

Organizational Learning / Managing Change

*The Ethical Imperative
of Learning and Growth*

Kenneth W. Johnson

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***Helping to Shape a
Better World . . .***



***. . . One Organization
at a Time!***

Organizational Ethics & Excellence

- Ethics as pragmatic, evolutionary.
- Organizational Ethics as a change process.
 - Implementing change
 - Dealing with change
- Learning Organization as a Paradigm
 - Learning to learn
 - Managing learning

The Pragmatic Imperative

- **Relative Changes in 100 Largest U.S. Firms: 1980-1992**
 - Eighteen moved up in rank
 - Thirteen stayed the same
 - Twenty-five fell back
 - Forty-four were reclassified, merged, acquired, or dropped
- Hodgetts & Luthans, "New Paradigm Organizations." *Organizational Dynamics*, Winter 94.

Relative Changes in 100 Largest U.S. Firms: 1980-1992

- Decile One through ten
 - Eight stayed in Decile
 - Two dropped: one dropped four Deciles
- Decile 11 through 20
 - None moved up
 - One stayed in same Decile
 - One dropped two; another four Deciles
 - Seven dropped out altogether

Are Your Employees Thinking?

- Two-thirds of workers and managers claim their organizations are operating on less than half the brainpower available.
- Workers (57%) and managers (49%) claim they don't understand decisions made by top management.

Are Your Employees Thinking?

- Workers (39%) and managers (29%) are not clear about their roles in solving problems and making decisions.
- Managers (40%) agree: workers don't receive training to improve thinking skills.
- Peak. "Are Your Employees Thinking?" *Management Review* 86 (1997): 6-7.

The Ethical Imperative

- Life is full of threats & opportunities, demands & constraints (“pressures”).
- Human beings have unique, powerful capabilities to learn how to meet and embrace these pressures—if the potential is developed/employed.
- Life is short—too valuable to waste.

The Ethical Imperative

- ***If*** . . . the organization is a center for human community and endeavor to achieve the results its stakeholders truly care about.
- ***If*** . . . it is surrounded by an environment full of threats, opportunities, demands, and constraints.

The Ethical Imperative

- *If* . . . human beings in community have unique and powerful capabilities to learn how to meet these pressures.
- *If* . . . the organization is a center for human community and endeavor to achieve the results its stakeholders truly care about.

The Ethical Imperative

- ***If*** . . . in meeting these pressures, being ineffective, inefficient or *in*excellent is a waste of this human potential.
- ***And if*** . . . one should not waste human potential.
- ***Then***

Organizational Ethics & Excellence

- Fully developing and employing the human potential to learn, in order to achieve the lives an organization's stakeholders truly care to live, is a necessary (though not sufficient) condition for it to be both ethical *and* excellent.

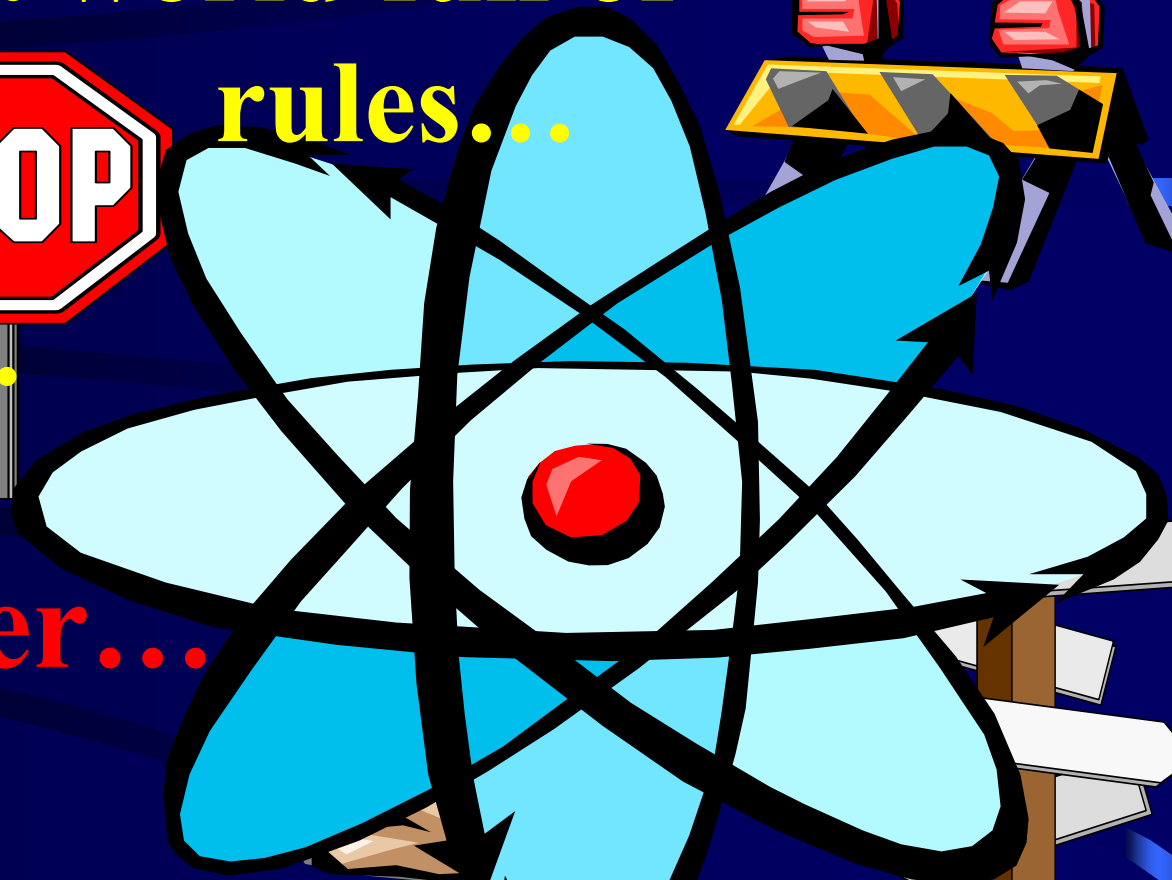
We live in a world full of
signs... rules...



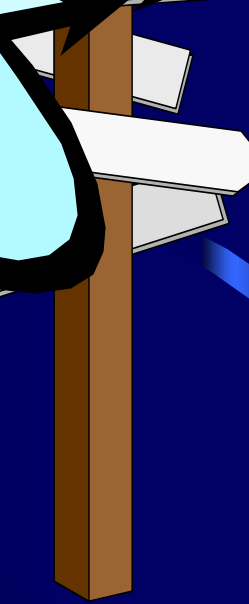
Warnings...



And danger...



And we are still trying to find
our way!!!



Four Paths to Managing Change & Learning

- **Environmental Path**—Organization for an Evolving World
- **Psycho-Philosophical Path**—Individual Challenge and Learning & Growth
- **Organizational Path**—Systemic Congruency
- **Micro Path**—Change and Change Management

Environmental Path

Organization for an
Evolving World

**In the
beginning...
Culture was
Morality**



“Civilization”

- With agricultural revolution, civilization—as we know it—became possible
 - Division of labor
 - Division of cultures
 - Ability to accumulate wealth
- Integrated through empire, law, and religion
- The “Great Forgetting” (Daniel Quinn, *Ishmael*)



**With civilization
began the search
for morality
beyond culture.**

Darkness and Light

- Dark ages characterized by hierarchy
 - Church
 - Nobility
 - Divine Right of Kings
- Rational Reaction
 - Reformation
 - Renaissance
 - Age of Reason
 - Scottish Enlightenment

Industrial Revolution and the Rise of Bureaucracy

- Max Weber and Von Bismarck
- Bureaucratic Model
 - Division of functions
 - Power relationships
 - Separation from environment
- Austrian Economics/Socialism Debate
- Frederick Taylor and Scientific Management

Political-Economic Context

- World War
 - Fascism
 - Communism
 - Capitalism
- Destruction of Europe and Asia
- Post Wars/Cold War Period characterized by:
 - Socialism
 - Crony Capitalism

Decline of Bureaucracy

- Eventual Collapse of Communism
- Inevitable Rise of Globalism
- Rise, Collapse and Rise Again of Asian economies.
- Triumph of Capitalism premature as people continue to look to government for essentials.

Decline of Bureaucracy

- Why Socialism fails over time
 - Unable to meet expectations
 - Central Control Ignorant
 - Stifles creativity
- Why Crony Capitalism succeeds in short-run
 - Relatively effective
 - Relatively efficient
 - Relatively ethical

Decline of Bureaucracy

- Both socialism and crony capitalism
 - Meet Immediate needs
 - Not free market
 - Undemocratic
- Both promise unsustainable benefits:
 - Do not fully employ human potential
 - Unable to tap distributed knowledge, especially tacit knowledge
 - Not responsive

Rise / Decline of Freedom

- Freer the economy, better able to weather turmoil
- Freer the economy, stronger the currency
- Freer the economy, higher the economic growth rate
- Freer the economy, smaller the gap between rich and poor
- Johnson & Holmes, *Wall Street Journal* (Dec. 1, 1998)

Economic Freedom

1. Hong Kong
2. Singapore
3. Bahrain
4. New Zealand
5. Switzerland
6. United States
7. Ireland, Luxembourg, Taiwan, UK

Evolution versus Change

- Change described is largely self-inflicted
 - Demographics
 - Technology
 - Impact on Environment
- Human relationship to evolution of world
 - Conducive to evolution
 - Controlling evolution
 - Coping with consequences
 - Crisis/Chaos when lose “control”

Change as Contemporary Norm

- Overarching source: competition
- Geographic boundaries evaporating
- Traditional oligarchies are collapsing
- Regulatory changes and privatization spawning new industries
- Customers learning to expect more
- Government policy changes

The Organizational Challenge

- ***If*** . . . change is a constant;
- ***If*** . . . rate of change is accelerating;
- ***If*** distributed knowledge is the principal organizational asset; and
- ***If*** . . . free market and democracy are societal norms
- ***Then*** . . . what must the effective, efficient, ethical organization change / evolve to become?

Organizational Ideals

Collins/Porras	Jacobs/Halal/ Pasternak	Pascalle	DeGeus
Core purpose/ Values	Free market, democratic	Power	Purpose other than wealth
Vision of Desired Future		Incorporate employees	Sensitivity to world
Cult-like culture	Participation of whole	Identity	Identity
Home grown leadership		Conflict	Lose control
Preserve core/ Stimulate progress	Knowledge dispersed	Learning	Tolerance of new ideas

Psycho-Philosophical Path

Individual Challenge and
Learning & Growth

Ethical Challenge Embracing

Challenges



Abilities

Flow State

- A sense of pleasure
- A merging of awareness and action
- A sense of control one's activity
- An altered sense of time, which seems to pass faster
- A sense of harmony and growth
- A sense the experience is worth doing for its own sake

Flow Conditions

- Meaningful activity for the agent
- Project presents a balance of challenges and skills, relative to the agent
- Environment provides opportunity for agent's concentration and involvement
- Unambiguous feedback
- Sense that control is possible in principle

Meaningful Activity

- Purpose and vision, which identify us as a part of the universal order and identify us with harmonious growth.
- Challenges that allow us to express our potential, to learn about our limits, to stretch our being.

Organizational Path

A Systems Congruency
Approach to
Organizational Change

Organizations as Complex Systems

- Harmony achieved through evolutionary changes in an organism's complexity, *i.e.*, an increase in both differentiation and integration.
- An organism Learns & Grows within (changes as fast or faster than) its environment or ceases to exist.

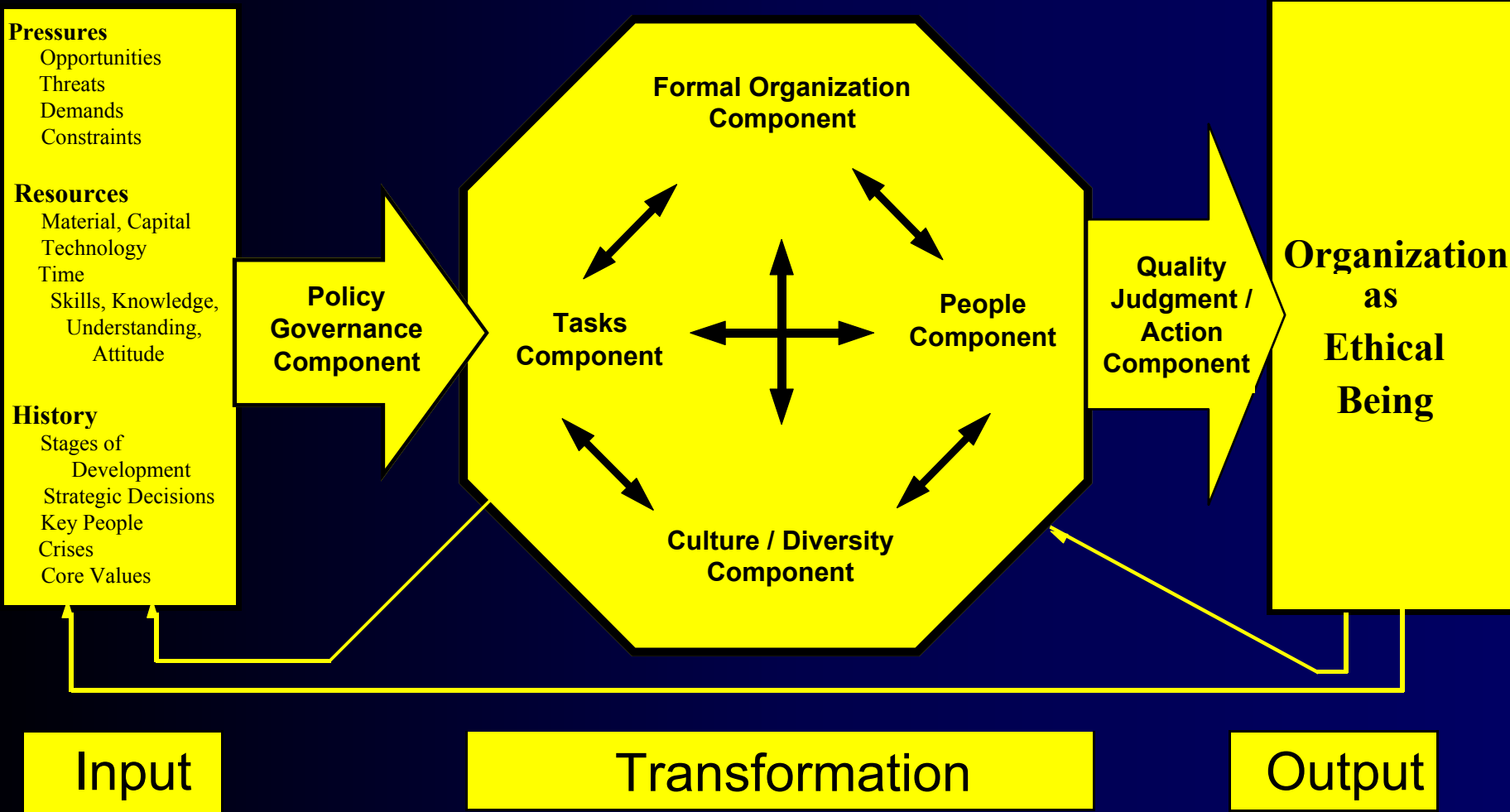
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Elements of Organizational Ethics

Based on Tushman, O'Reilly & Nadler

WORLD ETHICS



Element VII: Effective Feedback

- **Reactive Feedback**—that which we measure or quantify
- **Participative Feedback**—that which we communicate, evaluate and learn from
- **Latent/Insidious Feedback**—that which subtly influences perceptions of 'the way we do things here'

Micro Path

Change and Change
Management

Integrating Applied Ethics



Ethics & Policy Essential Activities

Pathfinding

Implementing

**Problem
Solving**

Learning



Ethical Leadership

- Intervention and Impact on Essential Human Capacities and Attributes
 - Coercion
 - Manipulation
 - Persuasion
 - Facilitation
 - Inspiration
- *Beyond* Coercion toward Inspiration

Ethical Leadership

Challenge—To use appropriate means to integrate vision, values & notions of excellence seamlessly throughout the organization and among its stakeholders.

Measure of Success—When 'the way we do things around here' matches leadership's formal declarations, success has been achieved.

True Competitive Advantage

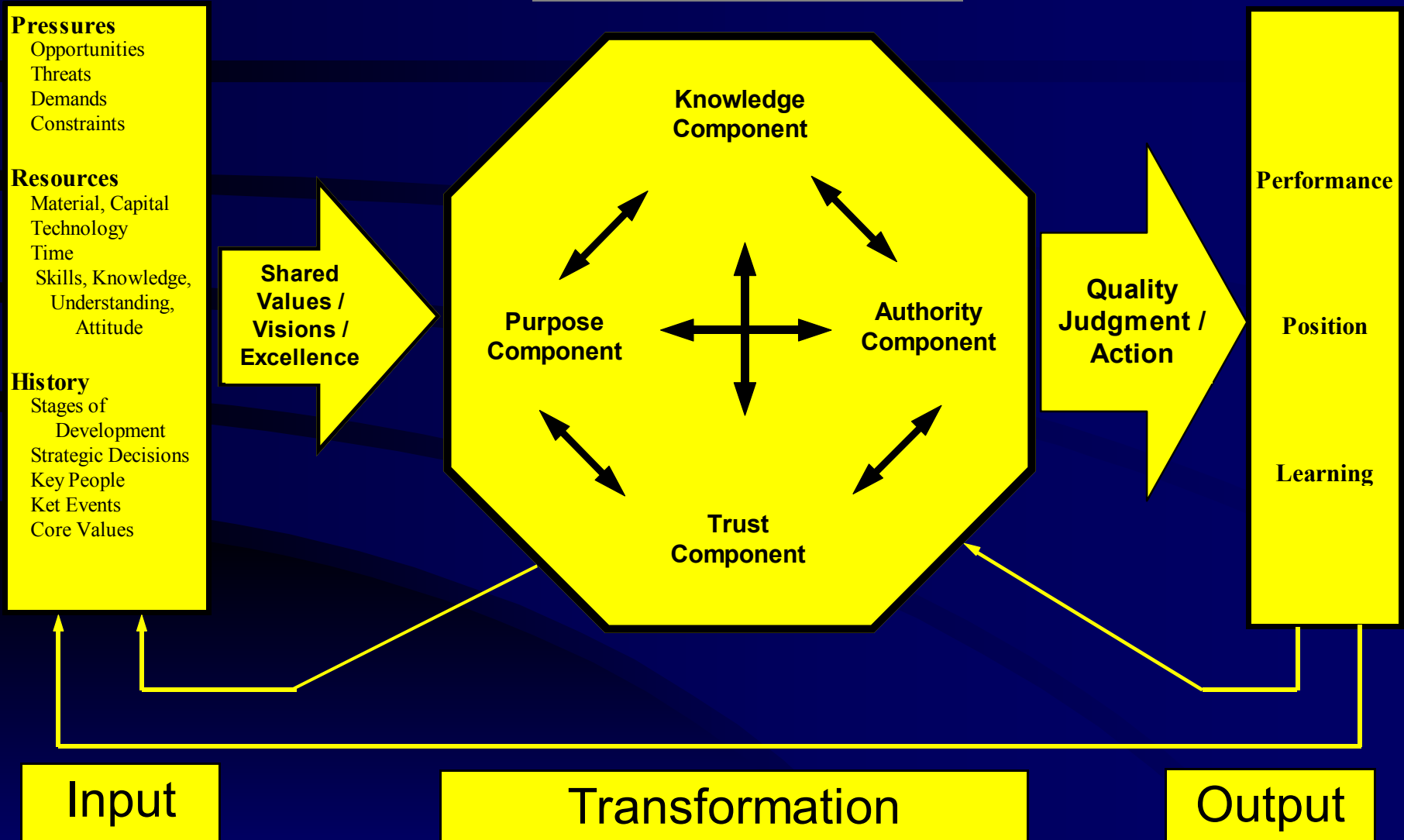
- How to reshape an organization
 - To quickly/efficiently respond to constant shifts in the business environment
 - Sustain its competitive advantage
 - Exploit its innate competitive strengths
- How to stay focused on tomorrow without losing sight of what must be done today
- How to inculcate change without creating chaos, instability, and paralysis

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Ethics & Policy Leadership Model (A Systems Approach)

WORLD*ETHICS*



Search for Competitive Advantage

Nadler (1998)

- **Intellectual Capital:** organization's collective knowledge
- **Organizational Capabilities:** abilities of people to collectively accomplish established goals
- **Organizational Architecture:** structures, systems, processes, and distribution of power
- **Organizational Culture:** collective values, attitudes, beliefs, assumptions, patterns of authority

Intellectual Capital

- Result of organizational learning
- Over time or through resources
- Examples
 - Xerox
 - Kaiser Permanente
 - Microsoft

Organizational Capabilities

- Function of tradition, shared values, culture, and reinforcing its culture
- Combined strengths of the organization
- Examples
 - Canon
 - 3M
 - Merck

Organizational Architecture

- Design Structure, Systems, Processes
- Exploit collective knowledge
- Capitalize on capabilities that will make them unique
- In sync with organizational culture

Organizational Culture

- Difference between power and authority
- Relationship between Organizational Culture and National Culture
- Beliefs, Assumptions, Judgments

Elements of Organizational Performance

- Strategy
- Formal Organizational
- Structures/Systems/Processes
- People
- Tasks
- Organizational Culture/Diversity
- Quality Judgment/Quality Action
- Feedback

Quality Judgment / Action

- Quality Judgment
 - Essential Human Capacities
 - Developed/Employed
 - Impacted/Affected/Knowledgeable
- Quality Action
 - Quality Judgment
 - Time to Employ
 - Time to Reflect/Learn
- Impact on Capacities Considered

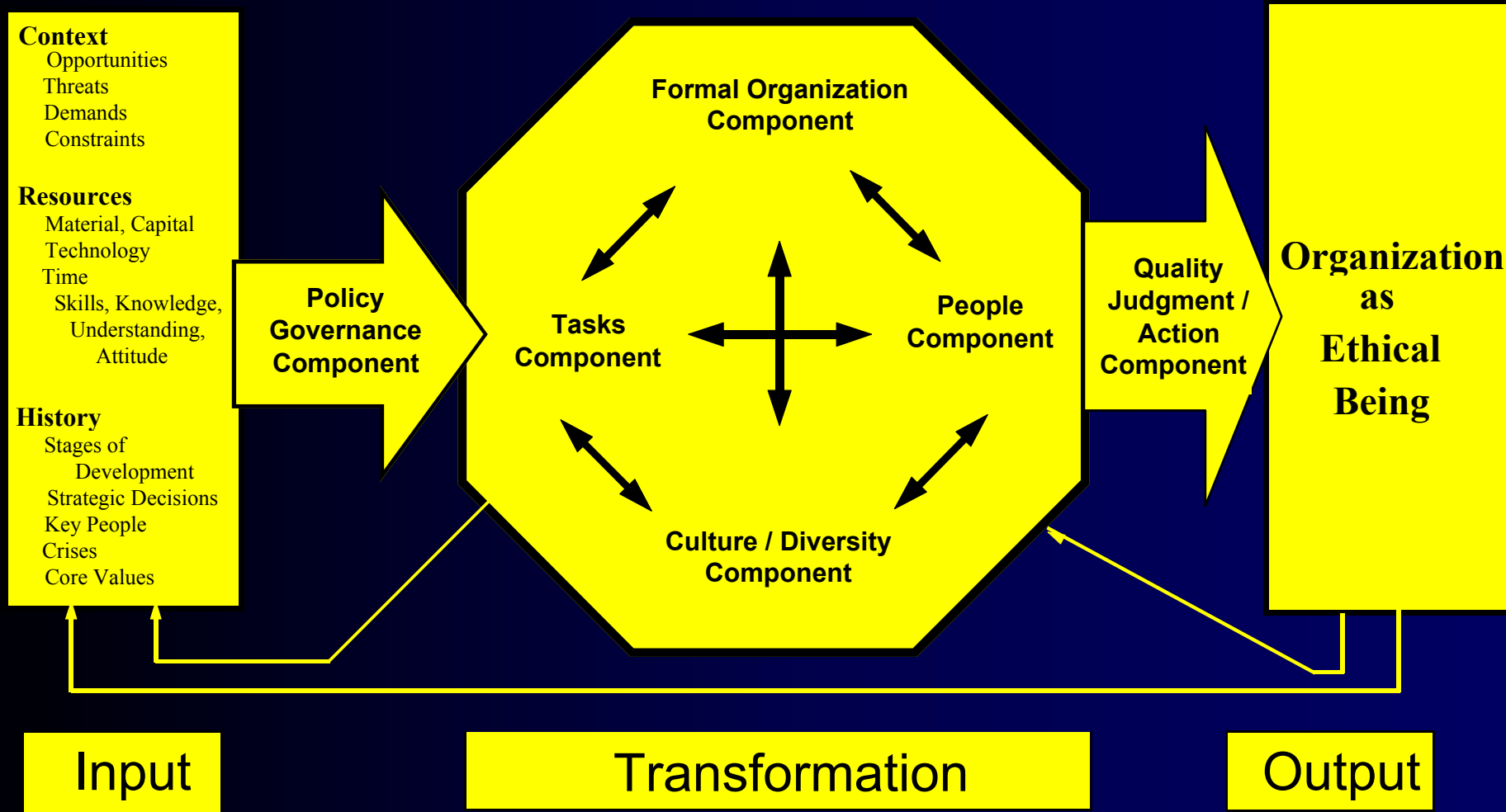
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Elements of Organizational Ethics

Based on Tushman, O'Reilly & Nadler

WORLD ETHICS



Requirements for Integrated Change I

- Turning *status quo* on its ear
- New styles of leadership, rather than traditional command and control and rigid hierarchies

Requirements for Integrated Change II

- Range of skills and techniques, all focused on articulating a vision, setting strategic objectives, and winning the understanding and commitment of the entire organization
- Building momentum for change while keeping elements of organization in relative balance

Ethical Leadership

The bad leader is one whom the people despise.

The good leader is one whom the people praise.

The great leader is one of whom the people say, "We did it ourselves."

Pete Senge, *The Fifth Discipline*,
paraphrasing Lao-Tzu

Summary

- Four Aspects of Change
- Learning Organization

Summary

- Four Aspects of Change
 - Nature and Sources of Change
 - How to Implement change
 - How to manage change
 - Nature of the Organization to Deal with Change
- Nadler, *Champions of Change* (1998)

Summary

- Learning Organization
 - Free market and democratic
 - Shared vision, shared values
 - Provides hope, identity, and purpose
 - Organizational Learning
- Senge, de Geus, Halal, Jacobs, et al.

What to Look for in Readings

- Why we fail at learning
- How to succeed at learning
- What must change
- What the Organizational Architecture must be
 - Structures
 - Systems
 - Processes
- What the Organizational Culture must be

Framework-Developing Questions

Managing Change

- What are the nature and sources of change?
- What is change management and managing change? How do they differ?
- Why and when should an organization implement or manage change?

Framework-Developing Questions

Managing Change

- How does change management differ from other management programs?
- What bottom-line results should an organization reasonably expect from strategic change?

Managing Change Questions

- What are the key concepts, values, principles, and practices of change management?
- How does an organization implement strategic change?
- How does an organization manage change?

Managing Change Questions

- What is the nature of an organization prepared to deal with change?

Framework-Developing Questions

The Learning Organization

- What is a learning organization?
- How does the learning organization differ from other paradigms?
- Why should any organization be a *learning* organization?

Learning Organization Questions

- What bottom-line results can be reasonably expected from being a learning organization?
- What are the principal conditions for and obstacles to building a learning organization?

Learning Organization Questions

- What are the key concepts, values, principles, and practices of the learning organization?
- How does an organization become a learning organization?

Learning Organization Questions

- How does an organization manage its learning?

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