

# DEVELOPING A LEARNING ORGANISATION: A CASE STUDY

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## ABSTRACT

This paper describes and discusses the practical steps taken by a medium sized Australian company (referred to in this paper as 'Exco' in order to preserve confidentiality of the material) to evolve into a learning organisation. The concept of a learning organisation is defined, and the applicability of this concept to Exco is explored through three different areas of strategic concern. First, the organisation's use of strategy as a learning process is reviewed. Second, the organisational structures and systems in place at Exco are discussed in terms of whether they support the attributes of a learning organisation. Finally, the role of leadership and teams, in the learning processes at Exco are discussed in terms of their impact and influence on positive learning outcomes. The data informing this paper are the result of the author conducting a structured interview with the Exco HR Manager, as well as a literature review.

## INTRODUCTION

In his book *The Fifth Discipline*, Peter Senge (1990, p. 1) defined a learning organisation as "... a place where people continually expand their capacity to create results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free and where people are continually learning how to learn" (p. 1). Senge (1992) described the core of a learning organisation's work as based upon five learning disciplines which represented lifelong programs of both personal and organisational learning and practice. These include:

*Personal Mastery* — individuals learn to expand their own personal capacity to create results that they most desire. Employees also create an organisational environment that encourages all fellow employees to develop themselves toward the goals and purposes that they desire.

*Mental Models* — this involves each individual reflecting upon, continually clarifying, and improving his or her internal pictures of the world, and seeing how they shape personal actions and decisions.

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*Shared Vision* — this involves individuals building a sense of commitment within particular workgroups, developing shared images of common and desirable futures, and the principles and guiding practices to support the journey to such futures.

*Team Learning* — this involves relevant thinking skills that enable groups of people to develop intelligence and an ability that is greater than the sum of individual members' talents.

*Systems Thinking* — this involves a way of thinking about, and a language for describing and understanding forces and interrelationships that shape the behaviour of systems. This discipline helps managers and employees alike to see how to change systems more effectively, and to act more in tune with the larger processes of the natural and economic world.

The McKinsey 7-S Framework provides a systems view for describing the major differences between a traditional view of an organisation and a learning organisation (Hitt 1995). In the McKinsey 7-S Framework, seven key elements of an organisation, namely, the structure, measurement system, management style, staff characteristics, distinctive staff skills, strategy/action plan, and shared values are identified. The first six elements are organised around the organisations shared values. However, Hitt (1995, p. 18) adds an eighth element — synergistic teams — that he describes as the 'missing link'. It is this element which Hitt regards as being at the core of the learning organisation. Synergistic teams provide the means for the members of the organisation to learn together, developing collective intelligence that is greater than the sum of the intelligence of the individual members. Table 1 below illustrates the characteristics of the traditional view of an organisation and the characteristics of a learning organisation.

**Table 1: Eight Characteristics of the Traditional Organisation Versus the Learning Organisation**

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

Source: Hitt, W.D. 1995, 'The Learning Organisation: Some Reflections on Organisational Renewal', *Leadership & Organisation Development Journal*, Vol. 16, no. 8, p.18.

The concept of a learning organisation is an idealised model of coping with organisational change (Starkey 1996; Redding 1997). This approach “engages employees' hearts and minds in a continuous, harmonious, productive change, designed to achieve results they genuinely care about, and that the organisations stakeholders want” (Nayak, Garvin, Maira & Bragar 1995). The process of building a learning organisation unleashes individual creativity, and fosters collective learning which is crucial for encouraging, and developing innovation and rapid responsiveness to global competition (Millett 1998). In short, a learning organisation is continually getting ‘smarter’ because learning is planned, systematic and in alignment with the organisation's strategic goals.

In order to get smarter, the organisation needs to capture its organisational knowledge. Prahalad and Hamel (1990) have described the process of how organisations learn, and identify the outcomes of the process as the development of core competencies which are ‘... the collective learning in the organisation’ (p. 82). This occurs at all levels and functions within the organisation. As we will discuss below, it is not enough for Exco to identify the company’s vision as being the international leader in the manufacture and application of its products. In order to sustain market leadership, the company needs to strategically develop and maximise its market share in terms of its core products, and its staff and technology. On the surface, developing core competencies has an intuitive appeal, but it is an extremely difficult process to maintain and manage, particularly as the organisation changes and adapts to its environment.

Exco is attempting to develop a set of competencies consistent with the attributes of a learning organisation. With reference to the eight characteristics of a learning organisation described by Hitt (1995), and shown in table 1 above, Exco exhibits many of the features of a learning organisation. Much of this has occurred during the past five years. During this period, Exco experienced significant transformational organisation change aimed at ensuring that the organisation is flexible and able to rapidly respond to the competitive market place. The organisation structure has been flattened with an emphasis on cross-functional teams (see Appendix 2). Much effort has gone into setting up programs that allow people to make a greater contribution to the success of the organisation.

**Table 2: Exco as a Learning Organisation**

<b>Element</b>	<b>Learning Organisation</b>	<b>Evidence at Exco based on the HR manager's view</b>
Shared Values	Excellence Organisational renewal	Yes Yes
Management Style	Facilitator Coach	Yes Yes – problematic
Strategy/Action Plan	Everyone is consulted Learning map	Consultation growing Evolving
Structure	Flat structure Dynamic networks	Yes Evolving
Staff Characteristics	People who learn Mistakes tolerated as part of learning	Yes Yes
Distinctive Staff Skills	Generative learning	Limited
Measurement System	Both financial and non-financial measures	Yes
Teams	Cross functional teams	Yes

There is a considerable body of literature on the concept of the learning organisation, but much of it is theoretical or prescriptive. Little research has been undertaken about the practical implementation of these ideas in firms. This paper defines the concept of the learning organisation and discusses the practical steps taken by a medium sized Australian company (referred to as Exco) to evolve into a learning organisation. These steps are related to three main themes significant to Exco's evolution. First, the organisation's use of strategy as a learning process is reviewed. Second, the paper looks at the organisational structures and systems in place at Exco, and considers whether these support the development of a learning organisation. Third, the paper explores the role of leadership and teams, as significant levers that influence the learning processes at Exco. Information about Exco was obtained through company documents by a structured interview with the Exco HR Manager. The format of the interview is set out in Appendix 1.

Exco is a specialised manufacturer of products for mining, quarrying and construction industries. It has a dominant market share in Australia, and growing exports to South East Asia. The company was formed in the early 1980s and there are two manufacturing sites in Australia. It currently employs approximately 350 people, equally spread across the two manufacturing sites

### **STRATEGY AS A LEARNING PROCESS AT EXCO**

Many of the challenges facing Exco are characteristic of most organisations in the 1990s. In particular, they find themselves in a competitive environment characterised by rapid change. Exco's competitive edge depends on its ability to deal with change more effectively and more rapidly than its competitors (Millett 1998). It is no longer appropriate for managers to take all the responsibility for implementing organisational change in response to rapid and complex changes within the environment. Each individual within the organisation needs to be accountable and take responsibility for making the necessary changes within their individual work areas. They also need to share their knowledge with others in the organisation thus emphasising the notion of teams and teamwork. These are ideals typical of an organisation aspiring to develop a learning organisation. Exco is a company that Senge (1990) describes as '... continually expanding its capacity to create its future. It is not enough to merely survive' (p. 14).

Strategy is an integral part of the learning process for a learning organisation because it focuses on the organisation's development of core competencies, both in the present and in the future (Millett 1998). It also focuses the learning process on the desired future position that the organisation would like to be in. To this end, Exco has engaged in a self-design change strategy (Cummings & Worley 1997). Rather than focusing on only one aspect of organisational change, the company has tried to develop a '... dynamic and iterative process aimed at providing the organisation with a built-in capacity to change and redesign (itself) continually as the circumstances demand' (Cummings & Worley 1997, p. 490). This has involved transformational change of the organisational structure, human resource practices, and technology. This means that at all levels of the organisation, employees have been, and are, involved in the processes of transformation improvement.

A graphic representation of the Exco planning process is in Appendix 3. The concept of planning as a learning process is emphasised by Arie de Geus (1996). He refers to the way

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one of the world's most successful companies, Shell, used the corporate planning processes as a constructive and significant way to promote learning at the strategic and operational levels.

The company's vision is central to defining and developing the organisation. It is 'an articulation of the core competence of the organisation' (Millett 1998). Exco's business strategies are strongly driven by its vision and mission. The importance of the vision is strongly emphasised in team meetings, regular feedback sessions to staff and other types of communications. The vision and mission were developed after extensive consultation with employees, including a competition within the company to find the best mission statement. There is particular emphasis on the organisation's values. These were developed in conjunction with the Covey 7-Habits Program (Covey 1994), and a comprehensive training program in which more than eighty percent of employees were exposed to the Covey principles.

An Employee Opinion-Climate Survey is conducted every eighteen months to determine the extent to which people 'buy in' to the vision and mission, and to measure whether there is congruence between organisational values and the beliefs of individual employees. The results of the most recent Employee Opinion-Climate Survey are included in Appendix 4. Furthermore, every employee in the organisation has access to information about the company's performance via a centrally located noticeboard that is updated every month. Table 3 below articulates the company's vision, mission and values. A graphic representation of these is included in Appendix 5.

**Table 3:  
Exco's Vision, Mission and Values**

**Our Vision** (Where we want to be)

- ❑ International leaders in the manufacture and application of our products

**Our Mission** (How we will get there)

- ❑ **Innovation:** applying the creative talents of our people
- ❑ **Excellence:** setting higher standards in all our activities
- ❑ **Service:** focusing on the needs of our customers

**Our Values** (Guiding our decisions and actions)

- ❑ Trust and respect for people
- ❑ Personal growth and leadership
- ❑ Teamwork with customers, employees and suppliers
- ❑ Ethical and honest behaviour in safety, environment, health, and business
- ❑ Profitability with all activities adding value

Exco's mission emphasises learning principles of *innovation and excellence*. These concepts are reinforced in the organisation through mission awards that aim to recognise exceptional contributions in the fields of innovation, excellence and service. Particular emphasis is given to team recognition.

A process of organisational renewal, described by Dunphy & Griffiths (1998), was started in Exco in 1994 with the implementation of a flatter organisational structure. The process continues through alignment of the organisation to the Exco vision and mission by encouraging individual teams to develop their own purpose (mission statements) that align with the company vision.

The implementation of business plans, aimed at moving the company towards its vision, is managed under the umbrella of Critical Success Factors (CSFs) and associated strategies. The CSFs represent the core competencies of Exco. Each CSF is associated with a number of key performance measures. These measures are both financial (for example, profit) and non-financial. Examples of non-financial measures are:

- ❑ level of participation of people in continuous improvement projects;
- ❑ number of mission awards presented; and
- ❑ level of employee satisfaction as measured in the employee culture survey.

Two CSFs in particular (1 and 5) are relevant to the evolution of Exco as a learning organisation, namely:

### **Critical Success Factor 1: People**

*We must attract, motivate and develop talented people who are committed to our values and vision.*

Strategies supporting the CSF include:

- ❑ the establishment of a working environment attractive to employees;
- ❑ taking action to enable employees to develop their full potential; and
- ❑ the commitment to developing effective leadership.

Progress in this area has been positive. The Covey 7 Habits Program is being used as a foundation for developing people as individuals, fostering Senge's *self mastery*, and as a launching point for team development. The Covey program is seen as important in helping people to cope with significant organisational changes that have been implemented in recent years. For managers, a coaching skills program is being introduced to build on the learning, using a 'management for performance' program. The mission award process that recognises individual and team performance has wide acceptance. The development of team purposes (mission statements) is being evolved to obtain greater involvement of all employees in continuous improvement, and to achieve a shared vision. The Employee Opinion – Climate Survey will provide feedback on the above.

### **Critical Success Factor 5: Continuous Improvement**

*We must entrench a culture of continuous improvement in everything we do.*

Strategies supporting this CSF include:

- ❑ the identification of improvement opportunities by measuring and analysing work processes;

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- ❑ enabling all employees to play an effective role in continuous improvement; and
  - ❑ benchmarking key work processes.

This CSF is a driver for cross-functional teamwork in the organisation. It encourages people from different departments to work together to solve specific problems. Teams are encouraged to take a systems approach to problem solving and to use collective thinking skills to build on the experience and creativity of individuals. There are a number of cases where cross-functional teams have implemented innovative solutions to long-standing problems previously attempted on an individual basis.

The development of the Exco business strategy occurs on an annual basis. It is a 'bottom-up process' in which individual teams come together to formulate future plans, based on their understanding of the needs of the business. Individual team plans are then consolidated by the management team, refined and communicated back to individual teams, prior to being finalised at an annual management conference which takes place in October. The strategic planning process is reviewed annually and its effectiveness is measured in a survey.

The Exco vision, mission, and values encourage a process of personal commitment on the part of the employees. It also develops a collective sense of identity with the organisation and its mission.

Exco has many of the characteristics of an evolving learning organisation. They appear to use strategy effectively as a learning process. This is illustrated by various initiatives such as:

*Encouraging employees participation in the building of a shared vision, mission and value statement.* Employees 'buy-in' to this process via:

- the organisation of a competition to find the best mission statement supporting the vision;
- extensive consultation with staff through team meetings and feedback sessions during the values development process; and
- the annual mission award process recognising individual and team effort in activities contributing to the achievement of the vision, mission and values.

#### *Facilitating Personal Mastery*

Much of this has centred around the use of the Covey 7-Habits program to help employees achieve *personal mastery* in their personal and working lives. Measuring the effectiveness of this aspect of the Covey program has not been easy. Informal feedback from employees to team leaders, the management team and the HR Manager indicates that employees feel the Covey program has helped them to cope with change in their personal lives, as well as in the workplace. The HR Manager also felt that the program had influenced a number of individuals who were previously resistant to change in work practices to support such change and even, in some instances, to drive the change.

#### *Encouraging and developing team work*

Change in the structure of the organisation has resulted in the development of a team-based structure. Team work is reinforced via the performance management system which assesses individual and team performance. Members of all teams participate in an annual review process where they complete a standardised questionnaire relating to their perceptions of each

of their fellow team members' performance. Feedback from other team members is given to the team as a whole, and the individual, at their annual performance assessment interview. There is also an extensive training program, facilitated by the HR manager and other members of the organisation, to help employees improve their team collaboration skills.

#### *Flattening the organisational structure*

The flatter organisational structure has allowed a larger number of employees to contribute to the development of the business strategy. This is done on an annual basis using both a 'bottom up' and 'top down' process. Individual teams develop strategies and plans for functional areas which are then incorporated and formalised as an integral part of the strategies and plans developed by senior management. The flatter organisational structure has effectively facilitated the communication process required to align business objectives with functional team plans.

#### *Critical Success Factors (CSF) and Key Performance Measures*

Apart from the overall CSFs for the organisation, each team has developed a 'sub-set' of financial and non-financial CSFs applicable to their functional area. Team performance is assessed on the achievement of key performance measures supporting their team CSFs. Functional teams are, therefore, able to determine the impact of their activities on the success of the team and hence the overall business.

Exco has already successfully implemented a self-design change strategy. The strength of this approach is that it does not focus only on one aspect of the organisational transformation, but includes many aspects of the organisation such as the organisational structure, human resource practices, and technology. Exco has tried to use this process as '... a dynamic and iterative process aimed at providing the organisation with a built-in capacity to change and redesign themselves continually as the circumstances demand' (Cummings & Worley 1997, p. 490). At this stage they need to continue on their path of 'continuous improvement' using the strategies they have in place.

## **LEARNING STRUCTURES AND SYSTEMS AT EXCO**

The organisation's structure and systems are an integral part of fostering the development of a learning organisation. It is not possible to change one without affecting change in the other. The structure and systems, in place within the organisation are linked. For example, change in the organisation's systems such as the information systems, human resource practices, remuneration and rewards procedure, and policies and production systems would all have an impact on the organisation's structure and this would, in turn, affect the development of the organisation as a learning organisation (Millett 1998).

If the structure of the organisation is highly mechanistic, formal, and the decision making centralised, then individual learning and organisational learning will not be developed (Burns & Stalker 1961, cited in Millett 1998). However, an organisational structure which is organic is more likely to develop an effective open communication flow between management, employees, customers and competitors (McGill & Slocum 1993). Sharing knowledge horizontally and vertically is a fundamental aspect of the learning organisation (Millett 1998). Rather than focussing on individualism, employees need to share knowledge and information. Without the structure to support performance management and appropriate reward systems, individuals are more likely to compete with each other, than share their knowledge. Openness

and sharing needs to be encouraged. In a recent DDI Asia Pacific survey, Gill (1998) found that there were five ways of building trust within an organisation. These were:

- ❑ communicating openly and honestly with employees, without distorting information;
- ❑ showing confidence in employees' abilities, treating them as skilled and competent;
- ❑ listening to and valuing what employees say, even though management may not agree;
- ❑ keeping promises and commitments; and
- ❑ cooperating with staff and looking for ways that each could help the other (p. 14).

Innovation and experimentation is also an integral part of the learning organisation because instead of waiting for a problem to occur, a learning process of continuous improvement is encouraged. Failure is part of the learning process if, when it occurs, evaluation takes place and the same mistakes are not repeated (Ward & Victor 1996, cited in Millett 1998). If the organisational structure is formal and highly bureaucratic, it severely restricts individual autonomy and decision making. Instead of reducing the need for supervision and control mechanisms, this need is increased. However, in keeping with the concept of a learning organisation, the organisation structure is flatter, and the manager coaches, rather than directs, employees (Millett 1998). All employees, including those in the middle and lower levels of the organisation, should not feel isolated but part of the structure (Black & Synan 1996).

**Table 4: Characteristics of the Exco Organisational Structure as a Learning Organisation**

<b>Element</b>	<b>Characteristics of a learning organisation</b>	<b>Evidence of characteristics of a learning organisation at Exco</b>
Organisational structure	Flat hierarchy, decentralised Dynamic networks	Flat structure Cross functional teams Autonomous team leaders
Availability of information	Systems in place to make information freely available	Business computer system Extensive use of e-mail
Trust culture	High level of trust <i>Self mastery</i> practised	Covey 7-habits practised
Communication	Decentralised communication processes	Open communication process Flat structure
Innovation	Innovation and risk taking encouraged	Innovation part of mission Mission awards process Dynamic cross-functional teams Opportunity for Improvement System (OPI)
Managers style	Facilitator Coaching style	Facilitate cross-functional team processes Coaching skills training
Learning systems	Continual learning and double loop learning	Continual learning encouraged 12-step process for team work and <i>shared vision</i> Covey program supports Senge's 5 disciplines Learning process developing

As can be seen in the summary provided by Table 4, Exco has many of the structural and system characteristics discussed above which are supportive of the development of a learning organisation. This has not happened overnight, but it has been developed over a period of approximately four years. During this period, the Exco organisational structure has been flattened, and a team-based structure has been established. Critical business functions like production, quality assurance, and purchasing are managed by cross-functional teams led by nominated team leaders. A communication process has been established to ensure that all teams have access to the information they need to do their job.

A new business computer system has recently been installed. An extensive network of computer terminals ensures that everyone has access to critical information. Employees at Exco now have access to a vast range of information, some of it of a sensitive business nature. A comprehensive training program is currently underway to ensure that all Exco employees are able to use the new information system effectively.

The effectiveness of Exco's information and analysis processes is reviewed annually using a process based on the Australian Quality Council Awards (AQA) methodology. The objectives include trying to continually improve the company's score in the process on the journey to best practice.

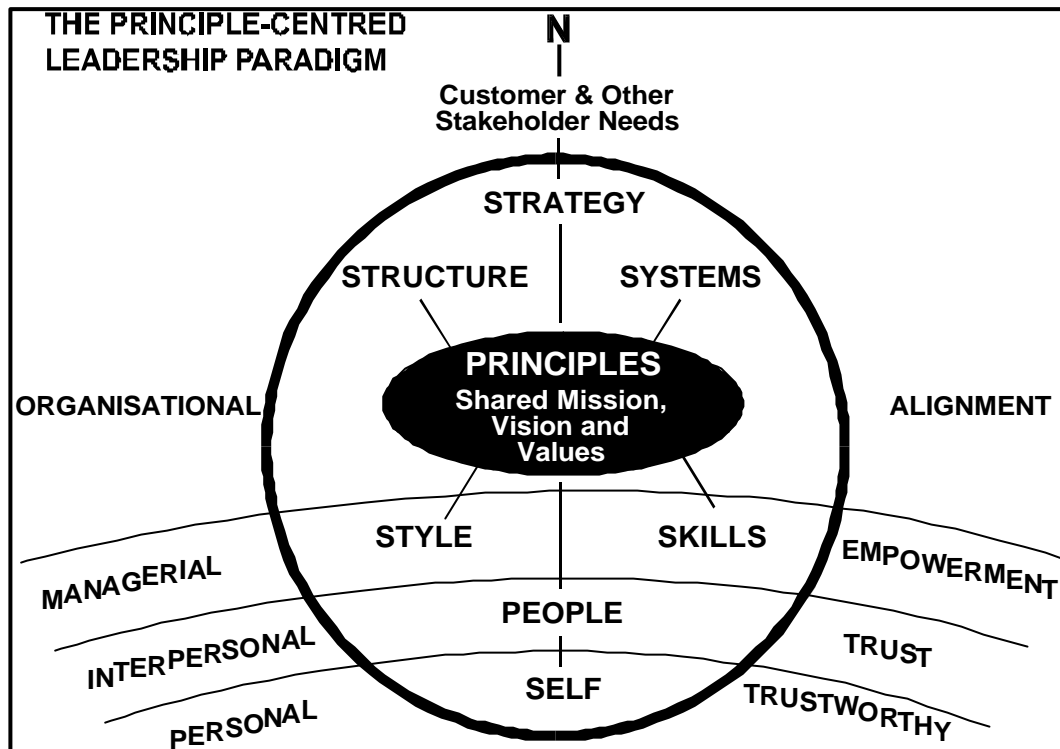
## **LEADERSHIP, TEAMS AND THE LEARNING PROCESSES IN EXCO**

Millett (1998) identified two major differences between the traditional view of leadership and the leader in a learning organisation. The traditional view of leaders was that individuals were charismatic and had certain personality traits that promote followership. The leader also made decisions for the organisation via their own learning experiences, which they then used to influence other members in order to achieve company goals (Senge 1996). However, in a learning organisation the leader is seen to be more of a facilitator of learning, leading by example, and encouraging and motivating individuals to learn themselves. The leader in a learning organisation also needs to be a team player, taking on a mentoring and coaching role, rather than a planning and controlling role. Rather than viewing leadership being the 'responsibility' of a single individual, Senge (1997) suggests that an organisation needs to build a community of leaders within the company. The community of leaders comprises of:

- *local line leaders/managers* with significant bottom-line responsibility, such as business unit managers, who introduce, and implement ideas;
- *executive top-level leaders/managers* who mentor the local-line leaders, and who influence cultural change by setting an example by changing their own behaviour and that of the top-level teams; and
- *internal networkers* — often these employees have no formal authority, however, they move through the organisation fostering commitment to new ideas and practices.

In the Exco Leadership Model, as well as in the data collected, there is evidence of Exco developing a community of leaders. The Exco leadership model is based on Covey's Principle-Centered Leadership (Covey 1992). This approach is one in which everyone in the organisation understands and acts according to a consistent set of principles, thus giving the organisation a consistent sense of direction (alignment). The Principle-Centered Leadership model (PCL) is shown in figure 1.

Figure 1: The Covey Principle – Centered Leadership Model



Source: Covey, S.R. 1992, *Principle Centered Leadership*, Fireside Press, New York.

The PCL Model states that the role of leaders is to:

- ❑ create an exciting vision for the organisation;
- ❑ achieve and maintain a wise and renewing balance between professional and personal areas of life;
- ❑ empower and unify everyone in an organisation around a shared vision;
- ❑ create team spirit and harmony among disparate factions in the organisation;
- ❑ maintain stability while encouraging change, flexibility, and continuous improvement;
- ❑ turn a company mission statement into a collective and personal constitution; and
- ❑ cultivate trustworthiness, which is foundational to trust in business relationships (Covey 1992).

McBain and Kusy (1997) define a team as:

*a collection of individuals who are interdependent in their tasks, who share responsibility for outcomes, who see themselves and who are seen by others as an intact social entity embedded in one or more larger social systems ... and who manage their relationships across organisational boundaries (p. 21).*

There are three broad types of teams in Exco, viz. site based production teams, cross-functional business management teams and project management teams (particularly in the

area of new product development and engineering). The production and business management teams are relatively stable in their composition. Project teams are dynamic and come together for the duration of a project, and then disband at the end. Appendix 2 illustrates the cross-functional teams operating across functions on the two sites.

Self-directed production work teams were established about five years ago (Wellins 1994, cited in Millett 1998). Production shifts have been divided into a number of teams rotating around the various manufacturing operations. The teams are multi-skilled to ensure that appropriately skilled operators are available to respond to a flexible production schedule. Each team has a team leader reporting directly to the production manager. This approach eliminates a layer of management and empowers the operators.

An external consultant was hired to facilitate the implementation of the production teams. Training sessions were held to teach people about how to work in teams. The proposal to change to a team based structure was not enthusiastically received by operators. Many were comfortable with existing working arrangements and felt threatened by the changes. Individual and group counselling sessions were arranged to assist people to embrace teamwork. A permanent facilitator assists the team leaders to plan their work, deal with performance and conflict issues, and to provide on-going training in teamwork. Training mentors have been appointed within the teams to assist the team leaders in occupational health and safety, quality system and work process training. At this stage the production teams are considered a success. It has led to a more flexible work force, but the individual teams need ongoing support. Cross-functional business management teams have only been in place for about eighteen months and senior and middle management are providing ongoing support to ensure that team effectiveness continues to improve.

Project teams have been particularly successful at Exco (du Plessis 1995). At the end of each project a learning project is set up to review the effectiveness of the project and to lock in the organisational learning which is used to improve the effectiveness of the next project (du Plessis 1996). A project approach such as this has the effect of stimulating effective learning within the organisation (Millett 1998).

The process of establishing a team-based culture at Exco took place in parallel with the implementation of the Covey 7-habits program. This was aimed at building *trust* between people in the organisation (Employee Opinion–Climate Survey results had shown that there was a relatively low level of trust between individuals, teams and functions in Exco). A core part of the Covey program is to teach people to learn *personal mastery*, to take control of their working environment and contribute in a meaningful way to the effectiveness of Exco. *Personal mastery* is an essential prerequisite of building trust in the organisation (Senge 1992).

Innovation is a core element of the Exco mission and individuals and teams are rewarded for these activities through mission awards (includes financial rewards). The Opportunities for Improvement (OFIs) System, is also a process encouraging experimentation and empowerment of the individuals and teams. With the OFI system, individuals and teams are able to participate in the ongoing evaluation and change of any aspect of the business. They are, therefore, learning how to learn—rather than simply receiving training in a particular area (Prusal 1997, cited in Millett 1998). Exco is trying to become a ‘knowledge-creating’ company whose business is continuous innovation (Nonaka 1996).

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The role of managers in the team-based organisation has changed from one of control to that of facilitation and coaching. The role of middle and senior managers is to facilitate the work of cross-functional teams and to act as coaches and mentors to individuals. Millett (1998) feels the term ‘action learning’ most accurately describes management’s role in the process of linking action, experience and learning. The managers need to be able to self-develop individually and learn from their colleagues while working on real projects within the organisation. The skills they develop include fact finding, diagnosis, creativity, decision making, and negotiating (Weekes 1980, p.12 cited in Millett 1998, p. 10.9). To ensure that managers have the skills for these new roles, a coaching skills program is being introduced.

**Table 5: The Exco 12-Step Team Development Process**

Step 1	Define the team’s boundaries
Step 2	Determine how the team will work within the boundaries
Step 3	Explore how the team will manage information
Step 4	Focus on team leadership issues
Step 5	Investigate individual and team motivators
Step 6	Establish the skills – technical and teamwork required for success
Step 7	Work out how the team will manage equipment and technology
Step 8	Work out how the team will manage confusion and tension
Step 9	Invent a team maturity matrix to plot team growth
Step 10	Learn how to hold team meetings
Step 11	Examine external boundaries and how the team interacts with other teams
Step 12	Develop ways to monitor and measure team performance

Source: McInerney, R. 1997, *The 12-Step Team Development Process*, Best Practices Pty. Ltd., Organisational Consultants, Sydney.

To ensure ongoing support of both cross-functional business project and self-directed production teams, the Exco management team, has recently implemented a 12-step team training process facilitated by an external consultant (McInerney 1997). The elements of the 12-step process are listed in Table 5.

The objective of the Exco 12-Step Development Process is to ensure that teams have:

- ❑ clear, and well understood, purpose/mission (a reason for being a team);
- ❑ clear, realistic and achievable goals;
- ❑ high performance standards set by the team;
- ❑ ability to learn from experience;
- ❑ effective communications of ideas and feelings; and
- ❑ the team takes control of their work quality — they can, and do, improve things.

Experience with the Exco 12-Step Development Process shows that although it has been effective in establishing team purposes, goals and alignment, teams have not been able to master team learning processes. Team learning processes like the 12-Step Development Process have tended to be formal, learning ‘facts’ about how teams should work together. Team learning and innovation, springing from collective learning, has yet to develop. It is in

the area of team learning that Exco has the most work to do in order to become a highly effective learning organisation.

Successful team learning is a purposeful approach, designed to create knowledge and a learning climate which, in turn, becomes effective action. Bohlin and Brenner (1995) have identified practices which support the team learning process:

- ❑ generating shared awareness. Continually assimilating internal and external information about problems and opportunities;
- ❑ creating a common understanding. Converge on a common understanding of the key problems and opportunities and openly discuss options for action, using common tools;
- ❑ producing aligned action. Ensuring that plans and actions are aligned with the organisation's goals;
- ❑ performing joint review. In a spirit of openness measure and review previous results and look for learning on how to do it better in the future;
- ❑ conducting collective reflection. Reflect on past and present activities and seek improvements in learning processes (p. 60).

Bohlin and Brenner (1995) have also developed a useful tool to summarise current learning practices. Table 6 shows the instrument, which can be used by either an external or internal consultant to determine the inventory of an organisation's or team's use of specific learning practices. The resulting profile, shown in Table 6, provides a sense of assessing where the teams perceive gaps between the current position and the desired position. The size of the gap indicates the priority for corrective action. Table 6 has only been used to illustrate the model, and is not a reflection of priority areas for a specific team at Exco.

**Table 6: The Bohlin & Brenner Learning Practice Profile**

Learning practice profile	Presence of specific learning practices	
	Low	High
Creating shared awareness		
Developing common understanding		
Taking aligned action		
Conducting joint review		
Conducting collective reflection		

**Perceived current position**
**Desired future position**

Source: Bohlin & Brenner 1995, ‘Measuring Learning: Assessing and Valuing Progress’, in *Prism, The Learning Organisation: Making it Happen, Making it Work*, Third Quarter, Arthur D. Little, Cambridge, USA.

Using this model with any team in the organisation provides a valuable snapshot of the perceptions of the team members of their team’s learning practice profile. Its major strength is that it effectively performs an analysis of the team's strengths and weaknesses. This information guides the development of strategies to improve the team learning processes. According to Senge (1990), team learning has three critical dimensions:

- ❑ the need to think insightfully about complex issues (many minds are more intelligent than a single mind);
- ❑ the need for innovative coordinated action; and
- ❑ understanding that most outcomes are achieved in collaboration with other teams and a learning team fosters other learning teams and spreads the practices and skills of learning teams more widely.

Team learning does not occur in isolation. Individual and group skills, leadership, the support structures, individual attitudes and the culture within the organisation can either encourage or hinder learning. It is in this area that Exco needs an intervention strategy. For this reason, it is recommended that Exco use the behavioural approach described by Bohlin and Brenner (1995), as well as Cummings and Worley (1997), as the most practical intervention strategy. This approach looks at how tasks are managed and how the relationships are managed within the organisation. This includes holding a series of group and individual interviews to determine how four key relationships are managed — company—wide, manager-subordinate, peer, and interdepartmentally. The same process is used to consider how six managerial tasks are handled within the organisation. These tasks include innovating, decision-making,

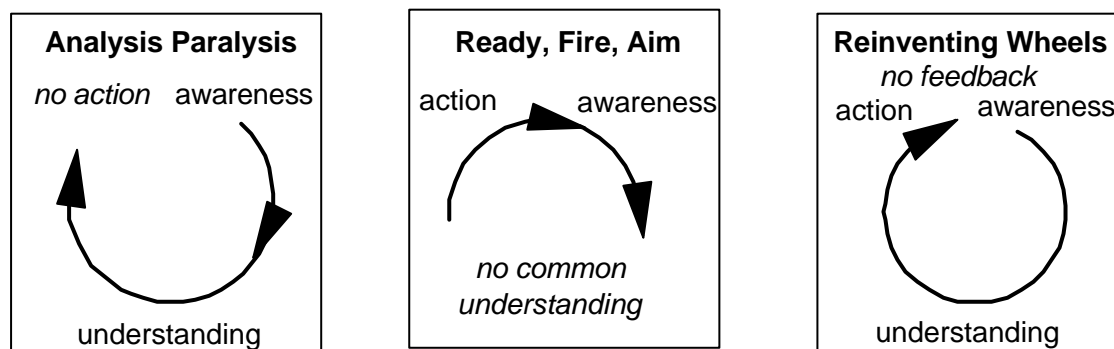
communicating, organising, monitoring, and appraising/rewarding (Cummings & Worley 1997).

The group interviews are conducted with team members where the purpose of the interview is to recall incidents where change took place rapidly, and the team was able to master the new process. Alternatively, the team can be asked to illustrate, with an example, when best practice was successfully diffused rapidly throughout the organisation.

A single member of each team conducts individual interviews, after they have been trained in the principles of learning. These individuals then conduct structured interviews with their other team members with the view to identifying learning practices and climate factors. An action plan is developed by the team members, using the information gathered, as well as the insights gained by the team member who underwent the initial training.

The purpose of both the group interviews and the individual interviews is to look for patterns of consistently broken learning cycles. Three possible patterns of learning could emerge – ‘analysis paralysis’, ‘ready, fire, aim’ and ‘reinventing the wheel’ (Bohlin & Brenner 1995, p. 66). In the case of ‘analysis paralysis’, information is always being gathered, but nothing actually happens with it. The ‘ready, aim, fire scenario’, infers there is plenty of action, but little analysis and planning, and in the case of ‘reinventing wheels’ the organisation takes action, but does not seem to learn from the results. This could be because the organisation does not have the appropriate or adequate measurement, review, and feedback systems.

**Figure 2: Incomplete Learning Cycles**



Source: Bohlin & Brenner 1995, ‘Measuring Learning: Assessing and Valuing Progress’, in *Prism, The Learning Organisation: Making it Happen, Making it Work*, Third Quarter, Arthur D. Little, Cambridge, USA, p. 66.

A learning assessment exercise such as the behavioural approach described above provides a baseline of learning practices against which to evaluate progress. Without establishing effective team dialogue the team will continue to operate as individuals and not explore the reasoning of others to discover new possibilities (Levine 1994, p. 217 cited in Millett 1998).

However, the learning process should be an everyday activity within a learning organisation. In the case of the teams though, the managers play an important linking and facilitating role. Millett (1998) feels the term ‘action learning’ most accurately describes management’s role in the process of linking action, experience and learning. Managers are able to self-develop individually and learn from their colleagues while working on real projects within the

organisation. The skills they develop include fact finding, diagnosis, creativity, decision making, and negotiating (Weekes 1980, cited in Millett, 1998). Through a process of coaching and mentoring, they are then able to facilitate organisational and team learning.

There is a strong commitment to the PCL model in Exco by all employees. Most managers have attended an external leadership course in which feedback is given about their own leadership style. Managers are encouraged to adopt a coaching and mentoring style, rather than a directive style of leadership. The leadership in Exco has been very effective in uniting the organisation around a shared vision and enhancing the spirit of teamwork in the company. These observations are confirmed by the positive trends in the Employee Opinion-Climate Survey (see Appendix 4). Exco does appear to be fostering the development of a community of leaders (Senge 1997).

However, the cross- functional management teams and self-directed teams have needed more support. An external consultant was employed by Exco to assist with team training and development. The consultant used the 12-Step Team Development Process, which was effective in establishing team purposes, goals and alignment, but did not develop the team learning processes. For this reason it is suggested that Exco use the Bohlin and Brenner Learning Practice Profile (1995), with each team to provide a snapshot of each teams perceptions of the gaps in their use of specific learning practices. The size of the gap will indicate a specific team's priority for corrective action.

The most practical intervention strategy recommended for use by Exco is the behavioural approach described by Bohlin and Brenner (1995) as well as Cummings and Worley (1997). This approach looks at how tasks are managed, and how the relationships are managed within the organisation. This includes holding a series of group and individual interviews to determine how four key relationships are managed – company—wide, manager-subordinate, peer, and interdepartmentally. The same process is used to consider how six managerial tasks are handled within the organisation. These tasks include innovating, decision-making, communicating, organising, monitoring, and appraising/rewarding. A learning assessment exercise such as the Behavioural Approach also provides a baseline of learning practices against which to evaluate progress.

## SUMMARY/CONCLUSIONS

Exco exhibits many of the attributes of a learning organisation, namely:

- ❑ *Personal mastery* — providing people with new life skills through the Covey 7-habits program.
- ❑ *Shared Vision* — the deployment of the company vision, mission and values is enthusiastically promoted by management, and employee support is high (confirmed in regular climate surveys).
- ❑ *Team Learning* — an organisation structure which promotes teamwork and training in team skills.
- ❑ *Mental Models* — this aspects is less developed, but is being promoted through training in team skills

- *Systems Thinking* — this aspect is the least developed of all the attributes.

The Exco management team has taken a practical, long-term approach to develop the company into a learning organisation. The organisation structure has been flattened and a team approach is encouraged. It has an effective business planning process based on clearly articulated Critical Success Factors (CSFs) with their associated key performance measures, including both financial and non-financial measures.

Further work is required to encourage teams and individuals to use team learning to develop skills in systems thinking. The development of competencies in these two areas will allow Exco employees to make an even greater contribution to fostering the development of a learning organisation and the future success of the company.

It is clear that Exco has done a great deal to establish a structure, system, and culture to encourage an ongoing learning process. From the data gathered it appears that the company has been less effective at encouraging teams and individuals to use *team learning*. The main reason for this is because there is great skill variability in terms of coaching and mentoring amongst the middle and senior management group. The company is trying to address this issue, with the coaching skills program.

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## Appendix 1

### Structured interview with the Exco HR Manager

Are you familiar with the concept of a learning organisation?

What do you understand by the concept of a learning organisation?

Does Exco have a vision?

What is the organisation trying to achieve?

What sort of organisation is Exco trying to build?

How is Exco trying to achieve this?

Can you give me some examples?

What role does planning play at Exco? Is it effective? Does the organisation stick to its plans?

Do employees have responsibility for their own learning? Do they have autonomy to make decisions re their own work processes? As well as in other parts of the organisation?

Do you feel that the team structure in operation at Exco works well? Why? How was the team structure developed?

Do you use a system of mentoring at Exco?

How would you describe the organisational culture at Exco? Do you have any means of measuring this at Exco?

Would you characterise Exco as having a high trust culture encouraging employee experimentation with work processes & practices? Why?

Do you believe Exco is continually evaluating how it does things with respect to all parts of the organisation and its operation? How? Does it make a difference?

Do you believe the organisational structures and systems at Exco encourage effective learning at Exco at an individual level? A team level? And the organisation as a whole?

Do you believe Exco effectively accesses the knowledge and skills of all of its employees? How? Is this important?

How would you characterise communication at Exco between  
Management  
Employees  
Customers

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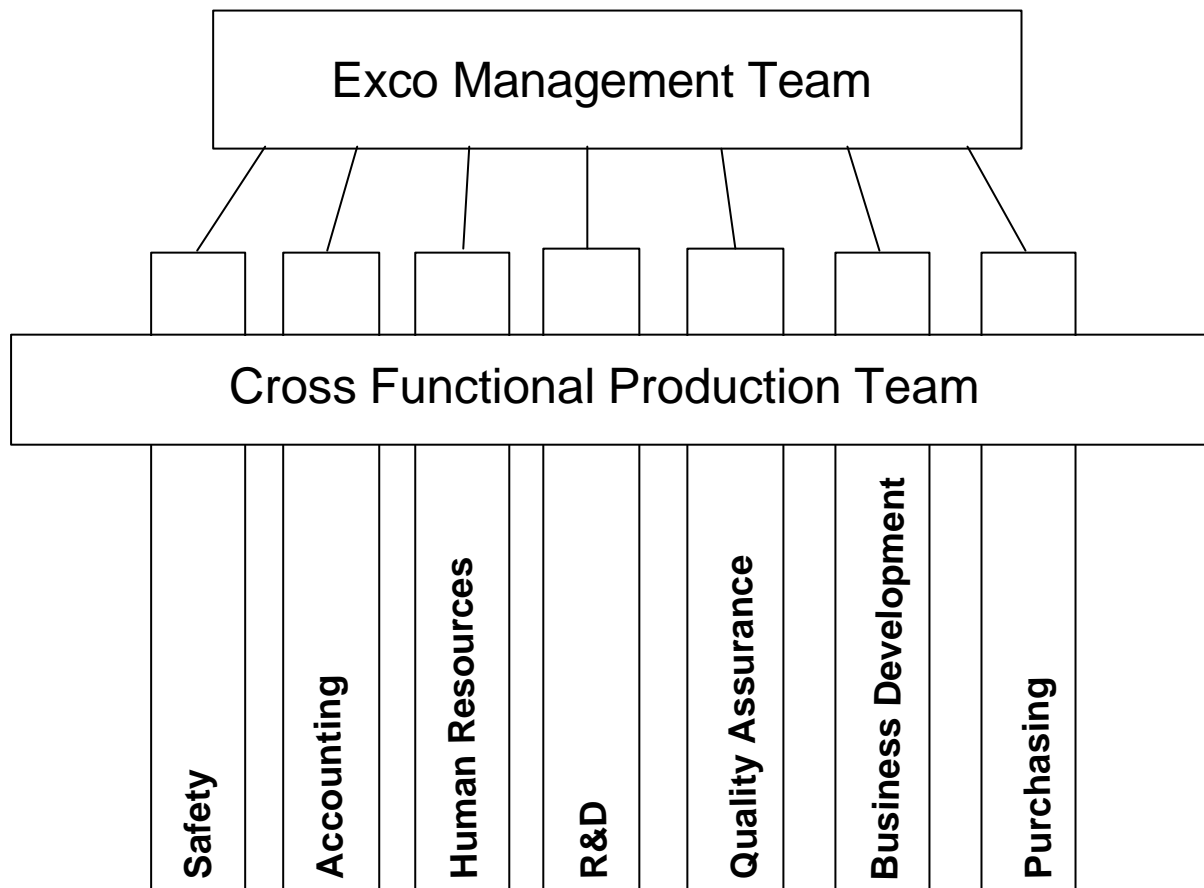
Competitors

How would you describe the leadership styles of managers at Exco?

**19. Have the managers undergone any training recently?**

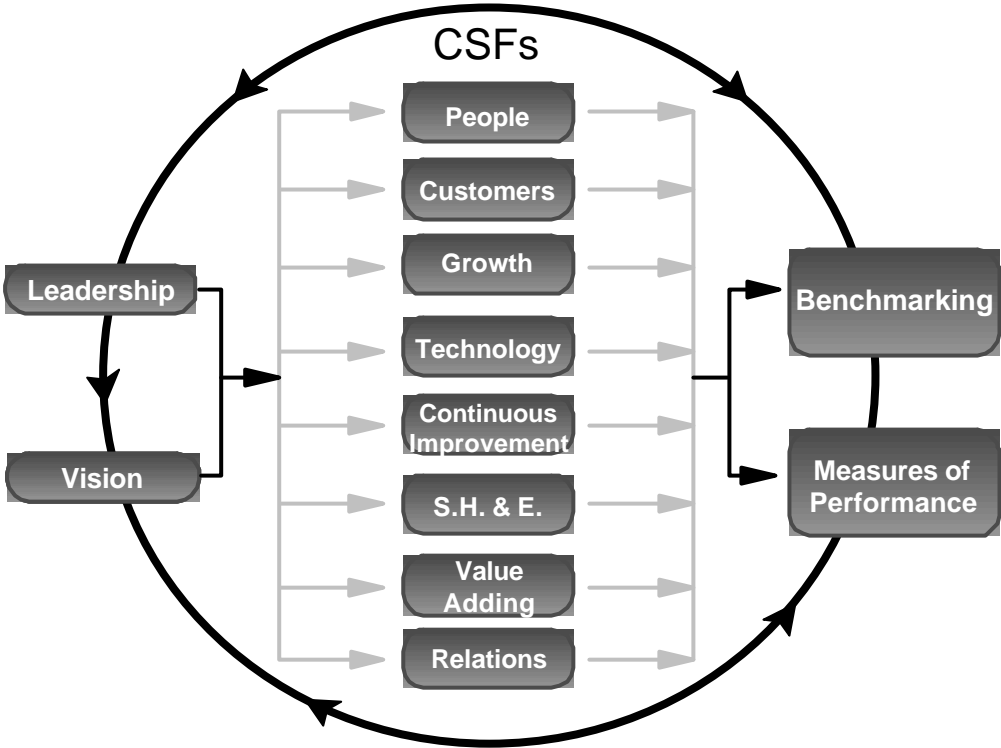
### Appendix 2

#### The Cross-Functional Team Structure at Exco



Appendix 3

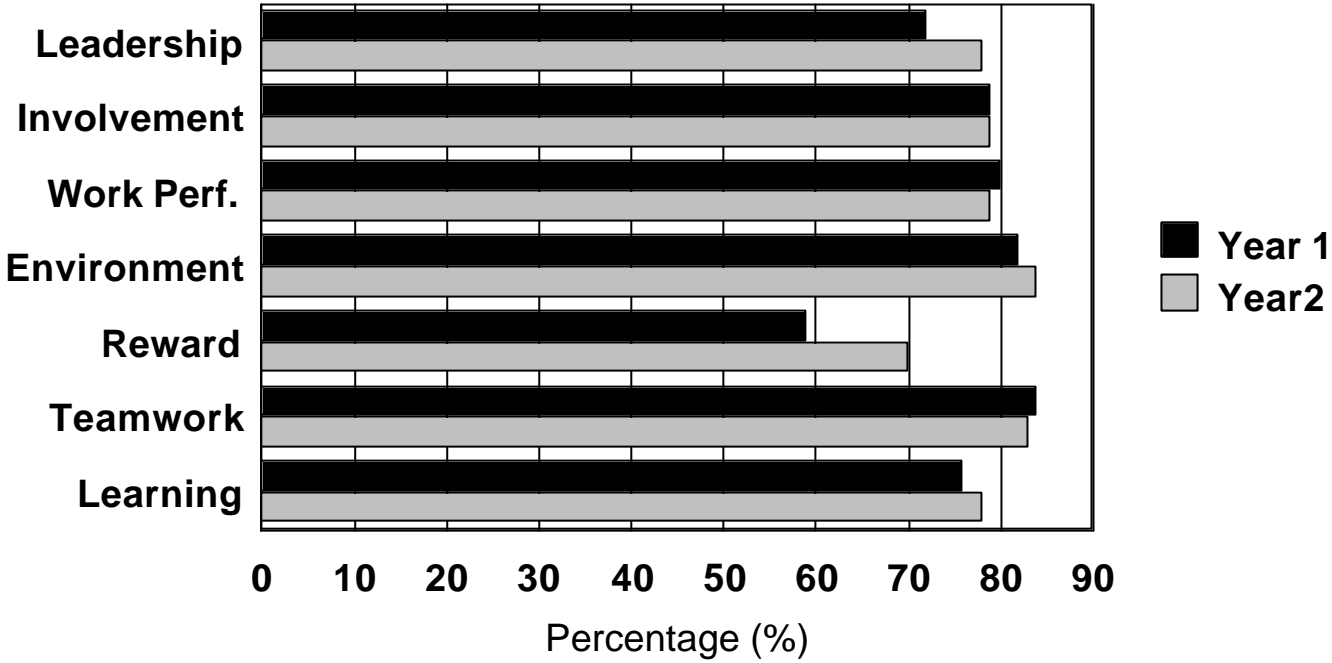
The Exco Planning Process



Appendix 4

Results of the Exco Employee Opinion-Climate Survey

# Survey Feedback



Appendix 5

Exco Vision, Mission and Values

