Fall 1997

Learning, Working, Managing, Sharing: The New Paradigm of the Learning Organization

Barry Sugarman

Learning, Working, Managing, Sharing: The New Paradigm of the "Learning Organization."

Barry Sugarman

"A learning organization is an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights." (Garvin, 1993, p. 80.)

Introduction

The concept of "the learning organization" (L.O.) has great importance for the worlds of education, business and nonprofit management. It challenges, in fundamental ways, the dominant "bureaucratic" paradigm which has prevailed at the core of western civilization for some 200 years. This concerns managers at the heart of their professional selves; it concerns all of us -- everyone whose working life is spent within, or in relation to, a formal organization; it also concerns educators in a special way, for we must understand the demands and opportunities facing our students. Still one more challenge faces the educators: to what extent can we live up to the ideals of the learning organization on our home turf?

This essay will consider some of the (massive) implications of this paradigm shift from bureaucracy to learning organization (henceforward -- "L.O."). It will examine both paradigms and consider how each one shapes the human experience. It will also discuss some of the issues that arise when elements within organizations attempt to transform the organization from the older to the newer way. It will not, however, attempt to evaluate the evidence on the efficacy of the learning organization as a "method"; that requires another article all to itself.

The "L.O." model implies that managers must become interested as never before in the **process** of learning, as well as the results. **The central thesis of the L.O. is two-fold: (1) that a key success factor for any business in the age of global competition is its ability to innovate continuously, appropriately, and faster than its rivals, and (2) that can only happen through unleashing the untapped capabilities of all its employees** (see several articles in the same special issue of TRAINING by Argyris, Bridges, Deane, Kanter, Peters, and Senge, 1994.) The implications of this thesis are truly revolutionary -- for the economy and for our civilization, for the roles of managers, and for the roles of educators. If knowledge and "intellectual capital" are the keys to the new economy, then education professionals could be the locksmiths.

Since the 1980s or earlier, the world of business has begun to see the need for entirely new models of management in order to succeed in regaining and defending a position of global competitiveness. Powerful overseas competition came, not so much from low-wage areas, but from areas (notably Japan) which thoroughly reinvented the business corporation to produce unprecedented levels of quality at low prices. They destroyed the credibility of the bureaucratic paradigm of business administration that had dominated western industrial civilization for nearly two hundred years. And the learning organization appears to be central to the paradigm that must replace it.

For all of us, as workers and private citizens, the implications of this new social and managerial model are great and, on balance, favorable. Even aside from the economic implications for our standard of living, which are massive, the L.O. offers a far more hopeful view of the relationship between organizations and individuals. This view gets us out of the "iron cage" defined by Max Weber a century ago, the cage which imprisons the individual yearning for freedom and creative expression in the clutches of vast, impersonal bureaucracies which require obedience to narrow and rigid rules. Whereas quality of life issues were **opposed** to economic success under the old "bureaucratic bargain," these two issues are now in alignment, and apparently **both** can be found at the same source, namely the learning organization.

The authority of the bureaucratic model was based on its apparent effectiveness, albeit at a dismal cost. Since the 1980's and the onslaught of superior Japanese competition, the old, first- world, bureaucratic corporate model has lost credibility as a model of effective business management. As the business world sought solutions to this crisis, a new organizational model emerged. Whereas the old model was based on the notion of the worker as an unthinking cog in a great machine, the new model is based on the worker as a creative contributor. The Quality movement established an initial sketch of this new approach with new roles for the worker, less regimented, less fragmented, and even empowered; and the L.O. has expanded on it.

Breakdown of the Old Management Paradigm

The old paradigm of management that has guided the U.S. economy since the rise of the railroads and the great, public corporations of the industrial revolution is now in serious trouble, even discredited. This happened in the 1980's when flagship U.S. corporations, such as General Motors and IBM, plunged into failure in the face of devastating competition from Japanese rivals and when entire industries (such as, steel-making, TVs, and just about all consumer electronics) seemed to be eliminated from the U.S. economy by their overseas competitors.

In the late 90's, many U.S. firms struggled to remake themselves to be competitive with their new global competitors, innovating faster and racing ever faster up the down-escalator of unending demands for improved quality and customer service -- and all this

at lower costs. Competition, both domestic and international has never been so fierce. Only a new paradigm could make it possible to meet such a revolutionary set of demands. Any U.S. companies met this challenge. While it would be foolish to claim that the L.O. model was the sole factor determining the success of companies, such as Ford, Shell USA, Royal Dutch Shell, Hewlett- Packard, Federal Express, EDS, AT&T, and Harley Davidson, it seems to me reasonable to believe that this was an essential component in their recovery.**

The overseas competition (including household names, such as Toyota, Honda, Sony, Matsushita, as well as countless "no-name" companies in emerging economies) created new kinds of enterprises. They challenged the dominance of established U.S. companies with all their unique advantages, including the huge domestic US market, vast resources and the head start of coming out of World War II unscathed and already geared up for expansion. The new competitors, lacking all these advantages, were forced to find the weakness of the U.S.

paradigm-- and find it they did. As the 80's turned into the 90's, U.S. managers were challenged to understand a new Japanese paradigm and to determine how U.S. companies could compete successfully on these new terms. Either a new (third) paradigm must be created, or a way of successfully competing within that created by the insurgents. Or else-- suffer catastrophic loss of standard of living. Other first-world economies face a similar challenge. It is a mighty challenge, second in importance to none other in our lifetimes. Fortunately, some very able minds have addressed themselves to this difficult task.

The old paradigm was articulated (though not originated) by Peter Drucker some forty years ago, and since then has been utilized in hundreds of textbooks celebrating Management by Objectives and the core functions of planning, organizing, and controlling. These are the bureaucratic functions for controlling large workforces and managing large volumes of resources to maximize economies of scale-- in contrast to the entrepreneurial functions of creating new ideas and products. Entrepreneurs are fine in their place-- so this paradigm implies-- and that place is creating profitable, small businesses to be taken over by "professional managers" who know how to grow them to maturity.

The old paradigm assumed that the functions of planning, organizing, and controlling were operating within large, stable corporate bureaucracies, each maintaining a stable equilibrium within a well-understood and basically stable environment. The paradigm seemed to be validated for many years by the growth and profitability of the US economy throughout the 1950's, 1960's and most of the 1970's. Then, the scoreboard registered some major upsets-- for major corporate players-- and those losses persisted long enough to call into serious question the old paradigm.

Sources For Formulating a New Paradigm

A new paradigm or meta-strategy is needed for U.S. business. The paradigm that enabled the Japanese and others to out-compete western businesses is not necessarily the paradigm that will allow us to counter-strike, given our different strengths and weaknesses, but we certainly must understand how they do it. There are several sources we must study in order to understand what must be done differently: (1) the Japanese challengers, (2) the atypical, western companies which have successfully met the global challenges, and (3) the insights of the Quality consultants, especially Deming (Walton, 1990).

Case studies of Japanese companies which had outclassed their US rivals in the late 1970's and early 1980's offer powerful insights. *The Art of Japanese Management*, by Pascale and Athos (1981) focuses mostly on the Matsushita company but generalizes their conclusions to other Japanese companies. They highlight management's dedication to building a culture that pays attention to each of seven strategic factors, both "hard" (structural) ones and "soft" (human, cultural) ones. In the USA, by contrast, management pays most attention to the hard strategic and structural factors and little to the human factors. Nor does US business give careful, long-term attention to culture-building over many years. In the Matsushita case, this culture-building occurred over several decades, finely adjusting each factor to perfect its fit with each other.

Another useful source of insight is provided by case studies of atypical, successful US companies. This "good news" research highlights what these companies do differently from their conventional peers. For example, *Liberation Management* and *Thriving on Chaos*, both by Tom Peters, present many cases of successful US companies, some long-term and some dramatic turn- arounds, all highly non-traditional in their management and organization. Peters provides dozens of cases, loosely organized to illustrate various themes, most involving a hearty disrespect for traditional hierarchies and formal organization.

A powerful analysis of successful companies in both the U.S.A. and Japan resulted in *Theory Z: How American Companies Can Meet the Japanese Competition*, by William Ouchi. This "Theory Z" is so named to designate a third model, different from both the old, rigid theory X and the modern, flexible, theory Y contrasted by McGregor (Weisbord, 1987). Theory Z anticipates much of the work that adopted the banner of "the learning organization." "Z organizations . . . are intimate associations of people engaged in economic activity but tied together by a variety of bonds;" he sees them as more like clans than bureaucracies (Ouchi, 1981, 70). An essential factor is trust; another is a recognition of the subtlety of human relationships. When these factors are cultivated over the long-term, within a well-integrated organizational culture, employees do not have their performance frequently appraised against measured criteria, but accountability is maintained within a deeper and more subtle shared understanding of the fundamental

goals of the enterprise, shared by workers and managers.

Rosabeth Moss Kanter, in *The Change Masters*, (1983) and *When Giants Learn to Dance* (1989), uses a more analytic comparative method. The first book compares two sets of firms, one more and one less hospitable to change, and the second book looks at the attempts of some large companies to become more hospitable to innovation. Within these firms, Kanter identifies areas which are specially focused on cultivating innovations, which she calls "newstreams." They are bound to be in conflict with the "mainstream" parts of the firm because they use different processes of management and have different needs from the parent company.

Quality management experience and thinking, notably that of W. Edwards Deming, provides a third major body of knowledge for understanding old and new paradigms. In effect, our search comes full-circle, for Deming's thinking and methods influenced some of the leading Japanese companies embraced in their strong and patiently-built corporate cultures (Walton, 1990). His teaching was ignored in his native U.S.A. for many years -- until the impact made by his apt Japanese students shocked U.S. businesses into taking these teachings about quality more seriously. Quality management approaches affirm the importance of front-line workers, empowering them to collaborate in order to redesign the work processes of the organization. They do this by working in cross-functional teams, across different status levels of the firm, united "horizontally" by a focus on giving customers what they expect (Dobyns & Crawford- Mason, 1992). Though many companies have tried to patch up the old paradigm with watered down "quality" programs, real quality thinking is a radical break with the bureaucratic tradition. Learning and intrinsic motivation to learn have always been the roots of quality, states Senge, and a corporate commitment to quality that is not based on intrinsic motivation is a house built on sand (Senge, 1992).

Bureaucracy : Key to the Old Paradigm

"Water? What's this water you're talking about?" asked the puzzled fish.

Now we need to study directly the old paradigm, even though our closeness to it -- indeed our life-long socialization -- make it hard to see clearly, hopefully not as hard as it is for the fish to see its own water.

Bureaucratic organizations are a central feature of modern, western economies and public administration; as such, they have been at the center of our civilization since the Industrial Revolution that began around 1800 in the USA, earlier in England. Max Weber first called attention to the epochal significance of bureaucracy, and organizational sociologists have never forgotten its profound importance to our social order. In historical context, they have noted, bureaucracy brought many advantages over older, tribal, patrimonial, political, arbitrary forms of organization that preceded it. It is "rational" (Weber, 1947), more stable and dependable -- the police and fire departments

are there when needed; it is less corrupt and more impartial; in an era where most workers had low skills and little readiness for factory work the bureaucratic paradigm provided discipline, direction, and hence steady output. So it became the dominant form of work organization in the modern world.

Bureaucratic organizations, formally, are defined by these main features:

- hierarchy of control (i.e. decisions are made one or more levels above where the work is done)

- specialization of function (resulting in some efficiencies but also in non-communicating sub-cultures within their "silos" or "chimneys")

- centralization of information and control (resulting in under-utilizing the knowledge and creativity of most workers and managers)

- formal rules, policies and procedures govern behavior (resulting in greater consistency but creating structures that are very hard to change when it becomes necessary

- strict separation of the private life from official role of all employees (Bidwell, 1986)

The Underside of Bureaucracy

Whatever their advantages in earlier historical context, bureaucracies are not nice places to work, for the spirit of the worker suffers from being a cog in a vast machine -- all the more so as the level of education (broadly defined) has risen. Western Civilization has a long humanistic tradition of protest against capitalism and bureaucracy, against the miserable assumption that economic prosperity (or even survival) required this dreadful contract. During the period of the 1950's through the late 1970's many U.S. workers and managers enjoyed good pay, benefits, and job security in exchange for tolerating the life of "Organization Man." That tacit contract of employment is now "history."

Studies of bureaucratic workplaces from twenty years ago began to show the limits and dysfunctions of the strict bureaucracy and to show how informal adaptations can develop in the interstices of bureaucracy, creating local, unofficial (and sometimes covert) solutions to operating problems not officially recognized at higher levels. These informal organizational arrangements may be aligned with the goals of the host organization (though not with its approved means), or with the goals of the sub-unit rather than the host, or (in those cases most likely to make headlines should they come to light) only with the personal goals of a deviant element (Blau & Meyer, 1971).

Even in its own day the bureaucratic paradigm did not give an accurate picture of how

the system actually operated. Communication, especially going up the hierarchy, tends to be systematically distorted, concealing "bad news" from the boss. The assumed expertise of higher levels to solve problems existing at lower levels was wrong because higher level managers lacked the information possessed by lower level workers, who were reluctant to share it. Sometimes the reasons for not sharing the information were fear of punishment or the boss' refusal to listen; sometimes the reasons were secretiveness of the subordinates. Either way, studies showed that informal adaptations can develop unplanned in the nooks and crannies (unsupervised spaces) of bureaucracy, creating local, unofficial (and sometimes covert) solutions to operating problems not officially recognized (and often not known) at higher levels. Sometimes these informal arrangements were aligned with the goals of the host organization; sometimes they served the goals of the sub-unit rather than those of the whole organization; and sometimes they involved sabotaging efforts of the administration to tighten controls on the rank and file (Blau & Meyer, 1971).

Often enough the informal adaptations worked (on balance) in the interests of the larger organization, solving problems effectively without any fuss or bothering the boss. Some sterling examples of "communities of practice" have been studied, showing how (for example) office machine repair technicians (who were assumed to work separately) talked to each other and evolved patterns of sharing stories and tips about specific machine problems and trouble- shooting methods. The growing body of knowledge passed around amongst these peers helped them to become more expert, more rapidly and also led to the discovery of new solutions to problems that were not even in the official repair manuals (Brown & Duguid, 1991). Sociologists have asked whether managers could increase the effectiveness of their organizations by encouraging and supporting such informal adaptations, but some (especially rank and filers) believe that such attempts are usually clumsy and counter-productive. Note that the Quality movement has attempted to capture this widespread, informal, creative energy in its own quality improvement projects.

The Learning Organization

"A 'Learning Organization' is one in which people at all levels, individually and collectively, are continually increasing their capacity to produce results they really care about." This definition is provided by Richard Karash, moderator of the **Learning Organizations Listserv** discussion group in the list's introductory statement for subscribers. Another, fuller definition is given by Peter Senge, founder of the MIT Center for Organizational Learning and author of the widely influential book *The Fifth Discipline*:

This then is the basic meaning of a 'learning organization' -- an organization that is continually expanding its capacity to create its future. For such an organization, it is not enough merely to survive. 'Survival learning' [adaptive learning] is necessary. But for a

learning organization, 'adaptive learning' must be joined by 'generative learning,' learning that enhances our capacity to create (Senge, 1990, p.14).

In addition to *The Fifth Discipline* (Senge, 1990), other key sources are *The Fifth Discipline Fieldbook*, (Senge et al., 1994), and a book of readings on the L.O. (Chawla & Renesch, eds., 1995). Together these present a **vision** of better organizations plus a large, **body of practice** for transforming organizations according to the vision. *The Fifth Discipline Fieldbook*, is a user- friendly compilation of L.O. guidelines, tools, concepts, and empirical reports on many projects that field-tested some of them. The Center for Organizational Learning at MIT (recently metamorphosed into the independent Society for Organizational Learning maintains a website at: http://www.mit.edu/learning

According to the L.O. vision, organizations can be very much better in terms of effectiveness (including customer satisfaction, quality, and productivity) and better as places to work; better for investors and better for customers; but also better for workers of all kinds, managers and others. This is a Theory Y paradigm (which assumes workers to have great untapped, but tappable, potential) , whereas the old bureaucratic paradigm is, despite various overlays and modifications, deeply rooted in Theory X, which assumes workers to be grossly limited in abilities and motivation.

Senge has overviewed the practice and theory of the L.O. in terms of five "disciplines", that include many tools and infra-structures:

- PERSONAL MASTERY

- MENTAL MODELS

- SHARED VISION

- TEAM LEARNING

- SYSTEMS THINKING

The first four disciplines contain many methods similar to what has been done in organizational development. The fifth one (systems thinking) involves learning to see the big picture, to understand how the consequences of our actions often loop around to affect us in unsuspected ways, and to use this analysis of system dynamics to find points of leverage that allow one to free the organization from vicious cycles that thwart its effectiveness. In the hands of experts, this discipline could find powerful answers, but typically these recommendations were not followed. Upon reflection, it became clear that unless the managers of the system themselves went through the analysis and struggle to understand the system, they would not be convinced of its efficacy and would not fight to see it applied.

Some of these "disciplines" are old, familiar tools of organization development brought into the service of this vision; although this would not apply to systems thinking, which

has a central role

-- hence the title of Senge's best-selling book "The Fifth Discipline." Personal mastery, though not very new, has a special importance to the L.O. "package" because of the importance placed on intrinsic motivation. The L.O. is defined as one which has the capacity for continually improving its effectiveness as its members find new and better ways to organize their efforts in pursuit of goals that are important to them. So it is essential that the individual aspirations of the members are linked to the goals of their teams which should be integrated into the larger corporate goals.

The L.O. field builds on the teachings of Deming, the quality expert who was also a profound management visionary. Indeed, Senge's ambition seems to be to complete Deming's mission. He insists on fidelity to Deming's most fundamental ideas which have been ignored or violated by the popularizers of "the quality movement." Senge shares Deming's abhorrence of attempts to measure and reward **individual** performance (ignored by most so-called "quality" programs) and insists that openness to learning and intrinsic motivation to excel are essential foundations for the new management.

L.O. practitioners share a set of important mental models about the psychology of the individual employee as follows:

- Humans have an innate drive to learn, an innate curiosity, seen in the child.

- People urge themselves to ever-higher standards of quality and performance in an activity which is important to them -- hobbies, sports, professions, , etc. and they make much (voluntary) use of feedback data.

- But people fear, resist, and deceive external evaluations by those in power.

- All perceptions are structured by our assumptions and categories. These mental models can be surfaced, tested, revised, and reframed.

- Personal knowledge and understanding is constructed through individually processing new information -- using it, discussing it, reflecting on it, etc..

- Contextual information is required for any data to have meaning.

- People tend to oblige those they see regularly, to meet their expectations, especially affirming the identity-self claimed by the other; this leads to tacit acceptance of a taboo on "non-discussible" topics.

- People satisfice more than they optimize.

- When people do optimize, they do so for their own situation more than the larger unit (sub-optimizing).

- Most workers are capable of organizing and planning their own work.

- People's capabilities are vastly underutilized in most workplaces. Their efforts to

break out of those limitations are usually discouraged or punished.

New efforts by management to elicit employees' full ability should expect initial resistance due to mistrust and barriers resulting from years of bureaucracy (resentment and other feeling plus informal norms of work groups). (Chawla & Renesch, 1995; Senge, 1990; Senge et al., 1994)

Change and Counter-Revolution

The L.O. field is not nearly as clear about its mental models of organization and organizational change as it is about its psychology. This is no mere academic matter; it has serious practical implications concerning the limits of L.O. change strategy. It means that, while the L.O. alternative to current organizational practice is sufficiently well-defined to guide either a start-up organization or a department head who wishes to transform an established department, there is no well-founded policy for how to expand beyond a local success.

The scenario is that of a large organization in which one of its smaller divisions (or a component of a division) has undergone a successful L.O. transformation. The CEO of the large organization is acquainted with the ideas of the L.O., favorable enough to have supported the experiment with that department, but not by any means passionate or well-educated in this area. The CEO feels deeply concerned about the future of this company, however, and is willing to take some risks for the sake of securing that future. Some important questions for which the field has not yet produced answers include the following:

- Is this company a candidate for more extensive change efforts?

- If so, how should they proceed?

- How much more does the CEO have to be educated before involving other senior managers?

- How should they be approached?

- Do we want the driving forces for change to come from the top or the departmental level?

- How do we avoid dilution of the ideas and ideals due to well-meaning opportunism? (How should the importance of intrinsic motivation influence the reward system?)

- How do we avoid a backlash aroused by the zeal of the pioneers and their perceived priggishness?

- How do we avoid sabotage?

There is good expertise for hire to set up L.O. projects where the boss is in favor, but less is known about how to handle more complex assignments and very large scale introductions. L.O. workers do recognize that this whole field is a work in progress. This is a growth area of huge importance in developing which of the insights and questions of the sociological perspective will be essential.

As many advantages and virtues as the new L.O. paradigm may possess, there are still massive obstacles to its acceptance. Assume that the leaders of a certain company have agreed to adopt the L.O. paradigm. Even in such a favorable setting for change, we must appreciate the stupendous inertial power of bureaucratic organizations. So long as we try to change organizations with their own culture and history, carried by those long-time members, there will be a huge force for continuing old patterns. Even when they say in good faith that they agree to change, relapse to old ways easily happens. Everyone who has worked in the old structure has mastered a set of bureaucratic survival skills, enmeshed in the old mental models. From long use and justification, they feel comfortable. These old habits will reappear as soon as things get difficult. They will reappear at all levels; at supervisory and "higher" levels they exert more leverage on sabotaging the new system.

 Maybe this cynical view is badly mistaken and the fortresses of bureaucracy will prove no more solid than the Berlin Wall and the Soviet Empire. The cynics have three points to make in rebuttal: (1) bureaucracy has been around much longer than communism and is much tougher;

(2) democracy, the counter-ideology to communism, had been nurtured in its own territory, on a large scale, over a long period of time, while waiting for the opportunity to invade its opponent's territory; and (3) bureaucracy has a long history of successfully undermining idealistic organizations, even when it is our "own" bureaucracy. This is a classic theme in the literature on bureaucracy, going all the way back to Robert Michels, *The Iron Law of Oligarchy*.

Arguably, the L.O. vision could prove as potent in overturning bureaucracy as democracy was in changing Soviet communism. Both are rooted in similar parts of human nature and both are allied with the awesome power of the free market. Meanwhile, taking an agnostic position on the extent of the unrevealed power of the new paradigm, let us outline one of several possible scenarios. This is offered as a "case" to exercise our thinking and test the limits of our theory. It goes as follows:

In a certain organization, the vision of the L.O. continues to attract managers who are ready to become its advocates in their own workplaces. They begin to acquire the necessary skills and assistance and to facilitate appropriate changes in the areas they control. They succeed in improving their performance results, gaining the support of participants, arousing the interest of some other departments and higher management. More departments are introduced to the new approach. At some point a critical limit is

reached where the managers who are not comfortable with this approach now feel seriously threatened, and they are ready to strike back against the program.

Now top management must face the showdown between the new and old paradigms. It is a huge paradox: they cannot mandate support of the L.O. (without violating its spirit and principles), but if they do not intervene, it can be sabotaged and destroyed.

This is the type of paradox described by Pascale and mentioned by Kanter and many other observers. New companies may be able to implement radically non-bureaucratic organizations, but large, established ones that are being changed in the L.O. direction must walk the tight-rope of balancing the forces of new and old management principles. The paradox is that, until the old- established firm is far along the road of cultivating more employees who understand the L.O., its top management needs to do three things: (1) to continue to nurture those new (L.O.) capabilities in the pioneer areas, (2) making use of the old ways, keep things (minimally) together under the old guidelines in those areas that are not ready for the change, (3) decide when they are ready to convert those areas to the new model.

Finally, a New Paradigm?

The Bureaucratic paradigm was a mechanistic product of a modernist era: it is objectively stated; it stipulates required structural features and operating principles -- no postmodernist nonsense (sic) about different viewpoints and different realities. For managers it provides simple guidelines; for theorists it provides one set of criteria for all users and contexts; anyone who studies the text should be able to tell which cases fit the definition and which do not. We, however, operating in a post-modern intellectual era, cannot expect the new paradigm to be an equally straightforward construct.

The Learning Organization is indeed a different kind of construct from the Bureaucratic paradigm. It emphasizes process over structure, and contains several components:

- a vision of better organizational life

- a body of management practice guidelines and a network of experts and advocates

- a set of mental models regarding individual and social psychology, the sociology of organizations and change

- a concern for values of wholeness (in preference to fragmentation) and respect for people (Wheatley, 1992)

The Learning Organization is fundamentally different from other approaches to management and leadership for at least two reasons. (1) Whereas the Bureaucratic paradigm (like all modernist ones) manages by reductionism (reducing any phenomenon to its elements, addressing each one, and finally adding together the results of each), the L.O. has a holistic preference, never forgetting the whole system. (2) Whereas the

Bureaucratic paradigm claims to be "value free", the L.O. stands openly on certain values -- on respect for human beings, who are far more than "human resources" or "factors of production", on responsibilities between people, on collective commitments to communities of work and expression, on the struggle towards truth in improving processes of interaction and improving oneself. Senge states that real leverage in transforming organizations requires, not just improving process and structure, but improving ourselves. To be effective in the workplace, we must be better learners; we must become more open to alien ideas, and more humble about our own limitations. Tools and techniques cannot be separated from the vision and the values of the L.O. (Kofman and Senge, 1995; De Pree, 1989).

The changes demanded by the L.O. approach cannot be mandated, but they can be led. They cannot happen rapidly, but as they begin to happen they can lead to major improvements. This is not working harder; it is not even just working smarter. It is working together in entirely new ways. It is engaging new depths of personal mastery and commitment, addressed to newly-found shared visions, using powerful new methods of team learning that address the mental models and assumptions that each person brings to the collaboration. This process of reflecting together on mental models enables the team to ask the previously unaskable questions about how things get done and to improve those processes in radical ways, breaking out of old (single-loop) thinking boxes into new (double-loop) solutions, using systems thinking to find solutions that really are root-cause solutions and not the more typical band-aids that only create new problems for tomorrow.

The L.O. assumes a Theory Y view of the individual worker and believes that the intrinsic motivation of the individual to learn and to excel should be the foundation of the new management. This is connected to the central value of respect for the individual and the importance of such concepts in the business world. A quote from Max De Pree (former head of the Herman Miller company) illustrates this view:

I believe that the most effective contemporary management process is participative management. Participative management . . . begins with a belief in the potential of people. . . Participative management arises out of the heart and out of a personal philosophy about people. It cannot be added to ... a corporate policy manual as thought it were one more managerial tool (p. 22).

These words of De Pree brings us to a core issue that can be raised through two, linked questions:

1. What is the relationship between employer and employees? Is it just a short-term contract of employment, an impersonal exchange of services and cash, with minimal human engagement? Or is it a relationship between two persons involving respect and consideration? (L.O.)

2. What is the mission or purpose of a firm or organization? Is it just to make as much profit as possible for its owners/investors? Or is it to produce a worthwhile product or service, to create a well-paid and satisfying work experience for employees, and to make as much profit as possible for its owners/investors? (L.O.) There are, of course, other stakeholders who could be considered -- suppliers, the local community, etc. -- but we will keep it simple.

With each pair of options, it is clear that the L.O. philosophy favors the second option and is firmly opposed to the first, or plain economic view. The remarkable thing is that the L.O. approach seems to lead to greater profits, as well as more satisfied employees and greater gains to all stakeholders (Zucker, 1997). Whereas, under the old paradigm, it seemed that we could only achieve economic success at the expense of humane values, it now seems that **we can only have them both together** - provided that we create L.O.s. If we do not choose that route, we will have neither - we will face declining economic and social conditions.

Ethics, the Marketplace, and the L.O.

This is indeed a paradigm shift. The Learning Organization approach is not just about improving productivity and work satisfaction, it is also about the fundamental ethics of the workplace and the marketplace.

Adam Smith, early apologist of the marketplace, was Professor of Moral Philosophy, but modern capitalism has mostly promoted or assumed a total disconnect between business and moral- ethical values. The legal device of the limited liability corporation has been used by many corporate business heads to deny to their workers any rights aside from those prescribed by public law. Such corporate managers view the corporation as a "paper" entity, and use it as a convenient legal fiction through which they contract with suppliers, workers, partners, and customers. They do business with these people in the most limited way possible, creating no lasting relationships with them and accepting no long-term obligations to them -- beyond the specific contract. Such managers employ a "throw-away" model of business relationships. (Ouchi draws a contrast between U.S. and Japanese companies along similar dimensions.) The throw-away model does not work in a knowledge-based economy where "intellectual capital" rules (Stewart, 1997). The cultivation of creative, collaborative work from self-motivated workers requires trust and well-developed networks of commitment and care. ***

The throw-away model of managment (admittedly a charicature) is short-sighted and not conducive to consistent, long-term success. We cannot blame the "throw-away" model simply on bureaucratic thinking, though, for some bureaucracies are animated by a strong sense of mission, for example the Marine Corps, NASA, the Catholic Church, IBM, the Boston Symphony Orchestra, the Green Bay Packers, and the Peace Corps. Such mission-based organizations do not operate by "throw away" management principles, but tend to create a sense of community and a human connection beyond the bare contract of

employment. There is mutual respect and a reciprocal concern for each others' rights, e.g., the boss' right to expect extra levels of effort, flexibility, and out-of-the-box thinking, and the workers' right to consideration and flexibility in work conditions, the right to have one's suggestions taken seriously, and if one's current job should be cut -- help and consideration in coping with the change.

The Learning Organization and Theory Z reject the "paper corporation" approach on both ethical and pragmatic grounds. They maintain that a more communitarian approach to business management enables the firm to evoke from employees the kind of creative innovations that are essential for it to be successful and profitable (Bailyn, Fletcher, & Kolb, 1997; Roth & Kleiner, 1996; Zucher, 1997). **** The L.O. puts human and ethical values in the center of the picture and challenges managers in another way too. Good L.O. managers, need to be good people. It's as simple and as hard as that. They must be trustworthy so that there can be trust in the workplace which is essential for "great teams" and for outstanding organizational learning and growth. Trust is also essential to the integrity which customers require. Honesty and openness to hard reality are also required. The serious learning that is required in order to design and implement radical improvements in business processes demands an openness and honesty that is hard to develop and that can only develop in a context of trust.

It is the role of ethical values in the L.O. which makes it so important as a paradigm for the new organization. That is what ultimately makes it a workplace that can evoke the commitment of workers. If this is not the perfect organization, heaven on earth, it is vastly better than any alternative we have seen -- better than the average bureaucracy (even one with a mission) and far better than the "throw away" company. The remarkable thing is that the L.O. approach is the key to both greater profits and better working conditions -- as well as greater gains to all stakeholders. Whereas, under the old paradigm, it seemed that we could only have economic success at the expense of humane values; it now seems that we can only have them both together

-- if we create L.O.s. Noone said it would be easy, but if we do not choose that route we will have neither, and we will surely slide into ever worse economic and social conditions. That is truly a paradigm shift. The Learning Organization approach is not just about improving productivity and work satisfaction; it is also about the fundamental ethics of the workplace and the marketplace. *****

References

Argyris, Chris, William Bridges, Bonnie Dean, R. M. Kanter, Tom Peters, Peter M. Senge, et al. (1994). "The Future of Workplace Learning and Performance", Training and Development, special issue, May, 1994.

Bailyn, Lottye, Joyce K. Fletcher, and Deborah Kolb (1997). "Unexpected Connections: Considering Employees' Personal Lives Can Revitalize Your Business", Sloan Management Review 38, Summer, 1997, pp.11-19.

Bidwell, Charles (1986). Complex Organizations: A Critical Essay, 3rd ed.. New York, NY: Random House .

Blau, Peter and M.W. Meyer (1971). Bureaucracy in Modern Society, New York, NY:Random House.

Brown, John Seely, and Paul Duguid (1991). "Organizational Learning and Communities-of- Practice: Toward a Unified View of Working, Learning, and Innovation," Organization Science 2, Feb., 1991, pp.40-57.

Chawla, Sarita & John, Renesch (eds.) (1995) , Learning Organizations, Portland, OR: Productivity Press.

De Pree, Max (1989). Leadership is an Art, New York, NY: Doubleday.

Etzioni, Amitai (1988). The Moral Dimension: Towards a New Economics, New York NY: Free Press.

Etzioni, Amitai (1993). The Spirit of Community, New York, NY: Crown.

Garvin, David A. (1993). "Building a Learning Organization," Harvard Business Review, July- Aug., p.78-91.

Kanter, Rosabeth Moss (1983). The Change Masters, New York, NY: Siman & Schuster. Kanter, Rosabeth Moss (1989). When Giants Learn to Dance, New York, NY: Simon & Schuster.

Kelly, Marjorie (1997). "Why 'Socially Responsible' Isn't Enough, Business Ethics, July/August, p.5.

Kim, W. Chan, and Renee Mauborgne (1997). "Fair Process: Managing in the Knowledge Economy", Harvard Business Review, July, 1997, pp. 65-75.

Kofman, Fred and Peter Senge (1995). "Communities of Commitment: The Heart Of Learning Organizations", in Learning Organizations. Sarita Chawla & John Renesch, (eds.), Portland, OR: Productivity Press.

Michels, Robert (1949). The Iron Law of Oligarchy, New York: Free Press. (First published 1911 in German).

Ouchi, William (1981). Theory Z: How American Business Can Meet the Japanese Challenge, Reading, MA: Addison Wesley.

Pascale, Richard Tanner, and Anthony G. Athos (1981). The Art of Japanese Management, New York, NY: Simon and Schuster.

Pascale, Richard Tanner (1990). Managing on the Edge: How the Smartest Companies Use Conflict to Stay Ahead, New York, NY: Simon and Schuster.

Peters, Tom (1992). Liberation Management, New York, NY: Knopf. Peters, Tom (1987). Thriving on Chaos, New York, NY: Knopf.

Roth, George and Art Kleiner (1996). The Learning Initiative at the AutoCo Epsilon Program 1991-94, Cambridge, MA: MIT Center for Organizational Learning.

Senge, Peter (1990). The Fifth Discipline, New York, NY: Doubleday.

Senge, Peter (1992). "The Real Message of the Quality Movement: Building Learning Organizations", Journal for Quality and Participation, March, 1992.

Senge Peter M., Charlotte Roberts, Richard B. Ross, Bryan J. Smith, and Art Kleiner (1994). The Fifth Discipline Fieldbook, New York NY: Doubleday.

Walton, Mary (1990). Deming Management at Work, New York: NY, Putnam.

Weber, Max (1947). (Trans. A. M. Henderson and T. Parsons.) The Theory of Social and Economic Organization, Glencoe, IL: Free Press.

Weisbord, Marvin,(1987). Productive Workplaces: Organizing and Managing for Dignity, Meaning, and Community, San Francisco CA: Jossey-Bass.

Wheatley, Margaret J. (1992). Leadership and the New Science, San Francisco, CA: Berrett- Koehler.

Zucker, Francine (1997). "Connecting the Heart and Mind at EDS", The Systems Thinker 8, July, 1997, pp. 9-11.

Acknowledgements

Potter, dean of Lesley College School of Management, were most valuable. Thanks are due to Lesley College for the sabbatical leave without which none of this would have been possible.

Footnotes

* Barry Sugarman, Ph.D., is Professor of Management at Lesley College. He was Research Associate at the MIT Center for Organizational Learning in 1996. For further background information see his website at http://www.lesley.edu/faculty/sugarman/index.htm The website also contains resources pertinent to this article.

** It is, however, important to remember that Fortune 100 companies are huge, multi-business, multi-location organizations, with immense diversity in their internal cultures. So even those which lead the field in adopting L.O. approaches have many areas which have not participated in the change. And even the areas of the company which have spearheaded the transformation know that they still have a long way to go.

*** The U.S. stock market values public corporations at four times the value of their physical assets (Kelly, 1997). So what are the "invisible assets" that the stock market is valuing at three times the value of physical assets? They include: the collective knowledge and skills of its employees, its systems and processes, the level of teamwork and collaboration, creativity and commitment, the firm's reputation with customers, suppliers, and partners -- for quality and integrity, its management capabilities, its ability to continue to innovate at competitive speeds, and its future stability. If turnover of dissatisfied employees increased that could reduce the company's value significantly.

**** For the communitarian critique of the classic economic model, the academic theory behind the "throw-away" approach, see Etzioni, 1988, 1993.

***** A PERSONAL CODA

Several years ago I began my own journey, attempting to unravel the intellectual structure of the L.O., hoping that I could understand and formulate its essentials. Almost on the brink of some preliminary success, so I thought, I have now concluded that it cannot be done in the way I had imagined. Understanding what the L.O. is really about is an ever-receding target. Each significant step forward in clearing up one mystery takes one around another corner where a deeper mystery beckons. But I should not be surprised

-- Hillel defined a wise person as one who knows how vast is one's ignorance and how very little one really knows. (Rabbinic wisdom from the 1st century B.C.E.)

So, if the quest for a fully-formed new paradigm must be deferred indefinitely, we must accept the continued presence of ambiguity and paradox. Under the new paradigm, the (apparent) paradox may be expected to dissolve into simple, profound sense. But this new paradigm may only be understandable to persons of considerable personal, moral, and spiritual development. Even if we can aspire eventually to such a level, meanwhile we must accept paradox as a feature of our world. Learning to manage paradox is an important part of our responsibilities but our bigger responsibility is to take care of our personal growth until we reach that zone beyond paradox.

One final, important point. The quest for new understanding of the L.O. cannot be a solitary one. It would be tragic if one were to struggle alone to the mountain peak, having left one's colleagues far behind. It would be the ultimate irony if a person finally achieved great insight, only to find that no-one could understand him or her. So the journey towards real understanding of the L.O. must be a collective one, and the work of improving how we work and learn together must be based on collaboration under a shared vision.

Synopsis

This essay examines the idea of the "Learning Organization" and some implications of its challenge to the long-dominant "Bureaucratic" paradigm. The central thesis of the L.O. paradigm holds (1) that a key success factor for any organization in the age of global competition is its ability to innovate continuously, appropriately, and faster than its rivals., and (2) that that can only happen through releasing the untapped capabilities of all its employees. Hence the key to successful organizations lies not in the areas of better control by managers but in the areas of better learning by all workers (including managers) -- not just individual learning but also (even more) collective learning.

The Learning Organization approach is not just about improving productivity and work satisfaction, however. It is also about the fundamental ethics of the workplace and the marketplace. Whereas, under the old paradigm, it seemed that we could only have economic success at the expense of humane values, it now seems that we can only have them both together

. That is the paradigm shift. JPPP article on L.O. Sugarman