a rigidly structured company (Birdthistle and Fleming, 2005). It also ensures that any individual will be able to cope rapidly with a changing environment, such as those that exist in modern times. Learning organizations provide the perfect environment for high performing teams to learn, grow and develop (Birdthistle and Fleming, 2005; Garvin, 2008). On the other hand, these teams will perform efficiently for the organization to produce positive results. Allen (1996) identified that a team is composed of highly specialized members who cannot and are not expected to know everything about a job. In this case the sharing of common knowledge is quite important for the completion of a job. Within learning organizations in general, and teams in particular, information and knowledge flows around more freely (Birdthistle and Fleming, 2005). Garvin (2008) argues that for maximum impact, knowledge must be shared in a systematic and clearly defined ways. According to Birdthistle and Fleming, (2005) this makes for higher productivity within teams and between teams as they build on each other's strengths. Trust between team members increases and hence they value each other's opinions more.

An active learning organization will have at its heart the concept of continuous learning (Watkins and Marsick, 1993, 1996, 1997). Therefore, it will always be improving in its techniques, methods and technology (Garvin, 2003; Birdthistle and Fleming, 2005). The old hierarchical communication barrier between manager-workers has devolved into more of a coach-team scenario (Birdthistle and Fleming, 2005). Leaders support the team, not dictate to it. The team appreciates this, which in turn, helps them to be highly motivated. According to Garvin (2008) leaders need to actively question and listen to employees and thereby prompt dialogue and debate. When this happens, Garvin (2008) argues people in the organization feel encouraged to learn. All workers have an increased awareness of the company's status and all that goes on in other departments (Birdthistle and Fleming, 2005). Communication between and across all layers of the company gives a sense of coherence, making each individual a vital part of the whole system, thus employees perform better as they feel more a part of the company (Allen, 1996; Evans, 1998; Watkins and Marsick, 1996).

A company's first priority is its customer's needs (Lyman, 1991). A learning organization cuts the excess bureaucracy normally involved with customer relations, allowing greater contact between the two. If the customers' requirements change, learning organizations can adapt faster and cope more efficiently with this change. Over time a company builds up a pool of learning, in the form of libraries and human experience. This pool of knowledge within learning organizations is larger than average. New problems and challenges can be met faster using this increased resource (Lyman, 1991; Watkins and Marsick, 1996). As more people in every level of a company engage in continual learning, a valid contribution can come from any member of the company and from any part of the company (Birdthistle and Fleming, 2005). Being innovative and creative is the responsibility of the whole workforce and allows learning organizations to adapt to changes in the state of the market, technology and competition efficiently. Moreover, this creativity gives rise to an increased synergy. The interaction between high performing teams produces a result which is higher than was planned or expected of them (Senge, 1990a; Watkins and Marsick, 1996).

Since there is no single blueprint of the Learning organization it is also not useful to simply copy the techniques and methods employed by those leading firms often heralded as learning organizations (Redding, 1997). In fact, the learning organization notion recognizes that firms must discover their own solutions rather than borrow them. According to Redding (1997) this is where learning organization assessments instruments come in. They attempt to identify in concrete, user-friendly terminology specific characteristics associated with learning organizations. They allow organizations to take a look at themselves and determine to what degree they possess learning organization characteristics. Redding (1997) further argues that they provide the basis for transforming the abstract, fuzzy notion of the learning organization into concrete, specific initiatives and measuring the results of these initiatives over time. Redding (1997) suggests the following step-by-step guide for conducting learning organization assessments:



**Figure 13: Learning Organization Assessment steps**

This process constitutes one possible approach to conducting a learning organization assessment. The above methodology is based upon the Institute for Strategic Learning’s experience and is a result of conducting dozens of assessments using multiple instruments with a wide variety of organizations. Redding suggests that it will not apply to all situations or all assessment instruments. Once a specific assessment tool is selected, specific guides to administration and facilitation are often available from instrument providers.

### **3.4.1. Step 1: Identify Purpose and Use**

As the first step, there needs to be clarification on why the assessment is conducted. In most situations, the primary purpose of conducting learning organization assessments is to determine the company’s current status as a learning organization, diagnose areas for intervention, plan the interventions, take action, and evaluate results. Redding suggests that this should typically be done as part of a survey-guided action research process. Survey-guided action research is a cyclical process in which a problem or issue is identified, a survey is conducted to gather information about the area, results are presented back to members of the organization, a diagnosis is made of underlying factors and causes, and improvement plans are developed and implemented. After time is provided for implementation to produce desired results, the survey is re-administered to determine the degree of progress that has been made. If needed, the action research cycle begins again (Redding, 1997).

### 3.4.2. Step 2: Select Tool and Methods

In the second step it is suggested that the assessor should determine what instrument to use and how it will be used. Many sound and proven assessment instruments are available. The *ASTD Guide to Learning Organization Assessment Instruments* lists various instruments which mostly involve self-administered, self-scored, statistically validated, Likert-type survey questionnaires.

The *ASTD Guide to learning Organization Assessment Instruments* categorizes the items contained in the instrument into two groups: **Levels of Learning** and **Organization Systems**:

**Levels of Learning** -- The first group of items assesses the learning processes that exist at three different organizational levels:

- Individual Learning Level
- Team Learning Level
- Organization Learning Level

**Organization Systems** -- The second set of items assesses various systems based upon the degree to which they are structured to support learning. They fall into the following categories:

- Vision and Strategy
- Leadership and Management
- Culture
- Structure
- Leadership and Management
- Culture
- Structure
- Communication and Information Systems
- Performance Management
- Technology
- Change Management

As shown in the *ASTD Guide*, instruments vary in the degree to which they focus upon the three levels of learning and the eight organization systems.

According to Redding (1997) most of the instruments were developed from specific learning organization models previously created by the instrument's authors. Although the instruments originated from different conceptual models, Redding argues, there is a considerable similarity among them, including the recognition that organizations learn as whole systems, the importance of continuous learning at individual, team, and organization levels, and the need for supportive cultures and leadership. The primary differences relate to varying perspectives regarding issues such as whether responsibility and direction-setting should be placed more at the individual level or the organization level, whether team learning should be differentiated from team work, whether learning should be valued as an end in itself or as a means to achieve business ends (Redding, 1997).

In choosing an instrument Redding suggests that there should be two considerations:

- **Scope** – A first consideration is to determine how comprehensive the assessment should be. An underlying concept of the learning organization is systems thinking. The whole organization needs to be seen as a system with its components having complex, interrelated effects upon each other. Therefore, unless there is a compelling reason to limit the survey to a level of learning (individual, team, or organization) or organization system (vision and strategy, leadership, etc.), it is probably best to select an instrument that is fairly comprehensive versus one that is more narrowly focused.
- A second consideration is **values**. Values alignment between the instrument and the organization is essential for the success of a learning organization assessment. In an organization with strong, business-results oriented values, it is likely that instruments reflecting this orientation will be more successful. Similarly, in an organization with strong people-oriented values, instruments sharing this orientation will probably be a better fit.

### **3.4.3. Step 3: Administer and Explore Results**

The learning organization concept advocates high levels of involvement and shared decision-making among all members of the organization. As a result, the first preference should be to administer the instrument to everyone, if at all possible. However, in some cases, doing so is not feasible, such as with very large firms or when there is a concern that people have been "surveyed to death." In these cases Redding (1997) recommends a large representative sample of the population. When deciding sample size, there are several important considerations:



- Are the results going to be presented by subgroups (by business unit, department, function, level of position, etc.)? If so, what are the subgroups?
- How much variation is assumed to exist within the population? That is, based upon other such surveys, is it anticipated that people possess widely varying perceptions of what is occurring in the organization, or do people tend to look at things fairly similarly?

Most instrument providers will offer guidance in identifying the needed sample size and in determining an appropriate sampling method, such as pure random sampling or quota sampling. In addition to surveying organizational members, it is often of great value to administer the instrument to representatives of other key stakeholder groups, such as customers and suppliers.

#### **3.4.4. Step 4: Develop a Learning Organization Strategy**

A critical component of this approach to learning organization assessment is the development of a comprehensive, multi-year, enterprise-wide learning organization strategy. This strategy provides a systematic game plan for building learning organization capabilities. Elements of a learning organization strategy include:

***Part 1: Degree to which the firm possesses learning organization characteristics.*** This includes identifying the degree to which learning organization practices exist at the three organization levels -- individual, team, and whole organization. It also includes identifying the degree to which learning organization characteristics are evidenced in organizational systems: vision and strategy, leadership and management, culture, structure, communication and information systems, performance management, technology, and change management. An analysis of subgroup results may show differences in perceptions among members of various segments of the organization (different business units, functional areas, etc.)

***Part 2: Major "gaps" between "what is" and "what should be."*** It is often recommended that each respondent answer each item on the survey in two ways: "what currently exists" and "what should exist." As part of a strategy, it is important to complete a gap analysis, identifying:

- Those areas in which no or little gap exists.
- Those areas with the greatest gaps between current and desired practices.

***Part 3: Strategies for expanding and institutionalizing learning organization "strengths."*** At this point, it is possible to identify those key areas in which the organization is most developed as a learning organization. For example, based upon results, the organization may determine that its approaches to "vision and strategy" possess many key learning organization characteristics, such as involving stakeholders in the creation of a shared vision of the future, building multiple different scenarios for the future, and approaching business planning as a process of experimentation and discovery. In such a case, the learning organization strategy might include plans for further expanding and institutionalizing this capability in the organization. Given this, plans might include involving customers and stakeholders in the strategic planning process of the organization.

***Part 4: Strategies for closing the most significant gaps.*** Finally, for those areas exhibiting the greatest gaps between "what is" and "what should be," strategies need to be developed to close these gaps over time. For example, the organization may determine that "Individual Learning" is a major area needing attention. Currently, members possess little responsibility for their own learning. Learning is perceived to occur only on a "classroom-basis" and is not integrated with real work on a real-time basis, and minimal support and resources are provided for the continuous learning of its learning. In addition, in the "performance management" category, results indicate that continuous learning is generally not considered a relevant factor in the firm's performance management, recognition, and reward systems. In such cases, strategies would be developed that focus upon these aspects of "individual learning" and "performance management."

Who should develop the learning organization strategy? As noted in Step 1, a key early decision needs to be made regarding who "owns" the assessment process. Based upon our experience, the assessment process is best when it is linked to the firm's established governance structure. Therefore, the central "strategy" decisions regarding the learning organization should involve senior management and be integrated as fully as possible in the normal decision-making, strategy-development processes of the organization. However, broader involvement is also encouraged, either by forming a learning organization group with senior management and others, or through workshops or focus groups to explore survey results and their implications.

### 3.4.5. Step 5: Plan Learning Organization Initiatives

In Step 5, the strategy is used to identify specific and concrete "who-will-do-what actions" to build learning organization capabilities. For case examples of various learning organization initiatives, take a look at the box "Learning Organization Initiatives."

It was not that long ago that turning the learning organization concept into action often proved a major stumbling block for many of us. However, an increasing body of best practice, "how-to-resources" and support mechanisms exists to assist in building specific intervention plans, including published case studies, internet web pages and serve-lists, practical guides and resource kits, regional learning organization networks, and university-sponsored programs. In addition, the ASTD Learning Organization Forum provides networking with other professional colleagues who are actively engaged in learning organization initiatives.

What do typical learning organization initiatives look like? That is still a tough question to answer. The learning organization is not a single technique or method. It consists of aligning organizational systems in support of continuous organizational learning and transformation. Therefore, it is dangerous and misleading to look at any single approach or any single case illustration and say, "That's what you do to create a learning organization." What works in one situation and in one organization can fail miserably in the next. Why? There are probably two reasons. First, learning organization interventions typically challenge the status-quo and question underlying assumptions about "the way we do things around here." As a result, the interventions often trigger strong defensive reactions within the organization. Second, the actual interventions may appear foreign and, without careful integration into the organization, be experienced as the latest *program du jour*.

To address these concerns:

- Use language that fits the organization. In an organization that is highly suspicious of jargon, keep learning organization terminology to the minimum.
- Build upon structures and processes that are already in place, rather than introduce new ones. For example, Motorola used its long-established "senior executive program" as the vehicle for a strategy-linked action learning process with senior vice presidents.
- Recognize past successes and grass-roots approaches that are representative of learning organization concepts, rather than always bringing something new in from the outside.

### **3.4.6. Step 6: Implement Learning Organization Initiatives**

In Step 6, specific learning organization initiatives are put into action. It is often best to approach the implementation phase as a learning process. As an alternative to rolling out a comprehensive and highly visible "learning organization" initiative, consider starting with several low risk, experimental pilot initiatives. Over time, through trial-and-error processes, your organization will discover its own unique path to the learning organization, in which failures are used as opportunities for learning, and successes are celebrated and leveraged throughout the organization. To use such a process, it is important that ongoing "formative" evaluation be built into the implementation of learning organization initiatives. This evaluation should be based upon a set of predetermined success criteria for each initiative. Various stakeholders (senior management champions, participants in the initiative, etc.) should be involved in establishing the success criteria and evaluating the degree to which these criteria have been met.

# CHAPTER 4

## TOWARDS THE LEARNING ORGANIZATION

### **4.1 Introduction**

There is little opposition to the notion that organizational learning is a competence that all organizations should develop in fast-changing and competitive environments (Armstrong and Foley, 2003; Nonaka, 1991; Senge, 1992). However, the literature on organizational learning has been elusive in providing practical guidelines or managerial actions that practicing managers can implement to develop a learning organization (Goh, 1998). Most of the literature emphasizes process rather than the contextual design and architecture of the learning organization and in the absence of literature on organizational design and architect, managers are left without an approach to fill the void (James, 2003).

David Garvin (1994) suggests that it is time to move away from high aspiration and mystical advice to managers and move on to clearer guidelines for practices and operational advice. He argues that we need to inform managers on how they can build learning organizations. Successful learning companies like Honda and General Electric have managed their learning capability to ensure that it occurs by design rather than by chance. These companies have implemented unique policies and managerial practices that have made them successful learning organizations (Goh, 1998). In essence, being a learning organization requires an understanding of the strategic internal drivers needed to build a learning capability (Stata, 1989).

Constance James (2003) suggests that many leaders face problems when trying to redesign their organizations since they are stuck in the paradigm of the 20<sup>th</sup> century and are more comfortable with the multidivisional form of command and control than the new form of learning organizations and knowledge creating firms. She further argues that leaders often apply band-aid fixes, such as teams, without implementing a change in their fundamental beliefs and organizational design. Without these fundamental changes, they are doomed to fail at truly

becoming learning organizations. Although the multidivisional form was the best form of organizational design in the command and control paradigm because of its emphasis on specialization and efficiency, this organizational form became slow to adapt to rapidly changing environments, globalization, consumerism, and the information superhighway of the 21<sup>st</sup> century (James, 2003).

In today's competitive environment, organizations have to pay close attention to organizational design of learning organizations (James, 2003) because this has emerged as an approach to help organizations build their learning capacity at all levels of the organization (Davis and Daley, 2008).

This chapter synthesizes the description of management practices and policies alluded to in the literature review (chapters 2 and 3) about learning organizations in particular and organizational learning in general. These practices will be used to try and address the challenges identified in Chapter 4 and to map out practical solutions that the company can use to transform itself into a learning organization. Only those characteristics mentioned repeatedly by many writers were considered as differentiating management practices of an effective learning organization. The main aim of the chapter is to answer the question: how can the notion and development of a learning culture transform NokusaEI into a learning organization and what leadership and cultural practices would help facilitate this initiative?

## **4.2 *A perspective on learning***

Goh (1998) states that all organizations can learn and that some learn better than others and survive, while the more successful learners thrive. Those that fail to learn will eventually disappear (Nevis, Dibella and Gold, 1995). He further argues that the role of leaders in organizations is to set the necessary conditions for the organization to develop an effective learning capability. That is managers need to take strategic action and make specific interventions to ensure that learning can occur (Shaw and Perkins, 1991).

This perspective suggests that a set of internal conditions is required for an organization to become a learning organization (Goh, 1998). According to Senge (1990b) the prevailing view of learning organizations emphasizes increased adaptability. He further states that increasing adaptiveness is only the first stage in moving toward the learning organization. The impulse to learn, according to Senge (1990b), at heart, is an impulse to be generative, to expand our

capability. This is why leading corporations are focusing on *generative* learning, which is about creating, as well as *adaptive* learning, which is about coping (Argyris and Schon, 1978; Senge, 1990). Most of the research in the field of organizational learning mentions and even emphasizes the importance of both types of learning for organizations (e.g. Fiol and Lyles, 1985; Miner and Mezias, 1996). However, few works (e.g. Argyris et al., 1985; Anderson, 1997; Kim, 1993; Senge, 1990b) have attempted to analyze what factors facilitate these activities, have tried to inquire into the process in which they take place or have incorporated these processes into the OL process.

According to Senge (1990b), generative learning, unlike adaptive learning, requires new ways of looking at the world, whether in understanding customers or in understanding how to better manage a business. He further argues that generative learning requires seeing the system that control events so that we can grasp the systemic source of problems and eliminate underlying causes. In order to look more deeply into generative learning, he introduces the concept of *metanoia*, a Greek word meaning a profound shift of mind, which he considers to be synonymous with generative learning.

Senge (1990b) affirms that to grasp the meaning of metanoia is to grasp the deeper meaning of learning, as learning also implies a fundamental shift of mind. He compares the everyday use of learning, such as taking information or adapting behaviours, with generative learning, and claims that real learning gets to the heart of what it means to be human. Through learning, we recreate ourselves and perceive the world and our relationship to it differently. Generative learning refers to a change in the mental model, paradigm or knowledge through which we see reality.

However, OL literature has also described what structural and cultural arrangements are likely to foster both adaptive and generative learning (Anderson, 1997; Argyris et al., 1985; Senge, 1990b). Adaptive learning is related to rationality, defensive relationships, and low freedom of choice and discouragement of inquiry (Argyris et al., 1985). This is a self-organizational process that might happen when individuals and groups within organizations mainly exercise logic or deductive reasoning, concentrate, discuss and focus on improving any mental model, knowledge and process (Chiva et al., 2005). In contrast, double loop learning is encouraged through commitment, minimally defensive relationships, high freedom of choice and inquiry. Generative learning implies being able to see beyond the situation and questioning operating norms (Argyris and Schon, 1974). The subsequent paragraphs will describe a set of strategic building blocks of a

learning organization, the organization design, the management practices needed and the required competencies of employees to build a successful learning organization.

### **4.3 The building blocks of a learning organization**

While learning organizations have been defined and described in many different ways, assessment efforts have been scant and uniform and practical diagnostic efforts have integrated and benchmarked a variety of characteristics, highlighting different approaches and perspectives (Jamali et al., 2008).

Table 13, below, reveals that there is no consensus on a definitive set of differentiating attributes of learning organizations. Some characteristics, however, recur in different studies, suggesting independent corroboration of the importance of these qualities as building blocks for effective learning organizations (Jamali et al., 2008).

<b>Author</b>	<b>Identified Characteristics</b>
Watkins and Marsick (1998)	Continuous learning  Dialogue and inquiry  Team learning Embedded systems Empowerment Leadership Financial performance Knowledge performance
Pedler et al. (1997)	A learning approach to strategy  Participative policy making Informating Formative accounting and control Internal exchange Reward flexibility



<b>Author</b>	<b>Identified Characteristics</b>
	<ul style="list-style-type: none"> <li>Enabling structures</li> <li>Workers as environmental scanners</li> <li>Inter-company learning</li> <li>Learning climate</li> <li>Self-development opportunities</li> </ul>
Griego et al. (2000)	<ul style="list-style-type: none"> <li>Training and education</li> <li>Rewards and recognition</li> <li>Information flow</li> <li>Individual and team development</li> <li>Vision and strategy</li> </ul>
Porth et al. (1999)	<ul style="list-style-type: none"> <li>Employee development / continuous learning</li> <li>Information sharing and collaboration</li> <li>Team building and shared purpose</li> </ul>
Tannenbaum (1997)	<ul style="list-style-type: none"> <li>Learning opportunities</li> <li>Tolerance of mistakes</li> <li>High performance expectations</li> <li>Openness to new ideas</li> <li>Policies and practices support training</li> <li>Awareness of big picture</li> <li>Satisfaction with development</li> </ul>
Sarala and Sarala (1996)	<ul style="list-style-type: none"> <li>Philosophy and values</li> <li>Structure and processes</li> <li>Leading and decision making</li> <li>Organizing the work</li> <li>Training and development</li> <li>Internal and external interactions</li> </ul>
Gardiner and Whiting (1997)	<ul style="list-style-type: none"> <li>Self-development</li> </ul>

<b>Author</b>	<b>Identified Characteristics</b>
	Learning strategy
	Learning climate
	Participation in policy making
	Use of information
	Empowerment
	Leadership and structure
	Links with external environment

**Table 4: Attributes of a Learning Organization**

A thorough review of the table above suggests that some frequently mentioned qualities include leadership, strategy, participative policy making, teamwork, self-development opportunities, information flow, structural considerations, a learning climate, experimentation opportunities as well as learning reward availability (Hong and Kuo, 1999; Holton, 2001; Rowden, 2001; Reichart, 1998; Garvin, 1994; Holton et al., 2000; Griego et al., 2000; Thomsen and Hoest, 2001; Goh, 1998; Porth et al., 1999; Gardiner and Whiting, 1997; Watkins and Marsick, 1998).

From this review, it is argued that learning organizations have the following core strategic building blocks as proposed by Goh (1998):

- Mission and Vision – clarity and employee support of the mission, strategy, and espoused values of the organization.
- Leadership – leadership that is perceived as empowering employees, encouraging an experimenting culture, and showing strong commitment to the organization.
- Experimentation – a strong culture of experimentation that is rewarded and supported at all levels in the organization.
- Transfer of knowledge - the ability of an organization to transfer knowledge within and from outside the organization and to learn from it.
- Teamwork and Cooperation – an emphasis on teamwork and group problem solving as the mode of operation and for developing innovative ideas.

Although presented as separate dimensions, these building blocks are interdependent and mutually supportive conditions in a learning organization (Hong and Kuo, 1999; Holton, 2001; Rowden, 2001; Reichart, 1998; Garvin, 1994; Holton et al., 2000; Griego et al., 2000; Thomsen and Hoest, 2001; Goh, 1998; Porth et al., 1999; Gardiner and Whiting, 1997; Watkins and Marsick, 1998). These strategic building blocks will be discussed in more detail in the subsequent paragraphs.

Goh (1998) further argues that an “organic” organization structure, where job formalization is low, as well as the acquisition of appropriate skills and knowledge by employees are also essential additional building blocks. These additional elements are the supporting foundation for the achievement of the core building blocks as mentioned above.

#### **4.4 Strategic architecture of a learning organization**

According to Kiernan (1993), we must redirect our attention within the company, to its major internal strategic drivers – the chief component of its “strategic architecture.” He defines strategic architecture as that invisible intellectual, philosophical, and even normative “DNA” which programs and lends coherence to virtually all important business decisions, whether they are strategic or operational. Kiernan (1993) further states it is not strategy per se; it is instead a series of overarching corporate priorities and values that form the enabling platform upon which specific strategies can then be built.

So far in the twentieth century, we have already seen the basis of competitive advantage shift at least four times: from price and volume to quality, then to speed, and finally to “mass customization (Kiernan, 1993).” Each era has incorporated the attributes of its predecessors and then added new and progressively more challenging requirements on top of them. Factors which were once sources of genuine competitive advantage will become simply the minimum entrance requirements for even staying in the game. The premium will then shift to the ability to manage major strategic change effectively and almost continually.

##### **4.4.1 Clarity and support for mission and vision**

A learning organization is one where employees are empowered to act based on the relevant knowledge and skill they have acquired and information about the priorities of the organization (Goh, 1998). Therefore, the organization as a whole and each unit within it needs to have a

clearly articulated purpose. Employees need to understand this purpose and how the work they do contributes to attainment of the mission of the organization. In addition, the organization needs to promote employee commitment to these goals (Goh, 1998).

According to Senge (1990b), information about the mission of an organization is critical to empowering employees and developing innovative organizations. Goh (1998) argues that without this, people will not extend themselves to take responsibility and apply their creative energies. He further argues that having a clear mission that is supported by employees is, therefore, a critical strategic building block of a learning organization and if this is widely shared and understood by employees they will feel more capable of taking initiatives.

Senge (1990b, 1992) have stated that 'building a shared vision' especially of a desired future state creates tension that leads to learning. He further argues that Creative tension comes from seeing clearly where we want to be, and telling the truth about where we are. The gap between the two generates a natural tension. According to Senge (1990b), creative tension can be resolved in two basic ways; by raising the current reality toward the vision, or by lowering the vision toward current reality. Senge (1990b) argues that individuals, groups, and organizations who learn how to work with creative tension learn how to use the energy it generates to move reality more reliably toward their visions.

Senge (1990b) also argues that leading through creative tension is different than solving problems. In problem solving, the energy for change comes from attempting to get away from an aspect of current reality that is undesirable. With creative tension, the energy for change comes from the vision, from what we want to create, juxtaposed with current reality (Senge, 1990b).

Employees understand the gap between the vision and the current state and can better strive to overcome that gap (Mohrman and Mohrman Jr., 1995). A clear understanding means, therefore, taking actions that are aligned with the organization's goals and mission.

#### **4.4.2 Shared Leadership and Involvement**

In a highly competitive environment, employees are encouraged to take calculated risks, to deal with uncertainty, and to innovate. Such an environment requires a shared leadership style in a non-hierarchical organization (Goh, 1998) and leadership may be found at many levels in the organization, from knowledge workers to senior management (James, 2003). Pearce (2004) states shared leadership occurs when all members of a team are fully engaged in the leadership of the team and are not hesitant to influence and guide their fellow team members in an effort to

maximize the potential of the team as a whole. He further states that shared leadership entails a simultaneous, ongoing, mutual influence process within a team that is characterized by “serial emergence” of official as well as unofficial leaders. In this sense, shared leadership can be considered a manifestation of fully developed empowerment in teams (Pearce, 2004). The objective of empowerment is quite simply to tap the creative and intellectual energy of everybody in the company, not just those in the executive suite (Kiernan, 1993). According to Kiernan (1993), the idea is to provide everyone with the responsibility and the resources to display real leadership within their own individual spheres of competence, while at the same time contributing to meeting company-wide challenges. He further states that two closely related mega-trends are likely to propel the empowerment phenomenon forward: the continuing de-layering of the corporate hierarchy, and the rapid diffusion of new information technologies. Taken together, they promise to create a qualitatively new kind of corporate organization: a “wired” company where workers enjoy direct electronic (and personal) access to senior executives, and where they have both the mandate and the information required to take the necessary decision on the spot (Kiernan, 1993).

Goh (1998) argues that managers should be seen as coaches and not controllers and he further argues that leaders need new skills to facilitate change. According to James (2003), the focus of leadership should be to learn, to teach, and to transform the organization. Senge (1990b) states that leadership in learning organizations centres on subtler and ultimately more important work. He further states that leaders’ roles become those of designers, teachers, and stewards.

#### **(i) The role of leader as designer**

The first task of organization design concerns designing the governing ideas of purpose, vision, and core values by which people will live. Few acts of leadership have a more enduring impact on an organization than building a foundation of purpose and core values (Senge, 1990b). The second design task involves the policies, strategies, and structures that translate guiding ideas into business decisions. Traditionally, policy making and implementation has been seen as the work of a small number of senior, however, that view is changing. Senge (1990b) argues that both the dynamic business environment and the mandate of the learning organization to engage people at all levels make it clear that this second design task is more subtle. Henry Mintzberg (1988) has argued that strategy is less rational plan arrived at in the abstract and implemented throughout the organization than an “emergent phenomenon.” Successful organizations “craft strategy” according to Mintzberg, as they continually learn about shifting business conditions

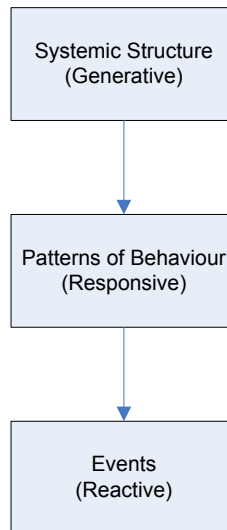
and balance what is desired and what is possible. The key is not getting the right strategy but fostering strategic thinking.

### **(ii) The role of leader as teacher**

According to Senge (1990b) the first responsibility of a leader is to define reality and much of the leverage leaders can actually exert lies in helping people achieve more accurate, more insightful, and more empowering views of reality. Leader as teacher does not mean leader as authoritarian expert whose job it is to teach people the “correct” view of reality. Rather it is about helping everyone in the organization, oneself included, to gain more insightful views of current reality (Senge, 1990b). This is in line with the emerging views of leaders as coaches, guides, or facilitators. The role of leader as teacher in learning organizations is developed further by virtue of explicit attention to people’ mental models and by the influence of the systems perspective (Senge, 1990b).

The role of leader as teacher starts with bringing to the surface people’s mental models of important issues. These mental pictures of how the world works have a significant influence on how we perceive problems and opportunities, identify courses of action, and make choices (Senge, 1990b). However, working with mental models goes beyond revealing hidden assumptions. “Reality,” as perceived by most people in most organizations, means pressures that must be borne, crises that must be reacted to, and limitations that must be accepted. Leaders as teachers help people restructure their views of reality to see beyond the superficial conditions and events into the underlying causes of problems – and therefore to see new possibilities for shaping the future.

According to Senge (1990b), leaders can influence people to view reality at three distinct levels: events, patterns of behaviour, and systemic structure as shown in the figure below:



**Figure 14: Three distinct levels of Reality**

According to Senge (1990b), contemporary society focuses predominantly on events. This focus leads naturally to explaining what happens in terms of those events. He further argues that pattern of behaviour explanations are rarer, in contemporary culture, than event explanations, even though they do occur. Systemic, structural explanations go even further by addressing the question, “what causes the patterns of behaviour?”

All three levels of explanations are equally true, though their usefulness is quite different. Event explanations doom their holders to a reactive stance toward change. Pattern-of-behaviour explanations focus on identifying long term trends and assessing their implications. They at least suggest how, over time, we can respond to shifting conditions. Structural explanations are the most powerful. Only they address the underlying causes of behaviour at a level such that patterns of behaviour can be changed.

By and large, leaders of our current institutions focus their attention on events and patterns of behaviour, and, under their influence, their organizations do likewise. That is why contemporary organizations are predominantly reactive, or at best responsive – rarely generative. On the other hand, leaders in learning organizations must pay attention to all three levels, but focus especially on systemic structure; largely by example, they teach people throughout the organization to do likewise.

### **(iii) Leaders as stewards**

According to Senge (1990b), this is the subtlest role of leadership. Unlike the roles of designer and teacher, it is almost solely a matter of attitude. It is an attitude critical to learning organizations.

While stewardship has long been recognized as an aspect of leadership, its source is still not widely understood. Leaders' sense of stewardship operates on two levels: stewardship for the people they lead and stewardship for the larger purpose or mission that underlies the enterprise. The first type arises from a keen appreciation of the impact one's leadership can have on others. People can suffer economically, emotionally, and spiritually under inept leadership. The second type of stewardship arises from a leader's sense of personal purpose and commitment to the organization's larger mission. People's natural impulse to learn is unleashed when they are engaged in an endeavour they consider worthy of their fullest commitment. Leaders engaged in building learning organizations naturally feel part of a larger purpose that goes beyond their organization. They are part of changing the way business operate, not from a vague philanthropic urge, but from a conviction that their efforts will produce more productive organizations, capable of achieving higher levels of organizational success and personal satisfaction than more traditional organizations.

#### **4.4.3 A culture that encourages learning**

According to Goh (1998), an important if not essential part of a learning organization is its ability to create new knowledge and to use it to capitalize on new opportunities open to the organization. He further states that this requires questioning the current status quo and how things are done, which allows employees to bring new ideas into the organization.

Managers should also be willing to encourage individuals and teams to continuously improve work processes and try new ideas. This can be achieved by fostering a supportive learning environment which, according to Garvin (2008), has four distinguishing characteristics:

- Psychological safety – to learn, employees cannot fear being belittled or marginalized when they disagree with peers or authority figures. Instead, they must be comfortable expressing their thoughts about the work at hand.
- Appreciation of differences – learning occurs when people become aware of opposing ideas. Recognizing the value of competing functional outlooks and alternatives worldviews increases energy and motivation, sparks fresh thinking, and prevents lethargy and drift.
- Openness to new ideas – learning is not simply about correcting mistakes and solving problems. It is also about crafting novel approaches. Employees should be encouraged to take risks and explore the untested and unknown.



- Time for reflection – when people are too busy or overstressed by deadlines and scheduling pressures, their ability to think analytically and creatively is compromised. They become less able to diagnose problems and learn from their experiences. Supportive learning environments allow time for a pause in the action and encourage thoughtful review of the organization's processes.

Kiernan (1993) argues that building a learning organization requires, first of all, an organizational culture, which exalts above else continuous improvement and innovation from everybody and which embraces change rather than fearing and seeking to minimize it. Some of the innovations brought out by organizations are a result of application of new knowledge and the others are a result of working with and recasting existing knowledge, termed as 'architectural innovation' (Henderson and Clark, 1990; Henderson and Cockburn, 1994) and 'combinative capabilities' (Kogut and Zander, 1992). Kiernan (1993) further argues that while such a culture is a sine qua non for organizational learning, it is by no means enough by itself. Companies must also have the mindset and organizational structures to actively encourage cross-disciplinary teamwork, collaboration, and thus learning. James (2003) argues that learning organizations should be characterized by strong egalitarian, because this facilitates continuous improvement and adaptation at all levels. This culture encourages the company to view its people as leaders in their own right. She further argues that organizations with strong egalitarian cultures create a set of norms, symbols, and beliefs that encourage organizational learning. One of the key ways to achieve this culture is through recognition and rewards. Leaders should provide incentives and rewards that encourage teamwork, personal mastery, systems thinking, and decision-making. These rewards reinforce behaviour that exemplifies the values of the company.

According to Kiernan (1993), one important technique for maximizing organizational learning from the business environment is bench marking best practices; not only those of direct competitors but of anyone from whom something useful can be learned or adapted. He further states that creating a culture that encourages learning has major implications for strategic human resource management. For starters, the company's attitude to training needs to change substantially to embrace life-long learning experiences. The content of the training programs has to change too, placing far greater emphasis on the "soft" process skills of managing change, innovation and learning, and less on seeking to implant hard "factual" knowledge, which has an increasingly short half-life (Kiernan, 1993).

Creating a culture that encourages learning also means surfacing and re-examining all of those inarticulate assumptions about the company and its business environment which while never explicitly scrutinized or even acknowledged drive much of what the company actually does. These assumptions can cover everything from geopolitical analysis to consumer psychology. Thus learning is about more than simply acquiring new knowledge and insights; it is also crucial to un-learn the old ones when they have outlived their relevance (Kiernan, 1993). Rigorously rooting out these assumptions and challenging them can expose critical discrepancies between external reality and the company's internal mental models, and it is these gaps which provide much of the creative tension and dynamic energy which drives organizational learning.

According to Kiernan (1993), in a world of ceaseless turbulence and discontinuous change, innovation has become one of a handful of critical preconditions for corporate survival. It has been argued persuasively that the essence of strategy lies in creating tomorrow's competitive advantage faster than competitors can mimic the ones you possess today. As with other elements of strategic architecture, innovation starts with a reinforcing corporate culture. Innovative firms almost invariably have cultures where experimentation is encouraged. To build a climate of experimentation, there has to be preparedness to tolerate mistakes and failures (Goh, 1998; Senge, 1990b; Garvin, 2008).

#### **4.4.4 Ability to transfer knowledge across organizational boundaries**

According to Garvin (2008), a learning organization is not cultivated effortlessly. It arises from a series of concrete steps and widely distributed activities. He further states that learning processes involve the generation, collection, interpretation, and dissemination of information. They include experimentation to develop and test new products and services; intelligence gathering to keep track of competitive, customer, and technological trends; disciplined analysis and interpretation to identify and solve problems; and education and training to develop both new and established employees.

Goh (1998) argues that skill and knowledge acquisition are obviously useless unless they can be transferred to the immediate job by the employee. He further argues that it is even better if this knowledge can also be transferred to other parts of the organization to solve problems and energize creative new ideas. Learning from past failures and talking to other staff members about successful practices or experiences are all part of the transfer of knowledge. According to Garvin

(2008), for maximum impact, knowledge must be shared in systematic and clearly defined ways. Sharing can take place among individuals, groups, or whole organizations.

Knowledge can move laterally or vertically within an organization. The knowledge sharing process can, for instance, be internally focused, with an eye toward taking corrective action. Alternative, knowledge sharing can be externally oriented – for instance, it might include regular scheduled forums with customers or subject-matter experts to gain their perspectives on the company's activities or challenges. Together, these concrete processes ensure that essential information moves quickly and efficiently into the hands and heads of those who need it (Garvin, 2008).

Learning organizations not only encourage these practices but also have mechanisms or systems that allow them to happen. Part of this knowledge transfer involves learning successful practices from other organizations and competitors as well.

#### **4.4.5 Teamwork and Cooperation**

According to Goh (1998), a key to strategic building block for a learning organization is emphasis on teamwork. By working in teams, employees bring their collective skills and knowledge to bear on problems and to develop innovative ideas for the organization. Team-based learning encourages people to think together and diffuse their knowledge and skills from the level of individuals to the members of the collective (Wang and Ahmed, 2003). The valuable and hard to decode tacit knowledge of individuals can thus be shared collectively, and the new skills can be practiced and taught to other members of the team (Goh, 1998; Wang and Ahmed, 2003). Teams can leverage information and knowledge, broaden team-member competency and bring a diversity of thinking knowledge and behaviours to bear on understanding and action (Bennet and Bennet, 2004).

According to Jamali et al. (2006), team learning is directly linked to effective communication. It is through deep dialogue that individuals learn to suspend their assumptions and judgements and reflect individually and collectively upon emerging ideas and thoughts. Communication thus facilitates the flow of data, information and knowledge through teams and communities (Jamali et al., 2006).

According to Goh (1998), for teams to be effective, they should be formed with employees from a variety of functional areas. A cross-functional teamwork environment breaks the stove-pipe syndrome, especially if employees are frequently rotated among different teams as part of a deliberate career development program and human resource management policy (Goh, 1998).

#### **4.4.6 Strategic Foundations**

The five strategic building blocks require two major supporting foundations. First, there has to be an effective organization design that is aligned with and supports these building blocks. Second, appropriate employee skills and competencies are needed for the tasks and roles described in the strategic building blocks.

##### **(i) Organizational Design**

The organizational structure of learning organizations has been described in the literature as organic, flat, and decentralized, with a minimum of formalized procedures in the work environment. Some research has supported this finding: organizations with a strong learning capability tend to have low scores on formalization in their organization structure (Goh and Richards, 1997).

Other researches (Mohrman and Mohrman, Jr., 1995) have also found that learning organizations generally have fewer controls on employees and have a flat organization structure that places work teams close to the ultimate decision-makers. The implication is that the five strategic building blocks can only operate effectively when the organization has a flat, non-hierarchical structure with minimal formalized controls over employee work processes. According to James (2003), learning organizations minimize boundaries between the external environment and the organization and systems that integrate should include outside mechanisms that link customers and suppliers to the firm. These mechanisms transfer knowledge and learning from outside the organization to inside the organization.

James (2003) further argues that boundarylessness reflects the learning organization's open connections within the company and to its external environment. Learning is not just limited to managing the internal connections, but includes the links among organizational units and connections to suppliers, competitors, and customers. Therefore, learning organizations work to minimize boundaries within the organizations and across customer and supplier lines.

Boundaries are minimized through strong egalitarian culture as this type of culture allows decision-making and organizational learning to cross organizational lines (James, 2003).

The second element that minimizes inter-organizational boundaries and improves collective learning is the relatively flat structure (James, 2003). Oftentimes, learning organizations will resemble a modified matrix with teams of worldwide learners with some parts of the organization focussing on traditional areas and the other parts focused on learning, collective learning and knowledge transfer are enhanced (James, 2003).

### **(ii) Employee skills and competencies**

The literature on learning organizations frequently asserts that these organizations strongly emphasize the training and skill development of their employees (Goh, 1998). Learning organizations invest in training experiences that develop entire teams or whole work units (Goh, 1998). The training also emphasizes the development of a common experience, framework, or theory of action for the team or work unit (Mohrman and Mohrman, Jr., 1995).

According to Goh (1998), to build a learning capability, all five of the strategic building blocks require specific skill sets for employees and managers. Goh (1998) further states that skill competencies also need to match some of the behavioural skill sets required in a learning organization, such as shared leadership, coaching behaviours, and providing feedback.

According to James (2003), employees are empowered to make decisions, to experiment, and to continuously improve the organization. Therefore, knowledge workers are empowered employees who make decisions, experiment, and continuously improve the organization and seek to be masters at their jobs, to learn, and to teach others. This change in behaviour requires a different kind of employee, one who is willing to see the big picture, make decisions, and take appropriate action.

According to James (2003), beliefs form the basis for transformational leadership and empowered knowledge workers. James further argues that beliefs show how these areas impact collective and generative learning in organizations that both teach and learn. The fundamental belief in learning organizations should be that every person in the organization is a knowledge worker who is an essential building block of the organization. As a knowledge worker, each person contributes, continuously learns, and transfers knowledge to others in the organization.

The knowledge worker's role is to learn and transfer knowledge to others. This creates the ability to enhance collective learning throughout the organization. Knowledge workers also become experts at generative learning or learning how to learn. They devise new strategies and structures that transform the organization. In order for knowledge workers to be effective, leaders must engage in a new set of beliefs about how to run organizations based on the contributions of each worker.

The second belief is that learning organizations value every knowledge worker. This belief in knowledge workers underlies the egalitarian culture. In order to develop an egalitarian culture, leaders must view everyone as equal, including themselves. The traditional view of the leader who, by virtue of his position, commands the troops and makes all the key decisions is deeply rooted in an individualistic and non-systematic world (James, 2003).

Leaders design organizational processes, structures, and systems that facilitate learning and teaching at all levels. This upside-down process starts with the leaders. They teach others how to work effectively in learning organization, how to continuously improve their jobs, and how to transfer knowledge to other parts of the organization. As transformational leaders, leaders in learning organizations must design organizations that can transform themselves.

Another belief in learning organizations is that everyone engages in constant learning, even leaders. Leaders are engaged in learning from others and leaders have to transform themselves from leaders who work autocratically and focus on transformations to leaders who work democratically and focus on transformation. They must also convince others to become teachers and learners. This fundamental change in thinking creates an organization in which everyone is both a leader and a teacher (James, 2003).

# CHAPTER 5

## CASE STUDY

### **5.1 Introduction**

The concept of the learning organization is well established. Even though it is a frequently studied topic, there is still no generally accepted way to research the concept (Davis and Daley, 2008; Jamali and Sidani, 2008). Further, its proponents suggest that adopting the strategies and behaviours of a learning organization should enhance individual, team, and organizational learning, which in turn, would yield performance gains (Slater et al., 1998; Baker and Sinkula 1999; Ellinger et al. 2002). Numerous discussions centre on why learning matters, yet few studies empirically address the key elements required to build learning organizations (Davis and Daley, 2008). In addition, studies tend not to address the potential impact of these elements on a firm's performance, nor the overall assessment approaches (Ellinger et al. 2002).

As noted by numerous authors, there are few empirical studies that have examined the relationship between the learning organization concept and a firm's financial performance (Ellinger et al. 2002; Farrell and Oczkowski 2002; Yang, Watkins, and Marsick 2004). Smith and Tosey (cited in Ellinger et al. 2002) note that 'evidence is even harder to come by of organizations linking learning to ROI and to the kinds of results that might convince hard-headed business people to risk their money on a learning orientation journey' (p. 6). These few studies show significant, positive relationships between the aspects of a learning organization and the variables of interest (Davis and Daley, 2008). These variables included overall performance and a few financial indicators, as well as innovation, new product success, market share and reliable (for example, less variable) performance (Davis and Daley, 2008).

Hernandez (2003), for example, tackled the dimensions of a learning environment in Colombia. He found that the learning organization environment has a positive influence on the transfer of tacit knowledge and in turn on performance improvement. The latent construct learning organization environment was gauged indirectly through seven indicators derived primarily from Watkins and Marsick (1998), including continuous learning, empowerment, team learning,

embedded systems, dialogue/inquiry and leadership. Likewise, Lien et al. (2006) tackled the learning organization concept in Taiwan, suggesting that the dimensions of the learning organization proposed by Watkins and Marsick (1998) are also applicable in the Taiwanese context.

Birdthistle and Fleming (2005), investigating Irish family firms, found that micro, small and medium-sized family firms exhibit some, though not all, aspects of a learning organization. Their research suggests that micro firms in particular face difficulties in creating continuous learning opportunities. Such learning opportunities were generally nurtured on an informal basis rather than a formal basis. They suggested that strategic reviews and culture change are critical ingredients in developing the organizational learning capabilities of small and medium-sized family firms.

In a study in the Malaysian public sector, Maria (2003) found that the learning culture of the organization has an effect on the use of innovation, and that embedded systems, leadership, continuous learning and team learning explained the variance in the use of innovation more than other dimensions of the learning organization. Kumar (2005) studied learning in Malaysia's private colleges, noting that individual, team, and organizational levels of learning were significantly related with financial performance and knowledge performance measures.

According to Davis and Daley (2008), effective organizations are configured of management practices that facilitate the development of the knowledge that becomes the basis for competitive advantage. They further argue that understanding the relationship of a firm's degree of learning beliefs and behaviours and its performance can provide insight into the type of organizational culture that is associated with high levels of performance. A company's ability to learn and innovate has been demonstrated to be a key driver of the company's capability to increase revenues, profits and economic value (Slater et al., 1998). The penetration of new markets and the achievement of sustained market leadership demand applied learning (Day 1994; Garcia-Morales, Llorens-Montes, and Verdu-Jover 2006). Greater levels of understanding and precision are needed regarding what factors in the firm are directly affected by learning behaviours and elements, and how and why such elements might indirectly lead to financial performance. This in turn has implications for human resources development in that business initiatives are increasingly required to demonstrate a return on investment, including learning initiatives (Davis and Daley, 2008). Further, practice will be shaped, prioritized and driven by those dimensions or



aspects that can be empirically demonstrated to benefit the company and provide that return (Davis and Daley, 2008).

The purpose of this chapter is to establish quantitatively and qualitatively the relationship between the degree of the learning organization concept as articulated by Watkins and Marsick (1999) and firms' performance, using perceptual measures of the company's performance.

## **5.2 DLOQ Responses**

In line with what is described above, this paper adopts the Model of the Learning Organization by Watkins and Marsick (1998), and their DLOQ to diagnose the learning organization characteristics at NokusaEI.

As mentioned in Chapter 1, when the 23 survey forms of the Dimension of the Learning Organization Questionnaire (DLOQ) were received from NokusaEI via email, the data was transferred to a spreadsheet and a mean score was calculated for each of the seven dimensions of the learning organization, on a scale of 1 to 6 (Marsick and Watkins, 2003).

The management responses were also separated from the employees' responses. The mean scores obtained from both the management team and the consultants were then compared to the mean scores in the normative database. The normative database is an online database administered by Partners for learning and it contains mean scores obtained by organizations that have used the DLOQ as a diagnostic tool. These are organizations in different industries and from different parts of the world. These scores are presented per item in the questionnaire and averaged out per dimension of a learning organization as presented by Watkins and Marsick (2003). The author will use the mean scores in the normative database as a 'norm' to compare and analyze the mean scores obtained by NokusaEI.

Table 5 below shows the average (mean) score obtained by NokusaEI in the survey. The numbers reflect the total and the mean scores obtained based on responses to all applicable sections of the survey.

<i>Action Imperative</i>	<i>NokusaEI Scores</i>		<i>Normative Database score</i>	
	<i>Total</i>	<i>Mean</i>	<i>Total</i>	<i>Mean</i>
1. Create Continuous Learning Opportunities	25.95	3.71	23.20	3.31
2. Promote Inquiry and Dialogue	23.5	3.92	19.60	3.26
3. Encourage collaboration and team learning	22.4	3.73	19.23	3.20
4. Create Systems to capture and share learning	22.75	3.79	18.14	3.02
5. Empower people toward a collective vision	20.10	3.35	18.46	3.07
6. Connect the organization to its environment	23.65	3.94	19.47	3.24
7. Provide Strategic Leadership for Learning	24.20	4.03	19.98	3.33

**Table 5: NokusaEI Scores for Action Imperatives**

As shown in the table above, the average scores obtained by NokusaEI are above the average scores in the normative database for all the dimensions measured in the survey. From the table above it can be seen that on average, the staff's perceptions about the seven action imperative ranked between 3.4 and 4.03. The highest ranked dimension was "Provide Strategic Leadership for Learning" at 4.03 and the lowest ranked dimension was "Empower People towards a collective vision" at 3.35.

There was also a great difference between the perceptions of the management team and the perceptions of the consultants as shown in Table 6 below.

<i>Action Imperative</i>	<i>NokusaEI Management Scores</i>		<i>NokusaEI Employees scores</i>		<i>Normative Database scores</i>	
	<i>Total</i>	<i>Mean</i>	<i>Total</i>	<i>Mean</i>	<i>Total</i>	<i>Mean</i>
1. Create Continuous Learning Opportunities	27.2	3.9	25.5	3.6	23.20	3.31
2. Promote Inquiry and Dialogue	25	4.2	23	3.8	19.60	3.26
3. Encourage collaboration and team learning	24	4	21.9	3.7	19.23	3.20
4. Create Systems to capture and share learning	25.4	4.2	21.9	3.7	18.14	3.02
5. Empower people toward a collective vision	22	3.7	19.5	3.3	18.46	3.07
6. Connect the organization to its environment	25.6	4.3	23	3.8	19.47	3.24
7. Provide Strategic Leadership for Learning	25.8	4.3	23.7	4	19.98	3.33

**Table 6: Comparison between Management and Employees**

It can be seen from the Tables presented above that NokusaEI management scored all the dimensions higher than the consultants. From the management point of view “Connect the Organization to its environment” and “Provide Strategic Leadership for Learning” were ranked the highest at 4.3. These were followed by “Promote Inquiry and Dialogue” and “Create Systems to capture and share learning” at 4.2.

However, the consultants ranked “Provide Strategic Leadership for Learning” highest at 4. This was followed by “Promote Inquiry and Dialogue” and “Connect Organization to its Environment” at 3.8. The lowest ranked item was similar between management and the consultants and it was “Empower people towards a collective vision”. Management scored this item at 3.7 and the consultants scored this item at 3.3.

The differences in perception between the management team and the Consultants could indicate that all people employed by the company have not begun to develop a common understanding about the place of learning in the company or that the understanding regarding the dimensions of the learning organization occurs intermittently in the organization. Given that this is first time the company embarks on the journey towards becoming a Learning Organization, such an outcome seems reasonable. It was therefore decided to present the results in a form of a comparison between the managers' perception and the consultants' perception as shown in the subsequent sections of this report.

The subsequent sections of this report will discuss in more detail each and every dimension as shown above for the purpose of analyzing the areas that might require attention and to identify possible solutions that could be implemented in order to transform the company into a learning organization.

### ***5.3 Create continuous learning opportunities***

Provision of continuous learning opportunities for employees was most evident to interviewees in terms of 'helping each other learn' as indicated in Table 7 below. It can also be seen from Table 7 that the management team ranked six of the seven items in this dimension higher than the consultants. The lowest ranked items for this dimension by consultants were 'access to money and other resources' for learning as well as 'being rewarded' for learning. The mean scores obtained for these were 3.3 and 3 respectively. The management team, however, ranked these two items at 3.8 and 3.2 respectively.

<i>Action Imperative / Question number</i>	<i>NokusaEI Management Scores</i>		<i>NokusaEI Employees scores</i>		<i>Normative Database scores</i>
	<i>Total</i>	<i>Mean</i>	<i>Total</i>	<i>Mean</i>	<i>Mean</i>
<b><i>Create Continuous Learning Opportunities</i></b>					
1. In my organization, people openly discuss mistakes in order to learn from them.	17	3.4	55	3.7	3.25
2. In my organization, people identify skills they need for future work tasks.	20	4.0	59	3.9	3.34
3. In my organization, people help each other learn.	23	4.6	68	4.5	3.65
4. In my organization, people can get money and other resources to support their learning.	19	3.8	50	3.3	3.37
5. In my organization, people are given time to support learning	21	4.2	53	3.5	3.38
6. In my organization, people view problems in their work as an opportunity to learn.	20	4.0	53	3.5	3.16
7. In my organization, people are rewarded for learning.	16	3.2	45	3.0	3.02

**Table 7: Create Continuous Learning Opportunities**

During the interviews with the senior consultants there was general consensus that requests for training were supported by management as long as the learning was seen to bring benefit to the organization and be directly relevant to the individual’s current role or potential future role in the organization. A lot of consultants also viewed their daily work experiences as presenting them with good opportunities to learn although there was mention that this doesn’t happen often. For an example, when a consultant encounters a problem that he/she hasn’t dealt with before, he/she will send an email to other consultants and within minutes several responses will be received from other consultants. This helps in providing multiple perspectives on dealing with the problem and this provides a good opportunity to learn from each other in the organization. This also equips one with the ideas of handling the same problem on their own next time.

#### **5.4 Promote Inquiry and Dialogue**

Table 8 presents the average scores obtained in the *Promote Inquiry and Dialogue* dimension in the survey. It can be seen from table 8 that the scores obtained by the management team and the

consultants are consistently higher than those in the normative database. The highest ranked item in this action imperative was for question 12 and lowest was for question 11.

<i>Action Imperative / Question number</i>	<i>NokusaEI Management Scores</i>		<i>NokusaEI Employees scores</i>		<i>Normative Database scores</i>
	<i>Total</i>	<i>Mean</i>	<i>Total</i>	<i>Mean</i>	<i>Mean</i>
<b><i>Promote Inquiry and Dialogue</i></b>					
8. In my organization, people give open and honest feedback to each other.	21	4.2	55	3.7	3.12
9. In my organization, people listen to others' views before speaking.	20	4	62	4.1	3.21
10. In my organization, people are encouraged to ask "why" regardless of rank.	20	4	56	3.7	3.15
11. In my organization, whenever people state their view, they also ask what others think.	18	3.6	53	3.5	3.23
12. In my organization, people treat each other with respect.	24	4.8	65	4.3	3.60
13. In my organization, people spend time building trust with each other.	22	4.4	54	3.6	3.27

**Table 8: Promote Inquiry and Dialogue**

Promotion of Inquiry and dialogue was evident to employees in terms of treating each other with respect and listening to each other's views before speaking. Personal qualities displayed by management such as approachability were seen as creating an environment where consultants felt "safe" in expressing their views and the encouragement to ask "why" regardless of rank also helps provide a conducive environment for dialogue and inquiry.

### **5.5 Encourage Collaboration and Team Learning**

Table 9 presents the average scores obtained in the *Encourage Collaboration and Team Learning* dimension in the survey. It can be seen that the results obtained by NokusaEI are still consistently higher than those in the normative database. The highest score being that of question 17 and the lowest being that of question 18.

<i>Action Imperative / Question number</i>	<i>NokusaEI Management Scores</i>		<i>NokusaEI Employees scores</i>		<i>Normative Database scores</i>
<i>Encourage Collaboration and Team Learning</i>	<i>Total</i>	<i>Mean</i>	<i>Total</i>	<i>Mean</i>	<i>Mean</i>
14. In my organization, team/groups have the freedom to adapt their goals as needed.	20	4	57	3.8	3.21
15. In my organization, teams/groups treat members as equals, regardless of rank, culture, or other differences.	21	4.2	51	3.4	3.29
16. In my organization, teams/groups focus both on the group's tasks and on how well the group is working.	19	3.8	57	3.8	3.3
17. In my organization, teams/groups revise their thinking as a result of group discussions or information collected.	21	4.2	57	3.8	3.32
18. In my organization, teams/groups are rewarded for their achievements as a team/group.	18	3.6	52	3.5	3.07
19. In my organization, teams/groups are confident that the organization will act on their recommendations.	21	4.2	54	3.6	3.01

**Table 9: Encourage Collaboration and Team learning**

At NokusaEI, team meeting are commonly used as a forum for sharing problems and solutions to projects that consultants are involved in. Management uses this forum to share knowledge regarding the company as well as upcoming projects. There are also occasional “guests” that are brought into these meetings to stimulate discussion. These meetings offer an opportunity for informal learning and exchange of understanding and ideas. However the perception still seems to be low regarding rewards for team performances and organizational performance.

## **5.6 Create Systems to capture and share learning**

Table 10 presents the average scores obtained in the *Create Systems to capture and Share learning* dimension in the survey.

There is generally a good perception of the company’ usage of two way communication and regular updates through newsletters and email updates. There is also a database that is used to track consultants’ skills and all the projects that the consultants have been involved in.

<i>Action Imperative / Question number</i>	<i>NokusaEI Management Scores</i>		<i>NokusaEI Employees scores</i>		<i>Normative Database scores</i>
	<i>Total</i>	<i>Mean</i>	<i>Total</i>	<i>Mean</i>	<i>Mean</i>
<i>Create systems to capture and share knowledge</i>					
20. My organization uses two-way communication on a regular basis, such as suggestion systems, electronic bulletin boards, or town hall/open meetings.	23	4.6	53	3.5	3.21
21. My organization enables people to get needed information at any time quickly and easily.	19	3.8	58	3.9	3.18
22. My organization maintains an up-to-date database of employee skills.	23	4.6	60	4	2.90
23. My organization creates systems to measure gaps between current and expected performance.	23	4.6	55	3.7	2.91
24. My organization makes its lessons learned available to all employees.	20	4	53	3.5	2.90
25. My organization measures the results of the time and resources spent on training.	19	3.8	49	3.3	3.01

**Table 10: Create Systems to capture and share knowledge**

However, during the interviews with the management team the general consensus was that the company needed to devote attention to establishing systems which enabled employees to learn from past mistakes, and there were apparently plans for the implementation of a database system and knowledge sharing focus groups which would provide central access to information within the organization. There also still seem to be disparate views regarding the company between management and consultants.



## 5.7 Empower People toward a collective Vision

Table 11 presents the average scores obtained in the *Empower people toward a collective vision* dimension in the survey. This was the lowest scored dimension by both management and consultants.

<i>Action Imperative / Question number</i>	<i>NokusaEI Management Scores</i>		<i>NokusaEI Employees scores</i>		<i>Normative Database scores</i>
	<i>Total</i>	<i>Mean</i>	<i>Total</i>	<i>Mean</i>	<i>Mean</i>
<i>Empower people toward a collective vision</i>					
26. My organization recognizes people for taking initiative	18	3.6	54	3.6	3.25
27. My organization gives people choices in their work assignments.	19	3.8	40	2.7	2.92
28. My organization invites people to contribute to the organization's vision.	18	3.6	40	2.7	3.12
29. My organization gives people control over the resources they need to accomplish their work.	20	4	61	4.1	3.09
30. My organization supports employees who take calculated risks.	18	3.6	50	3.3	2.99
31. My organization builds alignment of visions across different levels and work groups.	17	3.4	47	3.1	3.06

**Table 11: Empower People toward a collective vision**

It can be seen from the table above that on average employees feel that they have control over the resources that they need to accomplish their jobs and that they do get some recognition for taking initiative. There is also some level of support for employees who take calculated risks. However, the scores obtained by consultants were below the normative database on items that judge the freedom to choose one's work assignment and the invitation to contribute to the organization's vision. There seem to be also a low perception around the organizational strategy and how this is aligned across work groups and different levels within the organization.

## 5.8 Connect the Organization to its environment

Table 12 presents the average scores obtained in the *Connect Organization to its environment* dimension in the survey. It was indicated that company information is received via a company's newsletter which is send to consultants on a monthly basis during the interview with management. There seems to be a general common understanding of the globally competitive environment in which the company operates.

It also seems that there is a strong customer focus in all the decisions that are made in the company and consultants are strongly encouraged to get answers from across the organization when solving problems.

<i>Action Imperative / Question number</i>	<i>NokusaEI Management Scores</i>		<i>NokusaEI Employees scores</i>		<i>Normative Database scores</i>
	<i>Total</i>	<i>Mean</i>	<i>Total</i>	<i>Mean</i>	<i>Mean</i>
<b><i>Connect the organization to its environment</i></b>					
32. My organization helps employees balance work and family.	19	3.8	56	3.7	3.15
33. My organization encourages people to think from a global perspective.	22	4.4	52	3.5	3.25
34. My organization encourages everyone to bring the customers' views into the decision-making process.	22	4.4	65	4.3	3.44
35. My organization considers the impact of decisions on employee morale.	21	4.2	56	3.7	3.03
36. My organization works together with the outside community to meet mutual needs.	19	3.8	52	3.5	3.24
37. My organization encourages people to get answers from across the organization when solving problems.	25	5	64	4.3	3.33

**Table 12: Connect the organization to its environment**

There also seem to be a perception that the company does help employees balance work and family and the organization do consider the impact of decisions on employee morale.

## 5.9 Provide strategic Leadership for Learning

Table 13 presents the average scores obtained in the *Provide strategic leadership for learning* dimension in the survey. Management indicated that they had a clear understanding of their responsibility to act as facilitators and supporters of learning. This can be seen from Table 13 below that there is a perception that leaders generally support requests for learning opportunities and training.

<i>Action Imperative / Question number</i>	<i>NokusaEI Management Scores</i>		<i>NokusaEI Employees scores</i>		<i>Normative Database scores</i>
	<i>Total</i>	<i>Mean</i>	<i>Total</i>	<i>Mean</i>	<i>Mean</i>
<b><i>Provide Strategic Leadership for Learning</i></b>					
38. In my organization, leaders generally support requests for learning opportunities and training.	20	4	63	4.2	3.47
39. In my organization, leaders share up-to-date information with employees about competitors, industry trends, and organizational directions.	24	4.8	62	4.1	3.28
40. In my organization, leaders empower others to help carry out the organization's vision.	21	4.2	55	3.7	3.24
41. In my organization, leaders mentor and coach those they lead.	20	4	58	3.9	3.22
42. In my organization, leaders continually look for opportunities to learn.	21	4.2	60	4	3.33
43. In my organization, leaders ensure that the organization's actions are consistent with its values.	23	4.6	57	3.8	3.42

**Table 13: Provide Strategic Leadership for Learning**

There is also an indication that the management team share information regarding industry trends and competitors. This is normally shared through the company's newsletter and staff meetings. Overall there is a good perception regarding the role of management in coaching and mentoring those they lead and management plays a crucial role in continually looking for opportunities to learn and ensuring that the organization's actions are consistent with its values. However, empowerment of employees to contribute to the company vision is still ranked low by the consultants.

## **5.10 Discussion**

During the initial interviews with the management team and some of the senior consultants, there was a general consensus that NokusaEI had to transform itself into a learning organization although there were no formal or common understandings and agreements of what being a learning organization would entail. The biggest problem that the company was facing was ‘knowledge lost’ due to employee resignations and due to lack of systems that could extract knowledge and make it widely available to everyone in the organization.

However, it appears from these findings that though NokusaEI could not claim to “be” a learning organization, it already exhibits characteristics of a learning organization in many respects. The organization is most like a learning company in terms of its degree of trust between employees and management as well its frequent use of two way communications between management and employees. The management in the company has also cultivated an air of approachability and this has had positive effects on dialogue and inquiry in the organization.

A number of positive findings have emerged from the survey and there is little doubt that if the change processes aimed at transforming the organization into a learning organization become institutionalized they will be beneficial, not only to the company but also to its workforce in terms of improved performance and job satisfaction. However, it was also apparent that the management of the company has to seek new ways of articulating their vision for the future more clearly to employees, many of whom are perhaps unsure of the direction in which the company is attempting to move.

The subsequent paragraphs will discuss in more detail what the company can do to improve the current perceptions around learning and how these can be achieved.

### **5.10.1 Strategic leadership for Learning**

This was the highest ranked item in the survey by both management and consultants. This dimension underscores two other dimensions namely “Empowering people toward a collective vision” and “connecting the organization to its environment”. It is argued in this study that to provide strategic leadership for learning, leaders in organizations must frequently perform roles involving both transformational and transactional leadership. As discussed in chapter 2, transactional leadership motivates individuals primarily through contingent-reward exchanges

and active management-by-exception (Avolio, Bass and Jung, 1999). Transactional leaders set goals, articulate explicit agreements regarding what the leader expects from organizational members and how they will be rewarded for their efforts and commitment, and provide constructive feedback to keep everybody on task (Bass and Avolio, 1993; Howell and Hall-Merenda, 1999). Operating within an existing system, transactional leaders seek to strengthen an organization's culture, strategy, and structure.

Transformational leadership, in contrast, is charismatic, inspirational, intellectually stimulating, and individually considerate (Avolio et al., 1999). These leaders help individuals transcend their self-interest for the sake of the larger vision of the firm. They inspire others with their vision, create excitement through their enthusiasm, and puncture time-worn assumptions through their resolve to reframe the future, question the tried-and-true, and have everybody do the same (Bass and Avolio, 1993).

Bass (1985) argued that transformational leaders use intellectual stimulation to have followers view problems from different angles. Several studies have established a link between transformational leadership and innovation (Howell and Higgins, 1990). Other leaders were shown to use a transactional approach and set rewards and development strategies that prevent followers from being distracted by the mundane (Ford, 1996). Both transformational and transactional approaches to leadership may serve to stimulate exploration, although transformational leadership is likely to be more effective for exploration that challenges the status quo (Crossan and Vera, 2004). Whereas leaders may be somewhat limited when subconscious processes of their followers are involved, they may be more active in the interpreting stage of organizational learning. It is at this stage of learning that individuals are more aware and hence able to make sense of what they have learned (Huff, 1990). This is a conscious cognitive process, whereby individuals form cognitive maps about the domains in which they operate (Huff, 1990). These cognitive maps or expectations guide their judgment calls about the stimuli they perceive. This implies that leadership at NokusaEI should reinforce the need for continuous learning and discuss ideas, trends and problems with employees.

There should also be formalized discussions around development plans and opportunities that are and could be available to employees and leadership should make information and resources available for development. Employees should also be encouraged to pursue and stretch their goals. Berson et al., (2006) argue that leaders may play an important role in helping individuals

realize what they have learned In Smircich and Morgan's (1982) terms, leaders manage the meaning and frame the experience for their followers as a viable basis for action. In other words, leaders help individuals set the learning in a domain or context where it is meaningful (Berson et al., 2006).

Leaders are expected to be important drivers of the group process of interpreting that is associated with reducing the equivocal meaning of stimuli. Stated differently, following the intuiting stage, individuals may have a vague image of their ideas, which different individuals may interpret differently, based on their cognitive maps. This equivocality is reduced through a group process that enables individuals to develop a shared understanding of the original idea (Weick and Orden, 1990). A leader's vision may be a source for building a shared language or mental model ultimately making the individual idea a group process. A case study conducted in an online division of a Fortune 500 company (Brown and Gioia, 2002) showed that vision was associated with forming a holographic learning organization, one in which interconnectivity among team members leads to sharing of knowledge and information. Visions not only inspire individuals to commit to a new idea but also serve as a course of action (Conger and Kanungo, 1998). When leaders communicate their ideas in a vision, their ideas tend to be embedded in a context and are hence more appealing for the collective of people within that context (Van Knippenberg and Hogg, 2003).

In addition to leader traits, the attitudes of leaders have been linked to exploration at the organization level (Berson et al., 2006). In a meta-analysis of 46 studies, Damanpour (1991) found positive correlations between managerial attitude toward change and organizational innovation. Championing behaviour by leaders and allocation of resources to support new ideas has been shown to facilitate the development of entrepreneurial intuition toward institutionalized knowledge (Dougherty and Hardy, 1996). This was ranked low by employees at NokusaEI and should therefore be given priority as the company moves towards becoming a learning organization.

Another literature that associates leadership to learning at the organizational level focuses on leadership practices that facilitate a learning organization (Senge, 1990a). Among these are works by Bass (2000) and most notably by Fry and colleagues (Fry, 2003; Fry, Vitucci and Cedillo, 2005). The learning organization, sometimes used synonymously with organizational learning, is highly recognized in the practice literature as an organization form that has been designed to support learning (Easterby-Smith and Lyles, 2003; Tsang, 1997). Originally defined

by Senge (1990a), a learning organization is one in which “people continually expand their capacity to create results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free” (p. 3).

Exploration is supported by interactions with others in a shared context (Nonaka, Toyama, and Konno, 2000). Leaders may play a role in forming the context that maximizes the creativity of individuals by affecting team and organizational conditions that foster innovation (Ford, 1996; Mumford et al., 2002; Shalley and Gilson, 2004). Research has found that leadership-influenced factors inherent to the job or immediate work group, such as autonomy, performance feedback, and role expectations, as well as a clear, shared vision at the organizational level, are important to support intuition for exploration (Amabile et al., 1996; Ford, 1996; Nonaka et al., 2000; Oldham and Cummings, 1996; Scott and Bruce, 1994; Shalley and Gilson, 2004). Redmond et al. (1993) found that among high-ability individuals, leader expressions of confidence in ability and promotion of a learning culture resulted in higher performance and more creative solutions.

The effect of leadership on exploration may also be mediated by the leader's development of Human Resource Management policies which influence the type of individuals selected to the organization (Mumford, 2000). Work reviewed by Shalley and Gilson (2004) highlights personality and cognitive factors, as well as work experience, as important characteristics of creative people. Similarly, HRM policies influence the organization's diversity. Diversity promotes creativity, but requires participation by members with minority views to integrate their knowledge and promulgation of a shared vision and language to achieve a common interpretation (De Drue and West, 2001; Fiol, 1994).

The relationship between leadership and exploitation of organizational knowledge, sometimes termed single-loop or incremental learning (Argyris and Schon, 1978; Edmondson, 2002; March, 1991) is also very crucial in understanding the leadership role in organizational learning. These processes begin with institutionalized knowledge and then move through the organization via interpretation (Berson et al., 2006). The management literature emphasizes the ability of organizations and teams to transmit institutionalized knowledge to their members. Studies of exploitation are under-represented in the literature relative to exploration, innovation, and creativity (Berson et al., 2006).

Institutionalizing sets learning apart from individuals, and hence, manifests itself in routines, structures, and practices of the organization (Crossan et al., 1999; Nahapiet and Goshal, 1998; Nelson and Winter, 1982). Depending on the nature of communications within organizations, leaders at lower levels may have some influence over institutionalized learning. However, many practices at this stage are initiated with executive action, and learning becomes manifested in artifacts and values, or the culture of the organization (Schein, 1993).

### **5.10.2 Create systems to capture and share knowledge**

The key process that supports exploitation of institutionalized knowledge is knowledge transfer. The team learning literature focuses on several aspects of this process: knowing where the knowledge is, disseminating the knowledge, and building a shared understanding of it (Berson et al., 2006). At the team level, knowing who holds the knowledge is a function of transactive memory systems (Hollingshead, 1998; Lewis, Lange and Gillis, 2005). Knowledge dissemination results from internal communication (Keller, 1986; Larson, Christensen, Abbott and Franz, 1996). Shared cognition of knowledge is usually referred to as team mental models (Klimoski and Mohammed, 1994).

Therefore, to improve on this dimension NokusaEI must define what kind knowledge is held in the organization and define systems to capture and disseminate the knowledge within the organization in addition to the internal newsletters and email communications.

To become an effective firm resource for exploitation, the knowledge to be exploited must be usefully organized, accessible, and communicable (Duncan and Weiss, 1979). Knowledge stored in practiced routines computer systems, structures, shared cultural beliefs, or the minds of experts may be sources of exploitation (Huber, 1991; Walsh and Ungson, 1991).

### **5.10.3 Encourage Collaboration and Team Learning**

According to Jamali et al., 2006 the team learning discipline capitalizes on teamwork and communication. Team-based learning encourages people to think together and diffuse their knowledge and skills from the level of individuals to the members of the collective (Wang and Ahmed, 2003). The valuable and hard-to-decode tacit knowledge of individuals can thus be shared collectively, and the new skills can be practiced and taught to other members of the team (Goh, 1998; Wang and Ahmed, 2003). Teams can leverage information and knowledge, broaden



team-member competency and bring a diversity of thinking knowledge and behaviours to bear on understanding and action (Bennet and Bennet, 2004).

According to Jamali et al., 2006, Empowerment is a key feature of post-bureaucratic organization. Empowerment works best when employees are brought together in the context of cross-functional work teams (Webber, 2002). Self-organizing team structures have hence emerged as another value-creating feature of learning organizations (Jamali et al., 2006). Teams concentrate what would otherwise be unique solitary points of excellence within the organization and thereby invite added excellence as a result of the synergy that results from a melting pot of talents (Brodbeck, 2002). It is precisely through this mechanism that teams improve organizational adaptability and boost the success of change initiatives (Drew and Coulson-Thomas, 1996; Kelly and Allison, 1999). Teams are thus increasingly viewed as a prized wellspring of agility and responsiveness in environments characterized by uncertainty and unpredictability.

Empowerment is founded on trust (Mayer et al., 1995). Trust enhances commitment, collaboration and healthy team dynamics (Holton, 2001; Webber, 2002). Teamwork further deepens trust and breaks down barriers to effective communication (Dwivedi, 1988; Drew and Coulson-Thomas, 1996). Communication enhances meaningful interaction and collaboration (Holton, 2001). Flexibility thrives in the context of teams and empowerment (Englehardt and Simmons, 2002).

Trust in turn is a fundamental lubricant of healthy team dynamics and another central feature of post-bureaucratic organizations (Holton, 2001; Webber, 2002). The potential value of trust lies in the fact that it invites levels of cooperation beyond those that can be maintained by instrumental motivations, making it possible for organizations to capitalize on trust-based cooperation (Erden et al., 2003; Tyler, 2003). Organizations are indeed less able today to provide incentives or sanctions that would motivate needed cooperation and trust can motivate such voluntary forms of collaboration and engagement in work (Mayer et al., 1995). It is thus hardly surprising that trust dynamics are attracting increasing attention in recent management literature (Gilbert and Tang, 1998).

The most important that can be learned in this dimension is to learn dialogue and Inquiry. According to Bohm et al., 1991, in Dialogue, a group of people can explore the individual and collective presuppositions, ideas, beliefs, and feelings that subtly control their interactions. It provides an opportunity to participate in a process that displays communication successes and

failures. It can reveal the often puzzling patterns of incoherence that lead the group to avoid certain issues or, on the other hand, to insist, against all reason, on standing and defending opinions about particular issues. Leadership may also play an important role in ensuring that there is no domination by those with seniority or influence and that all individuals are allowed to participate in discussions without fear of judgment. This can be achieved through focused group dynamics and team building exercises.

The ability to organize, create and disseminate information is a source of competitive advantage in the information age and has direct implications for the dynamics of teamwork and collaboration (Holton, 2001) and thus Effective communication is in turn essential for meaningful interaction and healthy collaboration (Jamali et al., 2006).

Today's organizations are leveraging communications technology and capitalizing on lateral communication patterns that are intended to alleviate complexity and uncertainty and ease information transfer among teams and networks (Hong, 1999). The role of employees as important nerve centres in turn promotes a sense of involvement resulting in more commitment, flexibility and innovation (Spekman et al., 2002; Beech and Origin, 2003).

# CHAPTER 6

## CONCLUSION

### **6.1. Conclusion**

The need for organizations to survive in a changing environment has led to the development of the concept of the learning organization. A learning organization is an organization that facilitates learning for all of its members, and thereby continuously transforms itself (Watkins and Watkins, 1998).

Recent years have witnessed the ascendancy of the learning organization paradigm, which has offered hope and critical insights for organizations seeking to remain competitive in a hyperdynamic environment (Jamali and Sidani, 2008). One reason frequently put forth for the growing popularity of this paradigm is the suitability of the learning organization model for today's dynamic global business environment (Porth et al., 1999; Strachan, 1996). The learning organization is arguably a promising path for building sustainable competitive advantage in view of the easy replication of other sources of value creation and the corollary imperative of capitalizing on new knowledge, inferences and insights (Jamali and Sidani, 2008).

The available literature on learning organizations has generally accorded more attention to defining and describing than measurement (Jamali and Sidani, 2008). However, as argued by Garvin (1993), the learning organization should be meaningful, manageable and measurable. Although many definitions have attempted to capture the essence of the learning organization, it remains difficult to move from theory to reality without effective measurement (Jamali and Sidani, 2008). Measurement is important to offer guidance to managers in their efforts at diagnosing their organizations and providing a concrete framework for action (Garvin, 1993; Jamali and Sidani, 2008).

This study has attempted to take a preliminary step in the way of more systematic measurement at NokusaEI, using the dimensions of the learning organization questionnaire as developed by Watkins and Marsick (1998). Analysis of the survey results in turn allowed comparison of the results obtained by NokusaEI with the online database maintained by Partners for Learning

around the seven dimension of the learning organization. The findings vis-à-vis the seven dimensions of a learning organization were then used to promote a better understanding of how NokusaEI in particular, and any organization in general, can adapt to the concept of a learning organization.

The findings suggested that even though the company could not claim to be a learning organization, it already exhibited some characteristics of a learning organization. These include the flatness of the organizational structure, bi-directional communication between management and consultants and air of approachability shown by management which cultivates trust within the organization. There is also a high level of information sharing within the organization, albeit informal, and the company use of project structures to achieve organizational objectives. The results also suggest that the strength of the organization lay in its leadership style, while its weakness rests in empowering people toward a common vision.

Another interesting finding was that the management team scored almost all the dimension in the survey consistently higher than the consultants. This could mean that perception differs depending on the level one occupies within the company which might mean that management communication is not as effective as it should and that there isn't one single vision that everybody is working towards. This was confirmed by both groups ranking the item "Empower people toward a collective vision" lowest in all the seven dimensions.

The differences in perception between the management team and the Consultants could also indicate that all people employed by the company have not begun to develop a common understanding about the place of learning in the company or that the understanding regarding the dimensions of the learning organization occurs intermittently in the organization. Given that this is first time the company embarks on the journey towards becoming a Learning Organization, such an outcome seems reasonable.

However, there were a lot of commonalities in terms of ranking the items and their relative importance in the survey. For an example both the management and the consultants' team scored 'Providing leadership for learning' highest in the survey and the lowest scored item was 'Empower people towards a collective vision'. This means that even though there were high levels of trust given to the company management, employees still have the perception that more could be done around communicating the vision and the direction of the company. This also

indicates that that is less employee involvement in deciding the direction and the state of the company.

Although there is general agreement that there is “no right model” and learning organizations are created through attention to values and processes, individual learning is a central component of the learning organization (Jamali et al., 2006). The organization needs to create a climate in which experiential learning is managed effectively throughout the workplace, and in which individual learning is harnessed to achieve organizational learning (Jamali et al., 2006).

From the management point of view, the results in this study suggest several meaningful implications. James (2003) argues that managing learning organizations requires an understanding of more than just the processes of organizational learning. She further argues that these processes are largely adaptive in most organizations, but they flourish in organizations designed to increase collective and generative learning throughout the organization. Collective and generative learning lead to transformation in organizations, especially those organizations with egalitarian cultures, transformational leadership, flat organizational structures and empowered knowledge workers. In order for these components to work, the organization must change its basic assumptions and beliefs (James, 2003).

For those organizations that want to enhance organizational learning, the most important emphasis is the full commitment of leadership. From this commitment, supportive attitudes, behaviors and incentives will follow. This creates an environment in which knowledge acquisition, sharing and utilization will be facilitated. The organizational structure and operations should also be designed in such a way to maximize the interaction among staff in terms of knowledge and learning. Lastly, a learning culture and climate should be nurtured on a continuous basis.

Although knowledge intensive companies may exhibit some characteristics of learning organizations and are already oriented towards a learning culture, the creation of a learning organization is dependent upon embedding learning in the management processes of the organization or, to put it another way, to extend the focus on learning from just purely solving problems of the clients to the wider organization, so that the organization creates and disseminates knowledge that informs the development of the organization.

Looking at the literature on learning organizations and organizational learning processes, certain indicators of organizational learning can be identified. Accordingly the following key indicators are put forward for consideration:

- Provision of immediate feedback on work results: This is implemented by forming direct relationships with the customer of a product – both inside and outside the organization. The learning company concept stresses that every employee should be committed to the needs of the customer and this relates to the internal organization of the company and its external relations. The aim is to shorten the time delay between an employee's work and feedback received on the results of work undertaken;
- Continuous self-organization based on self-control: the main point here is that the ability to re-organize internal production processes rapidly will enable new products to be introduced in the market very quickly. This gives companies an edge over their competitors. Learning companies are able to restructure themselves continuously.
- Learning companies emphasizes that existing forms of work and learning have to be scrutinized and changed from case to case and that a company culture has to be established which promotes such scrutiny and change. This entails a move towards teamwork and autonomous teams, although this is not in the same sense as advocates of teamwork support. Controlled self-organization is a feature of a learning company because it provides a framework that allows for the possibility of temporary forms of work organization. This is based on the principle that problematic work situations (e.g. disruptions, unforeseen events) can be solved through the existence of decentralized units;
- Integration of work and learning: The integration of work and learning is a result not of continuously being compelled to address problematic work situations, but as a deliberate corporate strategy. This is also related to the rapidly rising costs of continuing education and training. It needs to be emphasized that the integration of work and learning is not always successful but is dependent on many factors such as a work organization that promotes learning, the introduction of tutorial work schemes and work-oriented learning and further education activities;
- Sharing knowledge and experience within the company. It is becoming clear to more and more managers that the local knowledge of employees is of value to the company. The concept of knowledge management puts the accumulation and exchange of knowledge and experience as an important company objective. Thus, employees need to keep records of the knowledge that is necessary for their jobs and to share this within the

company. It is part of the culture of a learning company to support this process by providing technical tools for recording knowledge, and organizational processes such as quality circles for the exchange and creation of knowledge;

- Networking and benchmarking: learning from the environment is encouraged and systematically evaluated. The results are interpreted to address the company's objectives in line with local constraints and opportunities. Benchmarking is a well-known strategy used to learn from other companies, especially competitors. Informal and formal networking is another strategy to establish links with political or environmental groups, employer associations, trade unions, academic institutions and business organizations. Situated learning methods are used to improve inter-company cooperation.

Therefore, it is recommended that as a starting point that the company revisit the concept of learning and organizational learning as outlined above in this study and devise an implementation plan for the core building blocks as outlined in the preceding chapter.

## **6.2. Challenges**

The first challenge met was lack of clear definition of what the company wanted to achieve from the concept of a learning organization. This was also due to the fact that different people had different ideas on what learning entails and how the company should embark on the journey on becoming a learning organization.

Another challenge met was with availability of key personnel for the interviews. Senior consultants in the company do not have a lot of time to spare, so this made it difficult to gain access to other senior resources that were targeted for the interviews.

## **6.3. Future Research**

The current research was aiming at diagnosing the perception of employees at NokusaEI around the concept of organizational learning and proposing a strategy to guide the company on how to implement the concept of a learning organization. However, due to time constraints monitoring of the strategy implementation was not part of this thesis. It will therefore be of interest for future research to start with evaluating the impact of the proposed strategy and diagnosing the perceptions in the company as a comparison.

There is also a limitation in that the sample comes from only one consulting company and uses an attitudinal survey. Replications of this analysis in other research contexts, industries and organizational characteristics would enhance the generalizability of the findings.



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# APPENDICES

## Appendix 1: Dimensions of the Learning Organization Questionnaire

Click in one circle for each item. If you change your mind about an item, simply click in a different circle for that item. There are no right or wrong answers. We are interested in your perception of where things are at this time.

		Almost never	Click in one circle for each question				Almost Always
		1	2	3	4	5	6
1	In my organization, people openly discuss mistakes in order to learn from them.						
2	In my organization, people identify skills they need for future work tasks.						
3	In my organization, people help each other learn.						
4	In my organization, people can get money and other resources to support their learning.						
5	In my organization, people are given time to support learning.						
6	In my organization, people view problems in their work as an opportunity to learn.						
7	In my organization, people are rewarded for learning.						
8	In my organization, people give open and honest feedback to each other.						
9	In my organization, people listen to others' views before speaking.						
10	In my organization, people are encouraged to ask "why" regardless of rank.						
11	In my organization, whenever people state their view, they also ask what others think.						
12	In my organization, people treat each other with respect.						
13	In my organization, people spend time building trust with each other.						
14	In my organization, teams/groups have the freedom to adapt their goals as needed.						
15	In my organization, teams/groups treat members as equals, regardless of rank, culture, or other differences..						
16	In my organization, teams/groups focus both on the group's task and on how well the group is working.						
17	In my organization, teams/groups revise their thinking as a result of group discussions or information collected.						
18	In my organization, teams/groups are rewarded for their achievements as a team/group.						
19	In my organization, teams/groups are confident that the organization will act on their recommendations.						
20	My organization uses two-way communication on a regular basis, such as suggestion systems, electronic bulletin boards, or town open meetings.						
21	My organization enables people to get needed information at any time quickly and easily.						
22	My organization maintains an up-to-date data base of employee skills.						
23	My organization creates systems to measure gaps between current and expected performance.						
24	My organization makes its lessons learned available to all employees.						

		1	2	3	4	5	6
25	My organization measures the results of the time and resources spent on training.						
26	My organization recognizes people for taking initiative.						
27	My organization gives people choices in their work assignments.						
28	My organization invites people to contribute to the organization's vision.						
29	My organization gives people control over the resources they need to accomplish their work.						
30	My organization supports employees who take calculated risks.						
31	My organization builds alignment of visions across different levels and work groups.						
32	My organization helps employees balance work and family.						
33	My organization encourages people to think from a global perspective.						
34	My organization encourages everyone to bring the customers' views into the decision making process.						
35	My organization considers the impact of decisions on employee morale.						
36	My organization works together with the outside community to meet mutual needs.						
37	My organization encourages people to get answers from across the organization when solving problems.						
38	In my organization, leaders generally support requests for learning opportunities and training.						
39	In my organization, leaders share up to date information with employees about competitors, industry trends, and organizational directions.						
40	In my organization, leaders empower others to help carry out the organization's vision.						
41	In my organization, leaders mentor and coach those they lead.						
42	In my organization, leaders continually look for opportunities to learn.						
43	In my organization, leaders ensure that the organization's actions are consistent with its values.						



# Appendix 2: Organizational Profiles

