The learning organisation in small and medium-sized enterprises

A destination or a journey?

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Introduction

As the rate of change and uncertainty in the environment in which UK small and medium-sized enterprises (SMEs) operate continues to accelerate, so too do the demands on all the members of the organisation to respond more rapidly to market demand, while at the same time being continually under pressure to improve the quality of the company's product or service. Indeed, the notion of organisational effectiveness is increasingly becoming associated with stakeholder, rather than merely shareholder satisfaction (Hutton, 1996; 1997 and Welford, 1995 and for the notion of “employees as stakeholders”, Jones 1997).

In order to respond positively to the rapidly changing environment and to perform effectively in spite of uncertainty, firms need to devote much of their time and effort in listening carefully to their customers, while at the same time participating in the development of their organisations so that they are able to effectively respond to the changing business environment. It is the view of the authors that traditional forms of management for successful SMEs of the future will not be sufficient to meet these changing demands, and that wider participation in the development of the organisation and management of the business process will be vital ingredients for future organisational effectiveness. This paper has been written as a response to the foregoing. While the notion of the learning organisation is not yet clearly defined and many authors on the subject have difficulty in reaching agreement as to the exact nature of, and the key ingredients of, the learning organisation, many are agreed on the benefits (Burgoyn, 1995; Choueke and Armstrong, 1996). Perhaps, however, there is a need to try to reach a consensus through a working definition of learning organisation for the purpose of this paper. Pedlar et al.’s (1991) definition of the learning company seems to provide an appropriate platform for this discussion on the learning organisation in an SME context.
A learning company is an organisation that facilitates the learning of all its members and continually transforms itself (p. 1).

The benefit of the development of a learning ethos in organisations is not a new one. Revans (1982) has been advocating this through his action learning model for many years and his view that this model is highly appropriate for the development of effective SMEs is well documented. Revans (1982) offers the view that the development of action learning within the organisation is a key process for the development of the learning organisation. The provision of management training, management learning and management development for the SME sector is a growing activity. Although there is a considerable amount of uncertainty as to the impact on effectiveness and growth of business that these inputs contribute, (Stanworth and Gray, 1991; Storey, 1994; Westhead and Storey, 1996), there are a plethora of initiatives through the medium of the Training and Enterprise Councils (TECs), Business Link, consultants and both further and higher education which are currently available. Indeed one explanation for a shift in the emphasise of central funding from business “start ups” to a policy of “backing winners” (Storey, 1994) might be concerned with a reinforcement of the maxim that successful business practitioners are “born and not made” (Jennings et al., 1994).

However, a further methodological problem might present itself. There does appear to be some confusion in the literature as to the precise differences implicit in the terms mentioned above, those of management training, management learning and management development (Kirby, 1990). Alternatively Mumford (1993) suggests they ...

merge into one another both in understanding and practice. I use management development to describe the total process by which managers learn and grow in effectiveness; I do not regard it merely as the third leg of a tripod (the other two being management education and management training).

In many of the studies of the effect of investment in these areas, there is often a lack of a precise definition as to exactly what is being provided, and in what context, with the inevitable blurring of the result. As a consequence of the lack of precision in defining the nature of the process, there is a lack of consensus among researchers in agreeing the benefits (Kirby, 1990; Stanworth and Gray, 1991; Storey, 1994; Westhead and Storey, 1996).

As management developers in the higher education sector, we are aware of the received wisdom in which our sector is perceived as being out of tune with the problems and needs of the SME community (for example Gibb, 1996; Wills, 1993), and this in spite of a whole range of provision ranging from innovation and technology to organisational development. The Council for Industry and Higher Education (CIHE, 1997) provides evidence of many of the programmes and processes which are currently extant despite the real or perceived difficulties in developing relationships between SMEs and the higher education sector. Both our institutions are actively engaged in closing this gap. Management consultancy, management learning, technical and technical
support, information technology, and work-based undergraduate and postgraduate projects are currently being managed through both main stream academic departments, as well as the enterprise providers, within the institutions.

Research methods
Field research (Choueke, 1992; Choueke and Armstrong, 1992) was initiated in order to attempt to clarify some of the aspects of the relationship between the higher education sector and SMEs. The sample which included SME owners, managers and directors, as well as advisors, consultants and management developers from the higher education sector, was conducted in the North West of England. The research method comprised several stages and several different media gathered over a 12-month period. Different approaches to both gathering the data and interpreting the data were adopted in order that subjectivity might be limited. In the main, qualitative methods were chosen, as it was important for the researchers that individual views related to their context were elicited from the respondents. In all, 56 semi-structured questionnaires were completed by SME entrepreneurs, SME management learning providers, and SME advisors. The data from these responses were supported by a detailed literature review focusing essentially on management learning in the SME sector and 24 in depth, face-to-face or telephone, semi-structured interviews.

Armstrong’s (1992) research was conducted with 18 holders of the competency-based Certificate in Management, in an in-company management development programme. His primary method for the project was an application of the repertory grid technique (Dalton and Dunnett, 1990; Easterby-Smith, 1981), drawing on personal construct theory (Kelly, 1955; 1972).

Learning and SMEs
In trying to establish a platform from which to develop a view as to a more focused perception of higher education provision for SME, a question was posed to elicit respondents’ feelings as to what was effective management development, whether they believe that “activity based” or “knowledge based” was the more effective. “Activity based” scored the higher. A series of questions were then posed to elicit respondents’ views as to whether they felt that the higher education sector was providing “off-the-shelf” programmes and whether an individualised approach would be of more benefit. The perception that much of the provision is “off the shelf” confirmed the view that many respondents were not aware of the work of many institutions in terms of facilitating organisational development and providing mentoring to managers. Respondents were asked to identify which learning media were influential in their personal development, and as expected “past experience” was the major source of learning (Table I).

Armstrong (1990) also found “experience” the major “source of learning”. However, he warns that respondents found their “experience” difficult to define,
when they were pressed further on the matter. In a later piece of research, Armstrong (1992) investigates managers' learning contexts, as well as “levels of learning”. His findings suggest that learning within an “organisational context” is the dominant learning medium, and within that medium, “incidental learning” is the most frequently identified by respondents. Armstrong's findings, however, identify “social and domestic issues” as well as “self development” as less powerful, but still significant influences on learning within his sample (Armstrong, 1992).

Although Armstrong’s (1990; 1992) findings, and those of Choueke (1992) come as no surprise we need to look deeper into the effectiveness of “experience” as the central learning medium for enabling SME owners and directors to met the challenges of the current and future business environment. Indeed, we have already remarked on the difficulty participants in Armstrong’s research had in defining “experience”.

If we think about learning from experience in an organisational context managers build, and draw off the experience held in a store of previously enacted scenarios. We might perhaps compare the learning outcomes for the manager with Argyris's model of “single loop learning” (Argyris, 1977), in which:

Organisational learning is a process of detecting and correcting error. Error is for our purposes any feature of knowledge or knowing that inhibits learning. When the process enables the organisation to carry on its present policies or achieve its objectives, the process can be called single loop learning (p. 116).

What Revans (1982) advocates in his action learning model not only translates into more effective management, but also has an effect on the focus, structure and operation of the organisation, in terms of enabling the necessary responses to a rapidly changing external environment. This approach being in tune with Argyris’s model of “double loop learning” (Argyris, 1977). Double-loop learning facilitates an additional dimension, that of not only detecting error but:

now questioning underlying organisation policies and objectives (p. 116).

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<td>Past experience</td>
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**Table I.** Table of “significant learning media”: SME respondents

**Note:**
Respondents could identify and select any number of learning media from the range suggested

**Source:** Choueke (1992, p. 110)
The research carried out by Armstrong (1992) confirms identifiable levels of learning among his sample which support, in practical management contexts, Argyris’s model described above. Armstrong, however, identifies three levels of learning, rather that the two models suggested by Argyris.

**Action learning SMEs**

In order to operationalise the term “action learning” for the research, the concept was briefly defined as follows:

A ction learning is a means of development, intellectual, emotional or physical that requires its subject, through responsible involvement in some real, complex and stressful problem to achieve intended change, sufficient to improve his (sic) intended behaviour henceforth in the problem field (Revans, 1982, pp. 626-7).

The research question was asked as to whether respondents felt that action learning was a more effective management learning process in an SME context. The overwhelming response was affirmative. This positive feeling towards action learning as a medium for learning and development in SMEs was also clearly apparent in the deeper semi-structured interviews with owners, managers and directors, as well as advisors and academics. The positive feeling towards a model of action learning as an appropriate medium for SME management learning as also apparent in current empirical work with SME entrepreneurs (Chouke, 1996).

The following are a range of comments on the perceived benefits of action learning from a selection of respondents in the original research project (Chouke 1992):

- I am familiar with Revans, the focus is on asking the “right” questions. It’s the only way to learn but providing action learning has the underlying support, mentors and group knowledge (SME director).

- A programme that is predominantly “hands on” with sufficient review time to enable learning from the experience; mistakes or otherwise (SME director).

- Personal development to satisfy my growth need or deficiency (Academic – SME management development provider).

- Absence of the academic approach and a willingness to recognise that practical experience is just as relevant as a piece of paper gained in a vacuum (Independent consultant to SME).

- The key model for me is the learning organisation, self-knowledge firstly, the individual and then the group. What are the individual and the group’s strengths? What are their learning styles? (Independent consultant to SME).

- [Colleagues] were much more aware of the wider business, much more willing to learn about the needs of the business and particularly the importance of profitability as against turnover which of course the sales person normally wouldn’t consider ... their commitment literally changed overnight (SME managing director).

**Experience in higher education**

Indeed, the process has been successfully utilised as a means of delivery of management development programmes for the SME sector at both Edge Hill
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University College and the University of Central Lancashire. The programmes at Edge Hill University College were at pre-start up, immediate post start-up and moving business forward levels. Participants felt positive about the action learning programmes, and were clear that the process had moved them on and that it was having a positive effect on their businesses. Perhaps this is more effectively illustrated by the following feedback from participants:

The course has been a great help to me and I have met new people who are experiencing similar problems to myself, and being able to discuss my problems and get feedback is a great help and I do not feel so isolated. It would be of benefit to continue having contact with them.

Listening to other members on the course helps me with new ideas as their opinions differ from my own so I can look at things from another angle.

Since starting the course, I am more aware of how inadequate we have been in some areas and realise we had ignored some important areas and just plodded on hoping for a miracle.

The discussion with other course members has generated ideas that I feel can be applied to our business.

Now looking at the business in a more critical way.

Contact with several of the participants some months after the programme had ended, revealed that they were still meeting on a regular basis and were continuing to engage the action learning process. They felt that the process was still having a positive effect on their management performance and on the development of their businesses.

The learning journey

The reader might now pose the question as to the reason for the concentration on action learning in a paper whose focus is the learning organisation? Revans’s (1982) view is quite firm. The development and diffusion of action learning through the organisation provides both the milieu and a key ingredient for the embarkation on the learning journey towards the learning organisation (Burdett, 1993; West, 1994). Indeed, Mumford (1991) substantiates Revans notion:

Action learning has more in common with developing ideas about the learning organisation, since challenging work on real projects with a specific learning objective is after all a major part of the process of an organisation constantly changing itself (p. 37).

There is a strongly held view which is shared by a number of management writers (Burgoyne, 1995a; Lessem, 1990; Pedlar et al., 1991; Revans, 1982, and supported by the findings in Choueke, 1992; 1996) that the growth of the learning organisation model through the development of action learning is a social process and is organic. The action learning process extends both the ethos and the practice of enquiry and learning through the organisation. The benefits are clear if we believe that learning leads to openness, flexibility and responsiveness to change. The result of extending distributes power within organisations more evenly, through a process of empowerment and enabling,
thereby extending the notion of “ownership” of action and decision making through the organisation. Indeed developing the idea and the practice of stakeholding progressing to stakeholdership!

Let us now turn to some of the practicalities. There are several questions which have arisen as a consequence of both interview transcripts with SME owner managers and directors and from the literature, and which would need to be addressed in order to convince them that power sharing in the organisation through widening questioning and reflection would be beneficial to the business.

If the learning organisation model is so effective in terms of business performance, why isn't it more widely used? For the sake of this paper, we shall deal briefly with two explanations. In a sense, both of these explanations have their roots in the entrepreneurial personality. Entrepreneurs according to the literature are by nature individualistic, desire almost total control on the direction and policies of the organisation and find delegation difficult. This constraint can be further exacerbated when direct control of the company is in the hands of a family oligopoly. (For a wider discussion on entrepreneurial background and personality see Chell et al. (1991), Jennings et al. (1994), Cox and Jennings (1995), Holliday (1995)) A second barrier possibly emerges from negative feelings of SME owners, managers and directors towards the higher education sector in general and academic research in particular. This feeling towards higher education is, it could be argued, a matter of received wisdom, however the negative view was supported by the respondents to the empirical study (Choueke, 1992).

Perhaps a major part of the fault lies with the higher education sector in that it has the opportunity to make stronger local links with SMEs yet often fails to do so. Certainly business and management studies departments should have the skill, language and experienced staff to enable effective communication in the first instance.

Why entrepreneurs find it difficult to share power? This perspective is quite strongly argued in the literature, (see some of the examples cited above). However, as some of the high profile entrepreneurial icons who were casualties of the late 1980s and early 1990s have demonstrated, the nature and structure of organisations do change through time. Concomitant perhaps with those changes to the structure come a requirement for a shift in management emphasis from entrepreneurship to professional management. While those writers who focus on life cycle development of organisations (Greiner, 1972; Scott and Bruce 1987) have been critiqued for offering models which are over simplistic, and representing a growth pattern which is often atypical, it is clear that they offer an aid to understanding, and indeed, there are company case studies whose history, at certain stages in their life, do coincide with the “crisis-growth” pattern.
Often, the need to devolve power and decision making is not perceived by the entrepreneur until the crisis has taken hold, and then fundamental short-term changes need to be triggered which can be both painful and damaging.

Perhaps however the following view by an SME owner, whose company had recently experienced almost a terminal crisis provides some hope.

I don’t mind letting go. I don’t feel threatened by other people making decisions and mistakes. I don’t like it when it happens, it hurts when it happens, but I know we have to go through that now. I can take it.

When we are struggling for survival, we have not got the time to be engaging in esoteric discussion and learning. We need immediate results?

This is another common response which was picked up in empirical research (Choueke 1992). One of the major problems which business has been facing over the past 20 years, is the problem of short-termism (Hutton, 1996). Success or otherwise of companies has been measured in short-term bottom-line returns, which have led in some cases to opportunistic strategies, while at the same time downsizing and resultant employee insecurity (Hutton, 1997). If companies are to grow, and to generate longer-term and more secure employment, they must be allowed to take a longer-term view. This would enable them to invest in the development of their people, in order that a sense of ownership is diffused through the organisation.

The company then has the opportunity for more empowered and enabled people to navigate effectively through change and uncertainty. Indeed, it is a key role of management to manage change effectively, in order to generate a learning culture within the organisation which produces the climate not only to survive but to flourish.

How can we implement a learning model in a practical context when the concept of the learning organisation is so difficult to tie down?

Pedlar et al. (1991) consider that:

The learning company is a vision of what might be possible. It is not brought about by simply training individuals; it can only happen as a result of learning at the whole organisation level (p. 1).

While many writers on the learning organisation and organisational learning would differ as to the interpretation of the specific qualities of the learning organisation, (Bennett and O’Brien, 1994; Garvin, 1993; Pearn et al.,1995; Senge, 1990) we feel that there would be a level of agreement with the view expressed above. Indeed Burgoyne concludes a recent paper, (Burgoyne, 1995) with a perspective which addresses the doubts expressed in the question above most effectively:

The learning company is not a standard formula to follow, or a proven winning formula to be benchmarked and imitated. It is a proposal, an invention and a broad concept that is the best suggestion that can be made about how work and organisations proceed in this period of history. It is for us all to experiment with responsibility and imaginatively through a process that will itself be one of learning and discovery (p. 25).
Isn't extending effective marketing effort in the organisation going to produce improved profits, not extending learning?

Received wisdom tells us that one of the key strengths of the SME sector is their closeness to the customer (Slater and Narver, 1995). Theoretically the knowledge which the SME marketer has of his or her customer base and their businesses enables change in terms of the individual customer demand and signals from the market to be perceived and managed in a speedy and effective manner.

We argue that enhancing and developing a learning culture through the organisation strengthens the process described above dramatically. To the extent that every member of the organisation becomes increasingly customer orientated and customer focused. That the nuances of communication both overt and covert from the market are picked up and responded to quickly and effectively. Indeed, Slater and Narver (1995) in their paper identify strong links between effective marketing and organisational learning. In articulating their argument, they draw on DeGues (1988) and Dickson (1992) and write:

Thus, the critical challenge for any business is to create the combination of culture and climate that maximises organisational learning on how to create superior customer value in dynamic and turbulent markets, because the ability to learn faster that competitors may be the only source of competitive advantage (p. 63).

Conclusion: a destination or a journey? The ongoing debate?

We can see from the foregoing, the learning organisation, both as a concept, and then as a practical management model is difficult to define. That there is still much debate as to the key attributes of a learning organisation. However, there appears to be consensus among many of the writers that continuous learning is an essential ingredient in the effective management of change. We have discussed the link between effective marketing and learning, especially in the SME sector, a similar proposition could be made in relation to new technology and learning – we considered the proposition that learning faster than competitors in a rapidly changing environment can generate competitive advantage.

What can we do as key players in support of SME, either as people involved in managing SMEs, or advisors or academics? Sadly, we cannot, at this stage, provide a blueprint, however, what we can do is to suggest some approaches.

If we revisit the earlier discussion in this paper which focused on many SME owner managers, managers and directors perceiving their major source of learning from experience and that being their preferred learning medium. We can then return to Burgoyne (1995a) for some support.

Burgoyne (1995a) writes:

LFE (learning from experience) is defined as learning which is more closely linked to the creation of the knowledge that it is learned through the active interpretation of experience by the learner, as opposed to the internalization or absorption of pre-created knowledge (p. 61).

Later in the same paper by Burgoyne (1995a):
The core proposal of this paper is that LFE is undergoing a change from individual learning from concrete experience to collective learning in social contexts, which is itself shaped by a movement from the TM (transitional myth) of initiative, enterprise and self-development to one based on quality excellence and collective learning (p. 63).

We contend that action learning in the organisation, in practical terms, can be the starting point for the embarkation on the journey towards the learning organisation. This belief is justified through empirical research, through consultancy and teaching and through the evidence of a plethora of past and current management writers. It is also our belief that the chain of events triggered by the embarkation to action learning and the growth of a learning culture within the organisation is the beginning of a long and possibly never-ending journey. The learning culture and climate created by action learning produces the trust, openness, flexibility and eventually effectiveness which leads to the competitive advantage described earlier by Slater and Narver (1995). We may never reach the goal of becoming a learning organisation. We may almost ascribe to that goal and not be aware of our proximity. The key facet is the journey, the culture of continuous learning for all, in a climate trust and openness.

As the ancient philosopher wrote:

A great square has no corners;
A great work is never done with;
A great shout comes from a whisper,
And the greatest of forms

References


