Small business development and the “learning organisation”

Peter Wyer, Jane Mason and Nick Theodorakopoulos
De Montfort University, Bedford, UK

Keywords Small firms, Learning organizations, Organizational learning, Strategic management

Abstract The paper proffers a tentative conceptualisation of the “small business strategic learning process”, demonstrating the complexity of the small firm learning and management task. The framework, built upon personal construct theory and learning theories, is elaborated through the grounding of relevant areas of the strategic management literature in an understanding of the distinctive managerial and behavioural features of the small business. The framework is then utilised to underpin consideration of the concepts of “organisational learning” and the “learning organisation” within a small firm developmental context. It is suggested that whilst organisational learning may be a key and effective small business management approach to underpin sustainable development, the learning organisation, as currently conceived in the mainstream literature, fails to recognise and address the idiosyncrasies, problems and constraints relating to sustainable small business development. There does appear, however, to be great potential for extending understanding of the learning organisation concept into the small business context. An indicative research agenda is suggested.

Introduction
The primary aim of this article is double pronged: first to proffer the benefits of an “organisational learning” perspective to the enhancing of understanding of small firm strategic development; and second, to propound that the concept of the “learning organisation” as currently debated may be substantially at odds with the characteristics and operating features of the small business.

The article commences by drawing upon personal construct theory (Kelly, 1955) to first demonstrate the complexity of the small firm management task and to then provide the foundations for the development of a theoretical framework of the small business strategic learning process. The build up of the framework is underpinned by a multi-dimensional insight into organisational strategy formation and development derived from the various schools of thought constituting the strategic management literature. The essentially large company orientation of this literature is highlighted and addressed by grounding the insight provided by that literature in an understanding of the distinctive managerial and behavioural features of the small firm built out of the emerging small business literature.

This article is part of a special issue of papers entitled “Policy and support for entrepreneurial behaviour (Part 2)”, edited by David Deakins.
The theoretical propositions underpinning the framework are supported with empirical insight from the real world of small business practice to demonstrate the role of organisational learning in the small firm strategic control of its unpredictable external operating environment.

The article then proceeds to suggest that much key literature confuses “organisational learning” and the “learning organisation” and to consider why the concept of the “learning organisation” is an ideal to which many small businesses will be unable to aspire. Our theoretical framework of the small business strategic learning process will be utilised to conceptualise organisational learning as activities and processes underpinned by individual and collective learning which if effected in some “perfect” form would manifest in an “ideal” learning organisation model. That is to say: “This ideal organisational form is characterised by the fact that individual and collective learning are key. On the other hand, organisational learning is the activity and the process by which organisations eventually reach this ideal of a learning organisation” (Finger and Burgin Brand, 1999). Such a conceptualisation enables us to consider our theoretical framework in its totality and in constituent format to facilitate examination of the nature and form of requisite small firm strategic learning activities and sub-processes within the context of the idiosyncratic and unique operating features of the small firm.

We are able to conclude that for the small business to become a learning organisation it must confront and circumvent many imposing conditions whose origins are embedded in the small business culture and structure, owner-manager- and size-related constraints and in personal and political “human processes”. Imposing conditions which when intertwined with the vagaries of an essentially unknowable impacting external operating environment are likely to confound much of the complex organisational learning activities and sub-processes necessary to path the small firm toward a “learning organisation” status. Emphasis is on a future research challenge which seizes on the potential to extend understanding of the learning organisation concept into a small business developmental context.

**Theoretical foundations**

*Demonstrating the complexity of the small business learning and management task*

That the international operating environment in which small business must strive to develop is subject to relentless change is by now well-documented. Considerable attention is devoted to communicating how a substantial restructuring of the world economy is unfolding in terms of political, economic, technological and social changes. Development processes, it is emphasised, are culminating in a “truly global market place” and underlying change forces will manifest continuous transformation of that market place exerting relentless demands on business organisations to incessantly seek out solutions in order to maintain competitiveness (see Kinsey Goman, 1994).
It is, however, becoming too easy to conceptualise tritely the external operating context of the small business as dynamic, fast changing and increasingly complex, as a stage upon which the small firm owner-management must perform by identifying relevant change issues and seizing underlying opportunity. It is not that such a conceptualisation is wrong, but rather that discourse can tend to proceed at a level of superficiality which fails to capture the real degree of complexity associated with the small business management and learning processes necessary to identify, understand and act upon much of the change situations with which the contemporary business organisation must cope. In developing the theoretical foundations of our research we draw upon Stacey’s (1990) categorisation of different change situations which begins to reveal in more depth the level of difficulty facing contemporary business striving to cope with a hostile change environment. Such a categorisation distinguishes between closed-change situations whereby the timing and consequence of events can be predicted in the short-run; contained change whereby repetitions of the past provide the foundations for projection and can be underpinned by statistical analysis; and open-ended change whereby the timing and consequences of a change situation are totally unknowable and unpredictable. Given that the change situations facing contemporary businesses are predominantly open-ended in nature, Stacey points to the inadequacy of systematic, rational planning based management techniques for organisations attempting to effect strategic control of their environment.

This in turn raises the issue of just how successful small businesses gain understanding of their external operating environment and determine and effect appropriate actions in order to sustain development, often in the face of adversity. Stacey proposes that strategic control in open-ended change situations is one of organisational learning and it is in this which the foundations of our work are steeped.

Elsewhere we have examined the distinctiveness of the small business vis-à-vis the large well-resourced company (Wyer and Mason, 1998), suggesting that small businesses face potential unique problems whose origins lie predominantly in owner-manager and size-related characteristics and constraints. These constraining features contribute to the overall operating context in which a small business must learn about and act upon its change environment. Our build up of theoretical foundation which facilitates our study of how small businesses “organisationally learn” in the face of open-ended change draws initially upon personal construct theory (Kelly, 1955) in order to represent the small business learning task and the level of complexity associated with such learning.

A major premise of personal construct theory (PCT) is that of man the scientist. Kelly viewed human behaviour as anticipatory rather than reactive. Effectively, we as individuals have theories about our world around us and on the basis of these theories we develop particular hypothesis or expectations which are either fulfilled or not fulfilled in our attempts to
anticipate events. Depending, then, upon the outcomes of our “experiments” we either confirm our theory(ies) as relevant and appropriate to the situation to which we have applied it, or we dismiss the theory as inadequate and modify it. Put another way, we as individuals have personal constructs (or mental models) which we have developed from our past experiences and which we use as a kind of spectacles through which to view new change situations which face us. If these personal constructs act as adequate frames of reference against which to assess and predict the outcome of a new situation, we define them as relevant. But if the personal constructs prove to be inadequate frames of reference for dealing with the impacting change situation, then the assumptions upon which they are founded have to be surfaced and questioned and the constructs ultimately modified in order to allow us to deal with the change situation. This latter process is a highly complex learning process involving an extension of existing construct systems which requires a reconstruing of the course of events which are surrounding the individual. Within the context of a predominantly open-ended change environment with which business organisations must cope, the learning will be highly complex involving an extension of individuals’ constructs. Arguably, PCT definition and extension processes are analogous to Stacey’s (1990) simple and complex learning.

Extrapolating this theory into a one-man-band owner-managed business, it is reasonable to postulate that the extent to which such a business is able to sustain long-term development is dependent upon the owner-manager’s ability to identify and cope with impacting open-ended change situations by reconstruing and modifying his or her existing personal constructs and to effect appropriate change action in the business.

Taking the underpinnings of PCT one stage further assists in enhancing understanding as to why similar owner-managed businesses when faced with the same change situation and the same facts and insight with regard to the change situation act in a different way. A fundamental premise of PCT is that we as individuals “react not to a stimulus, but to what we interpret the stimulus to be” (Child, 1980). Thus, two owner-managers may stumble across the same facts or insight with regard to an unfolding change situation but how each reacts is dependent upon how he or she interprets the external stimuli (the facts or insight).

This is an important issue: facts or insight into a change situation must be considered in terms of an external stimuli which, if to adequately inform future internal change action, must be contextualised by the owner-manager into the specific small-firm context as a basis for the effecting of appropriate action. Essentially, this will require the modification of existing “ways of seeing the world” and involve the jettisoning of current models of understanding. A complex learning process which begins to offer explanation of why apparently similar businesses perform differently.
**Toward collective learning**

The key issue arises whether strategic learning within a small business, which we here define as learning about unfolding change issues and the effecting of appropriate action by way of adjustment to existing market, product and/or process activities, lies predominantly in the hands of the owner-manager. Or whether the small business is driven by a wider collective learning which anchors in the learning and understanding of other organisational members.

Examination of the distinctive features of the small business, including the disempowering structures embedded within the informalities and idiosyncrasies of the small business management activities and processes (see Wyer and Mason, 1998) allows us to derive the following assumptions. Given the potential self interest and learning capabilities of individuals within the small business, learning within such organisations will derive out of sources beyond that of the owner-manager in the form of other organisational members. Thus, learning in the small firm potentially derives out of the anchoring of understanding embedded in the personal constructs of its organisational members.

However, it is not possible for the owner management to access all personal understanding of all organisational members into a unitary whole for several reasons. For example, at an individual level, some understanding will remain embedded at a personal understanding level within the individual. For instance, for political reasons (see for example Lawrence and Lee, 1984) an individual may hold on to that understanding; or an owner-manager may lack the ability or willingness to anchor-in that understanding. At a team-level, understanding of individuals will form the basis of team-level learning, some of which may remain inaccessible to the organisation as a whole. In collective operational settings team members continue to impose an individual interpretation on events using their own unique spectacles of their own personal constructs to consider different observable facts within the same event (see Roth, 1996). Thus the small business should be viewed as consisting of thinking, learning individuals whereby a resultant understanding is partly anchored in an organisational-level collective meaning and understanding available for application by other organisational members and the organisation as a whole.

**The framework of the small business strategic learning process**

We thus have the developing foundations of a model depicting the small business strategic learning process which we diagrammatically represent as the left hand side component of Figure 1 (see Wyer and Mason, 1998 for a comprehensive development of this conceptualisation and tentative underpinning empirical insight). It is proffered that the small business is impacted by unknowable, unpredictable open-ended change situations. There is the potential for organisational members to pick up on external stimuli from key informants on the boundaries of its activities in the form of facts or insight about that change. Individuals picking up on this stimuli contextualise the
Figure 1.
Tentative conceptualisation of the small business strategic learning process
insight within the small business developmental context which can then be anchored through interaction with key decision-makers into a shared meaning. This process may involve trial and error or experimentation and an iterative interfacing with external informants. Subsequent learning may result in adjustment in terms of operational activities or strategic adjustment to existing focus on markets, products and/or processes activities. Integral to much of the overall learning activity is likely to be “learning by doing”, possibly encapsulated in some form of action learning (see for example Leitch and Harrison, 1999) and the dialogical interfaces as a key input to the learning process (Hawkins, 1994).

We at this stage have founded our conceptualisation upon personal construct theory and upon contemporary learning theories, with guiding insight from the political view of organisations. To rely solely on such perspectives, however, would be to leave us as researchers with an incomplete “tool kit” with which to attempt to understand small business development. There are many dimensions to the effective operation of the small firm. Small business owner managers, in sustaining development in the face of adversity, accommodate many complexities. It can thus be argued that to date in the build up of our framework we have relied predominantly upon a “learning school” orientation embedded within the strategic management literature and ignore other vital perspectives underpinning that literature base which are capable of further enhancing the utility of our model. One academic view would be that the various schools which constitute the strategic management base are merely competing and give alternative perspectives which provide confusion and contradiction in their explanations of the strategy formulation or strategic development process. We would counter that argument and instead support the views of Mintzberg et al. (1998) that “the field of strategic management needs to be opened up, not closed down; it needs reconciliation among its many different tendencies, not the isolation of each”. Indeed, we would expand considerably upon that view with the contention that the many different tendencies of the field need to be reconciled within the context of the distinctiveness of the small business. A major weakness of the strategic management knowledge base is its singular perspective within its respective schools, which derives at least in part, from its tendency toward a large company orientation focus. It fails substantially in its attempts fully to encapture organisational strategy development processes and in particular with regard to its explicit ignorance of what makes “small firms tick”.

Within this paper we accept Mintzberg et al’s contention that the ten schools which they categorise as constituting the strategic management knowledge base, all have weaknesses and fail to tell the full story of strategy development; and that, on the other hand, each makes an important contribution to understanding the phenomena. “There is a need to probe the important elements of each school, but we have to get beyond the narrowness of each school. We need to know how this beast called strategy formation, which combines all of these schools and more, really lives its life” (Mintzberg et al., 1998). Examination of the various
schools confirms the value of such an integrative perspective, but also confirms that the “probing of the important elements of each school” needs to be grounded within an understanding of the distinctive features and characteristics of the small firm.

Our model needs to concern itself with the small firm strategy formation process and with strategy content. A static orientation will occasionally be appropriate, but so too will be an understanding of the dynamics of the small firm contextual development process. We already encapture the key role of the “individual cognitive” and its extension into the “collective”. This underpins a learning orientation, but should not dismiss the potential for pre-determined planned activities. An emergent learning path may be facilitated by a visionary, entrepreneurial perspective, but may at times be enabled or constrained by political or power-based activities. It is thus to the various strategic management schools which we turn to assist in illuminating the main concerns which constitute the enabling/constraining operating context of the small business, and which we ignore at our peril in attempting to better understand the sustainable development of the small business.

Elaborating the model with multi-dimensional “strategy formulation” insight

Drawing upon our own empirical work to date we have been able to begin to couch insight from the perspectives offered by the various strategic management schools into the small business context and determine its potential for underpinning the further elaboration of our model. In undertaking this task we visit the literature of the various schools and draw upon the excellent synthesising insight offered by Mintzberg et al. (1998):

- The entrepreneurial school predominantly suggests appropriate strategic behaviour through postulating the unfolding of strategy formulation as a process whereby organisational leadership creates a vision of the future. Such a vision for this school is underpinned by shared values and forms the glue by which the organisation is bound together as it strives forward through the build up of understanding of the uncertain environment by ongoing learning activities (see for example Hamel and Prahalad, 1989). Our strategy development research within the small business context supports the notion of “vision”, not as a future target to be pursued, but rather as a qualitative mental target in the form of a “preferred end” in terms of markets, products and processes focus which the owner-manager(s) currently feels the firm should develop – given present understanding of the firm’s external environment. This, then, is not a “fixed” vision to be uncompromisingly pursued, but rather a flexible mental framework manifesting more in “management by direction” than the utilising of some target objective or target vision (i.e. “we feel we should be pointing in this direction for the future, given our present understanding, but we will adjust this if our learning unfolds a
modified understanding of apparent opportunities or threats”). We thus conceptualise strategy formation in the small business context as informally and flexibly visionary and underpinned by “management by direction”.

• Integral to this is our key premise that the small business strategy learning process is more appropriately founded on strategy formation as an emergent process and thus the core sub-processes and foundation of our model are most effectively portrayed by the learning school which, as emphasised by Mintzberg et al. (1998), sees the world as “too complex to allow strategies to be developed all at once as plans or visions”, so strategy must emerge in small (incremental) steps as an organisation adapts or learns.

• Conceptualisation of the strategy formation process as essentially a learning process, for us, has been elaborated out of the contention that an organisation consists of individuals who progress through defining and extending their personal constructs in the face of similar and totally new unfolding change situations which confront them. Thus, the cornerstone of an organisation sustaining development through learning processes is that of individual learning. This at the strategy development level implies strategy formulation in the mind of the individual and thus involves individual cognition, insight of which is provided in the strategic management cognitive school. Whilst recognising the potential for guiding insight from this school, through the utilisation of personal construct theory as the foundation of our model, we “holisticise” cognitive processes by building around the weakness of cognitive theory’s failure to accommodate the influence of “emotions” and “feelings” which the individual experiences as an awareness that his or her current ways of understanding the world are challenged (Beck, 1980). “Construing is at all levels of awareness, thoughts, feelings and actions in appropriate (personal) harmony. It is essentially a dynamic search for personal understanding, which, according to Kelly, is gained by recognising similarities and differences in our experiences” (Banister et al., 1994). “... experiences are rarely completely emotional, cognitive or rational. Construing is not thinking or feeling but an act of discrimination that may take place at many levels of awareness, from intuitive thought through to verbal, which then enables us to anticipate future events. We are forms of motion, an integrated whole, not separate systems of body and mind. Rational and intuitive knowing need to be acknowledged as equally valid, as integral parts of human experiencing” (Banister et al.). We thus acknowledge the potential for underpinning our model with insight provided by the cognitive school but augment its shortcomings through incorporating consideration of the influence of the transition states of emotions and feelings within individual organisation members as they strive to cope
with change. In PCT, we are incorporating a “theory of the whole person”.

- Our emphasis upon the cognitive school and wider conceptualisation within PCT provides context for enhancing understanding of essential base inputs to strategy formation by individuals within the firm, but as a basis for further recognition that in most instances strategy is a “collective” process involving key individuals within the organisation. Whilst an individualistic theory, PCT’s wider embrace of the individual as an integrated whole offers more rigorous underpinnings for understanding the behaviour of individuals within the small firm in the face of a changing world, within an individual, a team and an organisation context. In this respect we also turn to the cultural school of strategic management for supportive context in its portrayal of strategy formation as a collective and cooperative (rather than individual) process. Insight from this school would emphasise that strategy formation is rooted in the culture of the organisation. “In the extreme case of an owner-managed company, the ‘organisational culture’ typically reflects the personality, traits and aspirations of the owner-manager which in turn helps to shape the enabling and constraining forces affecting the firm” (Wyer and Smallbone, 1999). We thus posit the owner-manager as a central pivotal figure within the small business context, but as a key decision maker who must anchor in the understanding and knowledge of other key organisational members to effect the build up of collective understanding and to give emphasis to how individuals, if they are to interact effectively, must, at least in part, successfully construe the construction processes of their colleagues – that is, as emphasised in Kelly’s (1955) sociality corollary, they must attempt to empathise. His commonality corollary offers explanation as to similarity of behaviour in terms of construing experiences in the same way using a shared framework.

- Our empirical investigations to date suggest that it does appear prudent to posit the small firm as capable of developing collective meaning and knowing in the form of shared understanding of how things work in the organisation and its environment – this deriving out of the anchoring of at least some knowing and competence of the organisational members. This in turn implies dismissal of two extreme possibilities: firstly, of the possibility that all knowing and understanding can reside solely in the owner-manager (except in the case of the one-man-band owner-managed business); and secondly, of the possibility that the small firm acts as a human cognitive system which has knowledge, observes, decides and learns. Both of these extremes are limited by underpinning human processes as reflected in that school of thought which portrays organisations as individuals and groups pursuing different interests. This “political” view is
founded on a “pluralist” model which posits the organisation not as a unitary whole but as a loose “coming together” of sectional groups and individuals underpinned by conflicts of interest. At one level the organisation is made up of competing individuals and compromising interest groups and at the other level the organisation is itself an interest group (Lawrence and Lee, 1984). Clearly within such a context it is misguided to portray the business organisation as acting as a single human cognitive system – it is inanimate, it cannot observe, decide or learn. It is not a unitary thinking system. Equally, it is unrealistic to conceptualise owner-manager learning as a proxy for organisational learning. Crucially, given the potential self-interest and learning capabilities of all individuals within the small business, learning within such organisations will derive out of sources beyond that of the owner-manager him or herself (that is, from other organisational members). Beyond the one-man-band, learning potentially derives out of the anchoring of understanding embedded in the personal constructs of its organisational members. As highlighted earlier, that such personal understanding cannot be fully accessed into a unitary whole leaves the organisation as consisting of thinking, learning individuals, with a resultant understanding remaining: at least partially, embedded at a personal understanding level within the individual; forming the basis of team-level learning and action; and anchored, in part, in an organisational-level collective meaning and understanding which can be applied by other staff and workforce within the business by the business either individually or as an “organisational collective”.

- Integral to the proposition of small business strategy formation and development as an unfolding processual, collective-learning and yet potentially political phenomena is the issue of whether rational, systematic planning modes of management have a role to play in sustaining small business strategic development. Utilisation of the multi-dimensional perspectives discussed above certainly dismiss the ability to rely upon prescriptive contentions of the planning school in the strategy formation process in its totality. However, our tentative empirical studies are emphasising how “planning” does nevertheless have key functional roles to play within sustainable business development, for example, in the identification and allocation of resources and programming of activities with regard to appropriate adjustments to existing markets, products and/or processes activities which strategic learning processes have unfolded. Moreover, it appears that the deriving of understanding of small business development processes can be informed by the positioning school of thought, though in the small business context it appears inappropriate to adopt its prescriptive “this is how strategy should be formulated” stance. Mintzberg et al. (1998) underline how,
for this school, strategy formulation is an analytical process with greater emphasis on actual content of strategising than with the process of strategy formulation. On the face of it we learn from this school the value of historical industry and competitor analysis as a basis for pre-determination of market positioning of the business; including “a ‘language’ for considering the bases of competitive advantage” (Johnson and Scholes, 1997). Within the small business context, it appears appropriate to temper the propositions of this school in so much as the idiosyncrasies and informalities of small business and the unpredictability of its external operating environment predominantly require an unfolding learning process of strategy development. Analysis is only one aspect where intuition, judgement and synthesis within ongoing learning processes and activities are the key ingredients of a process which unfolds understanding of what might be appropriate positioning. Thus, what the positioning school offers is guiding insight into the implications of alternative positioning strategies (for example Porter, 1980), but what is an ultimate “selected” strategic position for a small business is more likely to emerge, and even be “tried out”, than is a predetermined strategic development path determined by historically-based pre-analysis.

- Crucial to our overall conceptualisation is the way in which a particular small business frames its relationship with the environment. Here we are able to turn for some guiding insight to the environmental school whose interest focuses upon providing understanding of forces and pressures which impact the business. Our empirical insight, however, calls for modification of the key premise underpinning this school which posits strategy formation as a reactive process whereby the business organisation forfeits individual initiative to the external environment. For us, many small businesses do frame their relationships with the external environment as necessarily receptive to the forces of the environment, thus operating in a reactive and adaptive management mode. However, our research evidence to date suggests that successful small businesses recognise how they can themselves influence as well as be influenced by the external operating environment and have potential to co-create their own environment. This in turn is supported by our propositions of the “learning” nature of small business strategy development. The need is here highlighted for modification of narrow academic assumptions relating to small business interpretation of its environment and the value of proceeding on the assumption that we may find from time to time reactive/adaptive, proactive and/or co-creating management approaches to framing relationships with the external environment (see Dixon, 1994). Strategy formation for successful small businesses
may therefore be a predominantly “co-creating” process rather than the essentially reactive process propounded by the environmental school.

Our work relating to the conceptualisation of small business strategic learning and development is thus proceeding with the consideration of the orientations, tendencies and dimensions of the various strategic management schools of thought within the context of understanding of the distinctiveness of small business, an indication of which is presented above. This we demonstrate in the right hand section of Figure 1 by portraying how enhanced understanding of small business strategic development is likely to derive from a multi-dimensional insight to which the various strategic management schools can greatly contribute.

The small business as a learning organisation: an unattainable ideal or a reality?

*What is a learning organisation?*

Having propounded the benefits of conceptualising small business development within a strategic learning context, the question arises as to the potential for positing such organisations as “learning organisations”. In the contemporary literature there appears to be some confusion between the conceptualisation of the “learning organisation” and “organisational learning”. The terms are often used “interchangeably” (Denton, 1998). The concept of a learning organisation has gathered momentum since the late 1970s building upon the work of contributors including Argyris and Schon (1974), Garatt (1987), Senge (1990) and Pedler et al. (1991). One of the most commonly utilised conceptualisations of the “learning organisation” is that of Pedler et al. (1991) in their work on the “learning company” as “an organisation that facilitates the learning of all its members and continually transforms itself”.

It is suggested that the concept of the learning organisation has elements of prescription in that it follows the Western conceptualisation of adoption of, for example, Japanese practices incorporating the philosophy of total quality management. Organisations in search of the elixir to efficiency, effectiveness and competitive advantage have perceivably adopted the “prescription” of managing people via such formulations and titles as “flexible organisation”, and “learning organisation” (Sisson, 1994). This premise of prescription is supported by Finger and Burgin Brand (1999) who suggest that the learning organisation is an “ideal”. Marchington and Wilkinson (1996, p. 170), drawing upon the work of Pedler et al. and others determine eight principal characteristics of a learning organisation:

1. The creation of opportunities for learning, not just in a formal sense but also from everyday actions which are debated, reviewed and questioned.

2. The design of structures and cultures which ensure that all employees feel that they are encouraged to learn, to question existing rules and
practices, to experiment with new ideas, and are empowered to contribute to decisions at all levels.

(3) The development of managers who are totally committed to facilitating learning by the adoption of “open” and participative approaches to decision making.

(4) The acceptance that mistakes will be made, but that they are an essential part of the learning process.

(5) The provision of learning opportunities for all employees, not just managers, and the assumption that, with appropriate guidance, each employee should assume responsibility for his or her own learning and development.

(6) The implementation of systems (accounting and other data) designed to be accessed by users rather than experts.

(7) The breaking down of barriers between different individuals and departments to encourage open communication and ways of working, and the creation of internal supplier-customer relationships.

(8) The learning approach to strategy, meaning, according to Pedler et al. (1991, p. 18) that “Managerial acts are thus seen as conscious experiments rather than set solutions”.

While at least in part accepted by learning organisation “architects” as somewhat idealistic, such propounded characteristics are indicative of the types of tangible practices which, if implemented, would form the operational parameters of a “learning organisation”.

In attempting to produce working understanding of just what a “learning organisation” is, it is important to distinguish the underlying processes of “organisational learning”. Denton (1998) views organisational learning as: “the distinctive organisational behaviour that is practised in a learning organisation”. This is supported by Finger and Burgin Brand (1999) who suggest that “organisational learning is the activity and process by which organisations eventually reach the ideal of a learning organisation”. These activities and processes are complex, for example, Morgan (1997) in identifying those organisational characteristics perceived necessary for learning to take place, emphasises that realisation of the characteristics is very difficult in practice. Fiol and Lyles (in Danau and Sommerlad, 1996) highlight the importance of “contextual factors” in terms of organisational learning, including culture, strategy, structure and environment.

The concept of the learning organisation within the small business context
In this section we utilise our model depicting the small business strategic learning process, considering it in its totality and its constituent format to facilitate examination of the nature and form of requisite small firm strategic learning activities and sub-processes which underpin sustainable development.
Our summary insight into the characteristics of a learning organisation is in parallel utilised to portray an “ideal form” learning organisation as a frame of reference for consideration of the extent to which the concept of the learning organisation has potential application in the small business context.

A foundation issue relating to the utility of the learning organisation concept is that of its evolution having seemingly taken place within a large company context, including the articulation of organisational activities and processes which are pre-requisite to the operationalisation of the concept. For example, many of the characteristics highlighted above appear to have time, resource and structural implications more relevant to the large organisation and the examples used to exemplify the learning organisation in action are more often than not large companies (Tan 1999, for instance, cites Levi Strauss and Co. and Motorola as examples of good practice).

A solid starting point for consideration of the potential for the small business achieving learning organisation status is recognition that “it is not a little big business” (Welsh and White, 1984) but that the small firm is distinct from the large company in qualitative as well as quantitative terms in ways which can substantially constrain the nature and pace of development. As mentioned above, we have substantiated this proposition in earlier works suggesting that because of owner-manager and size-related characteristics and constraints the smaller business can be conceptualised as a potential unique problem-type (see for example, Wyer and Mason, 1998; Wyer and Smallbone, 1999). It is thus the distinctiveness of the small firm and the unique problems and constraints it potentially faces which provide the interpretative context for considering its potential for proceeding toward a learning organisation status. The following are indicative issues which may constrain such progress:

- A learning organisation requires the commitment of top management to learning in terms of provision of development opportunities and support structures and of adequate underpinning resources. Within the small business, owner-manager motivations, attitudes, values and/or abilities can be constraining. For example, attitudes and values of independence, autonomy and control are common: instances abound where the owner-manager does not want to place key workers in positions whereby they can question his or her authority; or information or knowledge may be jealously guarded because it is regarded as sacred to the business. Similarly, an owner-manager may struggle with the notion of a more open democratic management approach which bestows power on either employees or external key informants (such as suppliers) as a source of new ideas or key input to problem identification and solving.

- Such an owner-manager related constraint may, moreover, not reside fully within the owner-manager’s control. For example, many small businesses face a marginal labour market (Curran, 1988) whereby, because of lower wage levels or career path opportunities vis-à-vis large companies, they attract less able, less experienced or less committed
workers and managers. Thus, even for an owner manager who is looking to sustain development through a more democratic involvement of key workforce in developmental activities and problem solving, a lack of capable and trustworthy staff may constrain such actions.

- The learning organisation pre-requisite of creating opportunities for learning from everyday actions may be more difficult to implement in the small business context. Such a philosophy must be underpinned by time and resources, effectively by an ability to build slack into the system. The pressing nature of meeting today’s delivery schedule may, for many small firms, see the need for reliance upon a “quick fix” in the face of unexpectedly arising problems. The “space” to approach everyday actions through debate, review and questioning is likely to be constrained within many small firms. Integral to this is not merely an issue of “mindset” and understanding in terms of recognition of the potential to use arising problems and existing work situations as a learning vehicle, but also of ability: management ability to create an environment and climate conducive to such learning actions; and management and workforce ability to actually effect relevant single- and double-loop learning (Argyris and Schon, 1974) appropriate to the problem or situation in hand. Moreover, a central part of the learning organisation culture is an acceptance that mistakes will be made and form an essential part of the learning process. It is possible that the smaller business is constrained by an inability to carry costs, financial and time costs, with regard to mistakes incurred and that for these “cost” reasons mistake making is discouraged and even punished. It is here contended, however, that learning through everyday activities is in fact likely to be a main form of natural learning within the small business – the question is whether this can be consciously built in to the culture and fabric of the smaller business to facilitate such learning in all relevant situations given time, cost, resource and ability constraints.

- The issue of conducive learning environment incorporates the need for and ability to design structures and cultures which facilitate and nurture employee learning. For the growth oriented small business this can be problematic: whether one accepts that small firm growth requires a follow-on adjustment to structure/culture to facilitate the achieved growth or that to achieve growth will require pre-design of structure/culture to enable growth, small business owner management has to determine, develop and nurture organisational structures and job designs of a nature foreign to them. Resultant structures/cultures may not necessarily accommodate paradoxes such as, on the one hand, the need to facilitate the effective undertaking of relevant new tasks which are crucial to underlying competitiveness of the firm, but on the other hand to encourage experimentation with new ideas and contribution to all levels of decisions. Alternatively the management paradox may be
couched in terms of achieving tight control of some tasks and of less trustworthy or less able employees whilst simultaneously empowering the more capable or those in more innovative roles. Owner-manager attitude, abilities, existing “mindset” or preferred ways of doing things as well of those of lower level managers and supervisors are just some of the key variables potentially restricting the build up of a more progressive learning climate.

- The leveraging of individual understanding and meaning is a crucial plank of development in the learning organisation. Owner-managers’ possible negative attitude toward the utilising of key staff apart, major difficulties arise relating to the encouragement of team learning to speed up the learning process. Within the growing small business context this will require leadership skills (owner manager, functional manager, supervisor) which nurtures team members to question their own ways of seeing their world (say, a particular problem) and to “try on for size” the personal constructs or models of reality of their colleagues. Formulation of a team is one thing, getting team members to work together, empathise with the views of others and work toward a collective, shared meaning as a basis for change action is another. Whilst the large organisation may import these leadership and team member skills in the face of new emerging change situations (or draw upon a bank of existing specialist skills and “flexible mindset individuals”), quite often the small business has to ask long serving staff to grow into completely new roles which they frequently approach from fixed mindsets and comfort zones of “that’s the way we’ve always approached things around here”. Moreover, each team member looks at the same problem but continues to view it through their own individual spectacles of the past.

- In cases where external formal training is used to complement the internal learning within an organisation, such training only has use if it can be transferred into changed individual and organisational behaviour. This requires of the small business that the individual recipient of training is able to contextualise the training into his or her small firm-specific context and that inherent new ways of doing things are accepted by key decision makers within the firm. Within the context of management training, a criticism of external providers is that training content often fails to address the needs of the small firm – this constrains the recipient from anchoring the training into his or her small firm context. When it is relevant, either the requisite level of recipient skill to effectively anchor the learning may be lacking; or there may be a reluctance on the part of key decision makers within the small firm to take on board the new learning. Research shows that factors such as suspicion of training input provided by academics, owner-manager reading of suggested new ways of doing things as criticism of existing approaches or the need to adjust the existing operating paradigm within
the business at the expense of the existing status quo are all potential restrictions on the effective anchoring in of externally generated learning.

- A major constraint upon the sustainable development of the small business is its difficulty in relating to its external operating environment (Gibb, 1983). One key characteristic of the learning organisation is its ability to utilise and leverage information technology effectively. Arguably this helps facilitate continuous learning processes, enhances flexibility and enables the undertaking of environmental monitoring. Whilst cost and ability levels could be propounded as major potential constraints on the uptake and development of effective information systems, of greater significance may be issues of information overload and that raw data provided through computer systems is not on its own sufficient foundation understanding as a basis for effecting appropriate internal change activity within the firm. Drawing upon our strategic learning model, it is possible to argue that facts or insights passed over a computer system are no more than an external stimuli to an organisational member which, to be of any use, has to be contextualised into a specific small firm situation. This then forms a basis for the building of collective meaning and shared understanding to inform the undertaking of change actions to market, product and/or processes activities. The capturing, storing and sharing of information may fall well short of capturing, storing and sharing of understanding and meaning, capable of informing internal competitive adjustment to activities.

Conclusion

It is clear that if one considers the complexities of the small business strategic learning process, the unique problem-types such businesses may face and the exacting characteristics of an “ideal form” learning organisation, then the concept of the learning organisation may have limited application in a small business context. For the small business to strive toward such an ideal learning organisation status would require it to confront and circumvent many imposing conditions whose origins are predominantly embedded in the small business culture and structure, owner manager- and size-related characteristics and constraints and in personal and political “human processes”.

The nature of external change situations impacting upon the contemporary small business are arguably predominantly open-ended, totally unknowable and unpredictable. Such an operating context is a profoundly difficult stage upon which to act given the unique imposing conditions and constraints associated with the small firm. It is here that we seem to be unfolding a paradox: it is likely that most small businesses are faced with imposing conditions which will render them unable to reach the ideal of a learning organisation; and yet the environment in which they must operate is so highly
uncertain and unpredictable that the most effective management approach will not be rational long-term planning but organisational learning modes of management.

We conclude that it is unrealistic to encourage the smaller business toward an “ideal form” of learning organisation as depicted in the nature and form of exacting characteristics utilised as frames of reference within this paper. Proponents of the learning organisation may retort that the “ideal” of a “perfect” learning organisation is actually unattainable in practice, even for large companies, but that the propounded characteristics underpinning the perfect model are guiding activities, to which organisations should aspire.

It appears, however, that the response within a small business context should be different: small businesses are not a microcosm of a large company; they face unique problems, potentially possess distinctive benefits and sustain development through informal and idiosyncratic management processes. Whilst some of the features and characteristics of a learning organisation as propounded in the literature no doubt have relevance in the small business context, it is likely that the conditions which the small business must establish to facilitate organisational learning for identifying, learning about and acting upon open-ended change are significantly different from the essentially large company oriented characteristics in the current literature.

Organisational learning in terms of activities and processes to unfold understanding of impacting change situations is likely to be an embedded part of strategy formation and development in the small business. Small business owner-managers and managers in small businesses which are sustaining development over time are probably going some considerable way toward establishing appropriate conditions for such learning. As yet we academics do not have sufficient understanding in this area to begin to prescribe the appropriate management approaches. It is highly unlikely when in the future we present small business examples of the effective learning organisation that it will take the form of that characterised in this paper. That our empirical studies to date are unfolding insight into small businesses which undertake and rely upon organisational learning activities and processes as major foundations of sustainable strategic development, suggests that a small business learning organisation of a very different “ideal form” may provide the focus of future research and debate. For the time being, there is a need to proceed with caution with regard to the ways we attempt to hoist the learning organisation concept into the arena of small business practice.

Tentative insight derived from early application of our model is informing the build up of a future research agenda for the addressing of key and complex issues about which little concrete understanding currently exists. Integral to this are base questions, the answers to which can form solid foundations for the unfolding of depth of insight into the concepts of “organisational learning” and the “learning organisation” in a small business developmental context. These include: how do small business owners and managers effectively challenge and adjust their existing models of the world as a basis for appropriate strategic
adjustment to markets, products and/or processes activities? What is the nature and form of learning interactions with those external to the firm? How is externally revealed fact and insight relating to unexpected unfolding change situations contextualised into the small firm-specific context? What is the role of intuition and synthetic reasoning in the small business strategy formation process, vis-à-vis explicit logical analysis? And how is individual learning anchored into organisational learning? Embracing the overall research agenda is the issue relating to the extent to which advantages of smallness of operation or impacting problems deriving specifically from small firm size facilitate, dictate or constrain organisational learning based management processes and actions and the emergence of an ultimate small business learning type organisation. The future research task is thus one of challenge and excitement.

References


Small business development