Learning Organizations: A Preliminary Investigation between the Presence of a Learning Organization and Profit

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We the undersigned, certify that this thesis has been approved and that it is adequate in scope and methodology for the degree Master of Arts in Communication and Leadership Studies.

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ABSTRACT

In today’s business world the need to gain a competitive advantage is becoming increasingly important. For a number of years there has been a common belief learning is key to maintaining a competitive advantage in the age of globalization. However, there has been little research to illustrate the link between learning and net profit. This work explored the potential relationship by anonymously surveying human resource professionals regarding the presents of a learning organization and profit within their companies. When the data was analyzed it was found that small private organization’s net profit increased as the presents of a learning organization increased. Large private organizations, contrary to assumptions made about learning, displayed a drop in net profitability when a learning organization was present. There was no trend found between the presents of a learning organization and profit in public companies. The findings of this study are important due to the fact that the results suggest that not all organizations benefit from the presents of a learning organization. If the findings are found to be representative of all organizations future research should be redirected.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CHAPTER ONE</th>
<th>Introduction and The Problem</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Definitions of Terms Used</td>
<td>8</td>
</tr>
<tr>
<td>CHAPTER TWO</td>
<td>Review of the Literature</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Theoretical Basis</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Cultural Characteristics of a Learning Organization</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Research Questions</td>
<td>22</td>
</tr>
<tr>
<td>CHAPTER THREE</td>
<td>Scope</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Methodology</td>
<td>22</td>
</tr>
<tr>
<td>CHAPTER FOUR</td>
<td>Data Analysis</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>Results of the Study</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Discussion</td>
<td>32</td>
</tr>
<tr>
<td>CHAPTER FIVE</td>
<td>Limitations of the Study</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>Future Study Recommendations</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>Conclusion</td>
<td>39</td>
</tr>
<tr>
<td>REFERENCES</td>
<td></td>
<td>43</td>
</tr>
</tbody>
</table>
CHAPTER 1. INTRODUCTION: THE PROBLEM AND DEFINITIONS OF TERMS USED

The Problem

In an ever-changing business world, the need to gain a competitive advantage is extremely important for companies to survive in the age of globalization. Organizational leaders and theorists increasingly view learning as a key element in maintaining and developing a competitive advantage (Armstrong & Foley, 2003; Baldwin, Danielson, & Wiggenhorn, 1997; Goh & Richards, 1997; Kontoghiorghes, Awbrey, & Feurig, 2005; Liedtka, 1996; Porth, McCall & Bausch, 1999). “A new emphasis on learning has arisen due to rapid changes in the business climate, including uncertain market conditions, increasing complexity, changing demographics, and global competition” (Kontoghiorghes, Awbrey, Feurig, 1997, p.185). It is no longer possible for a business to survive in the market if all its employees are not innovating and learning. In the past, having one CEO or president lead and think for the entire company worked, but in today’s world it is almost impossible for one person to successfully lead a company without the help of others. “Today’s managers need to learn their way out of problems rather than apply known solutions to them” (Baldwin, Danielson, & Wiggenhorn, 1997, p. 49).

The creation and modification of a learning organization can be an expensive task that can take between three and ten years to complete with the help of specialized consultants and researchers (Albert, 2005; Mavrinac, 2005). Although considerable research has been performed regarding the specific elements of a learning organization, little research has been conducted regarding the correlation between the presence of a
learning organization and profit. Kontoghiorghes, C., Awbre, S. & Feurig P. in *Examining the Relationship Between Learning Organization Characteristics and Change Adaptation, Innovation, and Organizational Performance* briefly mention that the presence of a learning organization is not always accompanied by increased profit (2005, p.205). This finding is important because organizations continually seek to improve their profit. One of the foremost reasons for creating a learning organization is to increase competitiveness with other organizations through learning, which therefore increases net profit or share value although the link between the two has not been proven.

Due to the lack of research in the area of profit and learning organizations there is little incentive for organizations to construct a learning organization. Moreover, if there is no correlation between the presence of a learning organization and profit, future research on organizational development efforts should be redirected.

**Definition of Terms**

*Learning Organization*

In *The Fifth Discipline* Peter Senge (1990a) defines a learning organization as a place where people continually expand their capacity to create results they truly desire, where new and expansive patterns of thoughts are nurtured, where collective aspiration is set free and where people are constantly learning how to learn. David Garvin, (1993) in the *Harvard Business Review*, defines a leaning organization as an organization skilled at creating, acquiring, and transferring knowledge, and at adjusting its behavior to reflect new information and insights.

*Double and Single Loop Learning*
Adaptive learning is defined as learning that is about coping (single-loop) while generative learning is about creating (double-loop) (Argyris & Schone, 1978). An example of single-loop learning is an organization reacting to a crisis. If the organization changed the way it operates to avoid future crises it would be engaging in double-loop learning because they are creating a solution to future problems instead of purely operating in the present. An important aspect of generative learning or double-loop learning is that it “requires new ways at looking at the world” (Senge, 1990b, p. 2).
CHAPTER 2. REVIEW OF THE LITERATURE

Theoretical Basis

Studying how organizations learn and function has been a popular topic for a number of years. However, the idea of a learning organization was not made popular until Peter Senge wrote his seminal book, *The Fifth Discipline: The Art and Practice of the Learning Organization* (Kontoghiorghes, Awbrey & Feurig, 2005). Before Senge wrote *The Fifth Discipline* a number of communication theories as well as psychological theories were used to influence the creation of the concept of a learning organization.

Altman and Iles (1998) identified four theoretical streams of influence that have helped shape the concept of a learning organization (Kontoghiorghes et al., 2005). Strategic management put forth the idea that the internal workings of an organization, such as human potential, can in itself be a competitive advantage instead of relying on the outside environment (Barnes, 1991; Gagnon, 1999; Hamel & Prahalad, 1994; Kontoghiorghes et. al, 2005). The second influence comes from system theory which states that organizations are open systems that are constantly changing (Ackoff, 1981; Forrester, 1968; Senge, 1990a; Kontoghiorghes et. al, 2005). The third theoretical influence comes from psychological learning theory which includes the concept of learning levels (Argyris & Schon, 1978, 1996; Swuerubga & Wierdsama, 1992; Kontoghiorghes et. al, 2005). The final theoretical influence, according to Altman and Iles, comes from the study of organizational context (Kontoghiorghes et. al, 2005). This
theoretical influence suggests that the structure and culture of an organization can have an influence on learning.

In addition to the four theoretical influences, much of employee-organization relationships are based primarily on Rational Choice Theory (Abell, 1999; Barker & Camarata, 1998; Mills & Clark, 1994). Rational Choice Theory assumes that transactions between parties are based on what a person anticipates they will receive in exchange for their efforts and or choices. The choice is rational and primarily economic (Barker & Camarata, 1998). Based on this theory, employees focus only on their specific job and rarely complete tasks that are not directly assigned to them which, therefore, diminishes out of role behaviors such as spontaneity, cooperation, and risk taking (Barker & Camarata, 1998; Williams & Anderson, 1991; Van Dyne, Grahm, & Dienesch, 1994; Morrison, 1994). For example, in an organization that is not a learning organization even if an employee sees an area that needs improvement or has an idea that can fix a problem that is not in their department, he or she will not take on the task of correcting the problem because it does not directly benefit them.

One way a learning organization combats this problem is with the use of the Social Exchange Theory. With Social Exchange Theory, employees act for the benefit of others out of concern for their welfare instead of economic calculation (Barker & Camarata, 1998). “Original research done by Blau (1964) in Social Exchange Theory suggests that relationships based upon this principle will involve future reciprocity of an unlimited and unspecified positive nature” (Barker & Camarata, 1998, p. 447). This theory suggests that when employees view their organization as one that cares about their
well-being, employees tend to go out of their way for the benefit of the organization and those working with them. This is an important aspect of a learning organization in regards to adaptation and innovation.

The Learning Organization Differentiated from Organizational Learning

Before one can talk about what a learning organization is, one must understand the difference between a learning organization and organizational learning. The difference between the two can seem insignificant at first but when one looks at the outcomes of both types of learning there are substantial differences.

According to Ortenblad (2001), one of the three major differences between a learning organization and organizational learning that has been identified in the literature is that organizational learning is viewed as a process or set of activities while a learning organization is seen as a form of organization (Tsang, 1997). An example of organizational learning would be a one-time company sponsored seminar that teaches employees how to handle stress. A learning organization on the other hand would have continued learning as well as ways to predict and correct future problems, also known as double-loop learning (Argyris & Schone, 1978). One of the main differences between the two is recognizing that by offering a learning opportunity one can not assume that the learning will go beyond the classroom nor can one assume that the learning will be shared. A learning organization takes what is learned in the classroom and applies and improves upon what has been learned.

A number of studies have attempted to identify the characteristics of a learning organization (Kontogiorghes et al, 2005). Although the literature suggests a number of
elements that should be present in a learning organization, each stresses a different aspect (Kontoghiorghes et al, 2005).

Peter Senge (1990b), who popularized the idea of the learning organization, believes that the learning organization was the next rational step of development in organizations. Senge believes that human beings are designed for learning and holds that humans would continue to learn if society allowed them to (1990b). He points out that from a very young age, children are taught by society to control their impulses to learn and rewards children who simply perform. When children begin formal schooling children quickly learn that getting the correct answer by following already laid out steps is praised while finding the answer through an alternate means or getting the wrong answer through experimentation is wrong and unacceptable (Senge, 1990b). This stifling of learning later hurts organizations due to fact that individuals are not willing to experiment or learn alternatives to set patterns.

The type of learning that takes place in a learning organization is also very important. In a learning organization individuals within the company must not only react to problems, but also be proactive in correcting problems that have not yet occurred. Senge refers to these two different types of learning as adaptive learning and generative learning respectively. Adaptive learning is defined as learning that is about coping (single-loop) while generative learning is about creating (double-loop) (Argyris & Schone, 1978). By using adaptive and generative learning, organizations are better able to adapt to new and unexpected situations (Senge, 1990b). An important aspect of generative learning is that it “requires new ways at looking at the world, whether it be understanding customers or in understanding how to better manage a business” (Senge,
These basic concepts have been applied for centuries on an individual basis and are only now being applied to organizations.

In sum, a learning organization is an organization that creates a culture that encourages employees to learn and take risks that go beyond only solving problems when they occur. A learning organization encourages both single and double loop learning which address problems when they occur as well as looking ahead for potential problems or areas of growth.

Cultural Characteristics of a Learning Organization

*Promote the Positive*

In order to create a learning organization learning must be made “operational and in alignment with the organization’s structure, processes, rewards, underlying assumptions, values, attitudes, and behaviors in order to support this cultural change” (Mavrinac, 2005, p. 392). The only way organizations can achieve lasting change is by creating a learning culture. “Culture can be defined as the collection of individual and group values, attitudes, perceptions, and assumptions that guides the group members’ behaviors” (Mohr, 2005, p. 42). Business cultures do not always lend themselves toward collaboration and communication which are key components of a learning organization.

In banking for example, branch personnel routinely urge their best customers to seek their mortgages elsewhere, bypassing their own mortgage companies. In accounting, audit partners breathe a sigh of relief as a new consulting project goes to another firm, rather than to their own consulting practice. In major medical centers, physicians threaten to secede from hospital physician
associations, rather than expand cooperative decision making with fellow physicians in other specialties. (Liedtka, 1996, p. 23)

On the surface these examples seem to say that the individuals do not understand what the company is trying to achieve. However, the individuals are just operating by the rules and assumptions that they have had to follow to survive. When organizations ask employees to collaborate they often demand that they give up their authority over the functions that are necessary to achieve their goals (Liedtka, 1996). An example of this occurring is in the health care industry. When physicians are asked to make decisions with fellow physicians they are asked to give up their authority and trust that their partners will make a good decision. This is often very difficult for physicians to do because they have spent considerable time building up trust with their patients. If a decision is made by the fellow physician that does not work well for the patient, the physician will lose that client’s business. In cooperation, individuals believe that their goals are positively correlated to others around them reaching their goals (Tjosvold, Sun, & Wan, 2005). With cooperation, individuals want each other to perform well because when the other person gains everyone becomes successful, therefore they interact in ways that promote mutual goals and resolve issues for mutual benefit (Tjosvold et al., 2005). On the other hand, competition promotes the idea that if one person achieves his or her goal they will fail to achieve their goals (Tjosvold et al., 2005). Without cooperation individuals will “pursue their interests at the expense of others” (Tjosvold et al., 2005, p. 631).

In order to change to cooperative thinking, Motorola found that
employees were complacent about change, because they did not see why it mattered. The company ultimately had to let them know that an unwillingness to change was considered poor performance. Accountability, or what was termed shared responsibility for change had to be developed across the entire organization. (Baldwin et al., 1997, p. 50)

In a successful partnership the mindset of individuals is normally characterized by a view of partnering as representing opportunity, a sense of at-stakeness, a level of trust, and readiness to learn from each other (Liedtka, 2005). With this in mind, learning organizations should have a reward system that is not based on individual performance, rather rewards should be based upon how well the team performs.

*Risk Taking and Safe Thinking*

In addition to creating an environment conducive to a learning organization, individuals must also feel comfortable taking risks. As the environment for employees has become more turbulent in recent years with restructuring, layoffs, and cutbacks, many individuals are simply not willing to take risks for fear of losing their job. This aversion to risk taking can cause problems with individuals who are expected to come up with new ideas and products but are not given the opportunity to test their ideas without the fear of losing their jobs. The aversion to risk therefore causes individuals not to pursue new ideas. A learning organization requires an environment in which experimenting with new approaches and ideas are encouraged and errors are not perceived as failures. Furthermore, errors and shortcomings should be seen as a way to learn and facilitate future ideas. “Recent research indicates the possibility that a problem-
solving approach to dealing with issues and mistakes can foster learning, whereas blaming makes discussion more threatening and divisive” (Rybowiak, Garst, Frese, & Batinic, 1998; Tjosvold, Sun, & Wan, 2005; Van Dyck, Frese, & Sonnentag, 1998). Blaming causes individuals to believe that after they supported a particular idea that they were locked into a win-lose struggle in which one person would win and the other would lose (Tjosvold, et al 2005). This mentality stops individuals from taking risks and causes those who know they are incorrect to hold onto their original idea. This process ultimately hinders the learning process. For organizational learning to take place the culture and structure of the organization needs to allow mistakes to be made and be seen as a learning experience rather than a failure.

*Systems Thinking and Getting The Show On The Road*

In creating a learning organization leadership can play a large role in the successful transformation of an organization. However, the role leadership should play is somewhat disputed in the literature. Some argue that top management can lead the organization to successful transformation while others argue that top management can not transform an organization without significant help from those below them; in fact, some argue that the more top management tries the more resistance they will receive from their subordinates. Often times when organizations reorganize, they also downsize which creates the side effect of fear, distrust, and internal competitiveness which reduces cooperation and collaboration (Schein, 1996).

To be an effective leader in a learning organization Senge suggests that a leader needs to embody three main roles, the designer, teacher, and steward (1990b). The
designer of organization is rarely visible because they are behind the scenes. The designer’s responsibility is not to make decisions or to be involved in every major decision; rather, their role is to help create policy, strategies, and structures that will ultimately lead to good business decisions (Senge, 1990b). Contrary to how simplistic this role seems, being a designer does not reduce the responsibility of the leader; in fact, the leader gains additional responsibility because not only are they responsible for having well developed strategies and policies, but they are also responsible for ensuring that processes are able to be continually improved (Senge, 1990b). By creating mechanisms for good decisions to be made by all members in an organization the leader may not have power or receive recognition but will allow the organization to continue to grow even after they are no longer leading.

The second role a leader takes on is that of the teacher. “Leader as teacher does not mean leader as authoritarian expert whose job it is to teach people the correct view of reality. Rather, it is about helping everyone in the organization, oneself included, to gain more insightful views of current reality” (Senge, 1990b, p. 11). In order to foster the presence of a learning organization, leaders must help those around them see the “larger picture” so to speak. Often times organizations can get caught up in single-loop learning where they are constantly reacting to a problem. A leader in a learning organization must guide the individuals in the organization to use both single-loop learning and double-loop learning thus insuring that the organization will continue to learn. In addition to fostering different types of learning, the leader must also encourage individuals to look for different perspectives (Senge, 1990a). “From an internal standpoint, increasingly organizations depend greatly on collaboration, teams, and member involvement in
decisions, but power differences and unwarranted control processes often weaken the performance, competitiveness and responsibility of organizations” (Deetz, 2006). If the leader takes the role as teacher many of the problems associated with top down leadership disappear.

The third role of a leader, as suggested by Senge, is the steward (1990b). According to Senge, this role is the subtlest of the three roles. This role is about the leader’s attitude and their actions. In *The Servant as Leader* (1970) Robert Greenleaf says leadership begins with “the natural feeling that one wants to serve” (as cited in Spears, 1998, p. 1). This type of leadership is based on the idea that leaders need to serve those who they are leading in addition to being the leader. This type of leadership is important because individuals in a learning organization are more vulnerable because of their commitment and sense of shared ownership (Senge, 1990b).

Some believe that top management can not successfully transform an organization because “while top management can move some changes quickly, it can also slow down or undermine other types of change. While people often want the support of top management, they also do not want it telling them what to do, due to the fact that hierarchical authority tends to evoke compliance and not foster commitment (Schein, 1996). According to Deetz (2006) traditional conceptions of authority, management, and control processes are problematic due to the fact that it is impossible to manage professional character, intellectual capital, and complex processes. “It is simply no longer possible for anyone to figure it all out at the top” (Senge, 1990b, p. 1). When it comes to learning, no one can force a person to learn due to the fact that learning, or at
least the mentality it takes to learn, involves changes in beliefs and attitudes. “Change cannot be executed by merely announcing a new program” (Kerfoot, 2005, p. 271).

People as Resources

“What potentially makes the communication in learning organizations different from that in other organizations is the dissemination and shared interpretation of information. The amount, timing, and kinds of communication used are paramount to learning” (Barker & Camarata, 1998, p. 444). Without appropriate communication none of the above factors of a learning organization would be possible. If employees feel valued through communication, they reciprocate by identifying with the firms mission and assume responsibility and ownership as part of their relationship with it (Barker & Camarata, 1998). This communication helps employees transition from benefit-cost analysis of a situation to cooperation. Effective communication within an organization that promotes organizational learning does not happen without intent. Effective communication must be fostered with appropriate policies and the appropriate culture. When it comes to personal learning, communication exhibited through trust, support, and empowerment encourages individuals to continue their growth process (Eisenberger, Huntington, Hutchison, & Sowa, 1986). “When companies value open communication, they empower individuals to question the status quo and nurture their drive towards personal mastery” (Barker & Camarata, 1998, p. 454).

Map the Vision

When cooperation is present in a learning organization, “buy in” is also an important aspect because it signals that the individuals support the organizations goals and ideas. To create real buy in, integrated communication at the organizations
corporate, managerial and business levels must take place (Barker & Camarata, 1998). “Without clarity at all levels, communication becomes confused and misunderstandings grow” (Barker & Canarata, 1998). As these misunderstandings grow there is a possibility that instead of functioning as one cohesive organization, individuals within the organization begin to see things with an us (the employees) against them (the corporate office). Barker & Camarata (1998) use a case study of the communication used by Kodak’s Team Zebra (the black and white film division) that highlights how the team was able to raise its profits and morale from an all time low to one that was seen as an ideal for which to strive. In the 1980’s, Kodak was in a major crisis that lead to hiring and wage freezes as well as cutbacks in work hours. By providing employees with information and supporting the employees, Team Zebra was able to gain the employee’s commitment and trust that lead to the employee’s empowerment and systems thinking, among other things. Kodak’s Team Zebra shared all information with its employees including information that showed that the company was failing thus being completely transparent. Employees on the line were then able to see how each change they made affected production and began to solve problems on their own. Although the Kodak Company itself did not do well, the transformation of Team Zebra is still being used as an example of a successful transformation.

Trust

Two types of trust that need to be in place for a learning organization to be present, according to Barker and Camarata, are cognitive and affective trust (1998). Cognitive trust is grounded in the belief that a coworker is dependable and reliable while affective trust is based on less tangible things such as reciprocal concern and
interpersonal caring (Barker & Camarata, 1998). Both types of trust require an extensive
use of communication. To achieve commitment the organization must display, through
communication, an ongoing concern for its members and long-term goals.

“Communication and behaviors that are consistent, reliable, trustworthy, and predictable”
which therefore “increase the employee’s effort-outcome expectancy and his or her
affective attachment to the firm” (Barker & Camarata, 1998, p. 450-451). In the learning
process trust must also be present due to the fear accompanied by learning new
knowledge and the need for questions to be asked (Kline & Saunders, 1993). Fear in the
work place often goes unnoticed because no one is comfortable talking about it. Many
times this fear manifests itself in the form of avoidance behavior, criticism of others,
failure to support new ideas, or a general lack of excitement about work (Kline &
Saunders, 1993). The culture of an organization also has a significant impact on trust.

Close Physical Proximity

Another aspect of a learning organization that is rarely looked at is the power of
physical proximity. According to Fisher and Bennion, “the power of physical proximity
should not be underestimated. Communication is directly affected by physical proximity
and drops off exponentially with distance, even in these times of e-mail and online chat”
(2005). For example, in an organization is it more benificial for personal secretaries to
sit near their supervisors or near other secretaries? If the secretaries all sat next to each
other they could potentially share ideas about their jobs and help correct errors before
they go out. If the secretaries are closer to their supervisors the supervisors would be
able to communicate with them more often in passing and be readily available if anything
comes up. The choice as to which is more important must be made by the organization but physical proximity must be taken into account as a factor of communication.

Physical proximity can also be linked to the study of proxemics which describes humans personal space, zones, and how space is used (1979, Sielski). According to the proxemics theory there are four zones, intimate distance, personal distance, social distance, and public distance (Sielski, 1979). With these zones in mind an office can be set up to communicate different feelings. For example, in a meeting room where there is a long conference table headed by the boss it is signaled, through proxemics, that this environment is very hierarchical (Preston, 2005). However, if the environment is changed to incorporate less formal furniture such as barstools or furniture found in a café, the environment immediately changes (Preston, 2005). The way in which a desk is positioned in a manager’s office can also communicate, through proxemics, the type of communication that is going to take place.

An autocratic style is revealed when chairs are placed in front of the desk, forcing office visitors to sit across from the occupant; in this instance, communications between the parties tend to be very formal. Contrast this style with the configuration of the office of a persuasive or informal manager. In this instance, chairs are placed on either sides of the desk, allowing visitors to be adjacent or closer to the occupant. Some executives who follow a collaborative leadership style have even removed their desks altogether or at least have pushed desks off to a corner, preferring to conduct business with visitors in an eclectic circle or arrangement of chairs and tables. (Preston, 2005, p 153)
Although space is often seen as nothing more than a logistical issue, it is incredibly important in the creation of a learning organization. The way space is used in a learning organization is important because of the type of communication it encourages and requires from all individuals, including the leaders.

Research Questions

The following questions were designed to help fill gaps found in past research. More specifically, the research questions were formulated with the intent to fill the gap between the presence of a learning organization and profit.

1. What is the relationship between the presence/absence of learning organization characteristics and organizational profit?

2. What elements of a learning organization are present in the surveyed companies and does communication play a vital role?
CHAPTER 3: SCOPE AND METHODOLOGY

Scope

This study is intended to be a preliminary study from which a more comprehensive study could be based. With this in mind, human resource professionals were contacted and asked to voluntarily participate in the study. Human resource professionals were asked to participate in the study due to their knowledge and involvement in their organizations (Cascio, 2005). In today’s organizations human resource individuals are not only involved in complying with government regulations but are seen as a key partner in all processes and help build the framework and provide guidelines from which organizations operate (Cascio, 2005). Due to human resource professionals’ knowledge of the organizations in which they work, they would be better able to accurately answer questions regarding their organizations learning abilities, atmosphere, communication, leadership, and culture. Only individuals who had been with the organization for a period of more than six months were included in the study. The six-month requirement was put in place to guarantee that the individual had enough time to understand the dynamics of the organization.

Due to the nature of this study, the survey results cannot be generalized for all organizations; rather, the survey results should provide initial results, which could be used in future studies. To generalize the data to all organizations in the United States a comprehensive study involving multiple organizations in different types of businesses, additional responses from employees within the organizations, and a more diverse geographic sampling pool would be needed.
Methodology

Thirty-six Likert-like questions as well as a number of demographic questions were asked in an on-line survey. A survey was used due to the fact that surveys are low cost, have minimal resource requirements, and potentially have large sample capturing abilities (Brewerton & Millward, 2002). There is also an economy in data collection because of the focus provided by standardized questions. In comparison to an interview only questions of interest are asked, recorded, codified, and analyzed. Time and money is not spent on answers that potentially do not pertain to the research (Brewerton & Millward, 2002). Due to financial and time constraints, a survey methodology was the best fit. However, surveys also have disadvantages due to the fact that they are not appropriate for studying complex social phenomena and rely solely on the subject’s motivation, honesty, memory and ability to respond (Patten, 2004). The use of a survey also allowed a quantitative method of research to be used which allowed a statistical comparison of companies and profits based on the presence of a learning organization.

A self-administered survey was chosen due to time and financial constraints. A self-administered on-line survey was less expensive then conducting interviews and provided anonymity and privacy that could potentially encourage more candid and honest responses. The self-administered online survey also allowed participants to participate in the study when they had time available which possibly lead to a greater response rate.

The survey used was adapted from Kline, P. & Saunders, B. Ten Steps to a Learning Organization (1993) to collect data from the organizations. The survey asked the respondent to rate different aspects of their organization on a scale from 1-5, 1 being “not at all” and 5 being “to a very great extent.” Before the survey was sent out, a pilot
group of human resource professionals, during a round table session, were asked to take the survey and provide feedback. From the feedback received the wording of some of the questions were modified to clarify ambiguities. At the end of the pilot session it was decided that profitability questions should be different for private and public companies.

A request to participate in the study along with an informed consent was sent out to a Human Resource Round Table, NWHRMA (human resource professional group), and individual human resource professionals. In the e-mail that requested the recipients’ participation they were also asked to forward the study onto other human resource professionals who would be willing to participate in the study.

The targeted number of responses for the survey was 30 due to the central limit theorem (Waner & Costenoble, 1998; Arjomand, 2002). The central limit states, “if a random sample of n observation is selected from any population then, when the sample size is sufficiently large (n>=30), the sampling distribution of the mean tends to approximate the normal distribution” (Arjomand, 2002, par. 5).
CHAPTER 4. THE STUDY

Data Analysis

The data was collected using survey monkey, an online survey administration site. This data was transferred from survey monkey to an excel spreadsheet. Using excel, the data was separated by response in order to determine whether each response indicated the presence of a learning organization. In order to determine whether or not an organization had the properties of a learning organization, a matrix developed in Kline, P. & Saunders, B. Ten Steps to a Learning Organization (1993) was applied to each response. An example of this matrix is shown in figure 1 below.
The matrix categorized different characteristics of a learning organization based on the survey response into ten categories. Each question asked in the survey corresponded to at least one of the ten characteristics in the matrix. The scores in each
characteristics row, given by the responses to certain questions, were averaged to obtain an average score for that characteristic. These averages were used in determining any correlation between the specific characteristics of a learning organization and profit.

Using the scores obtained from the Learning Organization Assessment Matrix a table was created to show the individual organizations by sector, size, ownership, and average scores from the matrix. Shown Below, in Table 1, is a portion of the table of complete responses.

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Table 1: Section of Complete Response Table

As depicted in the table 2 the organizations were divided ownership, size, and share value or net profit. The individual characteristic scores for each organization were
then graphed against share value or net profit. The graphs obtained from the data are shown below in figure 2 and figure 3 below.

**Figure 2: All Private Organizations vs. Profit**

**Figure 3: All Public Organizations vs. Share Value**
Results

Of the 43 responses gathered 15 had to be thrown out due to incomplete data leaving a total of 28 complete surveys. If the survey was missing an answer to one question or section the survey had to be discarded due to the fact that the unanswered section or question would skew the data. Out of the complete data 19 of the individuals identified themselves as working for a private company and 18 reported working for a public company (see Table 2). Of the private companies seven were calculated to be a learning organization (scoring an average of 3 or greater). Of the 18 public companies five were calculated to be a learning organization (scoring an average of 3 or greater).

Private Organizations

When initially analyzed there was no trend between a learning organization and profit in private companies. Large organizations, greater than 400, that were learning organizations reported lower profit. Small organizations, less than 50, that were learning organizations reported greater profits even when the size of the organization was accounted for (see Figure 4). The data was then split between large organizations and small organizations (see Figure 2). Once the data was split a clear trend appeared between profit and learning organizations. In small organizations, the greater the profit the higher the organization scored as a learning organization, with the exception of one outlier, a service organization. In large organizations, the greater the profit the less likely an organization would be to have traits of a learning organization.
Public Organizations

After calculating the mean and looking at the individual characteristics of a learning organization there was no trend between a learning organization and profit for public organizations. Organizations that scored high on the learning organization assessment did not have greater profits than organizations that scored lower on the learning organization assessment (see Figure 3). This can best be illustrated by the observation of points (21.8, 2.39) and (21.8, 2.97) in Figure 3. Although there is a significant difference in how the organizations scored on the learning organization assessment there is no change in the share value of the organization.

Characteristics of a Learning Organization

The characteristics of a learning organization were analyzed separately (see Figure 4, 5, and 6). In small private organizations and large private organizations the characteristics of assessment “promote positive,” “safe thinking,” and “learning power” in general always fell in the middle of the cluster of learning organization characteristics. In large private organizations “risk taking” was reported as being more of a prominent characteristic falling at the top of each cluster in four out of the six organizations. In small private organizations “risk taking” was located either in the top, middle, or bottom of the clusters. In large private organizations the characteristic of “people as resources” was located near the bottom of each cluster while “people as resources” was located either in the middle or at the top of the clusters of characteristics for small private organizations. The characteristic of “map the vision” was located at the top of one large private organization and at the top of three small private organizations. “Systems thinking” was located near the bottom for both small and large private organizations.
The characteristic of “get the show on the road” was located near the top of each characteristic cluster for both small and large private organizations.

In public organizations the characteristics of “assessment,” “promote positive,” “safe thinking,” “risk taking,” “learning power,” “map the vision,” and “systems thinking” were not represented in any one portion of the clusters. In fact, most of the characteristics would fall at the bottom of one organizations cluster and at the top of another. The three patterns observed were the characteristics of “people as resources” which consistently fell in the middle of the clusters, “model the vision” which fell at the bottom of the clusters, and “get the show on the road” which either fell at the top or the middle of the clusters of public organizations.

Discussion

The Relationship Between a Learning Organization and Profit

The results gathered from the data are intriguing due to the fact that the trend of large private organizations and public organizations do not follow the assumptions made regarding learning organizations and profit (Kontoghiorghes et al., 2005). However, it is important to note that small private organizations did follow the assumption that the presence of a learning organization correlates to greater profit.

The findings suggest that a learning organization does not benefit or harm a public organization. One explanation could be due to the fact that public organizations may contain many sub-units that operate differently than the company as a whole does. If the human resource individuals who filled out the survey only had contact with
particular sections of the organization that were learning organizations then they would have filled out the survey based only on their experiences. Thus, when the data was collected, their organization was labeled as a learning organization when, in fact, the organization as a whole may not have been a learning organization. This issue could also occur in the reverse. The human resource professional may have only come in contact with sections that were not learning organization sections of the organization, thus reporting that the organization was not a learning organization when, in fact, the company as a whole was a learning organization. In small companies, under 50, this issue was controlled due to the fact that in smaller organizations there is not room for sub-units to fully function without contact with the rest of the organization. It was the researchers hope that by surveying human resource professionals this issue would not have occurred. However, even though a human resource representative was the best choice to take the survey because of their overall knowledge of the organization, the issue of bias based on personal experience could not be accounted for.

Another explanation for the findings that seems more likely may be that a learning organization does not work well in public organizations due to the regulations that need to be followed to maintain a large organization. This hypothesis seems to fit the results also found in large private organizations. Large private organizations displayed a definite trend between the lack of a learning organization and profit. Contrary to the assumptions made regarding profit and the presence of a learning organization, the trend in large private organizations reveals that the lack of a learning organization correlates to profit. This finding is of importance because if this trend is replicated among other large organizations in future studies, future and past assumptions
made about the effects of a learning organization should be scrutinized for the applicability to large organizations.

Characteristics of a Learning Organization and Profit

Not one of the traits of a learning organization alone affected profit. In fact, when analyzed almost all the characteristics of a learning organization were clustered together within a one point difference. This finding suggests that a learning organization involves a wide variety of traits and activities that are not linked to a specific characteristic (Kontoghiorghes et al, 2005). When the clusters were analyzed more closely it was found that each organization reported being stronger in a different area. For example, if one were to look at the characteristic of “safe thinking,” which heavily relied on communication, in Figure 4 the placing of “safe thinking” ranges from the top of the cluster to near the bottom of the cluster. This finding suggests that the literature was correct in regards for the need of a different type of learning organization based on the needs of the organization. It was also found that if communication was lacking in any of the characteristics it hindered the performance of the organization in that area. Therefore, it was found that communication played a vital role in every characteristic of a learning organization.

In general, between large private organizations and small private organizations the characteristic of people as resources was reported as being a higher characteristic among small private organizations. This finding could be explained by the questions asked. Of the fourteen questions asked that went into calculating the characteristic of “people as resources” three of the questions directly correlated to learning from others
Learning Organization  35

Beyond their area. In a large organization, learning from others outside their area may not have been possible due to the issue of size. In Figure 6 it can be observed that as the characteristic of “people as resources” moves up into the middle part of the cluster, profit is decreased in a large organization. This may be due to the fact that as individuals try to learn from others outside their area they are unable to do so in a productive way because of the lack of networking and support from a large organization. However, due to the small sample size more research is needed in this area.

In small private organizations the characteristic of “map the vision” was an important characteristic scoring as the top characteristic in three of the six organizations. The only small private organization that scored low in the area of “map the vision” was the outlier as seen in Figure 4. In large private organizations the characteristic of “map the vision” scored at the top of the characteristics in only one of the organizations. This could be due to the fact that “mapping the vision” requires flexibility within an organization as well as the willingness to try new ways. This phenomenon could be explained by the requirements of a large organization to have stability to function. In a small organization change can be made and implemented quickly. However, in a large organization, change takes time due to the sheer number of people that must accept and implement the change.

Between large, small, public, and private organizations the characteristic of “model the vision” was reported to be the least used characteristic among all organizations. This characteristic dealt with the ideas of encouraging different views, willingness to try new ways, learning from each other, cross-functional learning, flexible
systems, improvement not just talk, learning styles, learning differences, and managers ability to cope with change. The characteristic of “model the vision” may have scored as the lowest characteristic due to the fact that it requires that individuals not only be aware of others but also allow change. In any organization the ability to change and the acceptance of different views is always challenging (Mavrinac, 2005).

In public organizations no clear trend emerged between the characteristics of a learning organization and profit. It should be noted however that unlike the small private sector the characteristics of a learning organization were spread out and not as clustered. The characteristics were also located in every part of the cluster. For example, the characteristic of “learning power” is located near the bottom of one cluster and at the top of another organizations cluster. This could suggest that a public organization operates differently from a small or large private organization. More research is needed to understand this phenomenon.
CHAPTER 5: SUMMARIES AND CONCLUSIONS

Limitations of the Study

The threats to internal validity were the accuracy and validity of the survey as well as the how the surveys were distributed to the human resource professionals. Due to the fact that only one human resource practitioner from each organization was surveyed, the results from the survey could be invalid due to the possibility of intact groups. The threats to internal validity could be controlled by requesting organizations to randomly distribute the surveys among all parts of their organization instead of relying on human resource professionals.

Threats to external validity include selection bias. Due to time constraints and funding, only a small sample of the organizations in the United States were included in the study. Moreover, the organizations that were studied do not necessarily represent all organizations in the United States due to cultural, economic, and geographic conditions. In order to control for external validity, a wider variety and greater number of organizations throughout the United States would need to be included in the study.

When the survey was designed the question regarding the size of the organization was intended to be used to account for the size of a private organization and the profit they made. Therefore, an organization which had ten employees that made $10,000 net profit would be seen as more profitable than an organization that had 100 employees which also made $10,000 net profit. Due to the fact that the question was designed only to determine profitability, it did not assess the exact size of organizations. If the exact
size of an organization could be determined, the results could shed more light on the phenomenon observed.

One limitation of the study was the fact that when the data was collected it was divided up between large, small, private, and public organizations. Due to the fact that the data was divided into three different categories the central limit theorem was not applicable (Waner & Costenoble, 1998; Arjomand, 2002). Therefore, the trends that were observed cannot be extrapolated.

Future Study Recommendations

It is the hope of the researcher that this study be used as a pilot study for future studies. In the future more organizations should be included in the study as well as a more in depth study of each organization. This could be accomplished by surveying at least 30 organizations in each category and at least 30 employees in each organization. If possible it would be beneficial to survey a wide variety of organizations to allow the researcher to observe any change based on the variety of the organization such as healthcare or service.

Moreover, if funding can be found to support a larger study, a random and wider reaching survey should be conducted involving not only the use of a survey but also in depth interviews of employees. Therefore, the study could take advantage of both quantitative and qualitative data to assess each organization.
Conclusion

In large private organizations it was found that the presence of a learning organization was detrimental to the organization’s profit. However, in small private organizations it was found that the presence of a learning organization was positively linked to the organization’s profit. Moreover, communication was observed to be an important characteristic of a learning organization. If an organization did not have good communication the poor communication affected the characteristic surveyed. The phenomenon’s observed in this study should be used to guide future research in the area of learning organizations. If future research confirms these findings, the application of a learning organization to large organizations should be highly scrutinized. Further future questions that should be asked is why learning organizations do not produce profit in a large organization and why.
Figure 4: Private organizations with less than 50 employees depicting learning organization characteristics and profit.

Figure 5: Private organizations with more than 400 employees depicting learning organization characteristics and profit.
Figure 6 public organizations with more than 400 employees depicting learning organization characteristics and share value.
References


