Learning organization: A fine example of a management fad

Slobodan Adžić
Arab Open University, Kuwait

corresponding e-mail: sadzic[at]aou(dot)edu(kw)
address: Arab Open University, 6 St, Al-Ardiya, Kuwait

Abstract: The management theories of no practical value are known as management fads. One of those management fads - which is the focus of this research - is learning organization. There is sufficient evidence in English literature to conclude that learning organization is a management fad. The aim of this paper is to present the ample evidence that learning organization is a management fad. The maximum number of the research paper with the subject of learning organization was made in the late 1995 and the typical bell-shaped curve of the management fad is evident. In contrast to the world trend, a content analysis of Serbian journals discovered that a typical pick of a bell-shaped curve of papers covering the topic of learning organization was 17 years later. It is argued in this paper that the learning organization phenomenon, as a normative or prescriptive theory, should be abandoned in the academic world altogether. The learning organization fad is a phenomenon with low practical applicability, a phenomenon of a little value for further development in the management research.

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1. Introduction

In management, which is neither a science nor a profession (Mintzberg, 2013), a manager's work in practice could be quite different from what the books say. There are many ways of doing business, but there are also many business supportive theories. A number of theories exist regarding either the study of management sciences or the actual practice of management itself. Unfortunately, some of them have little or no practical value. Some of those theories could be regarded as unnecessary and sometimes even misinforming. Such theories are called management fads. The focus of this paper lies on one particular fad, the learning organization, excepted by the scholars who enforce the view that management science should be applicable in the business world. In this paper I shall argue that the learning organization phenomenon, as a normative or prescriptive theory, should be abandoned as a phenomenon with low practical applicability and with little or no value for further development in management research.

After defining what a management fad is, and its consequences in business practice, the literature review which challenges the learning organization concept will be presented. The destiny of the British car producer ‘Rover’, as a first declared learning organization, is a perfect business case for documenting the fallacy of the concept of the learning organization. The basic theories will be presented as well as the roots of this concept, which led to a boom of this theory in the middle of the last decade of the 20th century, and finally the contemporary theories will be presented in order to demystify the learning organization theoretical concept.
2. Problems dealing management fads

There are three special categories of product-life cycles in marketing literature which are distinctive from their usual bell-shaped curve (Kotler & Keller, 2008), and these are style, fashion, and fad. Fads can be observed as the fleeting fashion. They come quickly into the market, their acceptance cycle is short, they experience a peak in demand very early, and then that demand quickly falls and disappears. Fads do not survive because they usually do not satisfy a strong need. Fads attract those consumers who are longing to be different from the others, but they quickly forget an old fad, as soon as some new and unusual fad arises. Hula-hoop is an example of a fad, a product that came suddenly and became very popular, and then it quickly disappeared.

Distinctions should be made between management fads and management fashions because these are quite different social processes (Abrahamson & Eisenman, 2008). Management fashions occur due to supply and demand in a knowledge market; management fads do not occur out of necessity, but by accident. Fads usually tend to have a little or short-term impact, both on the language of management techniques and on organizations. However, fads can sometimes have huge and even damaging impact. For instance, the idea of ‘downsizing’, as a pillar of business process reengineering, gave rise to often unnecessary and disruptive layoffs. Today one will never hear a consultant using the word downsizing; the term ‘rightsizing’ is used now. Nevertheless, management fashion has to appear as rational and progressive (Flory, 2005). New fashion access and process management topics in a new way, which could be more effective than the old way.

Management fashion can be defined as management concepts that quickly gain relatively large shares in the public management discourse (Jung & Kieser, 2012), while short-term fashions that fluctuate around long-term fashions are fads (Bort & Kieser, 2011). Although business consultants are guilty of producing the most fashion and fads and derived from that for their sale and application (Williams, 2004), the most prolific propagators of fads are, in addition to consultants, the management gurus (Furnham, 2004). In fact, it is difficult to discern who is more interested in fads, whether the academics who write about them, the consultants who sell them, or the managers who use them. Management gurus, management consultants, business schools, and publishers are in in competition to create new techniques and approaches for managers (Clark, 2004). In any case, managers, who are always eager for something new and innovative, are the target audience.

Obviously, a problem exists in defining exactly what the management fashion is and what a management fad is, and in identifying the actual differences between them. I shall argue, as some other authors did (Hislop, 2010), that the problem mainly occurs due to the confusion that emanates from their inconsistent usage in much of the academic literature. The aim of new academics is not just to check the old theories, but also to produce new discoveries and theories. It is easy to understand that some theories would be more popular than the other and that this popularity would represent the fashion. Therefore, it is not possible to dismiss all those popular and fashionable theories just because of the public interest in them. New discoveries and theories are good for science since they push the boundaries of our knowledge further. However, I would also argue that just because of novelty, new and fashionable discoveries are of the highest importance. How fast will the academic community recognize a particular theory as a fad is another question, but I strongly believe that it is possible to discover that some theories are fads even during the fashionable stage.
There is no definitive list of management fads. Besides learning organization, which is in focus of this paper, the following fads have also been recognized as management fads in management literature: Cultural Change Programs, Total Quality Management, Business Process Reengineering (Balogun & Hope Hailey, 2008), Benchmarking (Furnham, 2004), Management by Objectives (Howcroft & Trauth, 2005), and Knowledge Management (Hislop, 2010). As a professor, I can imagine holding lectures, where I speak in superlatives about the above-mentioned theories before the break. After the break, I could challenge each of those theories that were once so popular, but which are now obsolete, either because of some new theory or because of the failure in practice, since all these theories were management fads. They all made little contribution to either the study of management science or management practice.

The decline of a management fad is usually associated with the development and popularity of a new one. The life cycle of a fad can be displayed in a bell-shaped curve and in five stages (Jung & Kieser, 2012). The first stage is the invention stage; the second stage, the dissemination, is the wild-acceptance stage, the stage when the fad becomes very popular. In stage three, with acceptance at the top of the bell-shaped curve, a fad reaches its peak, but at this point, critics appear and argue that the fad cannot be a universal panacea. The fourth stage is the disenchantment stage when large audiences realize that problems exist with the fad. The decline is in the last stage when the fad disappears from wide use and retains only a few staunch supporters still loyal to the fad. Other authors (Näslund, 2008) suggest that fads follow a life cycle best understood in seven stages: (1) An academic article is written on a new discovery or theory; (2) The study is discussed, summarized and repeated; (3) The concept is popularized in a bestseller book; (4) Management consultants carry the new techniques to their client base; (5) Managers embrace the fad and become champions of the concept; (6) Time passes and enthusiasm dims; and (7) New discoveries occur and consultants are turning to them. In reality, the shapes of the lifecycle curves for different management fads are not identical nor symmetrical and vary from country to country (Clark, 2004).

Scholars have discovered fads not only in the social sciences, but also in some disciplines of the natural sciences (Abrahamson, 2009), but some authors (Bort & Kieser, 2011) argue that in organization theory fads are prevalent. The last decade of the 20th century saw the arrival of a plethora of management tools and theories, often conflicting, and the question arises (Naidoo, 2004): Is modern management theory nothing more than an accumulation of contradictory fads? That accumulation of fads forces practicing managers to check through trial-and-error the value and application of some management theories. More and more, fads seem to be getting a negative reputation and it is a common view that the fads are a waste of time with little or no quantifiable benefit.

There are at least three major problems with management fads concerning the view of academics and practitioners. First, people tend to believe that true knowledge replaces false conceptions and that science is supposed to be universal and objective, in contrast to subjective and short-lived fads. Regrettably, that is not always the image of scientific study today (Bort & Kieser, 2011). Scholars are under pressure to produce research that will be ranked highly for impact factors. The peer-review system often forces scholars to select ‘hot’ concepts and theories, in order to satisfy editors and peers and to get published. Journals are becoming conservative and more and more concepts and theories are ‘out’. There is a strong evidence to demonstrate an increase of articles referring to existing concepts, which indicates an increasing emphasis on exploitation of a shrinking scope of the-
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ories and concepts at the cost of exploring new concepts and theories (Bort & Kieser, 2011). In this way, fads could find their way into science.

The second problem is that management research and management practice are two autonomous systems (Kieser & Leiner, 2009). In science, theories, analyses, or findings are discussed in scientific publications, since they are the basic communication elements in science, with regard to the criteria of true/false. Sales, profit and liquidity are crucial goals for the survival of a business organization, and therefore managers consider intuitive decision-making based on past events to be superior to scientific, rational decision-making. Busy managers do not need research papers, they need the knowledge in a condensed and easy-to-digest format ('Rethinking the cause of management fads', 2005). Due to the differences between management science and practice, it is impossible to assess the practical benefit of research output within the system of science. Collaboration between them makes sense, but it is a false hope to expect that collaborators from practice and science can jointly produce research.

A third problem is the time gap between the discovery of fad in management theory and detection of a fad in management practice. The vast majority of managers, even 96% of them, were familiar with Total Quality Management (TQM) technique, which in theory had been recognized as a fad, while 94% of them felt that TQM was still applicable for use (David & Strang, 2006). A global survey of 708 companies from five continents found that managers were using more tools than ever (Naidoo, 2004). Of the 25 different management tools used on average, the companies used 16 such tools, with the greatest emphasis on compass-setting tools as mission and vision statements and strategic planning, while managers rejected as ineffective tools such as stock buybacks, corporate venturing, and merger integration teams.

Fads will always be present in the management research community, not only because memetic evolutionary understanding (Williams, 2004) that successful management ideas will survive not just because of their economic capacity, which only generates the profit to organizations but instead because of their interpersonal reproductive capacity. The main reason is that nobody can make a perfect evaluation of each idea ex-ante. There is no such phenomenon as a ‘meta-consensus’ among scholars (Abrahamson, 2009) on how to judge the scientific knowledge and how to eliminate the faddish ones. Of urgent importance, would be a higher degree of criticism, both among academics and among practicing managers. What is critical is not that the ideas actually work but that they are perceived to be of practical benefit and relevance (Clark, 2004).

How many fads or fashions are harmful to organizations? Abrahamson (1991) questions the popular claims that fads and fashions are processes that diffused technically inefficient and rejected technically efficient innovations. He claims that the cost of numerous tried, tested, and rejected fads and fashions in organizations may be significantly lower than the returns from effective innovations because there is not conclusive evidence that fads and fashions necessarily harm organizations. Learning organizations, for instance, may have focused attention in organizations on organizational learning, and organizational learning is hardly harmful. Trial and error method indeed can result in creating the more efficient innovations in organizations, but it is not a guaranty that output will always be the better or efficient one.
3. Learning organization: from Rover to nowhere

The study of the learning organization concept has long been associated with the case study of British car producer ‘Rover’. ‘Rover’ has served as the learning organization *par excellence*, as the exemplary learning organization and it has been referred as the very first true learning organization in the world and is the most often cited of British business examples (Simm, 2005). Rover was established in 1861. The Rover Group Ltd. was the UK's leading car manufacturer and exporter, producing more than a million cars annually and over half of them were exported (Funding Universe, 2017). In the 1970s, various problems in business led the company into bankruptcy, which caused the company's takeover by the UK Government and nationalization of the company. After unsuccessful attempts to sell Rover to U.S. carmakers Ford and General Motors (Whiteley, 2012), the UK Government, under the leadership of Margaret Thatcher, sold Rover in 1985 to the also likewise state-owned company the British Aerospace (BAe) for £150 million. The story of Rover as a learning organization begins exactly at that time. The company established the Rover Learning Business (RLB) and invested substantial amounts of money in training, with an annual budget of £30 million (Simm, 2005). RLB was an organization within an organization, whose primary objective, based on the personnel mission statement from 1990, was that success in business had to be achieved through the success of employees in a manner to provide quality learning and development to all employees by the emphasis from training to learning (Bower, 1993). The system of rewarding employees was changed and participation in learning programs had a direct impact on salaries. By 1994, when BAe sold Rover to the German company BMW for £800 million, Rover had already gained a reputation as a successful and respected company. It was not only a highly productive company but also the company where the satisfaction of employees was at a very high level. The merits of such a turnaround were attributed to the fact that Rover had become a learning organization. Consultants and academics raced to glamorize the company and many other companies and organizations visited Rover, including the United Nations to familiarize themselves with the practice of the learning organization (Simm, 2005).

There was much discussion about the great performance of that learning organization, about the great financial indicators, and about the growth of several hundred percents. Unfortunately, for all the talk, none of it was close to being true. Revenue per car, revenue per employee, and break-even level per car remained nearly unchanged before and during RLB’s existence, while sales volume was in constant decline (Simm, 2005). On top of that, as often is the case in state-owned companies, strong unions resisted any improvements to efficiency when it might cost jobs. So Rover really did not have a ‘learning culture’ at all (Whiteley, 2012). The only change was a profit of the main and only shareholder, the Government of Margaret Thatcher, which earned £650 million capital gains upon the privatization of Rover.

After only six years, BMW sold Rover to the company Phoenix Consortium for only £10. While owned by BMW, Rover piled up losses at a rate of £2 million a day (Whiteley, 2012). BMW’s purchase and sale of Rover in such a short period of time intrigued analysts and many various reasons were put forward (Button, 2012), but the truth was that BMW bought Rover as a learning organization. When BMW realized that it had bought something ‘virtual’ which only generated huge debts, they decided that the faster they got rid of it the better. The future of that learning organization could perhaps have been foreseen even then, but Rover and its 6,000 workforces finally went into bankruptcy and disappeared from the market five years later in 2005, after unsuccessful takeover negotiations.
with the Chinese company Shanghai Automotive Industry Corp. (BBC, 2005). Such was an inglorious end of the prime example of the learning organization.

It's easy to dismiss the idea of the learning organization: simplistic, poorly researched and poorly conceptualized (Salaman, 2001). Learning organizations not only vaguely conceptualized theoretically, but the problem lies in the lack of its exact definitions (Driver, 2002). Some authors argue (Adžić, 2012) that the learning organization is hopelessly unrealistic. The field that covers learning organization is murky, with little systematic and cumulative research, with limited agreement on basic concepts and with little connection between normative prescriptions, on the one hand, and underlying concepts and research, on the other hand (Snyder & Cummings, 1998). The learning organization approach treats organizations as if they were human beings, it helps heuristics for thinking about organizational learning, however, that particular deficiency only further mystifies this phenomenon (Friedman, Lipshitz, & Popper, 2005).

The general theory of organizational learning remains elusive, although interest in organizational learning is still significant. Organizations are more than simply a collection of individuals; therefore, the organizational learning is different from the simple sum of the learning of its members (Crossan, Lane, & White, 1999). The reason lies in embedded organizations learning in relation to the less prevalent individual or group learning. Organizational learning in time begins to guide the actions of its members, what could be very dangerous for entrepreneurs' spirit because it is rare to see a consistent conversion of entrepreneur insight into business reality. For some authors (Crossan et al., 1999) institutionalization of knowledge is of the highest importance in organizations. Their case, Apple, Inc., when John Scully was brought in Apple as CEO ‘to provide needed systems, structures and other formal mechanisms … in the hope that the learning could be more systematically exploited’ ended when Steve Jobs left Apple. Luckily, the Apple story ended quite well, because Steve Jobs went back to build one of the greatest companies of our time. I support the view that the formal institutionalization of knowledge through Learning Organizations is not a solution. Nonaka (1994) points well when he claims that organizations cannot create knowledge without individuals, and concludes that the organizations could support creative individuals or provide a context for such individuals to create knowledge. He recognizes ‘explicit’ and ‘tacit’ knowledge. Explicit knowledge refers to knowledge transmittable in formal, systematic language and results from the formal learning process. Tacit knowledge has a personal quality, and it is hard to formalize and communicate. Although the spiral of both tacit and explicit knowledge is beneficial for the organization, the enhancement of tacit knowledge is of vital importance (Nonaka, 1994), through (1) variety of individual’s tacit knowledge and (2) quality of tacit knowledge, i.e. the practical embodiment of tacit knowledge in an organization.

The roots of learning organization concept can be traced back to 1947 (Jackson, 2000); however, a leading promoter of this concept was Peter Senge. In his book *The Fifth Discipline: The Art & Practice of the Learning Organization*, Senge (1990) laid the foundations of learning organization in the 1990s. According to Senge, the basic disciplines that organization should meet to consider as the learning organization are systems thinking, personal mastery, mental models, shared vision, and team learning. Fantasy Theme Analysis, a dramatically based method of rhetorical criticism (Jackson, 2000), could be used for suitable explanation of Senge’s *The Fifth Discipline* success. Senge's irresistibly dramatic interpretation of reality and rhetorical vision proved to be very successful, as it has inspired many followers. The social foundation of his work was successful in inspiring followers, i.e. workers in organizations, in terms of their beliefs and convictions that the fate of the
company would be in their hands if they were to be actively engaged in building learning organizations.

After The Fifth Discipline, the learning organization quickly became a fad in management. In 1995, five years after the publication of Senge’s book, the learning organization reached its peak as a fad (Loermans, 2002), measured by learning organization’s hits in the Proquest database. In the coming years interest in learning organization began to fall sharply, but that interest has been offset by a sharp increase in enquiries into knowledge management, from 207 articles on the knowledge management topic in the year 2000 in the Proquest database to more than double, or 440 articles eight years later (Hislop, 2010). During the same period, while academic interest in knowledge management remained at a high level, there appeared to be, in stark contrast, a significant decline of interest in it among global consultancies and professional service firms. A similar conclusion was reached from a scientometric analysis of knowledge management and intellectual capital academic literature of 2,175 articles in 11 major peer-reviewed journals (3,109 unique authors from 1,450 unique institutions) from 1994-2008, led by Serenko (2010). The knowledge management discipline has attracted the attention of a tremendous number of individual contributors from a variety of both academic and non-academic institutions, but, on the other hand, the top five universities and academics generated only 4.8 percent, and 2.5 percent of the total research output, respectively. Pragmatic field studies and experiments constitute only 0.33 percent of all output. As a result, the practical relevance and applicability of the scholarly research were questioned and, therefore, the researchers concluded that there is a great danger that knowledge management and intellectual capital may lose its practical side and become a pure scholarly discipline. The same conclusion was reached by Grant (2010). An extensive bibliographic review was carried out over a 20-year period, from 1990-2009, to determine patterns in the discourse. Next, the actual patterns of diffusion of knowledge management in five professional services firms were examined. While the bibliometric analysis demonstrated that the knowledge management has sustained a high level of interest over the last 10 years and is not seen to present the typical characteristics of a management fad, actual practice in the field differs from what is recommended in the literature. The greatest concerns from this research are the increasing divisions between practitioner and researcher in the field knowledge management.

In contrast to the world leading research practices, the Serbian academic community presents a different picture of the learning organization concept (Adžić, 2017). The Serbian academic community is a small community of researchers who publish the articles mainly in Serbian. Unlike the contemporary world practice, the Serbian citation index indicated that the study of learning organizations stayed vivid in Serbian academic area 17 years after the detection of this concept as a fad in the international literature, until 2012 year. Adžić (2017) concluded that Serbia is lagging the contemporary knowledge in management science for nearly two decades, and that this gap will not positively affect development of the Serbian management theory and practices. Also this research warned of the high percentage of the affirmative articles on learning organization, as well as a small number of the articles on learning organization of practical use.

It is possible to find the critics of the learning organization on the two opposite ends of the organization desirability, the studying of the learning organization as a Utopian sunshine or a Foucauldian gloom. For the first community, learning organization is an ideal that is close to a dream, but for the second group, it is a nightmare. This split is particularly apparent with regard to the following dimensions (Akella, 2008): control, power, politics, ideology, and the painful employee experience. The first community presents learning
organization as a new workplace paradise, while the second community presents learning organization as a negative ideology, as another way to exploiting workers, locking them into a "psychic prison" to serve the interests of those in power. Knowledge is power. Foucault argues that governance is achieved by knowledge, the knowledge that comes from subjugation and surveillance (Symon, 2005). The basis of governance and management processes is the maximum utilization of company resources in the quest for competitive advantage. That utilization requires control of company’s resources, and the workforce is one of the main resources of any company. Therefore, the role of knowledge in companies is problematic. Symon’s (2005) empirical study has shown that the organizations, where knowledge is of primary importance, are far from the ideal emancipated workplace. When an employee holds the knowledge that is valuable for the organization, it is rational to use that knowledge in his own interest in order to secure a better position in the organization for himself, rather than for some rival employee in the organization, even for all employees.

The learning organization is an innovation of the post-industrial era. It is a postmodern approach to work that requires a paradigm change in the organization. The emergence of this concept occurs at the moment when Britain’s companies show a lack of competitiveness, lack of skills and poor industrial relations. The learning organization then came to be seen as a panacea, as an idealistic image of cooperation, harmony, and flexibility of the satisfied and fulfilled employees. Economists on both sides of the Atlantic concluded (Symon, 2005) that better economic performance is the direct result of the leaders’ success, along with sophisticated organizational restructuring. It is also important to understand that the present era, in which we are living, does not make a fundamental shift in the political economy. Most work is still happening in the context of selling the labor to employers whose primary goal is to make a profit, certainly not to make an ideal organization for labor.

The idea of a learning organization should be abandoned because this imaginative idea has not ‘ran out of steam’, it never had any (Grieves, 2008). The learning organization has failed to meet three objectives which are essential for any well-founded theory (Grieves, 2008): (1) a clear definition, (2) practical operational advice which managers can use, and (3) tools and assessment instruments to measure their achievements. The concept of the learning organization ignores the ways of rewarding and punishing in the organization because it does not recognize the fact that management rewards those who contribute to the success and punishes those who cause the damage, both cases measurable in financial form. How does one quantify in financial terms the rewarding of those who learn more or punishing those who learn less? If it were possible to quantify learning behaviors, the best companies would imply only Ph.D. staff, and companies like that are extremely rare, if there are any.

The popularity of the learning organization did not last very long due to the way in which process of learning in the learning organization was understood and enacted (Elkjaer, 2004). The emphasis was on individual learning and individual change, but the organization itself, its management structure and business practices, remained unchanged. Learning in the learning organization has been studied as an epistemological process, outside of the situational and social context, however, the learning process cannot be fully understood outside the situational and social context. A key argument against, in this context, is a democratic deficit in today’s organizations (Ferdinand, 2004). The concept of the learning organization is naïvely apolitical (Grieves, 2008). The political question is related to the fundamental question: for whose interest does the business organization exist, for
the interest of workers or the interest of capital? The answer is very straightforward. The legitimacy of managerial authority is a function of maximizing efficiency and effectiveness in the interests of capital. Imagine a potential scenario: if a manager needs to lower labor costs, would he start to build a learning organization, which is expensive, or would he start to release the redundant workers? The interest of capital demands the second option. In a contemporary social context where capital dominates, the learning organization pleads for a fluid, flexible, and adaptable postmodern future-oriented organization. Is that possible in the modern business environment? Therefore, Grieves (2008) points out that this postmodern theory fails to recognize the limitations of its own paradigm.

4. Conclusion

This paper argues, without hesitation, that learning organization is a fad. The results of many studies confirm that learning organization is a management fad, but still a very popular fad in academic circles, which, I hope, will start to fade away from contemporary management literature, as many scholars have provided ample evidence of its uselessness. Is the study of this concept still needed today, a concept which is not recognized in contemporary management practice? I doubt and argue that learning organization should be left where it belonged to, in the history of all other concepts that have proven to be the unproductive fads. Further study of learning organization seems to me as a pure waste of time.

Although I am an opponent of the learning organization, this does not mean that I am an enemy of learning in the organization. The organizational learning and knowledge creation are important and deserve attention. It may be of a central importance in efforts to manage change and achieve better performance in organizations. The idea of learning merits attention and such attention should overcome the limitations of the idea of the learning organization. Business organizations are complex and intricate systems, very vulnerable to impacts of uncertain and unpredictable changes in today’s turbulent environment. Simplified recipes, such prescriptive theories as a learning organization, are not relevant for modern organizations.

References


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