

# Organizations in the 21<sup>st</sup> Century: Knowledge and Learning—the Basis for Growth

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**A Conference Digest by Steve Barth**

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# Organizations in the 21<sup>st</sup> Century: Knowledge and Learning—the Basis for Growth

## A Conference Digest by Steve Barth

### INTRODUCTION

How will political, economic, educational and social organizations adapt to the rapidly evolving environments of the new world order? What structures and strategies will prove most successful to survive and thrive?

These were among the questions considered by 95 researchers and practitioners from business, government and education who participated in an intimate, invitation-only gathering. This brief summary is a survey of “**Organizations in the 21st Century: Knowledge and Learning—the Basis for Growth**” a two-day conference held November 16-17, 2001, at the **Wissenschaftszentrum Berlin für Sozialforschung (WZB), the Social Science Research Center of Berlin**. The program was designed around workshops for exchanging experience, insights and knowledge from different professional and disciplinary communities, with key speakers explore central themes in plenary sessions. The net result was looking beyond current issues and assumptions, seeking the breakthroughs that can close the gap between theory and practice

The group was particularly well-equipped for the task, because most of them had spent the past seven years assessing the state of the art in organizational learning world-wide as part of the *Ladenburg Kolleg* on “Organizational Learning in Various Environments,” sponsored by the **Gottlieb Daimler and Karl Benz Foundation** which also sponsored this meeting. They were able to draw on distinguished professional and academic careers and on insights from the recently published ***Handbook of Organizational Learning and Knowledge*** (published by Oxford University Press 2001 and also in Chinese by the People's Publishing House, Shanghai 2001)., to which many of the participants had contributed.

This report is divided into three parts:

- 1. What is organizational learning, where is it going, and how does it connect to other fields?**
- 2. How does organizational learning differ in business, government and academia and what aspects might connect one sphere to another?**
- 3. What variables affect organizational learning and how can they be connected to current thinking in the field?**

## ABOUT THE EVENT

The conference was organized and hosted by the Social Science Research Center's Unit on Organization and Technology. The event was held at the WZB in central Berlin on the edge of the Tiergarten and the cultural forum. The **WZB campus** combines August Busse's 1894 Beaux-Arts Imperial Insurance Agency with James Stirling's 1988 postmodern basilica.

The event also celebrated the 60<sup>th</sup> birthday of Prof. Meinolf Dierkes, the WZB's first president and now Director of the research unit on Organization and Technology. A **tribute** to Dierkes was delivered by Prof. Ariane Berthoin Antal. Among other qualities, she praised his ability to combine scholarship with friendship, saying that, rather than focus on competition as others might, Dierkes has built on collaboration.

"He draws together and excites very diverse types of people to think together and work together," she says. "Americans, Germans, Israelis, British, Chinese, Italians, French, Finns, Canadians, Japanese. People who would not necessarily gravitate to one another, such as economists, historians, sociologists, and engineers. Managers and academics, politicians and labor union representatives. People who might not usually take time to listen to each other, old and young, men and lots of women."

## WHAT IS ORGANIZATIONAL LEARNING?

### DEFINING A NEED

How networks, communities and organizations communicate, collaborate, solve problems, make decisions, devise strategies, accumulate experience and expertise and make sense of their environment has become dramatically linked to value creation and business survival in the Knowledge Economy.

"Organizational learning is both a process and an outcome," explains **Prof. Ariane Berthoin Antal**, WZB program leader for organizational learning and conference co-chairperson. "The process is a dynamic and interactive one that entails acquiring, sharing, making sense of, applying and storing knowledge, as well as creating new knowledge. The outcome of organizational learning is stored in many forms, including organizational culture, routines, and to a lesser extent, documentation and data banks."

The demand for new approaches is increasing with the accelerating pace of technological, social, political and economic changes occurring in the world today. "Industry has been transformed worldwide by a rapid technological change and by a wealth of information and

communication brought by new technologies,” notes **Prof. Gisbert Freiherr zu Putlitz**, Chairman of the Board of the Gottlieb Daimler and Karl Benz Foundation.

Government, social, business and academic organizations are all involved in this global transformation. “Nearly every kind of organization has undergone a fundamental and rapid change regarding their structures, their management and their goals,” he adds. “Organizations are challenged by those processes and are forced to manage the consequences by the generation of new corporate knowledge.”

Traditional management approaches and assumptions are no longer sufficient considering rapidly changing environment organizations face today, particularly considering the importance of creating new balances between meeting global and local needs. “Probably the most important learning skill that organizations must develop is the ability to capture and interpret early signals from diverse stakeholders in varied socio-political contexts and to draw on and share tacit knowledge across organizational boundaries,” says **Prof. Meinolf Dierkes**, who headed the Kolleg’s work.

## NEW THINKING

The question of how an organization learns, creates new knowledge, and exploits existing knowledge becomes a cross-disciplinary quest that must reach out to studies of politics, cultures, diplomacy, history, social studies and other fields. This quest must also tap the experience of institutions, networks, communities of practice, and “virtual” organizations both public and private—from political parties to military organizations and even nations themselves. Moreover, it must exploit practices in disciplines that are more art than science, such as architecture and theater.

The conference was a prime example of that cross-disciplinary quest, tapping lines of research in diverse disciplines that are beginning to overlap. However, integrating the insights of disparate fields has proven more of a challenge than one might have expected.

Meanwhile, on the user end of the equation, there is a growing willingness to consider the hard-dollar impact of “soft” issues, such as power and emotion, as evidenced by numerous comments at the conference:

- “There is a renaissance of cultural discussions in management practice,” says **Thomas Sattelberger**, Executive Vice President for Products and Services at Lufthansa AG.
- The same is true for discussions about emotionality. “Rational calculation is the least effective way to improve outputs,” says **Prof. Risto Tainio** of the Helsinki School of Economics.

- “We do need to look at the intangibles and emotional aspects,” agrees **Prof. John Stopford** from the London Business School. In fact, he believes strategy formation should stop starting with the constraints of tangible resources and instead begin with such intangibles as dreams and beliefs. “The soft sides of strategy inform more and we need to do much more about it.”
- **Prof. Keith MacMillan**, Henley Management College agrees that one difference between current discussions and previous conversations along similar lines is a direct connection between organizational culture and affective behavior and bottom-line corporate performance.

### CAUSE AND EFFECT

Something always causes learning to happen. Stimuli for learning can come from social, legal, economic, political, cultural and ethical environments, as participants heard in a workshop chaired by **Prof. Wolfgang Michalski**, Director of the Advisory Unit to the Secretary-General at the OECD in Paris.

But in today’s world, passive learning about the environment can be too slow. **Prof. Edwin M. Epstein**, Professor Emeritus from the University of California at Berkeley argues for active, rather than passive awareness of environmental stimuli. “It seems an important responsibility of organizations to absorb various sources of information and strategically use it,” he says. Establishing a competitive intelligence practice in the organization would be one example, and Epstein illustrated with a biblical tale of Moses sending spies into Canaan to report on the situation. The news that was brought back—and the reaction thereto—revealed knowledge about the Canaanites and the Israelites.

“Information which an organization gleans from the environment can inform it not simply about the environment but also about its core values, personnel, resources and capacity to undertake strategic initiatives,” Epstein explains. “True organizational learning occurs only where the organizational leadership is open to assimilating knowledge acquired about diverse spheres of the environment from diverse sources by diverse persons into the culture and strategic vision of the organization.”

It would be even better, notes **Prof. Josef Bugl**, Chairman of the Supervisory Board of the Academy for Technology Assessment in Baden-Württemberg, Germany, if experts from diverse interest groups representing science, industry, politics and Social movements could learn together, jointly assessing the future risks and rewards of technology and development. Bugl chaired a workshop on how crises or potential crises can trigger learning.

For example, **Dr. Jürgen Kädtler** of the Sociological Research Institute at the University of Göttingen suggests that social movements—as stakeholders of the environment—should be a valuable source of information for industry as a chance to learning about the environment from the environment.

Organizational learning has traditionally assumed that people learn more from mistakes than from successes. However, sometimes mistakes are not an option because the consequences are too severe. **Prof. Todd LaPorte**, of the University of California at Berkeley, has spent years studying just such situations on aircraft carriers and in other high-risk, high-stress situations. Organizations develop specific cultures enabling them to learn differently, and their processes offer powerful lessons for others.

For example, LaPorte explains, as the tempo of flight operations increases on a carrier, military hierarchy can essentially reverse in order to accelerate learning. Instead of supervising their reports, officers devote themselves to supporting and protecting subordinates to enable these highly trained professionals to do what they know how to do better than anyone else—to the point where they essentially give orders to their superiors. (This kind of learning about “potential” events is an example of learning from the future, discussed below.)

### THEORY TO PRACTICE

Closing the gap between theory and practice requires a transition from simply *understanding* learning and knowledge to actually *managing* learning and knowledge.

Organizational learning is a research discipline; “learning organization” is an approach that attempts to put the fruits of that research into practice; knowledge management adds technology to the mix. Unfortunately, knowledge management practitioners tend to forget some of the basics of organizational learning. Successful knowledge management must derive from the principles of organizational learning as much as it extends from information technologies such as document management or data mining.

“Knowledge management is well on its way to becoming an essential feature of business culture,” says **Prof. Zhang Xinhua** of the Shanghai Academy of Social Sciences, describing the experience of companies Chinese and elsewhere. In fact, he describes a “knowledge boom”. However he adds that progress in this first phase has limited impact on organizational dynamics as many companies are taking too casual an approach.

“Few of the companies have realized that using knowledge for long-term business advantage requires change in many core aspects of the business. What is most important is how to integrate knowledge management with familiar aspects of the business—strategy, process,

culture and behavior," he explains. "The focus is undoubtedly on holding knowledge, not knowing about knowledge and turning knowledge to performance and vice versa. Thus the problem of information and knowledge overload is ever deteriorating."

Zhang emphasizes that the priority for future studies must answer the question, "What does knowledge look and sound like in the daily life of an organization?" He proposes that requires breaking the subject into four separate competencies:

1. Knowing about knowledge
2. Knowing how to manage knowledge
3. Knowing about knowledge management systems
4. knowing how to transfer knowledge across time and space

## BETWEEN THREE WORLDS

Three broad spheres were represented at the conference: business, government and academic research. They shared their successes and failures at managing knowledge and learning. Despite assumptions that each of these disciplines has a unique set of imperatives and impediments, participants spoke more of what they had in common than of what separated them.

All human organizations—not just government institutions—are subject to politics. All human organizations—not just business institutions—have competitive imperatives similar to market mechanisms. All human organizations—not just academic institutions—have to learn, create, transfer, retain and, at times, discard knowledge.

## LEARNING IN THE PRIVATE SECTOR

The session on learning in the private sector was less concerned about politics—or even profit—than with how and on what executives and employees *focus*, and how they convert perception to action.

**Prof. John Stopford** of the London Business School discussed the usefulness of dreams, as a way of prioritizing values that have to be made manifest in the organization. Such a focus on the soft side of strategy has turned out to be more successful than he would have thought. "Even the hard-bitten analysts are realizing that the 'soft' issues of dreams and organizational behavior have as much or greater influence on bottom-line performance than the traditionally measured tangible assets."

Histories of Aventis and Nokia would seem to prove Stopford's point when he says that transformation initiatives succeed only if they operate on three levels: cognitive strategy, organizational context and emotional context. That triangle is one of three critical elements for translating *strategic intent* from knowledge into action.

In order to overcome inertia, "strategic intent has to be interpreted in ways that make it more than just a set of financial criteria for choice," he says. "It has to become part of a set of values that help create passion and commitment for moving forward."

Ultimately, strategic intent also has to be elevated to the status of *belief*. This involves distinguishing between dreams and visions. Stopford describes a path exactly the reverse of the way most firms approach their competitors: "The dream informs the belief structure in the organization," Stopford explains. "The beliefs inform the choices made for creating and discarding resources of all kinds. The processes of resource choice determine strategy. The strategy determines the assets that determine position in the market."

Scarcity of intellectual attention for human perception and cognition is a constraint that limits people's ability to comprehend and understand. The alternative strategy is distraction and avoidance in information processing and knowledge creation by individuals. This requires a shift from thinking of knowledge as residing with individuals to thinking of knowledge as embedded in a group or community. In this way, not only can companies find effective ways to translate their ongoing experience into knowledge, creating new knowledge, but can also transfer that knowledge across time and space to leverage firm-specific knowledge.

But when does an organization change focus? Practically speaking, says **Thomas Sattelberger**, Executive Vice President for Products and Services at Lufthansa AG, "Organizations and individuals only learn when the water is up their noses."

At that point, he says, there is an unfortunate bias towards action. "Actionism at the top creates inertia or even cynicism in middle management," he explains. "There is a need to reflect more before action." (*Aktionismus* is a German word that describes situations when people act without sufficient reflection.)

## LEARNING IN THE PUBLIC SECTOR

There is as much need for paradigm changes in the public sector as in the private-sector, points out **Prof. Peter Pawlowsky** of Chemnitz University of Technology. In the same way that Frederick W. Taylor's efficiency-oriented scientific management has proven itself obsolete in industry, bureaucratic administration is no longer working in government, he says.

Market forces and profit motives are important triggers for the learning taking place in business, encouraging effective knowledge management in many industries. They force individuals and organizations to evolve or risk extinction. Such mechanisms are not completely missing in the public sector. If you think of public and private sector managers as being focused on "outcomes," political

outcomes include results such as election votes and successful passage of legislative measures. But even the process of replacing bureaucratic leaders through firings or political leaders through elections is too slow to have the kind of instant feedback advantage found in the private sector when managers can be sacked on the spot or when financial performance is immediately reported and reflected in share price.

Having served two British prime ministers as senior policy advisor in Downing Street and then as Minister of Agriculture under Tony Blair, **Lord Bernard Donoghue** highlighted mechanisms of learning and knowledge management in the UK public sector. The institutional knowledge of long-term civil servants insures continuity, for example, preventing paralysis even during times of political upheaval. Unfortunately, it also creates tremendous inertia that anchors the status quo. And when Tony Blair wanted to improve two-way knowledge flow for more access, more options and "more informed intervention" based on "knowing more," policy and statistics units were established in all ministries, but they were rarely asked for information.

"As minister of agriculture, my experience was that management of knowledge was erratic and sometimes amateurish," he says. Donoghue expresses frustrations at the difficulties he encountered using information to implement policy or trying to reform the ways in which knowledge was shared in government. Too often he found either insufficient information or insufficient access to existing information. Sometimes this was a result of passive ignorance, but active obstruction also was common, especially when it came to what he calls unwelcome knowledge.

"The history of past policy failures, especially BSE, produced a massive psychological defensiveness in the departments' personality and a tendency to suppress information and knowledge that might expose more failures. Information embarrassing to departmental officials was frequently not provided to ministers," Donoghue adds. "At a minimum, they saw new knowledge as inconvenient, because it might lead to change and that department preferred the short-term comforts of the status quo."

Such political difficulties are hardly absent in the private sector, yet some of the most bureaucratic companies survive and thrive, LaPalombara notes. "What puzzles me is that the private sector has these same inefficiencies," he says, "but they still make substantial profit."

Identifying with Donoghue's frustrations was **Wolfgang Nowak**, Director General of the Department of Political Analysis and Planning for Germany's Federal Chancellery. But he points to slow, steady progress from the days when power meant *not* having to learn. New programs such as sabbaticals and transfers for lifetime civil servants to

other areas create internal diversity. To overcome the “closed-shop” mentality of the German civil service, briefings by invited experts who present and discuss issues directly with Chancellor Schroeder bring in external knowledge. Programs exchanging bureaucrats for professionals industry and academia—or with civil servants in other nations is further accelerating the learning process.

Nowak also described a new problem getting in the way of organizational learning. Because the German press offers such big money to anyone willing to leak government documents, they are becoming an oral administration, which means there is ever less recorded memory of important issues.

### LEARNING IN THE ACADEMIC SECTOR

Applying the theories of organizational learning to actual institutions and communities continues to be a frustrating proposition, even for institutions of “higher learning.”

This was underscored by the messages emerging from the workshop on learning in academic institutions, led by **Prof. Gert Asmuss** of the Tuck School of Management and Leipzig Graduate School of Management, **Prof. Björn Wittrock** of the Swedish Collegium for Advanced Study in the Social Sciences, and **Konrad Schily**, who is Deputy Chairman of the Board at the University of Witten-Herdecke in Germany. These main messages were: first, that the institutions created for learning appear to have the hardest time learning themselves; second, that these institutions tend to pile new knowledge on top of existing knowledge and expand curricula rather than consciously engaging in unlearning; and third, that academics tend not to study academic organizations, so we still know too little about it.

Consider for example, the social science community, says **Prof. Neil Smelser**, former Director of the Center for Advanced Study in the Behavioral Sciences in Palo Alto, California. Modeled after natural sciences such as Newtonian physics or functional biology, the social sciences should theoretically be engaged in a quest for general laws and scientific unity.

“Instead however, proliferation and specialization have always increased, dispersing and fragmenting knowledge,” says Smelser. In fact, he points out, social scientists have proven so good at self-promotion through topicality and controversy that they are constantly creating new schools of thought that add much to the agglomeration of knowledge but do little to build consensus. The result is high-quality research, but hopelessly splintered and mutually incomprehensible sub-communities at every turn. In the extreme, the politics of learning in organizations take on the characteristics of religious analogies, full of issues of faith, orthodoxy, sectarian conflict and schisms.

## OPPORTUNITIES FOR CROSS-POLLINATION?

Even as the participants considered to what extent politics, fragmentation and distraction hinder the learning process, a question also began to form about whether these same “problems” could also be used to accelerate the generation of value from knowledge and learning.

If, as Smelser points out, the fragmentation of academic agendas is at least partly due to the competition for scarce resources such as department budgets and peer recognition, then it’s little surprise that politics plays such a big part in academia.

But does Smelser’s self-critical analysis of learning barriers and fragmentation in the social sciences offer a template by which public and private sector organizations might examine their own successes and shortcomings?

Can the bottom-line focus in business that brings additional incentives for making learning work find acceptance in the “non-profit” environments of government and education?

And if the maddening political barriers that are so obvious in government institutions are universally present in business, can the slow progress made in overcoming those barriers in the public sector prove even more useful in the private sector and academia?

The kind of Balkanization of ideas Smelser mentions is certainly present in public policy. But it is also present in business. Look at the proliferation of incompatible protocols in wireless telephony in the United States. Look at the self-defeating diversity of market buzzwords in the application of information technology to business strategy: knowledge management, data mining, customer relationship management, business intelligence, enterprise information portals, etc.

## CASE IN POINT

All of these issues were part of the equation when **Jürgen Dormann** became Chairman of the Board of Hoechst in 1994 and began transforming the company into what is now known as Aventis SA.

Although Hoechst AG was the biggest producer of chemicals worldwide, narrow profit margins kept its market capitalization low. In an increasingly global market and with increased pressure from investors, Dormann could see how vulnerable the conglomerate was to both dominant competitors in the United States and more agile, small companies that could emerge anywhere.

Dormann had an overall, though somehow misty, vision of how to transform Hoechst. But he is careful to point out that, unlike religious, artistic, or even political or scientific visions, visions in the business

world still have to live up to bottom-line expectations. Specifically, the vision to transform Hoechst was to create "a network of innovative and customer-oriented companies which are leading suppliers in the fields of chemicals, pharma and agro and achieve an above-average return on capital employed," Dormann says.

However, there is more to realizing a vision than just formulating and communicating it. "The secret of successful change management is to always find the right balance, to move step-by-step, realizing how far you can challenge your people and can initiate change without overtaxing the organization," he adds. "This vision must be clear and consistent, and all the single steps you take and decisions you make must be in line with this vision."

Dormann adds that managing change also means managing the communication of your vision. This requires a sense of timing and of how fast the organization is able to adapt—only disclosing at any point in time what the organization is able to understand and to realize.

In organizational learning terms, the necessary changes at Hoechst had to be envisioned and implemented by people from inside the company, many of whom were drawn from the periphery and outside Germany. Dormann and his colleagues created a sense of urgency to get the organization to recognize the need for learning. The company also needed to engage in "unlearning," which included divestitures and bringing in non-Germans to disrupt some of the traditions that had been built up as a German company.

Above all, Hoechst needed cultural change. It was too hierarchical and centrally planned. Dormann's "Transition '94" vision called for reducing bureaucracy, promoting initiative, flexibility, and trust with market-oriented processes and structures. It focused on open communication and social responsibility. And it provided a basis for consistent planning, decisions and assessment. This wasn't easy, he admits.

"Tens of thousands had to change their attitudes, professional lives and sometimes even their personal lives," he says.

## RECONSIDERING THE VARIABLES

Besides exploring issues of organizational learning in the worlds of business, government and academia, other conference sessions explored notions long considered to be "facts of life" on organizations, but ones which might actually be put to constructive use. So how can organizations better leverage such facets as diversity, time, emotion, power and fashion?

## DIVERSITY AND CONFLICT

The increasing diversity in a global firm is something that needs to be managed as both an asset and a liability, suggests **Prof. Meinolf Dierkes**.

"Well-managed diversity is the best way to survive and prevail in the coming decades. Especially at times of change, organizations need a diversity of people in communities and subcultures and need to be open to a diversity of perceptions and values," he says. "In fast-changing environments, diversity leads to learning processes that help develop survival strategies. The more people are looking, the more angles you can see."

However, Dierkes adds, "Like information, you can overload on diversity if it is disorganized or unmanaged. It can even be dangerous."

Diversity must be embedded in the structure of the organization to be socially fruitful. Those structures have to include the ability of leadership to end a discussion and make decisions without disaffecting those whose ideas were not chosen. "Diversity, as raw material for organizational learning, needs to be kept alive despite the need for organizations to choose a single strategy to pursue," he explains. So how do you structure organizations to reap the benefits of diversity without getting in political gridlock? Diversity needs a framework, he says, similar to the regulatory framework in productive markets. You need structure, culture and leadership that encourages inquiries and ideas, especially at the edges where internal networks interface with outside groups, individuals and ideas.

**Prof. Joseph LaPalombara**, Arnold Wolfers Professor of Political Science and Management at Yale University, suggests that conflicts are often the essence of all organizational behavior. "An organization's goals, its rules of the game, the means for goal achievement, the norms and standards used to recruit, train, reward, promote or separate those who make up the organization are themselves reflections of ongoing struggle, conflict and power-seeking," he says.

Consider how political learning might be applied to the public sector. Nowak and Donoughue alluded to the deftness of "political" skills that must be employed internally in a political organization. LaPalombara observes not only that public sector managers are developing far more skill at managing the social capital necessary for effective action in their own sphere, but also that such skills will be in greater demand in the private sector as globalizing corporations adopt more *federalized* structures.

"The real challenge for modern organizations is how to best manage the diversity that describes the global firm, without losing too much in terms of short-term efficiencies and productivity," he explains. One

inevitable answer, he notes, is the federal organization structure favored by governments.

Centralized, homogenized forms of organization don't work well in situations where size is large and diversity is great. The local culture, local leaders and local units of larger organizations demand more autonomy. In turn, new skills will be required of private-sector managers—skills that come naturally to public-sector managers.

"These are the skills of learning to respond to and manage different constituencies, many of which lie outside the organization," LaPalombara says. "They are skills of negotiating, bargaining, compromising and persuading in settings where you cannot fire people at will and where authority is really much more flat than hierarchical."

### LEARNING WITH POWER

There is a growing recognition that power can influence learning, but not enough empirical research has been done on the subject, notes **Dr. Camilla Krebsbach-Gnath**, a partner in K-G&D Management Consultancy. She adds, "Pretending that power does not exist does not make it go away." The same holds true for the relationship of conflict and organizational learning, as **Prof. Victor Friedman** of the Ruppin Institute in Israel notes.

Definitions offered by workshop participants make it clear that "power" is seen in many different ways, but most fall into three categories. As summarized by **Prof. Silvia Gherardi** of the University of Trento, these categories broke down with power seen as a resource, as a social relationship or as something that is only used to resolve conflict.

Krebsbach-Gnath explains that power can enhance learning by being used to mobilize resources, shape or implement structures and shaping perceptions of meaning.

But also there are significant ways in which power can inhibit learning. In particular, four ways were identified by the workshop participants:

- Control over scarce resources
- Control of knowledge and information
- Use of organizational structures and rules
- Control of the decision process.

Such power to impede learning is not just wielded by top leaders, as evidenced by the senior government officials who complained of their powerlessness in the face of bureaucratic intransigence. It's a common reaction to obstruct the flow of information or knowledge that threatens to disrupt our worlds and/or the way we see them.

## LEARNING WITH EMOTION

When he was on the board of Swiss Re, **Dr. Peter Frey**, always had the feeling that instinct and intuition were more important than rationality. "My colleagues on the board were always astonished when told them to stop rationalizing their gut feelings." Was the instinct correct?

**Prof. Klaus Scherer** of the University of Geneva says that people have been conditioned to believe that the subconscious appraisal that underlies emotions can be wrong. In fact, it's the systematic bias against emotion that tends to create the wrong emotions.

"We think that rationality is good and emotionality is bad," he says. "The key thing is to separate normal emotion from pathologies. Emotions are there for evolutionary reasons. Emotion is not just impulse, but gut-feeling integration of experience and values." In other words, emotions make for rapid decision-making because they encapsulate integrative knowledge, detect relevance and get at real values with less rationalization.

**Prof. Risto Tainio** of the Helsinki School of Economics illustrated the usefulness of emotions in three episodes in the history of Nokia.

- In 1992, when the diversified company found itself with a debt crisis, CEO Jorma Ollila was able to leverage feelings of excitement, hope, fear and distress to rally employees and investors to his vision of reinventing Nokia as a global telecommunications company.
- Having sold investors in the vision, Nokia next had to make good on the promise. Divesting business units that no longer fit the core vision was easy compared to acquiring the new skills and competencies needed. This time, Tainio says, the dominant emotions that helped accomplish Ollila's objectives were relief, satisfaction, curiosity and joy.
- But in 1995, beset by production and logistics problems and surrounded by dogged competitors who had written them off, Nokia needed to be made of firmer stuff. This time, to create a sense of urgency and focus on hard choices, Nokia's culture tapped into the anger, pride, courage and determination of its workers.

"Affective learning is elusive. It's more likely to be found in some companies than others and in some episodes in others," he explains. But he adds, "Clearly emotion impacts learning and learning impacts emotion."

Similarly, **Prof. Peter Knoepfel**, Director of L'Institut de Hautes Études en Administration Publique (IDHEAP) in Lausanne, Switzerland, studied how learning occurs in and among public policy-making organizations. He concludes that ideas and values also play a more

important role than assumed by rational choice theory. He finds five conscious, sequential steps in policy-oriented learning: external *stimulus* must provoke *concern* in one or more actors. Concerns may be different for different actors, but the learning process begins when their concerns cause them to *alter* their network or form a new one and begin negotiating to achieve *consensus* at least on how they define the problem. Ultimately, there is a transition from behavior to action, resulting in *modified outputs*.

### LEARNING FASHIONS

In a session called "Fads and the Rediscovery of Good Old Ideas," **Prof. Alfred Kieser** of the University of Mannheim, **Prof. Keith MacMillan** of Henley Management College in the UK, and **Prof. Santiago García Echevarría** of the Universidad de Alcalá in Spain explored the role of intellectual and management fashions in organizational learning.

The consultancies have as much influence over life in office towers as the couture houses have on the cosmopolitan streets below. As Kieser points out, this can have two kinds of effects. By creating and shaping management trends and fashions, they are able to manipulating clients into a position of insecurity and dependency. Seen less cynically however, Kieser finds advantages. Management fads increase discussion of new concepts and hopefully lead to better understanding of the organization, learning new tools and alternative models of behavior.

If consultants attempt to use fads to differentiate themselves, MacMillan notes, perhaps it goes both ways—offering organizations the opportunity to evaluate their value. And like consultants, managers are also looking for new ideas to set themselves apart. The quality of ideas each of the parties develop and their ability to deliver on these ideas contributes significantly to their reputation and the trust their stakeholders may place in them. He points out, however, that it is equally important to build on "old" ideas whose time returns, as it is to generate new ideas, although reputations are often built more easily on being associated with introducing a new idea than on rediscovering an old one.

### LEARNING FROM THE PAST AND FUTURE

Considering that the WZB has recently broken with tradition and recruited, **Prof. Juergen Kocka**, a historian rather than a social scientist, as its President, it was particularly fitting that he chair the workshop on learning from the past and the future. "Learning and time have a lot to do with each other," he points out. Of course forgetting—or unlearning—and time go together, too. But Kocka adds, "Is learning always a good thing?"

Harvard Business School historian **Prof. Jeffrey Fear** emphasizes that, in fact, wrote learning from past lessons isn't always best. "There is a big difference between learning history and learning *from* history," he says. For example, past financial performance is a poor predictor. But history can be a useful repository of organizational learning and corporate memory, reconstructing the language and meanings that shaped decision-making in the past and understanding the sources of current culture and identity.

However he also feels, to echo Kocka's question, that since change management means overcoming the past, history shouldn't be a burden. "Organizations need to be oriented towards the future," he says. "For investors and stockholders, it's not what you did for me yesterday, but what you will do for me tomorrow."

Learning from the future, or course, is also a dubious proposition. **Graham Galer**, has been looking for better methods to identify the 'weak signals' of future change since he helped pioneer scenario planning at Shell (he is now an associate of the Global Business Network). Exploring alternate futures, he says, "challenges manager's mental maps." New ideas and strategies emerge. He adds that scenarios are also useful tools for testing current strategies are appropriate.

## ARCHITECTURE FOR LEARNING

In a workshop titled, "Creating Environments for Learning," Swiss Red Cross Vice President **Arina Kowner** led a discussion about how architecture and design helps to create a milieu of learning as well as how it sometimes impedes learning.

**Prof. Sheldon Rothblatt**, Center for the Study of Higher Education, University of California at Berkeley concentrated on the university as an institution of learning. He described the unresolved debate between two schools of thought in creating universities. On one hand is the use of urban space—a concept that goes back to the middle ages—where mature students learn both in and from the city. On the other is the "campus" concept, wherein students emerging from childhood, their teachers and researchers are separated from the hustle and bustle of daily life.

"We know that networks for future advancement are far more easily formed in intimate environments than in impersonal ones." Rothblatt says. "Insofar as university and campus design, architecture and symbolism encouraged personal and intimate relationships, learning as a social experience was reinforced."

The urban/isolation debate resonated with many of the workshop participants, whose companies are searching for an architecture that creates a milieu of learning for adults. This ranges from company training centers and corporate universities, which tend to separate

employees from daily business activities, to flexible office environments for everyday business that allow for maximum interaction and flexibility.

Architect **Michael Wilford**, who was a partner with James Stirling when the WZB's building was built in 1988, agreed that physical business environment can be developed "to nurture the creation of new knowledge and the sharing and storage of new knowledge and the sharing and storage of existing knowledge and experience."

Wilford described, for example, his design for a new European headquarters for medical device maker B. Braun Melsungen. The space emphasized openness and flexibility, and employees described reactions of losing their desks but gaining a whole building.

"Learning and creating knowledge entails moving into new territories and taking risks, exploring different approaches and engaging with people and ideas that might seem foreign and contradictory," he explains. "As an architect, I'm intrigued by the parallels in inquiry and speculation between the topics of organizational learning and architecture and how the built environment can be conducive to the dynamic development of knowledge and ideas."

Too often, modern schools, factories, offices and public buildings are undifferentiated. However, Wilford notes, buildings cannot be neutral—they always have personality and character. Architecture cannot be so rooted in economic considerations that it neglects the aesthetics. Research in hospitals, where patients have been proven to recover more quickly in well-designed environments, offers a useful analogy.

Moreover, a building or campus' impact on the learning process will change over time as the nature of social interaction continues to evolve. And only time will tell what influence humans will really feel from a built environment.

## ORGANIZATIONAL THEATER

If the conference raised more questions than it answered, perhaps that is as it should be. As theatre director **Robert Wilson** pointed out in his provocative closing keynote performance. Wilson has a reputation for creating spaces where people can think differently—including business people such as Dormann and his colleagues from Aventis, who have traveled to Wilson's Watermill Center on Long Island to hold retreats. Wilson de-emphasized the importance of having all the answers in both business and the arts and highlighted the benefits to be discovered from remaining open to surprises. He illustrated the creative impact of unexpected interactions on the development of ideas, drawing on his own life experiences.

"My responsibility as an artist is to ask questions. If we knew, there would be no point in doing it," Wilson says. "If I come to a conclusion, there is no dialogue."

Wilson's closing thoughts left participants reflective mood about their two days of unusually open and intensive exploration. Before leaving, many of those present started formulating plans together for seeking out new questions and creating more space and time for dialogue.

### **ABOUT THE AUTHOR**

Conference rapporteur **Steve Barth** is an award-winning independent journalist based in Los Angeles and a visiting scholar at Harvard University's Learning Innovations Lab. He writes on knowledge management and cutting-edge business topics for the Harvard Management Update and other publications. He was formerly editor-at-large for Knowledge Management magazine and senior editor for World Trade.

Also Contributing to coverage of this conference were Kathrin Böhling, Tanja Busch, Christiane Kerlen and Sophie Muetzel.