crf research

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BUILDING A LEARNING ORGANISATION

"
The organisations that will truly excel in the future will be the organisations that discover how to tap people's commitment and capacity to learn at all levels.
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Peter Senge

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01 THE LEARNING ORGANISATION

WHAT'S THE RELEVANCE OF THE LEARNING ORGANISATION IN TODAY'S CONTEXT?

If the Learning function is to stay strategically relevant in a world of constant organisational change, it needs to shift its focus towards developing the organisation as a whole, not just the individuals who work there. The 'learning organisation' is an idea that gained prominence in the 1990s. Although the concept subsequently went out of fashion, some organisations have been consistently applying the underlying principles for decades. This has enabled them to create environments that are capable of rapidly adapting to external market forces, maintaining high levels of performance, and creating meaningful, empowering workplaces for their employees.

AGILITY AND THE LEARNING ORGANISATION

It's no coincidence that many of the capabilities associated with 'agile' organisations – the ability to sense and respond to changes in their environment, to move information freely between customers and decision makers, and to improve organisation capability through learning from experiments, for example – are consistent with the characteristics of learning organisations.

DEFINING THE LEARNING ORGANISATION

Professor David Garvin of Harvard Business School defines a learning organisation as: "an organisation skilled at creating, acquiring and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights." The second part is key. Knowledge needs to lead to new routines that change behaviour, if learning is truly deemed to have taken place.

We discuss below the different 'flavours' of learning organisations that exist. However, Peter Senge observed that they all have a common feature: their practices are rooted in systems thinking. Senge identified five 'component technologies' that underpin the learning organisation.

- **Systems thinking.** Each part of the system influences the other parts, so any action taken will affect the whole.

- **Personal mastery.** An organisation's commitment to and capacity for learning can be no greater than that of its members.

- **Mental models.** These are deeply ingrained assumptions, generalisations or images that influence how we see the world and take action. Learning organisations need to be able to unearth implicit mental models and keep them under constant scrutiny.

- **Building shared vision.** Successful organisations usually have deeply shared goals, values and missions that drive long-term sustained high performance.

- **Team learning.** Team learning is vital because teams, not individuals, are the fundamental learning unit in modern organisations. Team learning is built around 'dialogue' – the capacity of team members to suspend assumptions and enter into free-flowing discussion that allows the team to 'think together'. Thus, a team can uncover insights that would not be attainable individually.

Learning organisations share a number of common features.

- A vibrant learning culture that's independent of formal learning activities.

- Intense focus on problem solving, critical thinking, feedback and performance improvement.

- Openness to ideas from the outside.

- High levels of autonomy and accountability as low as possible in the organisation hierarchy, which fosters intrinsic motivation.

- Supportive leadership and a culture that respects individuals, supports their development and encourages them to speak freely and honestly.

- Dedication and consistency over time.

REVERSE ENGINEERING THE LEARNING ORGANISATION

Similar to an IT system, learning organisations are made up of distinctive 'hardware' and 'software'.

- The 'hardware' includes processes that allow people to learn while executing work, and that enable the organisation to run and learn from experiments. It also includes supporting people processes to ensure that selection and reward are congruent with the organisation's learning orientation.

- 'Software' includes a supportive organisation culture and, in particular, one that is characterised by an openness to learning from failures and congruent attitudes and behaviours of senior leaders.

A key point when thinking about learning organisations is that you have

to make the team, not the individual, the 'unit of analysis'. Professor Amy Edmondson believes that learning within teams is the primary vehicle for organisational learning. Organisations increasingly need to operate not in rigid hierarchies but as fluid networks of interconnected individuals working to improve performance, solve problems and innovate. A key enabler is what Edmondson describes as 'teaming', whereby the team is not static but deliberately evolves even as the work is underway.

The desire to get things done fast and 'right-first-time' that characterises many modern organisations often inhibits learning. It leaves little time for reflection, and as soon as a team has achieved one set of objectives it needs to aim for another, more stretching, goal. It's extremely difficult to make time for learning outside of day-to-day work, so somehow learning needs to be built in to what people do every day. Just as performance support systems provide support in-the-moment, so learning organisations need to build ways of learning and improving into their operational processes. Edmondson argues that the concept of 'execution-as-learning' (essentially learning and doing at the same time) is all the more important in today's knowledge-driven organisations. Organisations that focus on execution-as-learning tend to adopt four processes.

1. They use the best knowledge currently available (which is inevitably a moving target) to design processes.
2. They enable employees to collaborate by making information available where and when it's needed. This may happen in the physical or virtual environment.
3. They routinely capture process data to discover how work is really done.
4. They study the data to find ways to improve.

Tolerance of the right kind of failure

Being ambitious and innovative as an organisation means taking risks. And sometimes the most well-intentioned and best-planned projects are unsuccessful. One of the hallmarks of a learning organisation is that it doesn't view this scenario as a failure, but as an opportunity to learn and improve. Middle managers are critical to this process – how they respond to failure, whether they encourage open discussion, welcome questions, and display humility and curiosity, all help determine an organisation's ability to learn from failure. See our full report for a summary of Amy Edmondson's strategies for learning from failure.

Psychological Safety

Building a successful learning organisation not only calls for the right processes and practices. It also requires a leadership approach that encourages people to speak up, ask questions and share ideas. Edmondson says organisations need to fulfil one key prerequisite before execution-as-learning can occur: they need to foster psychological safety. This means that no one is penalised if they ask for help or admit to a mistake. The most important influence on psychological safety is an individual's nearest manager or supervisor. Signals sent by people in power are critical to employees' ability and willingness to offer their ideas and observations.

Building psychological safety doesn't mean treating the workplace as a holiday camp. Leaders must strike a balance between psychological safety and employee accountability by setting high performance aspirations while acknowledging areas of uncertainty that require continued exploration or debate. For a more detailed discussion and examples of leaders who create psychologically safe environments, see CRF's 2016 research report *Creating an Inclusive Culture* as well as our full learning report.

Supportive Leadership and Organisation Culture

While psychological safety at the team level is critical for learning, learning organisations tend to work at scale where the overall context is supportive. That means senior leaders setting clear expectations about how the organisation should operate and role-modelling supportive and encouraging behaviours. Many learning organisations also have a culture that encourages people at all levels to teach each other. For example, Riot Games has built an online system – 'Growth Profile' – to enable learning from others. Individuals log their strengths and areas where they would like help to build their capability. The system matches people looking for help with those who are willing to provide support in specific areas, and they support each other through informal mentoring and shadowing.

Supporting People Systems

Organisations need to apply systems thinking when considering the people systems and processes they need to underpin the learning organisation.

- *Selection.* It is critical to hire and promote people who have strong intellectual curiosity, and are motivated by learning and experimentation. For example, Oberoi Hotels selects candidates for its two-year hotel general management programme based not just on an individual's aptitude, but also on how much they have gained from investments made in their education.

- *Compensation.* Team-based reward and recognition can be used to reward good learning behaviour. In one example, bonus awards are determined by team performance. Each person is awarded a bonus based on their individual performance, but the organisation then applies a multiplier based on team performance.

- *Job design.* Highly adaptive organisations build in some excess capacity to allow for experimentation and new idea generation. If we are to create space for 'generative' learning within our organisations, we have to design jobs with this in mind, allowing people space to reflect and work together to develop ideas.

STRATEGY AND CULTURE DRIVE DIFFERENT 'FLAVOURS' OF LEARNING ORGANISATION

During the course of this research we interviewed a number of learning organisations. They had several things in common: they were transparent, they devolved responsibility as low in the organisation as possible, and they were prepared to challenge received wisdom, for example. However, each of them adopts a particular 'flavour' of learning organisation, depending on their strengths and strategic priorities. Then, having chosen what to prioritise, they focus on that one thing and do it well. Here are some examples.

- Steelcase's modus operandi is based around design thinking and putting customers at the heart of everything it does. This has fed through into a culture of 'Think, Make, Share', where everyone, from top to bottom of the organisation, is expected to teach others. All employees are taught design thinking, and Steelcase's pedagogic framework for learning design is also rooted in user-centred design.

- For WL Gore and Associates, innovation is key. So learning routines, which occur at both the individual and team levels, focus on generating, nurturing and commercialising new ideas. The organisational design and culture are based on mutual accountability, support for learning, and trust.

- Unipart is obsessed with operational excellence and lean management. Learning routines target operational performance and continuous improvement. The 'Unipart Way' brings together a philosophy of empowerment and devolved accountability, an alignment of objectives from top to bottom of the organisation, a core process improvement methodology (deployed consistently throughout the organisation), and continuous learning and progression (every employee has a development plan and a coach).

We found that each learning organisation operates as a whole system. So employee rewards, leadership development and strategy development processes, for example, have to work consistently with the organisation's learning objectives, or the whole thing falls apart.

BUILDING A LEARNING ORGANISATION

Designing an organisation that's capable of learning and adapting continuously sounds like an ideal solution to the difficulties businesses face in keeping abreast of changes in a highly dynamic marketplace. But in practice, it's hard to do well and to sustain over time. This is one of the reasons the idea failed to take hold in the 1990s. Most of the exemplars have been operating in this way for a long time. For example, Shell's history as a learning organisation dates back to the 1970s.

However, by using the team as the unit of analysis, it's possible to start anywhere there's a willing manager. Practical suggestions for where to get started include the following.

1. Teach people skills such as problem solving, appreciative inquiry, and setting up and evaluating experiments. Create some space for people to engage in reflection and analysis.

2. Help people build their understanding of how adults learn, so they can develop their own learning strategies. Support them with practical tools such as questionnaires, checklists or journaling (keeping a diary) that help them reflect on what they are learning.

3. Open up organisation boundaries to stimulate the flow of ideas, through, for example, cross-functional projects, action learning teams focused on real business problems, or social learning groups.

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