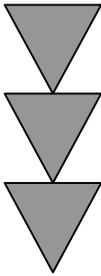# THE "LEARNING ORGANIZATION" APPROACH
AS A CHALLENGE FOR BUSINESS DEVELOPMENT[1]

Florentina-Olivia BALU

"Over the long run, superior performance depends on superior learning."
**Peter Senge**

Abstract

Business change, new regulations, an aging workforce and globalization have made learning and development a very strategic business function in the last years. The building of learning organizations indicates that more and more organizations see learning as a key to their long-term success. The Learning Organization is seen as a response to an increasingly unpredictable and dynamic business environment. According to Peter Senge (1990), the leader of the learning organization movement, "A Learning Organisation is one in which people at all levels, individuals and collectively, are continually increasing their capacity to produce results they really care about; A learning organization is an organization in which you cannot not learn because learning is so insinuated into the fabric of life." This paper provide an overview of current literature in this field, highlighting the importance of development of a company as a learning organization, the main characteristics of a learning organization and also describes the means, the rules and practical steps needed to follow in order to transform a traditional organization into a learning organization.

Keywords: learning organization, traditional organization, business development, competitive advantage, leadership, team management, organization culture

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[1] This article is based on Florentina-Olivia Balu's MA dissertation *The "Learning Organization" Approach as a Challenge for Business Development* presented within the framework of the Interdisciplinary Master Programme "English Language Education and Research Communication for Business and Economics", ASE Bucharest, 2008, having Prof. Dr. Laura Mureşan as academic supervisor.
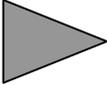
Introduction

Learning is the key competency required by any organization that wants to survive and thrive in the new knowledge economy. Market champions keep asking learning questions, keep learning how to do things better, and keep spreading that knowledge throughout their organization. ***Learning provides the catalyst and the intellectual resource to create a*** sustainable competitive advantage.

The Learning Organization is a concept that is becoming an increasingly widespread philosophy in modern companies, from the largest multinationals to the smallest ventures. What is achieved by this philosophy depends considerably on one's interpretation of it and commitment to it. Many consultants and organizations have recognized the significance of organizational learning and the notion of the "***learning organization***" has been a central orienting point in this. Writers have sought to identify templates, or ideal forms, "*which real organizations could attempt to emulate*"[2] . In this sense the "***learning organization***" is an "***ideal***", "*towards which organizations have to evolve in order to be able to respond to the various pressures that they need to face*"[2] .

It was in this context that **Peter Senge** (1990) began to explore "***The Art and Practice of the Learning Organization***". Over 750,000 copies of *The Fifth Discipline* (1990) were sold in the decade following its publication – and it is probably this book that has been the most significant factor in popularizing the notion of the learning organization.
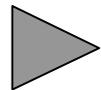
1. Literature review

According to **Peter Senge (1990)** learning organizations are "*organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together*".[3]

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[2] Finger, M., Bürgin Brand, S. (1999), "*The concept of the learning organization applied to the transformation of the public sector: conceptual contributions for theory development*", in Easterby-Smith, M, Burgoyne J, Araujo L (Eds),*Organizational Learning and the Learning Organization: Developments in Theory and Practice*, Sage, London

[3] Senge, P. (1990), The Fifth Discipline: The Art and Practice of The Learning Organization, Doubleday / Currency, New York.

As Sandra Kerka[4] remarked in 1995 "*there is not… a consensus on the definition of a learning organization*". Indeed, little has changed since. Garvin (2000) recently observed that a clear definition of the learning organization has proved to be elusive.

There are a lot of definitions of "*learning organization*" and we present below the most important of them:

Table no.1

Some definitions of the learning organization	
Pedler et. al. (1991)	"The Learning Company is a vision of what might be possible. It is not brought about simply by training individuals; it can only happen as a result of learning at the whole organization level. A Learning Company is an organization that facilitates the learning of all its members and continuously transforms itself."
Malhotra (1996).	"The learning organization is an organization with an ingrained philosophy for anticipating, reacting and responding to change, complexity and uncertainty."
Garvin, D. (2000)	"A learning organization is an organization skilled at creating, acquiring, interpreting, transferring, and retaining knowledge, and at purposely modifying its behavior to reflect new knowledge and insights."
Mathieu, N. (2002)	"The learning organisation is an (ideal) type of company in which the values, the mental models, the organisational structures, the strategy and management continually anticipate and adapt to (well identified) reality through collective learning, creating the best environment for the company and its members to achieve the objectives and results they truly desire."
Wills,M. (2005)	"A learning organization is an organization that facilitates the learning of all its members and continuously transforms itself to achieve superior competitive performance"

According to Sandra Kerka (1995), most conceptualizations of the learning organizations seem to work on the assumption that "*learning is valuable, continuous, and most effective when shared and that every experience is an opportunity to learn*".

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4 Kerka, S. (1995), The Learning Organization, http://www.inspiredliving.com/business/learning-org.htm

2. The main characteristics of a "Learning Organization"

As we can see in the above table, the following characteristics appear in some form in the more popular conceptions. Thus, learning organizations[5]:

- provide continuous learning opportunities.
- use learning to reach their goals;
- link individual performance with organizational performance;
- foster inquiry and dialogue, making it safe for people to share openly and take risks;
- embrace creative tension as a source of energy and renewal;
- are continuously aware of and interact with their environment.

Furthermore, Business Lab, a UK based research and consulting firm[6], analyzed the work of Farago and Skyrme(1995), Pedler et al. (1997), Gephart et al., (1996), Garvin (1993), and Hill (no date), as a basis for their two year action research study with organizations in the UK. Based on the literature and their research, they developed a tool, the *Learning Signature*, which can be used to diagnose the characteristics of a learning organization in four major areas: ***culture, environment, commitment and reach.***

Each of these four major areas contains 9 attributes which are coded according to whether that attribute is taking place (green), whether the attribute is unused or unconsidered (yellow), or whether there are barriers in that particular attribute (red). Specific attributes include:

- ***Culture*** – instinct, peer support, learning to learn, trust, communication, shared vision, openness, value, leadership
- ***Environment*** – atmosphere, technology, access, support, behavior, learning styles, infrastructure, sharing, design
- ***Commitment*** – strategy, risk, learning time, learning management, investment, reward, motivation, promotion, measurement
- ***Reach*** – inclusive, customers, wider community, partners, equality, suppliers, individuals, employees, delivery

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[5] **Kerka, S.** (1995), *The Learning Organization*, http://www.inspiredliving.com/business/learning-org.htm
[6] http://www.businesslab.co.uk

Business Lab has gathered a range of case studies and studied the learning signature patterns. Part of interpreting a learning signature is to compare it against other patterns. The figure below represents a sample completed learning signature:

Figure no. 1 - Sample Completed Learning Signature
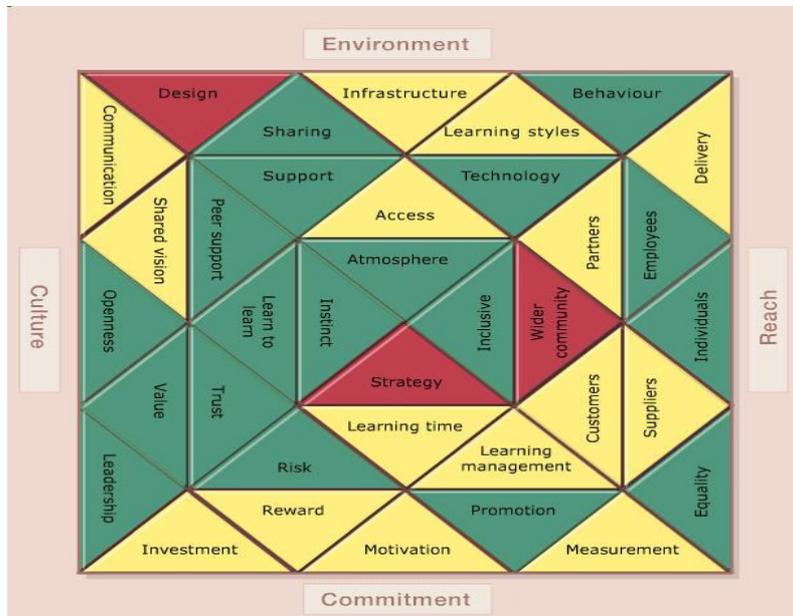
Source: Business Lab, UK

A learning organisation is an organisation that learns and encourages learning among its people. It promotes exchange of information between employees, hence creating a more knowledgeable workforce. This produces a very flexible organisation where people will accept and adapt to new ideas and change through shared vision.

Peter Senge underlines that the key-dimension that distinguishes a learning organization from more traditional organisations is the mastery of certain basic disciplines, which he regards as a series of principles and practices that we study, master and integrate into our lives. The five disciplines that he identifies are considered to be common to all learning organisations.

According to Peter Senge (1990), the core disciplines in building the learning organization are:

❖ **Personal Mastery**: personal and professional development that is in sync with the organization's goals

❖ **Mental Models**: internalized frameworks and generalizations of how an organization works

❖ **Shared Vision**: developing commitment using "share pictures of the future'
❖ **Team Learning**: People work as teams. They will be more efficient if they also learn as teams.
❖ **Systems Thinking**: integrating all the functions in an organization into a cohesive structure

Figure no. 2 - The Core Disciplines of a Learning Organization

Source: Peter Senge*, The Fifth Discipline: The Art & Practice of The Learning Organization, 1990*

Other writers have proposed similar ideas to those introduced by Senge, but are more practical in orientation. Garvin[7] (1993), for example, suggests that there are five building blocks to a learning organization:

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

Among the experts contributing relevant research in this area is McKinsey. The McKinsey 7-S Framework offers a systems view for describing the major differences between a traditional view of an organisation and a learning organisation. In the 7-S Framework, McKinsey identifies seven key elements of an organization: the structure, the measurement system, the management style, staff

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[7] Garvin, D.A (1993), "*Building a learning organization*", Harvard Business Review

characteristics, distinctive staff skills, the strategy/action plan, and shared values. The first six elements are organized around the organisations shared values.

Figure no. 3 - Framework for the Learning Organization
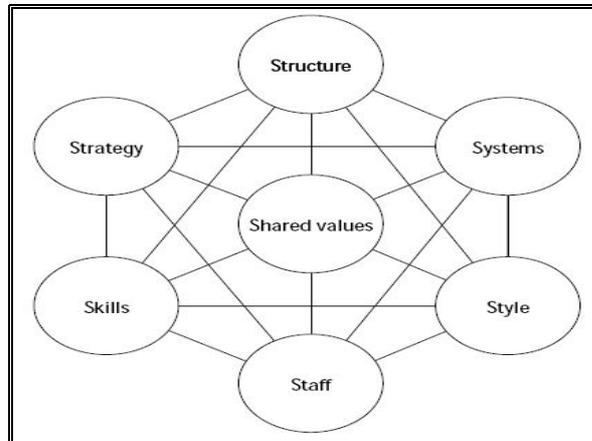
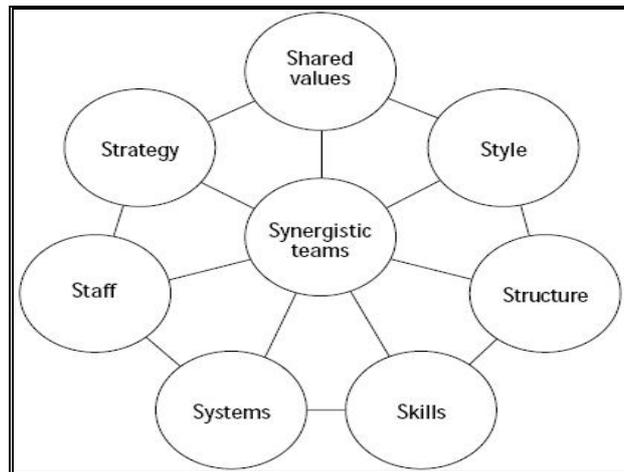**Source**: McKinsey Seven-S framework

The interesting part of this framework is that it is both comprehensive and practical. It provides a systems view of practically all aspects of an organization – and in a communicable language for practitioners. These are the seven Ss:

- ❖ *Shared values*: the core beliefs regarding "what we stand for" and "what is important to us".
- ❖ *Style:* characterization of how managers function to achieve the organization's goals.
- ❖ *Strategy:* the organization's plan of action for moving from present reality towards its vision.
- ❖ *Structure:* the way in which the enterprise is organized – how the "boxes" are arranged.
- ❖ *Staff:* characteristics of the people who are members of the organization.
- ❖ *Skills:* the distinctive abilities that set the staff apart from the competition.
- ❖ *Systems:* the method for moving and reporting information within the organization.

In the seven-S framework a system is defined as an *assemblage* of interrelated elements directed towards a common goal. Figure 2 illustrates how the seven Ss are inter-connected directed towards a common goal – the success of the enterprise.

Hitt adds an eighth element — *synergistic teams*[8] — described as the 'missing link' and considered to be at the core of the learning organisation. *Synergistic teams* provide the framework for an organisation's members to learn together, thus developing collective intelligence that is greater than the sum of the intelligence of the individual members.

Figure no. 4 - Framework for the Learning Organization

Source: Hitt (1995) - Adapted from the McKinsey Seven-S framework

It may be argued that these eight elements are sufficient to describe any type of organization. In what follows, however, we will refer to them with a special focus on the characteristics of a learning organization.

Table 1 below illustrates the characteristics of the traditional view of an organisation and the characteristics of a learning organisation.

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[8] Hitt, W.D.(1995), *The Learning Organisation: Some Reflections on Organisational Renewal*, Leadership & Organisation Development Journal

Table no. 2

The Eight Characteristics of the Traditional Organisation Versus the Learning Organisation		
Element	**Traditional Organization**	**Learning Organization**
Shared Values	Efficiency Effectiveness	Excellence Organizational Renewal
Management Style	Control	Facilitator Coach
Strategy/Action Plan	Top down approach Road map	Everyone is consulted Learning map
Structure	Hierarchy	Flat structure Dynamic networks
Staff Characteristics	People who know (experts) Knowledge is power	People who learn Mistakes tolerated as part of learning
Distinctive Staff Skills	Adaptive learning	Generative learning
Measurement System	Financial measures	Both financial and non-financial measures
Teams	Working groups Departmental boundaries	Cross functional teams

Source: Hitt (1995), *The Learning Organisation: Some Reflections on Organisational Renewal*, Leadership & Organisation Development Journal

Becoming an organization that accomplishes all these characteristics and engages all members in active learning and provides mechanisms for the transfer and application of that knowledge requires a collective mind shift at all levels. Such mammoth change is a complex, long-term undertaking. Therefore, a Learning Organization is best viewed as an ideal, a vision of what organizations might become. Organizations or parts of organizations achieve this ideal to varying degrees.[9]
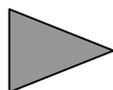
3. The importance of the "Learning Organization" approach for business

A learning company is very important for the success of a business in the actual context of an increased competition. Due to change in the business world, new regulations, an aging workforce, and globalization, learning has become a strategic

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[9] Gruidl, J. & Hustedde, R. (2003), *Evaluation of Capacity-Building Programs: A Learning Organization Approach*, Journal of Extension, http://www.joe.org

business function over the last years. The creation of a learning organization culture indicates that more and more organizations see learning as a key to their long-term success.

As Russell[10] (2007) concludes, the learning organization is one of the seven key elements for achieving Effective Performance Management and success in businesses. So learning is important, but there are many types of learning and the degree of importance is given by the percent of knowledge retained after completion: **"*The rate at which individuals and organizations learn may become the only sustainable competitive advantage*" - Ray Stata**[11]

A study made by the national Training Laboratory has concluded that learning in team learning is more important than individual learning. The results of this study are presented in the following graph:

Figure no. 5 - Per Cent of Knowledge Retained after Completion
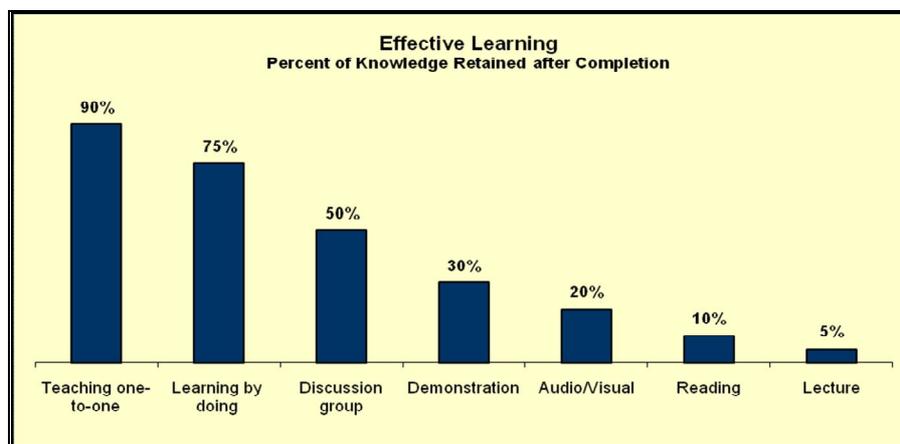
Source: National Training Laboratory, United States

As we can see from the above graphic, *knowledge* is the most productive when it is shared by all, but that presupposes the building of a learning organization.

Today and in the future, the organizations that will truly excel will be those developing everybody's commitment and capacity to learn at *all* levels in an organization. A learning organization is "*an organization that is continually expanding its capacity to create its future*"[12]. It is continuously learning new ways

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[10] Russell, M., (2007), Performance Appraisal Systems: Best Practices for Creating & Maintaining a High Performance Culture, Organizational Development Solutions www.jstor.org
[11] Ray Stata is a cofounder and Chairman of the Board of Analog Devices, Inc.(NYSE). Also, he is a member of the American Academy of Arts and Sciences and the National Academy of Engineering
[12] Garvin, D.A (1993), *Building a learning organization*, Harvard Business Review

of doing things and also (necessarily) involved in a continuous process of forgetting old ways of doing things.

As Hawkins [13]concludes, the importance of a learning organization for business is determined by the three **"C" words** that actually rule the world:

- ❖ *Complexity:* Situations that are difficult to understand, have considerable ambiguity and uncertainty, and often have no "solutions," only options and tradeoffs
- ❖ *Chaos:* Seemingly random events that have an underlying pattern (which is difficult to discern)
- ❖ *Change:* turbulent environments in which the future is difficult to predict or control

In this context the importance of learning is uncontestable. Learning enables individuals and organizations to:

- change conditioned behavioral routines to be more adaptive
- generate and evaluate a wider range of hypotheses about the future
- select appropriate mind-tools and environments to enhance their learning, thinking, and implementation capability.
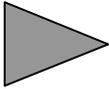
4. How to build a "Learning Organization"

Experts in the field highlight and agree on the importance of understanding and promoting cultural change in order to become successful as a learning organization. It is, thus, considered that to be successful, organizations should work with all staff members to:

- *Create and communicate a shared vision for all in the organization*
- *Make information in the organization accessible to all.*
- *Help employees manage change by anticipating change and creating the types of change desired by the organization.*
- *Empower employees to act.*
- *Acknowledge and support the need to take risks.*
- *Learn to manage the organization's knowledge by: Keeping information current, Maintaining historical knowledge, Addressing increasing volumes of information.*
- *Establish and use individual and organizational learning strategies.*

In order to create a learning organization there are two main categories of actions that can be implemented[14]:

1. *Building a sound base* – achieved by taking into account the following five main points: *the environment, leadership, empowerment, learning and awareness.*

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[13] Hawkins, P. (1994), "*Organizational learning: taking stock and facing the challenge*", Management Learning
[14] Azzopardi, S. (2006), *Building A Learning Organisation*, http://www.buzzle.com/articles/

2. *Applying the Golden Rules*: *facilitating learning from the surrounding environment and from employees; communicating success and failure; encouraging experimentation; rewarding learning; intentionally retrieving and retaining company memory; thriving on change.*

In practice, all the elements above mentioned are included in a strategy aiming the transformation of the traditional organization into a learning organization.

The following figure illustrates the performance framework[15] in which the learning strategy is implemented. It is driven by the business outcomes desired, and, thus, promotes "individual and cluster autonomy while maintaining alignment" (Smith, 2001). The three performance elements are:

- *Focus* (clear definition of the performance desired).
- *Will* (attitudes and emotions consistent with focus).
- *Resources* (wherewithal to carry out focus).

Figure no. 6 - The performance system
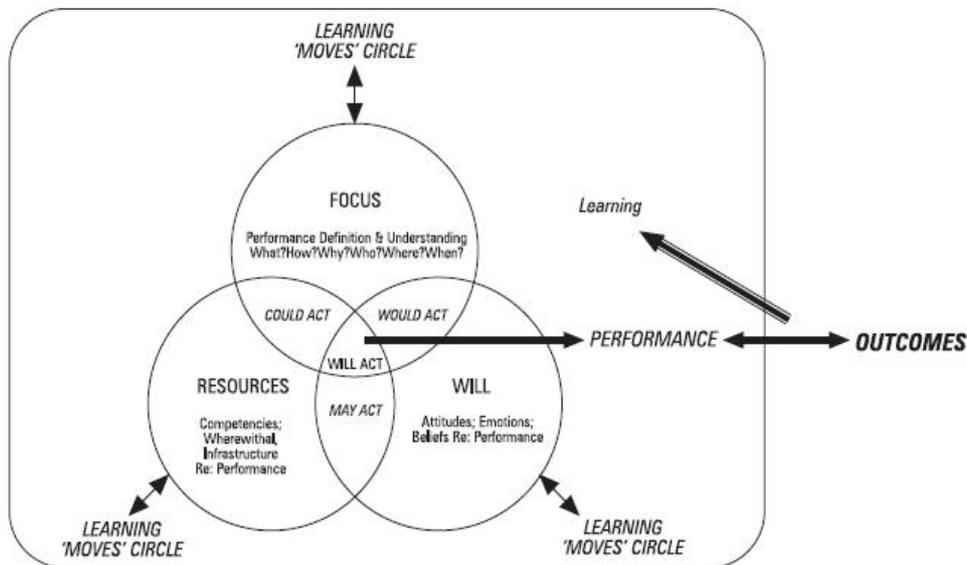
Source: Smith, P. (2003), *The learning organization ten years on: a case study*

These three performance factors are represented in above figure by three circles in a Venn diagram. The more harmonious the factors with one another, the more the three circles overlap and the more optimal is performance. The three circles are constantly in dynamic movement; the learning strategy described above is the means by which the circles are moved to try to keep them in harmony.

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[15] Smith, P. (2001), *The Learning Organization Ten Years On : A Case Stud,* Sculpting the Learning Organization, Jossey-Bass, San Francisco, CA.

The next four steps are necessary for achieving the harmony in the process of building a learning organization:

❖ *The First: Building a strategy for evolving to learning organization*

An integral part of the learning process in a learning organisation is **strategy**, as it focuses on the organisation's development of core competencies, both in the present and in the future[16]. It also focuses the learning process on the desired future position that the organisation would like to be in.

❖ *The Second: Building a learning structure and systems*

The organisation's **structure** and **systems** are key to fostering the development of a learning organization. The building of a learning organization involves change at all levels. It is not possible to change one without affecting change in the other. The structure and systems, in place within the organisation are linked. For example, "*change in the organisation's systems such as the information systems, human resource practices, remuneration and rewards procedure, and policies and production systems would all have an impact on the organisation's structure and this would, in turn, affect the development of the organisation as a learning organization.*"[17]

❖ *The Third: Implementing a leadership model and creating a managerial team*

The best known leadership model is based on Covey's Principle-Centered Leadership[18]. This approach involves every member's understanding and acting according to a consistent set of principles, thus contributing to the organisation's consistent sense of direction. It is important to remember that a core part of the Covey program is to facilitate people's developing *personal mastery*, so as to take control of their working environment and to contribute in a meaningful way to the effectiveness of an organization[19]. In parallel with the implementation of the Covey 7-habits program, the process of establishing a team-based culture is very important and needed for building *trust* between people in the organization.

❖ *The Fourth: Creating a learning and development culture*

Culture is another important aspect in the building process of a learning organization. In this context is generally recognized that learning and development are the central part of a culture. Some important aspects of an organization culture

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[16] Millett, B. (1998), *Managing the Processes of Organizational Change and Development: Study Book*, University of Southern Queensland.

[17] Millett, B. (1998), *Managing the Processes of Organisational Change and Development: Study Book*, University of Southern Queensland.

[18] Covey, S.R. (1992), *Principle Centered Leadership,* Fireside Press, New York.

[19] Senge, P. (1992), "*Personal mastery* is an essential prerequisite of building trust in the organization".

that stimulate learning and development and make from a traditional organization a learning organization, can be summarized as follows: *organization's graduates/culture, work-life balance, skills, qualifications and personalities, dialog culture among employees, respect for each national culture, innovation and experimentation.* Innovation and experimentation are also needed to be an integral part of the learning organization because instead of waiting for a problem to occur, a learning process of continuous improvement can be encouraged**.**
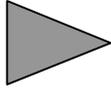
Conclusions

> "*There's no doubt that knowledge is the currency of the twenty-first century.*"
> A. Rosenfield[20]

Learning is the key competency required by any organization that wants to survive and thrive in the new *knowledge economy*. Learning provides the catalyst and the intellectual resource to create a *sustainable competitive advantage*.

According to **Peter Senge** (1990), who is recognized as being the father of the learning organization concept, learning organizations are "*organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together*". In his theory Peter Senge (1990) underlines that the core disciplines in building a learning organization are: ***Personal Mastery, Mental Models, Shared Vision, Team Learning and Systems Thinking*** (that is the cornerstone of learning organization, because it integrates all functions in an organization into a cohesive structure)**.** Senge's five disciplines have become the dominant framework from which to consider the main characteristics of learning organizations.

Today and in the future, the organizations that will truly excel will be the ones that discover how to tap people's commitment and capacity to learn at *all* levels in an organization. But for this is very necessary for actual business managers to have a strategy for building a learning organization.

In this context the following four main steps are needed for achieving the harmony in the process of building a learning organization: ***Building a strategy for evolving to learning organization***; ***Building a learning structure and systems***; ***Implementing an leadership model, creating a managerial team***; ***Creating a learning and development culture.***

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[20] Andrew Rosenfield, Founder, Chairman, CEO, UNext.com

Through the learning organization process all employees develop, not just the few, and a 'feel-good' factor is created through greater motivation. A more flexible workforce evolves by building organizations fit for human beings. People will become more creative and social interaction will improve. Teams and groups will work better through knowledge sharing, becoming more interdependent, increasing responsibility at all levels and developing an entrepreneurial spirit. The company will benefit from better customer relations, the breaking down of traditional communication barriers, and from the increased creativity and innovation of its people that should give it a competitive edge.

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