

5 Adapt and Rejuvenate: Agile and Learning Organizations



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Learning Objectives

After reading this chapter, you should be able to do the following:

1. Analyze key traits of successful change leaders.
2. Describe how agile organizations approach change compared to traditional ones.
3. Examine the characteristics, levels, and principles of learning organizations.
4. Explain the relationship between learning and change in organizations, the process a company goes through to become a learning organization, and the importance of leadership.
5. Summarize the mind-set that both agile and learning organizations must have in the 21st century.

Change is the status quo. Companies the world over realize that success depends on their ability to respond to new opportunities and threats as they emerge, and to keep rethinking their strategies, structures, and tactics to gain ephemeral competitive advantages.

—Perry Keenan, Stephanie Mingardon, Harold Sirkin,
and Jennifer Tankersley

Pretest Questions

1. True/False: The traditional leadership traits of decisiveness and composure continue to rank high in current change leadership models.
2. True/False: Agile organizations tend to have a high tolerance for failure.
3. True/False: A learning organization is *holistic*, which means it considers how the entire industry and business market contribute to its specific goals.
4. True/False: Learning organizations respond well to market swings because they can bring in outside marketing experts to advise them on how to react.
5. True/False: In the 21st century, both agile and learning organizations must accept that change demands doing things differently.
6. True/False: Tension can actually be a source of energy and renewal for a learning organization.

Hyundai's current successes may be surprising to those who know its past. The Korean automotive company has shed its former image of producing low-quality, "me-too" vehicles—and the experience of suffering a near collapse in sales in 1998—and replaced it with that of a \$66 billion company that controls 5% of the market today (Holstein, 2013). The company's cars have vastly improved and are moving to the top of the list in quality: J. D. Power and Associates ranked Kia (owned by Hyundai) as number two, behind Porsche, and Hyundai as number four, behind Jaguar (Levin, 2015).

This change happened by design, not by chance. Hyundai's skills in design, product launch, and consumer awareness are credited to its recently implemented product management model. The company's overall success is attributed to the fact that it has focused leadership; a dynamic culture; competitive strategies; high-quality products; innovative design; operational excellence; shrewd marketing; and an empowered, disciplined workforce.

Chung Mong-Koo, chair of Hyundai Motor Company, assumed leadership in 2000. He succeeded his father, Chung Ju-Yung, who founded the Hyundai Group. Chung has rejuvenated the workplace, changing Hyundai's culture and its overall approach to auto manufacturing. The company's redefined culture emphasizes learning and innovation. This focus became clear in 2009, when Chung began recruiting top-level design talent from Germany, Italy, and the United States (Holstein, 2013) to execute his new design approach: fluidic sculpture, inspired by natural shapes. The company's new designers are young and keep an edgier, innovative culture that has a degree of fearlessness (Levin, 2015).

Chung didn't make these changes alone. John Krafcik, CEO of U.S. operations, helped Chung implement new strategies to move the company forward through 2013, which employees meticulously executed. Hyundai's workplace culture operates with a mix of Korean superiors and coordinators who are mostly U.S.-educated and more Westernized than their counterparts in Seoul. Coordinators help bridge communications between Western and Eastern employees and in some ways are equals of the U.S. executives for whom they work (Holstein, 2013).

As the company expands its global reach, its major concerns include balancing quality with production and innovation with sustainable reliability, while maintaining an entrepreneurial pace in a hypercompetitive environment.

Critical-Thinking Questions

1. What are some competitive advantages Hyundai has shown that have contributed to its marketplace success?
2. What changes has Hyundai made to evolve from a low-quality, me-too company to a significant global competitor? (In your answer, refer to concepts in the text as well as specifics in the opening scenario.)

Introduction: The Road Ahead

We began this text by defining different types of change and showing how organizational change can be diagnosed, planned, and implemented. In the chapters that followed, strategies and methods for sustaining change were presented. Here we examine how organizations can adapt to continuous change by emphasizing innovation, creativity, agility, and learning, as is the case with Hyundai.

Leading people is a crucial part of whether an organization successfully adapts to continuous change. Although leaders must facilitate and manage change by articulating clear strategies and creating flexible structures, they must also create a culture that sustains not only the “hard” dimensions of change (like strategies, structures, and systems) but also its “soft” dimensions, which involve motivating and developing people to higher performance levels. While transformational change happens rapidly and sometimes dramatically, organizations must also continue to make equally dramatic adjustments to survive and succeed (Paton & McCalman, 2000). At the same time, developing cultures that attract high-quality talent involves learning, innovation, and creativity.

Motorola’s 2011 restructuring exemplifies this type of continuous innovation and creativity. The company successfully split from a unified corporate parent into Motorola Solutions, which houses its businesses that manufacture wireless devices that are sold mainly to enterprises and governments; and Motorola Mobility, which sells cell phones and set-top boxes to consumers. CEO Greg Brown has helped engineer the transformation from cell phone, cable set-top box, wireless network, automotive, and barcode scanner divisions to a pure-play public-safety LTE, a network technology that offers high speeds and low lag times over long distances. (Among other uses, it provides first responders with valuable photos, video, and other information via police radios equipped with specially designed smartphones and other devices). The turnaround involved trimming \$500 million in annual operating expenses in 3 years, changing out 21 of 70 vice presidents, and adding 20% more sales staff (Pletz, 2015).



AP Photo/Richard Drew

CEO of Motorola Solutions Greg Brown helped Motorola Inc. split into two successful companies, Motorola Solutions and Motorola Mobility.

Organizations that plan, implement, and strive to sustain change must continually adapt to unforeseen global competition, uneven economic shifts, new technologies, and the rapid increase of available data. Other challenges may be indirect and less dramatic, such as learning how best to incorporate recent graduates into the workforce when they may lack certain skills because educational systems can’t keep pace with changes in the workplace (Marquardt,

2002). Looking ahead, it is nearly impossible to predict the types of adaptations individuals, leaders, and entire organizations will need to make in order to stay competitive.

5.1 The Leadership Challenge

Different leadership styles and strategies relevant to guiding change have been discussed throughout the text. These discussions have highlighted that one of the principal challenges company boards face is finding and developing leaders who can guide their organization through uncertainty. Effective change leaders must fill new roles, many of which have yet to be defined.

Successful Change Leaders

Over the past decade, business leaders and psychologists have attempted to identify the qualities of successful change leaders. In a study conducted by the Center for Creative Leadership, 76% of its constituents believed the definition of leadership had already changed, and 91% believed leaders face increasingly complex challenges. Respondents ranked key traits leaders must have to be successful under these new conditions. Forty-nine percent believed in the importance of collaboration. They also highlighted change leadership, the ability to build effective teams, and the ability to influence employees without exerting authority as important leadership qualities. More traditional traits such as decisiveness, composure, and finding ways to get results were ranked low (Martin, 2007).

IBM's Global Business Services group interviewed more than 1,500 CEOs to analyze the traits they valued in leaders tasked with managing complex environments. Overall, they cited creativity as the most important of a CEO's skills. Digging deeper, they identified seven approaches exemplified by creative CEOs.

1. A willingness to change business models to meet goals
2. Encouragement of risk taking
3. Openness to out-of-the-box solutions
4. Comfort with ambiguity and experimentation
5. Valuing innovation
6. Decisiveness
7. Inventiveness with new business models (ChiefExecutive.net, 2011)

Creative CEOs share a willingness to change. In other words, these leaders adapt to change and steer their organizations toward it, rather than clinging to tried-and-true methods of management.

Vineet Nayar, HCL Technologies Ltd.

Vineet Nayar, vice chair and former CEO of HCL Technologies Ltd. (HCLT), a \$3.5 billion global IT services company based in India, is an example of a creative change leader. Nayar joined HCLT in 1985 and became president in 2005. He led the company in a complete turnaround over the following 5 years, expanding from 30,000 to 75,000 employees, tripling revenues, and doubling market share (HCL Technologies, 2001).

Along with Apple, Google, Lenovo, and Cognizant, HCLT was one of five global technology firms to reach revenues above \$2 billion, with a compound annual growth rate over 30%. (Flinders, 2010). In his book, *Employees First, Customers Second: Turning Conventional Management Upside Down*, Nayar (2010) explains that his leadership approach involves converting an organizational structure into a transparent, accountable, and value-driven culture. Under Nayar's leadership, HCLT has been recognized as one of the best employers with the most innovative and most democratic workplaces worldwide.

But why redefine leadership away from authority and “doing whatever it takes to get results”? Given the variety of changes an organization may encounter and the complexity involved, individual leaders can no longer serve as ultimate authorities or experts. As noted in Chapter 4, emotionally intelligent leaders and followers have a competitive edge with regard to change, as compared to more rigid, closed thinking, and closed feeling professionals. Because effective leaders rely on employees for information and insight to resolve complex situations, collaboration and communication take priority over authority. Today's leaders create environments in which employees can share information and propose alternate solutions to problems.

Scott Cook, Intuit

Scott Cook is the cofounder of the software company Intuit, which creates personal and small-business finance products such as TurboTax and QuickBooks. When Cook wanted to revitalize his organization, he imagined a design-driven model like Apple. However, he quickly realized that he was no Steve Jobs, a visionary CEO with the power to inspire and compel his employees.

Instead, he turned his company upside down, letting the vision come from designers close to the front lines. He worked with one of Intuit's design directors to create the Design for Delight (D4D) forums, which encourage employees to engage problems in new ways. Intuit eventually



AP Photo/Al Behrman

Scott Cook, cofounder of Intuit, revitalized his organization by turning his company upside down. He let the vision come from designers close to the front lines rather than from top management.

developed a D4D customer- and design-centered process. It begins with a “painstorm” to understand real consumer issues and thus better identify ways Intuit can help. These front-line conversations take place directly with customers.

The team then has a “sol-jam” to generate as many solutions as possible and then develops prototypes to test what they come up with. Finally, the team has the “code-jam” to quickly get a product to user testing. From painstorm to testing, the entire process takes 4 weeks and has yielded some of Intuit’s most popular products, including its highly rated smartphone apps (Martin, 2011). Now, with Brad Smith as CEO, the firm is included on *Fortune’s* 2015 100 Best Companies to Work For list (*Fortune*, 2015c).

While leaders place increasingly greater emphasis on relationship building and creating open work environments, the idea of leadership has shifted; it is no longer regarded as a quality desired only in management. Leadership responsibilities have been pushed down in organizational hierarchies (Martin, 2007) to enable potential challenges to be identified more quickly and to compress response times. Another way to describe this shift in expectations is empowerment. As we discussed in Chapter 4.2, employees are empowered when they are given more autonomy to make decisions, which is paired with increased responsibility. At Intuit, the initial D4D facilitators were recruited with the following responsibilities:

Actively participate in a one-day brainstorm/workshop.

Commit to the execution of initiatives generated through the ... workshop.

Become a more visible Design for Delight leader across Intuit.

Be a D4D coach/facilitator that the larger company can draw upon. (Martin, 2011, “Recruiting the Innovation Catalysts,” para. 4–7)

These designers were at least one step removed from directorships, meaning they were closer to the bottom of the organizational hierarchy than to the top. However, they were tasked with changing the company’s culture and finding ways to more immediately respond to their clients’ needs.

Jason Kayzar, PhishLine

Jason Kayzar, COO at PhishLine, a social engineering management platform built for information security professionals, has a similar mind-set to Cook at Intuit. PhishLine assists Fortune 1000 clients in addressing social engineering threats using risk- and action-based precision techniques and decision-making processes (Schawbel, 2015). When asked in an interview, “How do you approach process improvement within your organization?” Kayzar’s quick answer was “Empowerment” (Schawbel, 2015). He continued:

I have worked in a number of traditional office environments where democratic rule by committee took the place of leadership. In some ways this can be a good process, especially if the goal is one of making everyone feel good but more often than not it slows the process and/or can lead to decision

paralysis. Our business moves at light speed, and is growing in size and scope accordingly. Our people are smart, and therefore they are empowered to make many of the process improvement decisions on a daily basis that help move us closer to achieving our overall goals. We have an internal suggestion process within our software, so all ideas are captured, catalogued and can be reviewed by any employee at any time. There are no bad ideas. Many may be rejected, or added to a future projects list while many others are often implemented immediately. (Schawbel, 2015)

The following section presents roles, resources, and different ways that organizational development consultants provide help to employees.

OD Consultants as Sources of Empowerment

As organizations move from old to new business models, leaders often employ OD consultants. Today many OD consultants view their roles as “educators” or “facilitators” (Rothwell, Stavros, Sullivan, & Sullivan, 2010) rather than as external experts who present solutions. This change mirrors evolving leadership roles and organizational cultures.

To recap from Chapter 1, an OD consultant has several goals, including:

- to deeply understand how the various parts of an organization fit together to compose a whole system;
- to communicate that systemic understanding to their clients so that the potential, organization-wide ripple effects of individual and departmental changes become clear prior to implementation;
- to facilitate the empowerment of employees so that they constantly aim for improvement and look for creative solutions to problems;
- to consider multiple ideas without judgment and to encourage others to do the same; and
- to step aside as needed (Rothwell et al., 2010).

An OD consultant may also serve as an **executive coach**. Organizations hire executive coaches to advise on complex decisions and individual and/or team skill building aimed at developing personal and professional performance (Executive Coach Academy, n.d.). These professionals model the leadership behaviors that flexible and responsive organizations require. They help establish cultural norms and practices that reflect innovation and change, and then let the players fulfill their redefined roles, trusting their abilities and the updated processes. In this way organizations can “learn by doing.”

Organizations are given an opportunity to step back, reflect, and then implement initial changes under the guidance of a facilitator who eventually exits the process (Rothwell et al., 2010). As the organization moves forward, its leaders facilitate the same type of reflective process in whatever new change scenarios arise. An increasing number of Fortune 500 companies are using executive coaches with OD expertise not only to help leaders and employees develop new skills, but also to strengthen every part of the organization, including its productivity, work flow, and well-being, and to increase the bottom line (McNamara, n.d.).

For example, an organization that plans to move from a hierarchical to a team-based model may hire an OD consultant to facilitate this shift. Prior to recommending changes, the consultant needs to understand the organization, its leadership, the vision-mission-values and rationale for desiring the change, the corporate structure, and how various roles fit together. The consultant would also need to understand individuals' perceptions of their positions and how they contribute to the whole. Once the consultant understands the existing system and the desired outcomes, the shift must be communicated to employees so they understand the reasons behind the changes and buy in to them.

This process allows OD consultants to gain enough knowledge about an organization to coach its leaders and managers on how to model new methods of leadership. For example, OD consultants involve employees in the process rather than decreeing change from the C-suite or the executive team (CEO, COO, CFO, and CIO, or chief information officer).

As changes are implemented, the consultant asks employees for feedback and suggestions and makes modifications accordingly. Those involved in the change are most likely to understand what works and what doesn't, so this reinforces the shift toward employee empowerment. The OD consultant creates situations in which employees can contribute thoughts that positively affect outcome. Employees, in turn, take ownership of a process that otherwise would have been imposed on them. In this way the shift becomes a practical learning experience for everyone in the company, from the employees up to the CEO; all the OD consultant needs to do is step aside and let the revised company run itself.

How Leaders Can Develop Employees for Change

There are five emerging trends that impact organizations: globalization, diversity, flexibility, flattened structures, and networks (Tan, 2015). Globalization and diversity go hand in hand; organizations now span continents, leading to new challenges of managing in terms of creating a consistent culture across the organization, communicating effectively, and understanding local cultures. Organizations attempt to increase flexibility for their workforces by experimenting with flexible schedules, alternative compensation packages, and revised reporting structures.

Instead of highly structured, top-down management hierarchies, decision-making power is passed to the employee level, flattening layers of management. Rather than communicating vertically across an organizational chart, employees are encouraged to network laterally and to work in teams across divisions. Moreover, surveys, discussions, and feedback sessions are held with teams and employees to obtain information on their need to achieve higher performance levels and to yield suggestions that would enhance organizational planned changes.

Cisco Systems designs, manufactures, and sells networking and communication devices worldwide. The company employs 71,833 people (Yahoo! Finance, 2015). Its vision has focused on transforming its workplace to "drive employee attraction, retention, productivity and a perpetual collision of creativity" (as cited in Crandell, 2014), according to Alan McGinty, senior director of the Global Workplace Solutions Group. The company identified three objectives for its new culture: "Provide different solutions to meet the needs of all types of work, teams and environments; utilize the company's own collaborative technology; and have policies that support workers to work where and when they want to fit their lifestyles" (Crandell,

2014). To that end, Cisco holds local employee teams accountable for “the health and happiness of their neighborhoods and ensure each employee has an environment that is right for them” (Crandell, 2014). This is a collective approach to managing people and “is all about choice and making sure that everyone has ‘more skin in the game’” (Crandell, 2014).

As part of its revitalization, Cisco transitioned from a centralized model to a decentralized one because it realized that creative solutions can come from anyone, and a conventional pyramid can hinder creative information sharing (Useem, 2009). Technology allowed Cisco to implement a company-wide communication solution. It created a “Ciscopedia,” similar to Wikipedia, for internal use, and the 500 senior managers collaborate laterally to make decisions about products. This leads to faster facilitation and more localized decision making and deployment (Useem, 2009).



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Cisco changed from a centralized to a decentralized structure to allow for creative solutions from all levels of the organization, instead of just management.

To some, this may sound utopian. How can a large organization stay productive and competitive in these conditions? And how can a hierarchical organization, designed for stability, reinvent itself? The key is to develop human capacity within the organization. Rather than simply executing assigned tasks, employees are asked to contribute ideas and are recognized for their successes. They take on increasingly creative roles and solve problems, so they become invested in the organization’s overall success, staying focused on the big picture and finding ways to meaningfully contribute to the organization’s growth. Moving forward, leaders and employees are not the only ones that must change; organizations, too, must transform.

Check Your Understanding

1. Identify some methods that Cisco Systems has adopted to stay competitive in its industry.
2. What are some specific changes organizational leaders can implement to increase employee effectiveness?

5.2 Agile Organizations

An **agile organization** is one that can quickly react to changes in the market. This means that companies can and do successfully respond to new competitors, technologies, and shifts in the market (BusinessDictionary.com, 2015). Stated another way, agile organizations stay competitive by identifying and implementing opportunities faster than their competition (Sull, 2009). Having the ability to respond to changing environments can mean life or death for an organization. More uncertain, turbulent environments and market changes require more agility.

Two traditional methods of managing a large-scale enterprise—delegation and specialization—work well in stable environments. All employees know and understand their roles, and work flows in a predictable manner. However, when this type of organization faces a threat, whether from an internal or external source, it often struggles to respond effectively and rapidly (Reeves, Morieux, & Deimler, 2010). Rather than make an adjustment or try an alternate process, employees turn to managers for decisions, who in turn look to senior management. Rapid responses can become lost in a maze of hierarchy.

In a traditional organization, once a threat has been identified, a proposed solution moves up the chain of command, laterally across divisions, and then down again once a decision is finally made and is ready to be executed. This process is time-consuming, and, as in a game of telephone, the initial proposal may evolve, perhaps in less productive or efficient ways, in each subsequent telling as each person reinterprets the suggestion according to areas of expertise, sometimes adding personal stakes. The individual or team that identified the problem and proposed a solution doesn't have the decision-making power to execute it and instead must find a supporter in management. This causes a second problem, in addition to slow response time.

Many organizations that emphasize hierarchy have low tolerance for failure and adopt cultures that favor consensus and obedience (Reeves et al., 2010). In this environment employees

have little incentive to suggest bold solutions or innovate. They stick to tried-and-true methods that are sure to be approved by management rather than attempting to convince multiple levels of hierarchy to take a risk. These organizations lack flexibility in both process and culture and therefore struggle to respond to change in quick and meaningful ways.



AP Photo/Reed Saxon

When Bob Iger took over at Disney, the company was stagnant. Iger restructured the company and empowered divisions to make decisions quickly and locally, resulting in some failures but ultimately heralding a new era of growth and innovation.

When Bob Iger became the CEO of Disney in 2005, he inherited a company that had stagnated. It was centralized and hierarchical, due in part to an ingrained culture in which division leaders were afraid to make decisions without the leader's approval. The company simply could not respond to new technologies or opportunities because it lacked the flexibility and freedom to take small, independent risks that could lead to new products.

Iger restructured the company and empowered divisions to make decisions quickly and locally. The meetings he led changed from directives to conversations, setting the tone for the rest of the corporation to engage, ask questions, and listen. Under Iger, Disney experienced some spectacular failures, such as the ESPN phone that was meant for sports fans but never took off. It also became much more aggressive about acquisitions and launching entire new product lines.

Iger's success prompted the company to make him chair in March 2012, a title he will hold until he retires in June 2016 (Smith, 2011).

Agile organizations are similar to the built-to-change firms discussed in Chapter 4.4. They can quickly adapt and respond to new situations, whether these are opportunities or threats, because change is already central to their culture and practice. These organizations value experimentation, communication, decentralized decision making, and modularity.

Modular organizational structures particularly allow divisions to come together and disband as needed. A temporary and new organizational structure may form to create and launch a new product. This may include product development, testing, marketing, sales, and customer service. Once the product is released, the structure can dissolve and each component can join other projects, so the engineering team that worked on one product may join another while the sales team continues to add new products to its overall portfolio. In addition to offering flexibility, modular structures facilitate the transfer of skills and knowledge across the organization.

Each team learns unique lessons, and when disbanded, individual members can apply their experiences to new situations. This type of flexibility relies on a relatively flat hierarchy so that groups don't compete with each other or report to each other; rather, they meet on equal footing and exchange ideas.

Responding Rather Than Predicting

Agile organizations are different in that they don't use in-depth research and analysis to attempt to predict what will happen. Instead, they watch the market and try to quicken their response time in situations that require action. For example, the clothing industry has a 6-month production cycle, and organizations typically attempt to predict consumer habits two seasons into the future. Mistakes are costly, as is the research that goes into making predictions (Spark, 2011).

One clothing manufacturer, Zara, addressed these challenges by shortening its production timeline. Instead of trying to research, analyze, design, and manufacture its clothing over the typical 6-month cycle, it skips the research and analysis stages and focuses on manufacturing popular, in-season products as quickly as possible and in 15-day cycles. The company simply observes what people are wearing and produces similar styles. This was a radical shift in its business model, but one that minimized risk and focused on responding to demand.

Agile organizations face two main challenges: (a) to communicate effectively and (b) to empower employees to make decisions. Tony Haile, the general manager of Chartbeat, a real-time web monitoring company, notes that monitoring can only do so much. Companies must be able to respond in real time, or the information does not help (Spark, 2011).

With a 15-day product-development cycle, Zara employees do not have time to navigate multiple layers of hierarchy to reach and then implement decisions. Instead, they must take in new information, make necessary decisions, and dive into implementation. They will quickly receive feedback on their products and can make adjustments in time for the next 15-day product cycle.

As a part of a flattened structure, agile organizations rely on leaders to shape the context for decision making rather than giving top-down directives, so the emphasis is on guiding principles rather than strict procedures (Reeves et al., 2010). When employees understand a company's values and vision, they can make decisions that align with these overarching goals.

For example, Apple's mission aims to provide the best and most innovative products in the world (Investopedia, n.d.). When proposing new products, Apple employees will avoid large-scale business solutions. Microsoft's mission, on the other hand, aims to help every person and organization reach their potential (Microsoft, n.d.), so their products and services target a different market with specific needs.

The Microsoft Solution Framework (MSF) is another example of how a large business incorporates agility into its project management process. The MSF is flexible, allowing developers to use the software-development approach that works best in a particular situation. This allows them to quickly produce high-quality technology solutions while using fewer people and creating less risk, thereby addressing the most common issues related to project failure (Microsoft Developer Network, 2013).

Influenced by learning organization principles—which are discussed later in this chapter—the MSF includes mind-sets (attitudes, dispositions, ways of viewing how things work), models, processes, and disciplines that guide planning and implementation of technology projects. Teams can produce quality products together once the MSF principles are understood. The nine foundational principles of the MSF include the following:

1. Foster open communications. Communication is needed for teams to be effective and efficient. Team members must understand what needs to be done and how to communicate internally across the company and externally to clients and vendors. The challenge is determining the appropriate level of information to share with each group.
2. Work toward a shared vision. Sharing a vision creates empowerment throughout the team. Team members have the appropriate context needed to make decisions quickly, since they have clear goals and know how to achieve them. Team members are also able to fill requirements gaps as they arise.
3. Empower team members. As we saw earlier in the chapter, employee empowerment facilitates creativity and innovation within a company, allowing it to survive and be successful. A lack of empowerment creates a low morale and diminishes team members' creativity and the ability to create a high-performance team.
4. Establish clear accountability and shared responsibility. When team members are empowered, they feel accountable and responsible for a project and are more likely to work at a higher caliber and provide better quality products and services. Team leaders should encourage positive growth and responsibility for project tasks. In this way team members share responsibility for the solution and its deliverables as a whole, fostering collaboration and motivation.
5. Deliver incremental value. This means that teams should provide deliverables that are of optimal value to stakeholders and correctly determine at which stages to provide deliverables, also known as frequency of delivery.
6. Stay agile; expect and adapt to change. Change is inevitable and often occurs at the most inconvenient times. Because of this, teams must remain flexible and open to new possibilities. Teams and organizations that are agile can smoothly adapt and adjust to the disruptions caused by change.

7. Invest in quality. Many organizations fail to quantify what quality stands for. Successful organizations are able to do so and incorporate this level of excellence into the solution delivery life cycle.
8. Learn from all experiences. Learning from the past—processes and deliverables that did and did not work—is imperative to improvement. Team members must embrace learning at all levels: the project level, such as refining a project-wide process; the individual level, in interacting with fellow team members; and the organizational level, by adjusting quality metrics that are collected for a project.
9. Partner with internal and external customers. Collaboration with customers increases the likelihood of project success. When customers work with the team throughout the process, valuable feedback can be provided and the solution created will better meet their needs. This collaboration is mutually beneficial, since it reduces uncertainty and the time needed to resolve requirement questions and increases the team's understanding of the solution value propositions (Microsoft Developer Network, 2013).

There are more elements to the MSF, including a section on governance and team planning and implementation roles. The section also reflects the type of mind-sets related to learning organization principles that Microsoft expects of its leaders, managers, engineers, and business professionals. Stories of companies that have worked with Microsoft teams provide examples of how the nine principles work in organizational settings (<https://customers.microsoft.com/Pages/advancedsearch.aspx?mrmcverticals=Hospitality%20&%20Travel>).

Learning Agility

Agile organizations' success depends on the people involved and how comfortable they are with change. Leaders must be able to adapt to new situations, and one of the predictors of success in managers and executives is **learning agility**, or the ability and commitment to learn from previous experiences to perform successfully in other situations (Lombardo & Eichinger, 2000). Another phrase for this is **leadership versatility** (Kaplan & Kaiser, 2006). In addition to a willingness to change, successful leaders expand their repertoire of strategies so they have multiple ways to approach each situation.

It can be challenging to identify learning agility as a trait in potential leaders; past performance does not necessarily predict future potential. This means that it is impossible to assess a manager or executive until he or she faces a new situation. It usually takes several trials to understand how well a leader learns from experience and adapts to new situations.

Learning agility involves practical skills rather than simple intelligence. A leader who can adapt often will show common sense, strong interpersonal skills, and "street smarts" (Sternberg, Wagner, Williams, & Horvath, 1995). Effective leaders also need to balance humility with confidence so they can learn from mistakes and continue to grow (McCall, Lombardo, & Morrison, 1988). Learning requires emotional investment, so the challenges that transform leaders tend to have high stakes and involve risk. Leaders need to be resilient so they can keep pushing forward.

An example of leadership agility and humility as applied to an organization is Netflix's CEO Reed Hastings, who was once touted for being a visionary leader who brought record growth to his start-up company. Hastings faced harsh criticism in 2011 when licensing costs for streaming content spiked, leading to a near 60% increase in Netflix's monthly rates. Rather than explain the rationale behind the rate hike (of \$10 to \$15.98 per month),

Hastings essentially dismissed it by saying that for most of the company's consumers, the price difference amounted to the cost of a latte. Customers criticized Netflix's arrogance and lack of concern for its customers and began to switch to other services. This was not the end of this story.



Kyodo via AP Images

Netflix CEO Reed Hastings learned the hard way about the importance of communicating openly with customers when, in 2011, he came under fire for dismissing concerns about a near 60% rate hike.

Hastings apologized several months later in a message that was sent to all customers and posted on the Netflix blog. He said:

I messed up. I owe everyone an explanation.

It is clear from the feedback over the past two months that many members felt we lacked respect and humility in the way we announced the separation of DVD and streaming, and the price changes. That was certainly not our intent, and I offer my sincere apology. I'll try to explain how this happened. (Hastings, 2011, paras. 1–2)

Hastings then outlined the reasons for the change and his decision to split Netflix into two companies: one that focuses on streaming video, the other on DVD rental by mail. This was met with a second round of outrage from consumers who craved a simple, seamless experience. Netflix stock, consumer base, and stockholder confidence plummeted by taking this risk (Sandoval, 2012), but it may have been the only way to save a company faced with rising licensing costs and a still-evolving market. Hastings learned the importance of communicating directly with customers, acknowledging mistakes, and continuing to build toward a positive future with all of the organization's constituents. Making hard business decisions does not mean that leaders have to treat customers and employees disrespectfully.

Experimentation

Agile organizations encourage experimentation. Companies that attempt to vary their products and processes can respond to change more quickly, in part because they've established a culture of innovation. Instead of fearing failure and sticking to the status quo, they test alternatives and then scale them (Reeves et al., 2010). These experiments add to an agile organization's cumulative knowledge, so when new situations arise, it can pull from deep and varied experience.

Two large-scale agile organizations have consistently outperformed their competitors. The first is Reckitt Benckiser, the company that owns 17 "powerbrands," including Lysol, Woolite,

and Air Wick (Mac Iver, 2010), in addition to other smaller brands. CEO Bart Becht described his four keys to creating a highly successful adaptive (or agile) organization:

1. Ruthless focus
2. Leveling the playing field
3. Encouraging organizational learning
4. Embracing conflict (Mac Iver, 2010)

Ricardo Semler, CEO of Semco Group, has taken more extreme measures in reinventing the company his father founded. Semco is a democratic organization that engages employees in all aspects of the business. Employees choose their jobs and salaries, determine the work that should be done, decide to open or close plants, and actively participate in board meetings. All employees have access to all company information, and the company trusts them to handle it appropriately (Mac Iver, 2010).

When Semler first began to chronicle this approach, no one believed he could succeed or create a sustainable corporation in the long term. Employees had flexible schedules, so they could work anytime. What would stop them from arriving late and leaving early? How could work be completed in this type of environment? Wieners (2004) describes what happened at Semco:

The more freedom [Semler] gave his staff to set their own schedules, the more versatile, productive and loyal they became, and the better Semco performed. Nor did he stop with flextime. He did away with dedicated receptionists, org charts, even the central office—it now resembles an airlines' VIP lounge, with people working in different areas each day. He encouraged employees to suggest what they should be paid, to evaluate their bosses, to learn each other's jobs, and to tolerate dissent—even when divisive. He set up a profit-sharing system and insisted that the company's financials be published internally, so that everyone could see how the company was doing. (p. 1)

Semler opted for complete transparency and gave his employees both personal and professional freedom. In return he received more loyalty and higher productivity on a company-wide level.

Whereas Becht focuses on building flexible structures within his organization, giving each brand independence and institutionalizing experimentation and discussion, Semler emphasizes personal connections and investment. In both cases the company's culture reinforces the values of an agile organization: experimentation, communication, empowerment, and learning.

Managing Change

The Agile Organization

We all know the story of how the Borders Group was unable to respond in time to keep up with the Kindle and the Nook. One of the fundamental aspects of business—and one that relies heavily on the expertise of change managers—is being agile and able to quickly adapt to consumer demands. Getting any company to turn on a dime is difficult, but it is a necessity in

(continued)

Managing Change (*continued*)

the modern world. As with other aspects of society, technology has sped up the pace of business. Whether you're a brand-name snack and soft drink manufacturer responding to the focus on obesity and healthy eating, a restaurateur responding to customer demand for quicker service by doing away with paper tickets, or a doctor responding to technological advances by using a tablet during appointments to research and electronically submit prescriptions—agility is a business imperative for competitive advantage.

Just as it takes the right ingredients to make any business work, it takes the right combination of leadership, strategy, culture, and employee initiative to achieve agility. All companies must grow, but agility is the ability to do it quickly while not compromising the core of the business.

Discussion Questions

1. How can organizations best address customers' needs and preferences?
2. How can organizations be managed for continuous improvement?
3. What are some agile practices that individual customers want from organizations?
4. What needs might organizations meet that users haven't yet thought of?

(See the end of the chapter for possible answers.)

Check Your Understanding

1. *What are characteristics and principles of agile organizations?*
 2. *Can employees learn agility? Explain your response.*
-

5.3 Learning Organizations

Whereas agile organizations move quickly and deliberately, learning organizations take a “big picture,” reflective approach. Agile organizations can and must adopt learning organization characteristics and practices to become great. Massachusetts Institute of Technology professor Peter Senge published a seminal work on organizational development in 1990 called *The Fifth Discipline*. In it he introduced the concept of a **learning organization**, reframing organizational growth and development in the language of education. This concept remains one of the most influential and relevant cornerstones of organizational change to date. A learning organization adapts and evolves at individual and holistic levels, in which individuals increase their ability to create results, new ways of thinking are cultivated, collective goals are conceived, and people learn to see the whole organization together (Senge, 1990).

Although this definition has sometimes been criticized for being too abstract and idealistic, it offers a principled framework by which to exact ongoing, sustainable, and effective change. Senge (1990) states that real learning is at the heart of being human and is what allows individuals and organizations to re-create themselves. However, while “survival learning” or

“adaptive learning” is necessary, it must be used in conjunction with “generative learning,” which enhances the ability to create.

Senge (1990) stated that the process of learning in an organization involves transforming every experience into valuable knowledge that is accessible to all employees and is relevant to the organization’s mission. This aligns closely with the adaptive organizations previously described. Both Becht and Semler emphasize the importance of transferring knowledge across their organizations, whether by moving people, configuring teams as needed, or encouraging employees to try other positions.

The following is a helpful checklist that all leaders and followers can use to overcome old habits and resistance to change and to facilitate real learning:

1. Are you willing to examine and challenge your “sacred cows” [things you value so highly that you believe they cannot or should not be criticized]?
2. What kinds of structures have you designed [that you would be open to have examined for effectiveness and efficiency]?
3. When people raise potentially negative information, do you “shoot the messenger”?
4. Does your organization show capabilities it didn’t have before?
5. Do you feel as if what you know is qualitatively different, “value-added” from the data you took in?
6. Is the knowledge accessible to all of the organization’s members? (Senge, Kleiner, Roberts, Ross, & Smith, 1994, p. 49)

Learning organizations assume “learning is valuable, continuous, and most effective when shared and that every experience is an opportunity to learn” (Kerka, 1995, p. 3). Some conceptions of learning organizations are that they:

- 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; and
- assure that the learning organizations are continuously aware of and interact with their environment (Kerka, 1995).

Harvard University professor David Garvin (1993) stated that a learning organization is skilled in generating, obtaining, and sharing knowledge and changing its behaviors to reflect what it learns. This definition implies that change occurs in the way work gets done. Garvin’s definition fits with current change in organizations that focuses on innovation, knowledge management, and IT.

Garvin (2000) points to L. L. Bean as a learning organization because of its skill in acquiring knowledge, which in turn leads to behavioral changes within it. Rather than following the traditional model of conducting market research through surveys to discover potential product needs and areas of improvement, L. L. Bean turned to customers who rigorously used its products and recruited them as testers. Field tests lasted for 3 months, and testers received a

product from L. L. Bean and one from a competitor so they could compare the two over an extended period of time.

Although L. L. Bean only required feedback at three points (beginning, middle, and end), it encouraged additional touch points over the course of the testing cycle. In the case of the Cresta Hiker, a failing product line, L. L. Bean sent designers, marketers, and suppliers along with the testers for an intensive and immersive learning experience. Designers could apply feedback from a live field test to new prototypes, which could then be retested. Marketers and suppliers also had firsthand experience with the product.

After a redesign and subsequent relaunch, the Cresta Hiker ended up with an 85% increase in sales. L. L. Bean fit Garvin's initial definition of a learning organization because it created learning opportunities, devoted time and resources to both acquiring and transferring knowledge, and then modified its behavior based on what was learned. This process resulted in a product reboot and complete turn-around in sales, a proactive response to a struggling line (Garvin, 2000).

The assumption here is that organizations that can effectively create and sustain transformations in the face of rapid change are those that not only adapt to markets but also generate innovations through people. Senge (1990) notes that to sustain generative change, organizations must understand how to draw on individuals' commitment and ability to learn at all levels.



AP Photo/Pat Wellenbach

Instead of following the traditional market research model, L. L. Bean turned to customers and recruited them as testers.

Levels and Types of Learning

We have described the dual nature of a learning organization—the learning that happens at individual and collective, company-wide levels—and how these should complement and motivate each other. Marquardt (2002) describes three interrelated levels that exist in a learning organization:

1. Individual learning—the skills and knowledge an employee gains through study and/or observation
2. Group or team learning—the collective skills and knowledge a group obtains
3. Organizational learning—the overall productive capacity an organization gains through the intentional and continual pursuit of improvement

Each level informs and affects the others, so individual learning contributes to both group and organizational learning. An organization's collective knowledge can in turn serve as a resource for an individual. In order to leverage all levels of learning within an organization, the structure needs to be flexible enough to facilitate collaboration and communication, whether it is through a flat structure or modularity.

Organizations can also take multiple approaches to learning:

1. Adaptive learning, or using past experience to influence future actions
2. Anticipatory learning, or envisioning possible futures to identify and pursue new opportunities
3. Action learning, or reflecting on the present in order to guide development across learning levels (Marquardt, 2002).

By examining the past and present and looking toward the future, leaders essentially employ a 360-degree view to examine all aspects of an organization and plan for multiple possible outcomes. Because they balance immediate action with long-term goals, the organization continually progresses.

Oil companies like Shell face a great deal of uncertainty, given limited fuel resources. They have profitability goals, both at the quarterly and annual levels; however, they know they must start building for a future that does not rely on oil. Long-term goals include transforming Shell from an oil company to an energy company. The challenge is that no one can yet predict which energy source or sources will replace oil, so a wide range of possibilities must be investigated.

Shell has been exploring renewable energy, biofuels, wind and hydrogen power, and carbon capture and storage. Its immediate, short-term actions are straightforward: to keep up with changes in the energy sector. The company must continue to build its research, development, and demonstration capabilities for new technologies. It must also remain cost effective and be ready to work with both government and society when changes occur in the sector (Rausser, Stevens, & Torani, 2011). Although the company doesn't know what the future will hold, it is keeping its options open through research, organizational flexibility, and conversations with policy makers.

Learning Cultures and Visions

Learning culture is described as “collaborative creativity in all contexts, relationships and experiences” (Jacacci, as cited in Marquardt, 2002, p. 23). A learning culture is interdependent, so employees alternate between the roles of student and teacher. They learn independently, but they also teach their colleagues in collaborative situations and, in turn, continue to learn themselves. This type of exchange requires a great deal of trust and honesty. To improve, everyone must be willing to acknowledge faults and failures and try to move beyond them—the goal is to learn from experiences rather than dwell on them.

The organization should support feedback, reflection, and action. Leaders set the tone by modeling desired interactions, so they must also seek feedback and demonstrate learning and growth. They facilitate collaboration, experimentation, and reflection to maintain an active

learning cycle, and they ensure that the organization stays focused by communicating and modeling a shared vision.

A strong vision can motivate employees, engaging their emotions and intellect, which, as Senge (1990) describes, is instrumental in learning. Vision statements provide a call to action while still providing parameters for employees to follow. Explicitly stating organizational values can serve as an additional guide for employees (Marquardt, 2002). Google's corporate value statement, that the company has since omitted after becoming



AP Photo/Tony Dejak

Whole Foods manages to unite employees and customers in a common experience through its strong values, which have become a large part of its brand.

part of its new umbrella firm, Alphabet, may be the most famous: “don’t be evil” (as cited in D’Orazio, 2015). This simple principle guides both managers and developers in their work.

The grocery store chain Whole Foods Market unites employees and customers in a common experience through its strong values, which have become a large part of its brand. Whole Foods Market lists seven values on its website:

1. Selling the highest quality natural and organic products available
2. Satisfying and delighting our customers
3. Supporting team member happiness and excellence
4. Creating wealth through profits and growth
5. Caring about our communities and our environment
6. Creating ongoing win-win partnerships with our suppliers
7. Promoting the health of our stakeholders through healthy eating education (Whole Foods Market, 2015).

Whole Foods Market emphasizes teamwork, quality, caring, and the environment. These principles also provide clear parameters for employees. New product lines will never include junk food. The store will not stock high-preservative foods with artificial flavors and coloring. Employees are expected to work in teams and to support each other in a positive culture, which is both a goal and a method for stores' operation.

Learning organizations aspire to constantly evolve and improve. As a result, they have lofty expectations and high standards. To meet or exceed these, a learning organization must reflect on its own learning process and find ways to improve, whether by identifying new ways to collaborate across the company or creating new learning opportunities for individuals (Marquardt, 2002). Learning cultures are simultaneously rigorous and positive. New challenges are viewed as creative opportunities that at best can lead to growth and at worst can offer lessons to apply to the next challenge.

Managing Change

The “Postmortem”

Suppose you are the manager of a project that, in the end, went as wrong as it possibly could. Despite your best efforts, the output had to be redone, deadlines were missed, and budgets were overshot. In some organizations this would be a fatal failure, and you’d be lucky to scrape by with your job, a scolding, and some wounded pride. But in a learning organization, failure is an opportunity.

You, your team, your internal client, and your supervisor decide to meet for a postmortem on the project, or an “after-action review.” Rather than point fingers and damage working relationships, after-action reviews take a step-by-step look at the project and where it went wrong. By examining its flawed path, mistakes become lessons that can be applied to future projects. Doing this requires openness, honesty, self-awareness, and an ability to acknowledge responsibility in such a situation. If all parties come to the table from the same place, all can leave armed with the knowledge of how to do it better. This is a prime example of a learning opportunity.

Learning organizations take a reflective, big-picture look at themselves. Learning allows an organization to adapt and evolve—critical skills for a successful business. Most organizations and hierarchies impede the natural abilities needed for a learning environment: communication, creativity, innovation, and collaboration, among others. Learning can occur in both directions in an organization—at the individual level from experiences at the organization and at the organizational level, whereby the individual contributes knowledge learned to the organization.

Discussion Questions

1. What is the difference between learning and training?
2. What are three types of approaches to learning?
3. How are learning organizations and agile organizations related?
4. What are some examples of learning opportunities in an organization?

(See the end of the chapter for possible answers.)

Primary Principles and Disciplines

Senge’s (1990) five principles—known as the learning organization’s basic disciplines or “component technologies”—are the foundation of the transformational change approach. These principles include:

- systems thinking,
- personal mastery,
- mental models,
- shared vision, and
- team learning (Senge, 1990).

Organizations that build learning communities and principles into their cultures and systems differentiate themselves from bureaucracies in that they experience innovations and

continuous improvement. This transformation is accomplished by mastering the five disciplines. As agents, individuals use these disciplines to change their organization's systems and structures. Effective change occurs when individuals adopt a holistic, proactive stance. They realize they can shape their own reality when they shift from seeing parts to seeing the whole picture. Rather than reacting to present conditions, individuals proactively work toward the future (Senge, 1990). Each discipline is discussed in turn below.

Systems Thinking

Systems theory and thinking is the ability to comprehend the whole and examine the inter-relationship among the parts to accurately identify and solve problems. Systems theory is the incentive and the means to integrate the disciplines (Senge, 1990).



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Businesses are composed of many different parts. The ability to step back and understand how all of the pieces interact and affect each other is the basis of systems thinking.

Systems thinking is the cornerstone of the five disciplines. Without it, there can be no learning organization or motivation for using the other disciplines. For example, vision—outside the context of systems thinking—is a utopian idea with no understanding of the inter-related forces that must be dealt with to realize a vision. Systems thinking requires the disciplines of building shared vision, mental models, team learning, and personal mastery to mobilize the vision. Systems thinking moves the “me” to a “we” mentality and makes the learning organization a reality.

Senge (1990) argued that the basic tools of systems theory are straightforward and can be used to build more sophisticated models. A major criticism of management theory is the simplistic frameworks used to understand and work with complex systems. People tend to focus on the parts rather than understanding the whole; they often fail to see the organization as a dynamic set of interrelated processes. Seeing the whole before trying to solve one of the parts is the first step toward identifying the problem.

Morieux (2011) provides an example in which the hotel portion of an international travel and tourism group faced falling occupancy rates, spiraling prices, and unhappy customers. Hotel and sales managers immediately blamed the young receptionists, who came to them with little experience and often left after a few weeks. Clearly, the receptionists lacked customer service skills and motivation and had little interest in developing either.

Simple problems had conveniently simple solutions. Managers decided to give these receptionists additional customer service training and add incentives to their compensation structure based on occupancy rates. However, this solution failed. Receptionists continued to leave, customers continued to complain, and occupancy rates continued to fail expectations.

Managers finally took a step back to try to understand the entire system and identify the actual failure points. After a month of observation, sales managers realized the receptionists' failure resulted from a lack of teamwork from support staff, including housekeeping, room service, and maintenance.

Housekeeping would clean a room and neglect to tell maintenance about broken appliances. Customers would turn to receptionists with their complaints. Receptionists had very few solutions to offer beyond upgrades and refunds, which affected occupancy levels and drove down rates. The most invested receptionists would try to solve the problems themselves, leaving their desks and letting queues of other customers form, who would then become frustrated with the lack of customer service. The problem, upon further investigation, was a lack of teamwork and systemic thinking, not of incentive or interest. In fact, the most committed receptionists had the highest turnover rate because they burned out from trying to independently solve all problems. It took this extra step to understand the actual cause, rather than the readily apparent one.

Personal Mastery

Personal mastery, the second discipline, involves having good self-awareness. It means continually defining and deepening our personal vision, focusing our energies in appropriate places, learning patience, and being objective (Senge, 1990). No learning occurs without personal mastery, because organizations cannot learn when their individuals do not learn. Individual learning is a necessity to organizational learning, though it does not guarantee organizational learning (Senge, 1990).

Developing all the disciplines involves developing personal vision. Personal mastery depends on cultivating a personal vision, having creative tension or the ability to see what is needed to make visions a reality, recognizing organizational tensions and constraints and our role in them, being honest and trustworthy, and using the subconscious (Senge, 1990).

Mental Models

Mental models are the deep-rooted beliefs, assumptions, and generalizations that shape our understanding of the world and that motivate us (Senge, 1990). Influenced by Chris Argyris and Donald Schön (1978), Senge (1990) reasoned that we are not aware of the effects that our mental models and assumptions have on our behavior, communication, and actions, both at work and in our personal lives. Our goal is to develop the capability to understand the impact of our own and others' assumptions and ways of seeing the world.

Senge (1990) noted that the discipline of mental models begins when we turn our focus inward to identify our beliefs and assumptions and rigorously scrutinize them. This also involves learning through open conversations in which all participants share their thoughts and allow others to influence their view. Being closed-minded and having rigid mental models prevent changes that could stem from systems thinking (Senge, 1990).

Changing the organization, especially with a large-scale change, involves working through and transcending internal politics, games, and bureaucratic mind-sets that impede open thinking and sharing. This practice allows business responsibility to be spread throughout the organization, while still maintaining control. This creates a localized organization (Senge, 1990).

Shared Vision

In previous chapters, we discussed the importance of building shared vision in preparing for, implementing, and sustaining a major change initiative. Here, Senge (1990) incorporates shared vision as a discipline, one that involves learning to sustain positive and effective change.

Shared vision starts with leadership, as we have discussed throughout this text. For centuries leaders have inspired organizations to hold and share visions of the future. Visions are powerful. They can uplift, motivate, encourage experimentation, and yield new inventions. Just as importantly, visions from a learning organization perspective can hold people and organizations to a long-term commitment of a future state.

When an organization has a genuine vision, employees have a strong desire to excel, accept, and implement it. This does not always occur, as leaders' personal visions may not be verbalized or translated into a shared vision. A set of principles and best practices are needed to facilitate this process (Senge, 1990).

Team Learning

Team learning is the process of aligning and expanding a team's capabilities so it is able to produce results (Senge, 1990). Team learning builds on the other disciplines and takes the learning organization to an action level—people must be able to create synergy, solve problems jointly, and create new products and services together in real time. Teams that learn together benefit the organization and the individuals of which they are composed.

The team-learning discipline begins with the art of dialogue (that is, the capacity of team members to suspend assumptions and judgment and enter into an authentic process of “thinking together”). The Greek word *dia-logos* refers to an uninhibited flow of meaning through a group via a process by which the group can discover insights not achievable by individuals alone. Dialogue involves identifying the patterns of interaction between team members (Senge, 1990).

When combined with systems thinking and the other disciplines, teams are able to create a language that can account for complexity. Team problem solving and creativity can then focus on deeper structural issues and underlying forces rather than become preoccupied with trivial diversions related to personality differences, politics, status, and leadership style. The emphasis on dialogue is a major conceptual and practical tool in learning organizations as they incorporate and sustain new changes.

Check Your Understanding

1. *What are learning organizations, and how are they different from organizations that do not value or use learning methods and concepts?*
 2. *What are some habits and practices employees (and leaders) would benefit from relinquishing in order to adopt learning methods and ways of operating?*
-

5.4 Change and Learning Organizations

At the heart of the learning organization is the idea that change and learning go hand in hand. Learning organizations develop internal structures that can respond to change (Watkins & Marsick, 1993) and behave proactively. At the same time, learning leads to organizational change. The purpose of a learning organization is to empower organizations, from employees to executives, to accept change as a positive part of their existence (Senge et al., 1994).

Learning organizations can be defined according to four traits: constant readiness, continuous planning, improvised implementation, and action learning (Rowden, 2009). Constant readiness refers to a learning organization's ability to respond to change situations. Unlike the highly structured traditional organizations that are optimized for stability, learning organizations are optimized for change. They are willing to question themselves and their assumptions and make adjustments. This readiness normalizes the possibility of change rather than the expectation of routine.

With continuous planning, leaders focus on strategies and flexible approaches rather than mapping every step of a process. However, many high-powered learning organizations have successfully combined flexible strategic approaches with electronic databases; the speed and accuracy this allows for helps organizations adopt more fluid and organic decision-making processes, as we will illustrate in this section.

By focusing on high-level strategies, organizations can rapidly reevaluate and change course as needed. Whereas traditional organizations emphasize a strong guiding vision and mission, learning organizations value revision (Rowden, 2009). They review their assumptions, analyze implementation, and adjust accordingly. Their clearly articulated guiding principles and strategies are based on improvised implementation and action learning. In articulating these, they can provide enough structure to plan; by staying focused on the big picture, organizations move proactively toward a positive, shared goal.

Improvised implementation has several meanings. First, as a part of a culture that welcomes change, learning organizations that adopt improvised implementation encourage experimentation and reward small successes before scaling these wins company-wide. Improvised implementation also means that everyone in the company plays a creative role and contributes to the big picture. Individuals and teams have a high level of autonomy and responsibility when it comes to decision making. Eventually, successful experiments become part of the organization's system, as learning occurs at individual and organizational levels.

Action learning also refers to continuous planning—that is, instead of annual review-style reflections and planning, organizations that engage in action learning constantly reflect and adjust. Because experimentation and innovation are integral to organizations that need to frequently respond and change in today's complex environment, reflection, learning, and continuing are inherent in the culture. Constant experimentation means frequently assessing what worked, what didn't, and what could be managed differently. These micro-action learning scenarios eventually add up to large-scale organizational learning and change.

Becoming a Learning Organization: Woolner's Five-Stage Model

A central characteristic of the learning organization is the capacity to create (Woolner, Lowy, & Redding, 1995). This proactive vision keeps the organization competitive by emphasizing innovation (Johnson, 1998). Learning organizations go beyond simply responding and adapting to factors that demand change. They generate new knowledge, products, systems, and models, embracing organizational change as an opportunity for improvement and growth.

However, it takes time and conscious effort to create the learning opportunities and incorporate processes that allow experimentation and reflection. This model may not be appropriate for every organization. A company may value learning and change management without completely transforming into a learning organization. Woolner, Lowy, and Redding (1995) mark five stages that an organization passes through when becoming a learning organization: (a) the forming organization, (b) the developing organization, (c) the maturing organization, (d) the adapting organization, and (e) the learning organization (see Figure 5.1).

Figure 5.1: Stages toward becoming a learning organization

A learning organization needs to work toward integrating learning as part of its daily activities.



Based on Woolner, P., Lowy, A., & Redding, J. (1995). Learning organization 5 stage diagnostic survey and workshop version. Toronto: Woolner Associates.

As the name suggests, the first stage pertains to start-ups. These organizations learn through trial and error rather than through formal processes. At the beginning of a company's life, every decision provides a learning opportunity as founders develop products and a viable business model. They constantly test variations, whether in branding, outreach, product design, or pricing, to determine which combination will be successful.

Organizations in the developmental stage have begun to solidify their business models and products. They are starting to set up formal, proactive learning situations through training with outsiders. This kind of development is not part of the organization's regular processes, although organizations recognize the need for this change.

Third-stage organizations understand the need for employee learning and begin to provide internal trainings. These events are still not part of the organization's regular operations; however, they are valued as integral to the company's growth.

Stage 4 is similar to stage 3, except learning becomes part of the organization's strategic plan. Learning is integral to the company's long-term growth at individual, group, and organizational levels.

Finally, in stage 5, learning becomes part of an organization's day-to-day activities. It is fully integrated into operations and is viewed as part of the organization's health and success. Part of what defines a learning organization is that all employees contribute to the organization's knowledge (Watkins & Marsick, 1993). In this stage the organization encourages formal and informal learning with a strong emphasis on teamwork so that new knowledge can be communicated quickly and effectively across the organization. Learning comprises past experience, current experience, and best practices from other organizations (Garvin, 1993).



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Organizations in the third stage of Woolner's model begin to understand the importance of learning and provide internal training opportunities.

Senge (1990) emphasizes that learning organizations can create the results they desire. In part this comes from their proactive behavior. Instead of responding to change as it arises, learning organizations experiment and innovate in pursuit of specific goals that add up to larger organizational strategies and vision. They also pay attention to past experience and adjust to future situations accordingly (Johnson, 1998).

Examples of Learning Organizations

Learning organizational practices can be found in a myriad of settings. This section takes a brief look at some real-world examples of how learning organization principles are implemented to effectively respond to and enact change.

The U.S. Army

The U.S. Army has a division devoted entirely to learning. Founded in 1985, the Center for Army Lessons Learned (CALL) gathers data from battle simulations run at its National Training Centers (Garvin, 2000). CALL observation centers serve as a knowledge repository for the army, and they collect and distribute information. As the army's duties changed, so did the information gathered by CALL. Because of their role as institutional memory, CALL teams are usually among the first deployed in new operations. They gather information, identify potential problems, and recommend solutions based on past experiences.

Learning occurs through cycles of trial and reflection. Organizational learning follows the same path—companies incorporate opportunities for trial and reflection into their systems and processes. In turn, a learning organization constantly changes at micro and macro levels, providing the practice and experience needed when unexpected change situations arise.

AT&T's Bell Laboratories

During the 1990s, AT&T's Bell Laboratories focused on organizational learning by finding ways to scale the individuals' knowledge to entire divisions. The company focused on its most productive software engineers and tried to understand why some were more effective than others. After identifying top performers, it conducted in-depth interviews with them to understand how they approached their work and what techniques they used to stay productive.

The company translated this research into a hands-on training program, which top performers used to work with fellow programmers. Productivity improved by 10% immediately and by 25% by the end of the year (Garvin, 2000). Although this foray into organizational learning focused on productivity, it also improved problem solving, teamwork, collaboration across the organization, and customer care (Garvin, 2000).

AT&T

More recently, AT&T has become one of the most highly regarded learning and development organizations in the United States (Nikravan, 2011). Cynthia Brinkley was named senior vice president of talent development and chief diversity officer of AT&T in 2008. In 2009 the company invested \$244 million toward employee learning and development programs. It also allotted \$27 million in tuition reimbursement for 9,800 employees—49% of whom were women and 54% persons of color. In 2010 AT&T created its Leading With Distinction program, which encompasses all of the company's leadership and strategic alignments, including strategy and culture. The company delivered the program globally to more than 105,000 managers (AT&T, 2009).

AT&T believes learning and development hold employees' attention and keep them invested in all company changes (Nikravan, 2011). Employees know about all upcoming products and work with the business and device manufacturers to develop mandatory training for all those involved with the product. This training is provided through webinars, job aids, and coaching tools.

The Bell Labs and AT&T examples are remarkable not just for their dramatic results, but the fact that top software engineers became trainers. They accepted new leadership roles that required a separate skill set and additional responsibilities. Implementing these changes took team effort, with each member of the leadership and learning groups stretching their knowledge and abilities. Rather than serving as training authorities, managers stepped back and simply created a learning opportunity while the developers filled the traditionally authoritative role. This point brings us to the final topic in this section: the importance of leadership in enacting learning organizational principles.

Leadership

The biggest challenge for learning organizations does not come from external threats; it comes from the time and commitment it takes for leaders and followers to implement changes. Moreover, because organizational learning depends on changing structures and processes, it requires long-term commitment (Watkins & Marsick, 1993). This, in turn, depends on strong and visionary leadership.

Invest in Learning Programs

Accenture, a preeminent global management consulting, technology services, and outsourcing company, invests hundreds of millions of dollars on its learning and leadership programs each year. In 2009 the company spent nearly \$800 million on these programs.

Accenture's leaders understand that first and foremost, developing people influences business (Margolis, 2011). As the company develops its employees, they apply their new skills to their industries, and as a result, those industries grow. Learning and development spur advanced thinking and improve employees' skills, allowing them to produce more innovations for Accenture's clients.

Accenture's executive team measures the impact and value of its learning strategy holistically and operationally. Operationally, the executive team needs to know whether learning assets deliver required results and if the right people receive the development they need (Margolis, 2011). The company uses a scorecard, which is updated monthly, to track goals and objectives against annual targets. An annual Business Sponsor Satisfaction Survey uses feedback from executive sponsors to determine value delivered against business leaders' expectations. The firm's single evaluation tool also compares results on learning programs and expenditures across workforces, geographies, and vendors so that decisions are made using current data (Margolis, 2011).

Use Improvised Implementation

Leadership also uses the idea of improvised implementation that was discussed earlier. Like action learning, improvisation teaches employees how to take risks and respond confidently and in real time to challenges that emerge. Employees who improvise foster an outlook that focuses on curiosity, listening, flexibility, strong relationships, and resiliency (Giardella, 2013). At the same time, improvisation requires people to think holistically and connect thinking to action.

For example, Marissa Mayer, a Google vice president, serves as an "idea connector." She holds three weekly sessions where she is available to all Google employees who want to pitch a new idea. Mayer brainstorms with these so-called scout-equivalents and encourages them to share details on a proposed product's functionality. She then decides whether to promote the ideas to the company's cofounders, Larry Page and Sergey Brin (Brokaw, 2011).



Associated Press/Joe Schildhorn/BFA

To encourage experimentation and improvisation, Marissa Mayer, a vice president at Google, holds weekly sessions for Google employees who want to pitch new ideas.

Use Action Learning

Action learning offers increased perception and understanding by interweaving action and reflection. However, it may take time to execute, since it requires careful thought (Dilworth, 1998). Although speed and efficiency are important to organizations, getting decisions right is just as important, if not more so. GE has used principles of action learning in its WorkOut training program throughout its global operations. The program consisted of teams working on real problems in real time, while executives offered feedback and tips to employees.

Encourage Change

Leadership must guide an organization through change and find ways to help it adapt (Ahn, Adamson, & Dornbusch, 2004). Strong management is critical to maintaining an organization's competitiveness, especially in organizations that face constant change (Nohria, Joyce, & Roberson, 2003; Waldman, Ramirez, House, & Puranam, 2001). In order to stay competitive, organizations must encourage constant, meaningful change.

However, this can be a challenge. Despite the theories and approaches available, many leaders lack an understanding of change management; that is, what leads to change, effective processes for managing it, and how to win follower buy-in for change initiatives (Armenakis & Harris, 2002). Leaders must be able to motivate their followers, communicate effectively, and facilitate team building in order to implement smooth organizational change (Gilley, Gilley, & McMillan, 2009).

Create Learning Opportunities

Many managers view their role as the ultimate authority—as the person who is always right or who can swoop in to save the day. Instead of fixing employees' problems for them, however, effective managers act as a guide that helps employees find their own solutions—and in the process, improve their skills and performance. Effective managers also aim to constantly improve management processes and systems by creating learning opportunities that involve experimentation and reflection (Horan, 2006).

For example, under the leadership of Jack Welch, GE made adjustments toward becoming a learning organization by emphasizing action learning (Garvin, 2000). Rather than trying to predict the adjustments the company would have to make, it focused on improving change management and optimizing processes for effective and rapid response.

In GE's Change Acceleration Process (CAP), teams of 8 to 12 participants came together to solve a real problem. Process experts coached each team through the new model of problem solving, so employees learned the process through participation and experience. Each of the learning scenarios included an abstract discussion of the CAP framework and methodology and involved applying the model to the problem at hand. The combination of action and reflection helped employees apply this process to future scenarios. The CAP program helped transform GE Plastics in Japan. After 4 consecutive years of posting losses, managers turned to the CAP program in 1994. The division broke even by the end of the year and was profitable in 1995.

Check Your Understanding

1. *How do action learning and improvisation help leaders and followers respond to real-time issues more effectively? Offer an example from your own experience.*
 2. *What steps could organizational leaders take to introduce and support organizational learning principles and practices in an organization before a crisis occurred?*
-

5.5 Agile and Learning Organizations in the 21st Century

As we discussed at the beginning of this chapter, agile organizations can respond effectively to changes in their competition, technologies, and markets by being flexible and innovative. Being agile means more than change at face value. It represents disruptive change that demands employees do things differently (Adamopoulos, 2012). To get to this state of agility, a number of things must be considered. The top two are cultural change management and training agile teams.

Organizational learning principles and techniques deal directly with cultural change and teaching leaders and teams how to implement and sustain constructive, deep change. Combining agility practices with learning principles is a winning combination that takes into consideration both the short- and long-term value of all stakeholder interests.

The idea of organizational learning is compelling and has proved effective in the face of constant change. Rowden (2009) warns, however, that the concept of a learning organization can easily become a fad; the big ideas could get watered down into simple, packaged solutions. Organizational learning should also not be viewed as a one-size-fits-all solution. Learning involves failure, and learning organizations fail regularly. They attempt to keep experiments small but are only effective if they internalize the lessons learned from failures. In fact, failure does not negate a learning organization's effectiveness. It is part of the process.

Organizations that fail to grasp this idea may think that organizational learning simply doesn't work or is a utopian ideal with limited practical application. However, learning organizations are less a solution than a process. Unexpected change always disrupts work flow, but learning organizations have the systems, human capacity, and depth of knowledge to make changes as needed, whether that change is triggered by an external event or an internal innovation.



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Although organizational learning is crucial, it is important to avoid watering down big ideas and simplifying principles for a one-size-fits-all approach.

Given the unpredictability of the future, organizations need as many tools as possible to respond to change. Agile businesses and learning organizations provide two models for how to embrace change, leveraging it to spur innovation and growth. Although we don't know what the future holds, it promises to be both exciting and challenging for the organizations, employees, and leaders who can mindfully and competitively steer the way.

Managing Change

Companies Are Only as Good as Their People

Suppose your company has experienced an epic fail: A product line that required huge investments of time, capital, and human effort has gone belly up. Planning and execution, manufacturing and distribution, and supportive processes took nearly a year to solidify and prepare, and it ended in a loss. Nearly one third of the company's human capital was allocated to this project.

Fortunately, the company stands on solid enough ground that it can absorb the loss. But its reputation has been compromised, and you and your leadership team find yourselves pulling the company up by the bootstraps. It's decision time: What should you do with the one third of your staff that worked on this product? The answer—take a learning approach. Firing one third of company staff would be misguided and only done, if ever, in extreme circumstances. Although the assessment may be relative, the fact remains that firing staff would create a greater loss than the failed product. Intellectual capital would be squandered, and the cost of hiring and onboarding would be enormous. So what's the next step?

Some say you are only as good as your brand; others say you are only as good as your last product. But it could be strongly argued that an organization is only as good as its people, and fostering development and enhancing learning can only positively impact the organization. Learning organizations fail as a rule, and they have the systems, human capacity, and depth of knowledge to make the necessary changes.

Discussion Questions

1. How does learning facilitate organizational change?
2. What are some caveats to the concept of a learning organization?
3. What are some examples of large-scale organizational failures?
4. Suggest some ways you would recommend from this chapter to have prevented the failures in question 3.

(See the end of the chapter for possible answers.)

Check Your Understanding

1. *How could organizational learning and agile principles be misunderstood or misinterpreted by employees who are not accustomed to these practices?*
 2. *Would you prefer to work at an agile organization or a learning organization? Explain your reasoning.*
-

Summary and Resources

Chapter Summary

Leading and managing change are not easy processes. In fact, planned transformational change in organizations can be messy because politics, power, emotions, and conflict are interlaced with technical, cultural, and social expertise. That is why change management and OD skills, competencies, and experience are essential for diagnosing, designing, implementing, and sustaining not only specific planned changes but continuous change. Going forward, it is not only change that is required for most organizations but change that is characterized and supported by agile and learning leaders, followers, and processes.

This text has described how to identify, assess, plan, enact, and reinvigorate agile learning and organizational change. Classic and contemporary examples of different types of change were discussed: developmental, transitional, and transformational, to name a few. We presented terminology, studies, methods, and frameworks from the fields of change management and OD that provide a common language used by scholars and practitioners. With this information and understanding, students of organizational change have a conceptual and working knowledge for advancing into other areas to study and/or apply this knowledge.

Posttest Questions

1. An IBM global study found that fewer than half of the more than 1,500 surveyed CEOs feel comfortable with _____.
 - a. increased complexity of change management
 - b. diversity in staffing
 - c. out-of-the-box solutions
 - d. creativity in business models
2. As a successful change leader who develops human potential within her organizations, Latisha would be LEAST likely to do which of the following?
 - a. Ask her employees to actively contribute ideas.
 - b. Urge her employees to be problem solvers.
 - c. Recognize her employees for their contributions.
 - d. Encourage her employees to pay attention to even the smallest detail.
3. How do agile organizations approach change compared to traditional ones?
 - a. They create monopolies across industries more often.
 - b. They identify opportunities faster than their competition.
 - c. They hire international CEOs, who typically have more experience with change.
 - d. They invest more in training than traditional organizations.
4. With which of the following statements would the author most likely DISAGREE?
 - a. Agile organizations regard change as a central part of their culture.
 - b. Agile organizations can train employees to be agile.
 - c. Agile organizations appreciate centralized decision making.
 - d. Agile organizations value modularity.
5. Learning organizations facilitate learning by being willing to _____.
 - a. commit to their “sacred cows”
 - b. challenge their “sacred cows”
 - c. disregard their “sacred cows”
 - d. let their “sacred cows” fail in the marketplace

6. A company president sends an email across the organization illustrating how the marketing team's ideas resulted in increased sales. Which of the following learning organization principles is most reflected in this process?
 - a. Assure that the organization is aware of its external environment.
 - b. Provide outside review of a marketing plan.
 - c. Link individual and group performance with organizational performance.
 - d. Invite one team to apply its principles to another team's goals.
7. Whereas traditional organizations highly value _____, learning organizations highly value _____.
 - a. mission; revision
 - b. revision; mission
 - c. action; caution
 - d. experimentation; action
8. In the five stages a company passes through to become a learning organization, learning becomes an integral part of the company's strategic plan and long-term growth in the _____ stage.
 - a. forming
 - b. developing
 - c. evaluating
 - d. adapting
9. Change expert Robert Rowden states that agile organizational learning should be viewed as _____.
 - a. a one-size-fits-all solution
 - b. a failure-proof process
 - c. growth based on knowledge and failures
 - d. big ideas condensed to simple solutions
10. A lesson to be drawn from the philosophies of both agile and learning organizations is most likely "An organization is only as good as its _____."
 - a. brand
 - b. last product
 - c. systems
 - d. people
11. As a learning organization, how does L.L. Bean increase its market research knowledge?
 - a. It hires outside marketers to survey past customers.
 - b. It uses IT-savvy people to search the web for competitors' products.
 - c. It requires employees to use and rigorously test products.
 - d. It recruits devoted customers to be product testers.
12. The author discusses how _____ is using a learning model in terms of the way it explores changes and innovations in the energy sector.
 - a. Charter
 - b. Shell
 - c. SunRun
 - d. Hyundai

Answers: 1 (a), 2 (d), 3 (b), 4 (c), 5 (b), 6 (c), 7 (a), 8 (d), 9 (c), 10 (d), 11 (d), 12 (b)

Learning Objectives Recap

1. Successful change leaders exhibit collaboration, the ability to build effective teams, and the ability to influence employees. More traditional traits like decisiveness and composure are less influential in guiding change. Creativity, adaptability, and experimentation are critical traits of change leaders. Successful change leaders cultivate empowerment in their employees. This involves giving employees greater autonomy and responsibility. A greater emphasis on building relationships and creating open work environments has made leadership a necessity at all levels of an organization. It is required to better identify potential challenges and shorten response time. Empowered employees can more easily become change agents.
2. Agile organizations have the ability to quickly adapt and respond to new situations because change is a central part of their culture. They value experimentation, communication, decentralized decision making, and modularity. This flexibility is in direct opposition to the stability and rigidity of traditional organizations, which lack the adaptability required to react quickly and appropriately to change. Agile organizations are more responsive than predictive. They also emphasize effective communication and empowered employees, and they have flatter organizational structures.
3. Learning organizations provide continuous learning opportunities and use learning to reach their goals. They also link individual performance with organizational performance, foster inquiry and dialogue to make it safe for people to share openly and take risks, and embrace creative tension as a source of energy and renewal. The three levels of learning organizations are individual learning, group or team learning, and organizational learning. The five principles of learning organizations are systems thinking, personal mastery, mental models, shared vision, and team learning. Learning organizations take a big picture view and consider how all pieces of the organization interact and communicate.
4. Learning and change go hand-in-hand. Learning leads to change within an organization and creates an environment of empowerment and affinity, rather than resistance to change. Learning organizations are characterized by constant readiness, continuous planning, improvised implementation, and action learning. Woolner suggests five stages in the process of becoming a learning organization: the forming organization, the developing organization, the maturing organization, the adapting organization, and the learning organization. Learning often begins through a trial-and-error process and develops into a fully integrated facet of the organization's operations. Learning organizations require significant amounts of time and commitment, which in turn requires strong, visionary leadership. Leaders must develop flexible strategies and clear communication to foster a culture that welcomes change. Leaders guide the learning organization through change and find ways to help it adapt.
5. Being an agile organization in the 21st century means having the flexibility and innovative mind-set to promote large-scale, disruptive changes to provide better products and services. Learning organizations are of the mind-set that learning is a consistent cycle; with this knowledge comes the systems, human capacity, and experience to make changes as needed.

Discussion Questions

1. What is the difference between “hard” and “soft” dimensions of change? Offer an example of each dimension from this chapter or from the media.
2. If you were asked to be part of a group to hire a CEO to lead a transformational change for a large company, what characteristics and skills would you look for, and why? Base your answer on what you learned in Section 5.1.
3. Why should competent executive coaches be hired to help CEOs and managers sustain changes?
4. Consider this statement: “Agile businesses don’t predict, they respond.” Do you agree with this statement? Why or why not? Explain your reasoning.
5. What principles and practices from Section 5.2 does the Semco Group demonstrate to be considered an agile company?
6. What characteristics from Section 5.3 does L. L. Bean demonstrate that classifies it as a learning organization?
7. Suppose you have been invited to give a talk discussing Hyundai’s turnaround experience and planned organizational change. What would you say?
8. How does an organization become a “learning organization,” as discussed in Section 5.4? Do you think any organization can become a learning or agile organization? Why or why not? Explain your reasoning.

Key Terms

action learning Continuous planning that leads to reflection and learning in the culture of the organization.

agile organization An organization that can quickly react to changes in the market. This means that companies can and do successfully respond to new competitors, technologies, and shifts in the market.

executive coach A professional hired by organizations to advise on complex decisions and individual and/or team skill building aimed at developing personal and professional performance.

improvised implementation A manifestation of each employee’s creative role through experimentation at individual and team levels before companywide implementation.

leadership versatility The willingness and ability to learn from experience and apply that learning in order to perform successfully under new conditions.

learning agility The ability to learn and adapt to new information and situations. See *leadership versatility*.

learning organization Agile organizations that take a “big picture” reflective approach in order to adapt and evolve at individual and organizational levels. A learning organization continually nurtures new patterns of thinking and encourages collective aspiration to make learning a fundamental aspect of the organization.

mental models Assumptions, generalizations, and images that influence our understanding of the world and the ways in which we take actions.

personal mastery The state of continually clarifying and deepening personal vision, focusing energies, developing patience, and seeing reality objectively.

Additional Resources

For more on the Executive Coach Academy

<http://hrweb.mit.edu/organizational-effectiveness/organization-development-consulting>

Institute of Organizational Development

<http://instituteod.com/organization-development-certified-consultant.php>

For a video of the “Netflix apology”

<http://www.youtube.com/watch?v=c8Tn8n5CIPk>

To determine if students would like to become an OD consultant, they can read the *Guide to Selecting an OD Consultant*

http://impactrising.org/wp-content/uploads/2013/05/guide_to_selecting_an_od_provider.pdf

Managing Change Sample Answers

Managing Change—The Agile Organization

1. A modular organizational structure allows the business to essentially be the sum of its moving parts. As business develops and initiatives come and go, teams form to work on a task and then disband when the objective is achieved or the project ends. This creates flexibility and allows a company to be agile, making it easier to quickly facilitate a project and then move forward to the next one. Moreover, employees learn a lot from joining teams and then returning to their regular job responsibilities.
2. Principles of agility include free-flowing, effective communication and employee autonomy. Trusting employees to make their own decisions on the fly benefits not only their engagement but also their development. Furthermore, being able to be creative and have a direct impact on business processes adds to the business’s ability to be dynamic because employees at all levels are taking initiative. Achieving this requires a flatter hierarchy that runs mainly on guiding principles rather than strict, top-down directives. An agile company also encourages experimentation and fosters a culture of innovation.
3. Leaders of truly agile organizations must be able to adapt to new situations and be comfortable with constant change. They should embody the strategy by being open, flexible, and resilient, and able to acknowledge and learn from mistakes. An agile company embraces a learning environment. Learning from experience and applying new knowledge enables agility. Organizations need to provide customers with “better, faster, cheaper, more mobile, more convenient or more personalized” (Denning, 2015) services for users.
4. Organizations “must imagine a future that users will truly want, even though users themselves don’t yet know what that is” (Denning, 2015).

Managing Change—The “Postmortem”

1. Training usually takes the form of a program, session, or class and is goal oriented and finite in nature. Learning is more abstract and ongoing and is a concept

- embedded into company culture. You can complete training, but ideally you never stop learning.
2. Adaptive learning draws from past experiences. Action learning reflects on the present to guide next steps. Anticipatory learning utilizes scenarios that could result from the present situation and studies the different outcomes to identify pitfalls and opportunities.
 3. Agile organizations must be comfortable with a learning environment—learning makes agility possible. The lesson spawns ideas for the company to take direction and remain competitive. Learning organizations must constantly evolve and improve so as to recognize opportunities and take advantage of them. Both require commitment, communication, collaboration, and intellectual curiosity.
 4. In addition to after-action reviews or postmortems, other learning opportunities include experiential learning programs, focus groups, working groups, and team meetings. Of course, ideally, day-to-day work experiences also provide learning opportunities.

Managing Change—Companies Are Only as Good as Their People

1. A learning organization embraces experimentation. Over time, successful experiments become part of its fabric. Eventually, a succession of these changes results in large-scale organizational change. Establishing a learning organization is essentially a way to effectively manage change.
2. How effective a learning mind-set is depends on leaders' commitment to an ongoing process and, more importantly, their ability to accept failure. Organizations that fail to understand this will be unlikely to take advantage of its benefits or instill a culture that can foster learning and change. Some might view learning organizations as a fad or as a pie-in-the-sky idea. A fatal flaw would be to assume it is a one-size-fits-all solution to business. Learning organizations are administered from a macro standpoint and offer the flexibility to grow and change with time. As they thrive on the back of failure, it is important to understand that each organization fails differently. Each has its own journey. Therefore, the abstract principles of learning organizations are applied to guide an organization through change; in turn, change fuels learning.
3. "New Coke," Beta video tapes, Euro Disney, the LaserDisc predecessor to the CD/DVD, Crystal Pepsi, Friendster—the list goes on. Have fun with it! It may not have been fun at the time, but most of the companies that pioneered these failures have followed up with successful products since.
4. Relying on the principles of a learning culture, the first steps would be to communicate openly about what happened. Show support for those involved and express commitment to improvement. Show appreciation for good jobs done that may not have affected the outcome. Collaboration will play a huge part going forward. Perhaps hold an after-action at the organization's higher level and communicate the results. Perhaps hold focus groups to elicit ideas, feedback, and other input from staff. Pinpoint learning opportunities and apply them to the company's next moves. Once a rebound plan is formulated, communicate that to employees, ideally showing them how their feedback played a part in the new direction.

Answers and Rejoinders to Chapter 5 Pretest

1. False. The more traditional leadership traits of decisiveness, composure, and finding ways to get results are ranked low in current leadership models. Rather, current research indicates that the ability to build teams, being open to risk taking, and having the skills to influence employees without exerting authority are ranked high in change leadership.
2. True. Many traditional organizations that emphasize hierarchy in their business model have low tolerance for failure. However, agile organizations accept that failure leads to learning and perhaps to better products and services. For example, a newly agile Disney organization suffered failures (such as the ESPN phone) that led to other more successful experiments.
3. False. A learning organization is holistic, which means it takes into account how all the components within the organization interact and communicate. A learning organization evolves holistically at individual, team, and organizational levels, in which collective goals are conceived and new ways of thinking are cultivated.
4. False. Learning organizations can characteristically better respond to market swings because they have already developed in-place, internal structures that respond to threats and opportunities proactively. Learning organizations are distinguished by constant readiness, continuous planning, and action learning.
5. True. In the 21st century, both agile and learning organizations must have a mindset for constructive, deep change that demands employees do things differently. Combining agility characteristics with learning principles leads to success for all stakeholders.
6. True. Learning organizations understand that creative tension is a source of energy and renewal, and they strive to create an environment where inquiry, sharing openly, and taking risks is safe.

Rejoinders to Chapter 5 Posttest

1. Of the more than 1,500 CEOs surveyed, fewer than half feel they can handle increased complexity in change management. In the same survey, CEOs cited being open to out-of-the-box solutions and being willing to change business models to meet goals as being hallmarks of creative CEOs.
2. Effective change leaders develop human potential within their organizations by encouraging employees to focus on the big picture and to become invested in the organization's overall growth and success.
3. Agile organizations react quickly to changes in the market, in technology, and to new competition. They identify opportunities faster than their competition and implement changes more readily than traditional organizations.
4. The author would disagree that agile organizations appreciate centralized decision making. Rather, such organizations value decentralized decision making and problem solving, and empower employees to do both.
5. *Sacred cows* are those values/ideas that people rate so highly that they think they should not (or cannot) be criticized or changed (such as "never question the boss"). Learning organizations facilitate learning by being willing to examine and challenge their "sacred cows."
6. In this scenario, the learning organization principle that is most reflected is "Link individual performance with organizational performance."

7. Whereas traditional organizations value mission, learning organizations value revision and thus change more.
8. In the five stages a company passes through to become a learning organization, learning becomes an integral part of the company's strategic plan and long-term growth in the adapting stage.
9. Rowden states that agile organizational learning should be viewed as growth based on knowledge and (learning from) failures. Failure does not negate a learning organization's effectiveness—it is part of it.
10. One lesson to be drawn from the philosophies of both agile and learning organizations is "An organization is only as good as its people." An organization whose culture fosters learning and openness to risk and failure will typically have a positive impact on its employees and its goals.
11. L.L. Bean is a learning organization because of its skills in acquiring knowledge and effectively converting it to behavioral and business changes. For example, L.L. Bean increases its market research knowledge when it recruits devoted customers as product testers, and they give feedback on real products used in actual situations.
12. The author relates how Shell is using a learning model in terms of the way it researches and explores changes and the innovations it makes in the energy sector. Although the company does not know what its future holds, it keeps its options open through organizational flexibility, renewable energy research, and conversations with policy makers.

