



## The Learning Organisation in 2010

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# *The Learning Organisation in 2010: From a conversation with Arie de Geus*

Graham Robinson



## **Abstract**

*This paper summarises a conversation between Arie and Graham Robinson, during which Arie reflected on the concept of the Learning Organisation, twenty two years after his HBR paper appeared and twenty years on from the publication of "The Fifth Discipline".*

## **Keywords**

Organisational learning, planning, decision making, play, computer modelling, knowledge economy

*"... we think of planning as learning and of corporate planning as institutional learning."*

## **Origins**

Arie de Geus has been credited by Peter Senge and others with having originated the term 'The Learning Organisation' in a paper that appeared in the March/April 1988 issue of the Harvard Business Review<sup>1</sup>.

In the paper Arie wrote:

*"Institutional learning is the process whereby management teams change their shared mental models of the company, their markets and their competitors. For this reason, we think of planning as learning and of corporate planning as institutional learning."*

2.01

When the paper was published, Arie was Group Head of Planning at the Royal Dutch Shell Group and, inevitably, it reflects the context and time in which it was written. Twenty two years later, Arie continues to be a passionate champion of organisational learning within the business arena – an arena that includes organisations with practices, values and traditions very different from those that characterised Shell in 1988. Such organisations include young, entrepreneurial start-ups, rapid growth global businesses, Google for example, and a climate flavoured by the activities of recently departed institutions such as Enron and Lehman Brothers.

This paper summarises a conversation between Arie and Graham Robinson, during which Arie reflected on the concept of the Learning Organisation, twenty two years after his HBR paper appeared and twenty years on from the publication of “The Fifth Discipline”.

Publication of Peter Senge’s book served to bring the concept of the Learning Organisation into the world beyond its original, MIT setting. So the twentieth anniversary of its publication is, perhaps, a good time to ask where the idea came from; where it is now in 2010 and where might it be going?

### **Decision Taking as Learning**

*“a search for new solutions to new problems”*

Where the idea came from is an interesting consideration. The origin of the notion of organisational learning was the hypothesis that certain of the decision processes that take place within companies are concerned basically with a search for *new solutions to new problems* and that these decision-taking processes come very, very close to learning. As such, they are quite different from another, very important group of organisational decision taking processes. This group involves the *application of accumulated knowledge*. Within a company context decisions of this variety relate to *situations that are familiar*, recognisable or which involve the repetition of such situations.

It’s interesting that when we make such a distinction, we reinforce the link between decision processes and learning, because the first group of decisions is very close to Piaget’s category of *learning by accommodation*, while the second group is close to what he termed *learning by assimilation*.

*“...the process of taking decisions is essentially a learning process”*

It was this similarity that led the planning people at Shell to ask the question: “*What would it mean if we were to accept the hypothesis that the process of taking decisions is essentially a learning process?*”

Although at that time the Shell planners were not familiar with the work of Piaget, they were working on this decision-taking/learning hypothesis at a time when two publications on the subject of learning had attracted a somewhat wider interest than that of just a narrow group of specialists. These books were John Holt’s phenomenological studies (published as ‘How Children Learn’ and ‘How Children Fail’)<sup>3</sup> and Seymour Papert’s book, ‘Mindstorms’.

Clearly not that many senior managers in Shell or elsewhere were reading phenomenological texts on children’s learning in the late nineteen seventies (or today either, come to that). But these books fitted well with the hypothesis that was beginning to be discussed by Shell planners at that time.

### **Explorations in a Wider Context**

Accepting the idea of decision taking as a learning process opens up a whole world of possible insights into the manner in which decisions in organisations are taken. In the management literature that was current at that time, phrases such as ‘decision taking’ and ‘decision making’ were widely used while demonstrating little or no insight into how the processes that were involved might work. One exception to this limited way of thinking was provided by Henry Mintzberg in a study that he had undertaken into how managers *behaved* when taking decisions. His study was one among a very few considering decision taking processes and the behaviour of managers at that time. In contrast, most of what there was in the management literature was mostly quasi scientific and really rather superficial. This new hypothesis opened up a whole new body of literature that was to be found *outside* that of the field of management. It provided access to some very important research that had been pursued between the early sixties and the early eighties. This research included the work of Piaget in Europe and of John Holt in the USA – which we have already mentioned – and of Seymour Papert at MIT.

*the management literature was mostly quasi scientific and really rather superficial*

## 2.03

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'learning through play'.*

Also, but much closer to Shell in London was the work that was going on at the Tavistock Institute. The Shell planners made contact with the Institute very early on and it was from Tavistock that the idea came that, if the process of taking a decision and implementing it is not only analogous to, or the equivalent of, learning (and their work seemed to prove this beyond doubt), then one of the most powerful means of learning is 'learning through play'.

### **Learning through Play**

decision taking ... based  
upon their personal ...  
talents

If it is accepted that we learn through play then it follows that if we were to incorporate play into the process of decision taking, not only would the *quality* of the learning/decision be improved, but also the *speed* at which it took place would be increased. At the time, this was not a very helpful contribution to the conversation that was taking place between the Shell planners and their colleagues in line management. The latter had a natural tendency to see their contributions to the decision taking processes within their business units as being based upon their personal (brain-based) talents and upon their accumulated collective and individual experience. After all, that is how they saw themselves as having arrived at their lofty place in the corporate hierarchy. To be told that there were better ways of taking decisions, namely through a process of new knowledge development by means of a group (i.e. through team or through organisational learning), rather than by applying (imposing) an individual's accumulated knowledge, was not always welcomed by some of these managers.

The Tavistock research served only to make such matters worse in their eyes, because not only did it tell them that, in situations of decision taking by accommodation (Piaget), they should not teach or impose, but 'learn' (i.e. jointly create new knowledge and understanding) but, also, that the best way of building such learning was 'by play'! No wonder that several of these senior managers saw (and many still see) this as adding insult to injury.

Seymour Papert at MIT in his book, *'Mindstorms: Children, Computers and Powerful Ideas'* also explored the idea of learning through play. But, whereas the Tavistock approach considered such learning as what we might now refer to as 'experiential learning', Papert's work was based on

*learning by playing with  
computers*

the idea of learning by playing with computers and thus, with computer models. This provided the spark of the idea that this approach might offer something that could possibly be sold to Shell management groups. Computers in those days were becoming smaller and, therefore, more accessible. Papert's ideas allowed the planners to go to the management teams of the three hundred or more different Shell companies, some of which were facing some serious challenges of the first variety (new and unfamiliar situations providing new and unfamiliar problems), and help them to explore the effectiveness of their decision taking processes by enabling them to 'play' with computer models.

### **Playing with Computer Models**

Computer modelling was then very much in vogue through the contributions of operations research, cybernetics and the like. So anything that involved the application of computers was likely to have an intrinsic appeal.

In Shell there were scores of computer models operating in and around the company. But nearly all of these models were based on techniques such as linear programming, which had been developed in the interests of finding the 'optimum solution' to well defined problem situations. Whereas what we were looking for were models that could express the reality of changing external world situations as perceived by the particular management team that happened to be making use of the model. This meant that the models that they used had to be capable of permitting the computer to enter 'circular loops' without the risk of such loops becoming infinite. Up until that time, our computer people didn't know how to deal with such problems.

*permitting the computer to  
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loops becoming infinite*

It was while trying to find a way to overcome this problem that the Shell planners discovered the link that eventually led them to Peter Senge. Somebody suggested that they should go and talk with Jay Forrester at the System Dynamics Group at MIT. The Group was using a computer language called Dynamo that enabled them to deal with feedback loops and, therefore, made it possible to play the kind of games that enabled learning through play. The link between Shell and the System Dynamics Group was instant – established after just one visit – and it led to the development of two 'products'.

## **2.05**

### **Stella and The Fifth Discipline**

The first of these products was developed by a PhD student, Barry Richmond, in the shape of a user-friendly, dynamic modelling system called Stella (the version of this system that is in use today is known as i-Think). Stella made it possible to set up the first experiments in 'learning by play' with a number of senior management teams in Shell, involving them in addressing some significant strategic problems. These initial experiments provided the planners with some very encouraging results, notably an acceleration of the time span between the commencement of the decision taking process and the *implementation* of the resultant action by a *factor of 2 to 3!*

*acceleration of the time ...  
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The second was the group had developed a strong relationship with Peter Senge who wholeheartedly grasped the way of thinking that was now beginning to emerge at that time and, since he was engaged with a number of U.S. corporations including AT&T, Ford, Herman Miller and Hanover Insurance in addition to Shell, Peter was able to develop and apply the ideas that he went on to publish in 'The Fifth Discipline'. But between the initial development of this thinking and the publication of the book something important occurred.

*something important  
occurred*

### **Organisational Learning or Learning Organisations?**

The thinking that initiated these explorations had concerned processes of managerial decision taking (or decision making as Americans seem to prefer to label it). Peter, however, adopted the term 'the learning organisation'. So that while the original thinking had been about a managerial process of decision taking having the characteristics of organisational learning, when it emerged into the wider world with the publication of Peter's book, it was transformed into something that appeared to differentiate one group of organisations from all others: learning organisations and 'the rest'.

The adoption of that particular phrase carried with it a tremendous risk – which was that the Learning Organisation would become just another management fad.

*the tacit implication  
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while some  
organisations don't*

There is a simple but fundamental weakness in the term, 'The Learning Organisation', and that is that it carries with it the tacit implication that some organisations learn while some organisations don't. Whereas, originally, seeing the managerial process of decision taking as organisational learning meant that while *all* organisations learn (after all, every organisation has to take decisions), some learn *better* than others and especially, some learn *faster* than others. Faster decision taking (including its implementation) can provide an important competitive advantage!

### **Organisational Learning as Competitive Advantage**

This latter idea, that some organisations learn faster than others, was a key point in the article, 'Planning as Learning', published in the Harvard Business Review some two or three years before Peter published 'The Fifth Discipline'. Apart from the quote mentioned by Peter at the beginning of this conversation, there is another quotation from that paper that frequently appears in the management literature and that is that:

*"an organisation's only  
sustainable competitive  
advantage is an ability to  
learn faster than its  
competitors."*

*"an organisation's only sustainable competitive advantage is an ability to learn faster than its competitors and, therefore, to take decisions faster than its competitors."*

The link between organisational learning and decision taking has been crucial right from the start. This link has not always been clear in discussions of the Learning Organisation.

So, a tension between the idea of the learning organisation and those of organisational learning has existed during each of the twenty years that are marked by this edition of e-Organisations and People.

*the learning organisation  
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different learning needs*

Fortunately, it seems that the idea of the learning organisation has not degenerated into a mere fad to blossom for four or five years only to be replaced by yet another one. Moreover, we need to remember that the idea of organisational learning was around and being explored, by Chris Argyris and others, before Arie de Geus and Peter Senge came along and we need to acknowledge that it is as vitally important now as new forms of organisation come into being with new and different learning needs.

## **The Learning Organisation in 2010: the Impact of New Forces**

So, where are we now with the learning organisation and organisational learning in 2010? Well, new forces have entered the picture.

*... the critical success factor ... has moved away from considerations of money and capital and towards that of human talent.*

One of these forces is a development that has taken place over the past twenty years and which is growing steadily and growing stronger. This development is the recognition that the critical success factor within more and more businesses, both small and large, has moved away from considerations of money and capital and towards that of human talent. It is abundantly clear that if money, capital and physical assets are no longer the critical success factors within companies, then the quality of their decision making processes must come to the fore. The more businesses come to be dependent upon human talent, the more they require a population with a higher level of educational attainment than has been required in the past – as nearly all government educational policies would seem to imply. Therefore, the processes by means of which organisations take their decisions will need to be different. It needs to be one that comes much closer to being one of joined-up, team based learning than the application of proven, scientific or taught causal thinking processes that typified traditional, command and control structures.

### **Positive Signals**

*the reaction of many companies has been quite different from that of similar businesses in past recessions*

In 2010 this change is more apparent than ever and it is also more readily recognised, though its implications are not necessarily widely appreciated or understood. There are, however, some positive signals. For example, during the past two years of major financial crisis, the reaction of many companies has been quite different from that of similar businesses in past recessions. The reaction has differed, in the sense that many companies have made a much greater and more visible effort to try to hold on to the human talent in which they have invested.

Thus, we have witnessed numerous businesses seeking to find ways through the present crisis while maintaining, as far as they could, the pool of talent upon which they see themselves as being dependent. Such efforts have not always seemed laudable – as may be observed in the example of the international banks, desperately attempting to maintain and to justify their bonus cultures in the face of mounting public and political distaste. But it is also visible in those manufacturing, service and craft based companies that have negotiated part-time working and

was the usual response to recession in the past. It is noteworthy that while this has been the deepest recession since the nineteen thirties, levels of unemployment, while bad, have not been as disastrous as was the case in the recessions of more recent decades.

*Talent is increasingly recognised as being the provider of the 'family silver' for the twenty first century*

This is not simply a matter of costs. Talent is increasingly recognised as being the provider of the 'family silver' for the twenty first century. Maintaining such talent through the crisis has involved, in many cases, though by no means in all, processes of discussion, dialogue and engagement between different interest groups within organisations.

In some business and trade union organisations, however, the old, baronial styles have been maintained with neither side being prepared to engage in new approaches to and styles of organisational decision making. British Airways, the London Underground and the Railways have all provided illustrative examples of situations where the new learning that is required has not been evident. But this is a digression.

Where are we in 2010? We still need to accept the need to think of decision taking as a process of organisational learning.

### **Organisational Learning in the Knowledge Economy**

*senior managers had little or no understanding of what these bright people were doing*

The new generation of business employees and staff is better educated, more questioning, more demanding and more mobile than its predecessors. But isn't it also true that many organisations have demonstrated, especially within the finance sector, that their senior managers had little or no understanding of what these bright people were doing? More worryingly, didn't they demonstrate that, just as long as the profits rolled in they didn't much care either?

*One reason for such differences is that there is a much greater female presence in these companies*

That's certainly true. Many management organisations are still living in the past. But in the new, younger, knowledge-based industries which are beginning to drive the global economy, such practices have never really developed. These businesses are very different from their predecessors. One reason for such differences is that there is a much greater female presence in these companies. As a consequence, there is a greater, perhaps a more natural, readiness to see organisational decision taking as a joint or collaborative process.

*Decision taking is based  
on conversation ... each  
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conversations*

### **Conversation, Language and Organisational Learning**

Another development that is apparent in 2010 is the developing insight that the process of organisational learning is language based. Decision taking is based on conversation and we are beginning to understand that each organisation develops and sets its own rules for such conversations. This is a matter of a management's style and confidence and of the composition (and dialects) of the various groups who can participate in the conversation etc. Of course there are still companies and other organisations within which the rules of organisational conversation determine that it shall be monolithic; a series of monologues, conforming, as far as possible, to the traditions of command and control. In such cases, the conversation is one sided and not a process of dialogue at all.

In today's world to continue to act in this way involves a very dangerous gamble. It is dangerous because it is a gamble that involves betting on the qualities of one particular person, or on that of the few persons who happen to have come to dominate the monologue.

If these people are not capable or, for whatever reason, have come to lose the capabilities that they might once have had, they will drag the organisation down. We have seen recently more than enough examples of this being demonstrated, from Lehman Brothers, Northern Rock, Royal Bank of Scotland and so on. This has been picked up clearly by business writers such as Jim Collins and in the political and neurological spheres by Lord David Owen and John Davidson.

### **Inhibiting Monologues; Liberating Cafes**

There are still plenty of organisations dominated by monologues that inhibit their capacity for learning. But we need to develop our understanding of the behaviour patterns in organisations that are not so dominated. We need a lot more of the kind of work that has been done by Lord David Owen and his colleagues. They show quite convincingly that the continuous, long term presence of people in leadership positions with a tendency to dominate the corporate conversation can have disastrous consequences; leading, for example, to the contamination of the whole organisation with their personal hubris. This opens up a whole new context for inquiry.

*the contamination of the  
whole organisation with  
their personal hubris*

## **2.10**

*... the continuous, long term presence of people in leadership positions with a tendency to dominate the corporate conversation can have disastrous consequences*

On a more positive note, there are an increasing number of academic studies that suggest that, by consciously and deliberately setting the rules of the corporate conversation, one can have a beneficial impact upon organisational performance and outcomes. We have mentioned already the pioneering work that Chris Argyris has been carrying out in this area for many, many years. But there are other examples, one of which was, for example carried out under the auspices of the Society for Organisational Learning (SoL) and which concerns the nature and effectiveness of certain rules for the governance of group decision taking conversations within organisations. The results of this work have been quite spectacular and are demonstrated in the processes employed by what has come to be known as 'The World Café'.

We are now witnessing a situation in which the nature of a great many organisations is quite different from what was typical twenty years ago. Such organisations continue to have to take decisions and therefore to learn. They do this sometimes more, sometimes less effectively. There is a need to continue with the work necessary to developing our understanding of the nature of the corporate conversations that take place in these new kinds of organisation. We need to discover what the most appropriate rules for their governance might be. These include those rules that govern the conversations that determine their processes of decision taking and, therefore, of their learning.

### **New Fields for Play**

*A whole new field of knowledge is now opening up with developments in neurological research*

Finally, there is another area of organisational learning that we may have neglected or lost sight of over the past twenty years and to which we need to return. This is the work of the Tavistock Institute and of Seymour Papert and the idea of learning as play. A whole new field of knowledge is now opening up with developments in neurological research offered to us by radically new technologies. This shows, for example, how different parts of the brain become engaged in quite different ways in processes of learning and, in particular, demonstrates the importance of learning by trial and error during the course of play. Such research carries a promise of developing our insights into the nature of decision taking, corporate conversation and, therefore, of organisational learning. It does this by demonstrating the more subtle processes by means of which such learning takes place (both within individuals and between members of a team). Some of the findings of this research have been taken up already

*such initiatives will have to overcome the barriers that are presented by the traditions of established teaching, as opposed to learning, institutions*

by those engaged in innovative processes of team learning in related fields, including in the worlds of sport and of entrepreneurial learning that are being developed by the Team Academy in Finland and elsewhere. But, like their predecessors twenty years ago, such initiatives will have to overcome the barriers that are presented by the traditions of established teaching, as opposed to learning, institutions.

Like their predecessors, these new practices will prevail, but only after their champions have shown a readiness to challenge and to overcome the many sources of resistance that they will encounter.

So, it is clear that twenty years on from publication of 'The Fifth Discipline', there is more than enough going on to enable us to look forward with a great deal of confidence to numerous exciting developments in the field of organisational learning over the next twenty years.

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## **Biographical Note**

### **Arie de Geus**

A 'global statesman' of business change, Arie de Geus is widely recognised as the originator of many of the principles and practises underlying the "Learning Organisation" concept, and is one of the world's most effective business strategists. After a remarkable career in scenario planning and organisational learning, he now helps organisations of all kinds reorganise and prepare for their futures.

A master storyteller, he uses business parables to give audiences messages that stay with them long after the event. His extraordinary experience and his strategic thinking and research have given him a depth of content that matches his style, and has made him one of the most sought-after speakers in the world.

### **Graham Robinson**

Dr Graham Robinson has been concerned with organisational learning throughout his career. This has involved him in roles as a business school academic in the UK and the Netherlands; as a senior manager and director in two multinational I.T. companies, and as director of an international business development consultancy. He is currently a Visiting Research Fellow at the Centre for Management Learning and Development at The University of Surrey where he gained his PhD - based on his research into patterns in directors' learning and sensemaking processes.

He is a director of SoL-UK and the author of several business books and numerous articles on management and organizational learning and change. His latest book, "Unsecured Ladders", co-authored with John Harris, was published by Palgrave in 2009.