

Organizational Learning, the Learning Organization, and Independent Evaluation

This chapter defines and elaborates the concept of the learning organization, emphasizing how learning makes organizations more efficient in a continuously changing competitive environment. We provide here some of the theoretical background supporting this concept. We also address the important conceptual distinction between the learning organization and organizational learning. We then apply these concepts to the arena of public sector organizations, and specifically IFIs, making the case for independent evaluation as a key component for bringing a public sector organization closer to what constitutes a learning organization.

Though organizational learning takes place rather frequently at the IMF through a variety of instances and processes, the Fund has not become a learning organization—at least not by the standards that the literature suggests organizations should aspire to in the 21st century. We contend that the lack of receptivity to the knowledge generated by the IEO has hindered the Fund’s ability to become a learning organization and that, as long as this continues, the IMF will be unable to transform itself from an organization that inconspicuously learns from the past to the ideal of a learning organization.

From the Learning Society to the Learning Organization

A central contribution linking the experience of living in an environment of increasing change with the need for learning as one goes through such change was made by Schon (1973). Schon’s exploration of the nature of learning systems and the significance of learning in changing societies helped to define the debate about the concept of the “learning society.” Schon took as his starting point the loss of the stable state. He claimed that the belief in the stable state is to give credence to the constancy of central aspects of our lives, or to expect that we can attain such constancy. The loss of the stable state, says Schon, demonstrates that our society and all of its institutions are in a continuous process of transformation. Hence, this condition of continuous change

requires that we learn to understand, guide, influence, and manage these ongoing transformations.

One of Schon's key intellectual contributions was to explore and attend to the extent to which private sector companies, social movements, and governments were learning systems—systems that could systematically be enhanced. As he noted:

We must, in other words, become adept at learning. We must become able not only to transform our institutions, in response to changing situations and requirements; we must invent and develop institutions which are 'learning systems', that is to say, systems capable of bringing about their own continuing transformation (Schon, 1973: 28).

Schon argued that the business firm is a striking example of a learning system. He charted how firms moved from being organized around products towards integration around business systems. He made the case that many companies no longer have a stable base in the technologies of particular products or the systems built around them. This work served as a key foundation of the research literature on the learning organization that emerged two decades later.

Organizational Learning and the Learning Organization

Initially, these two terms—organizational learning and the learning organization—were used interchangeably or as synonymous by the literature in the 1980s and early 1990s to refer to an organization that had learned from the past. Subsequently, the two terms have become sharply differentiated. The most common way at present in the literature to distinguish between organizational learning and the learning organization is that the learning organization refers to a form of organization in itself while organizational learning alludes to the activity or to the process of learning in an organization (cf. Ortenblad, 2001).

For an organization to be considered a learning organization, several distinct key features need to be deliberately put in place and then maintained within the organization. On the other hand, organizational learning can exist without any particular effort. That is, learning can take place without a precise initiative, but simply through experience and observation. The implication of this situation is that all organizations would have some sort of organizational learning, but only some would be considered learning organizations. Consider this quote by Dodgson:

Organizational learning is as natural as learning in individuals . . . the learning organization can be distinguished as one that moves beyond this

“natural” learning, and whose goals are to thrive by systematically using its learning to progress beyond mere adaptation (Dodgson, 1993: 380).

The learning organization is presented in the literature as an ideal—a desirable state towards which organizations should aim. Hence organizational learning is the activity and the process by which organizations may eventually reach the ideal state of being a learning organization. This set of propositions implies that organizational learning is a means, and a learning organization is an end, though not a final objective in itself. While at least in theory one could imagine that a learning organization could be created without organizational learning having taken place, for example, through a process of organizational transformation like re-engineering, initiated by top management and with little focus on learning (Finger and Brand, 1999), one would expect that organizational learning is required for an organization to attain the status of a learning organization. Thus, not all organizational learning leads to a learning organization, but we would expect that some organizational learning needs to take place for an organization to evolve into a learning organization. When framed in this way, the learning organization becomes a strategic objective of an organization, and organizational learning is one of the required elements.

As the intellectual ferment about these concepts has continued to percolate, a number of different schools of thought have emerged. The systemic approach to the learning organization had its roots in the changes that took place in management theory during the 1980s towards systemic and holistic thinking (cf. Senge, 1990; Nevis, DiBella, and Gould, 1995). Senge, who popularized the concept of the learning organization with the publication of his highly influential book, *The Fifth Discipline: The Art and Practice of the Learning Organization* in 1990, viewed the organization as a “learning system.” This system interacts with its environment and has to adapt to it and continuously change in order to survive.

Senge’s main intellectual contribution is the manner in which he puts systems theory to work. Systemic thinking is the conceptual cornerstone of his approach. It encourages organizations to shift to a more interconnected way of thinking. Organizations are systems composed of elements of interrelated action. Senge argues that seeing the whole, that is, appreciating the system instead of focusing on the parts, will result in more appropriate and purposeful action within the organization. Systemic thinking will encourage organizations to recognize the interrelationships between the parts. Senge argues that

for an organization to become more successful, it needs to analyze these interrelations and find the problems in them. This systemic approach aims at describing the way an organization can learn as a system. In Senge's view, a more holistic approach allows an organization to eliminate the obstacles to learning. To quote Senge:

Learning organizations are organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free and where people are continually learning how to learn together (Senge, 1990: 3).

The psycho-social approach to the learning organization can be traced back to the theories embedded in the human resources and organizational development literature (cf. Pedler, Burgoyne, and Boydell, 1991; Whyte, 1991). This school of thought conceptualizes the organization as a set of "resourceful humans." It considers that adequate conditions must be created within an organization in order to make maximum use of individuals' capacities to learn, contribute, and grow. Consider this definition of the learning company:

The learning company is a vision of what might be possible. It is not brought about simply by training individuals; it can only happen as a result of learning at the whole organization level. A learning company is an organization that facilitates the learning of all its members and continuously transforms itself (Pedler, Burgoyne, and Boydell 1991: 1).

While the quotes could continue and nuanced interpretations could be analyzed, suffice it to say here that the concept of the learning organization is linked to competition and change. Learning faster than rival firms is seen as providing a competitive advantage in an increasingly rapidly changing environment. Learning as in the learning organization has become tantamount to focusing on change. Thus a learning organization is one that learns continuously and transforms itself from within. Learning, and changing as the result of that learning, increases the organization's chance to survive in a constantly changing and competitive market. From a practitioner's perspective, Ray Stata, Chairman of Analog Devices, makes a strong argument for the learning organization as a key to management innovation to maintain a competitive leading edge: "the rate at which individuals and organizations learn may become the only sustainable competitive advantage, especially in knowledge-intensive industries" (Stata, 1989: 64).

Most conceptualizations of the learning organization work on the assumption that learning is a valuable continuous process and entails

some if not all the following seven characteristics (cf. Marsick and Watkins, 2003):

- creating continuous learning opportunities;
- promoting inquiry and dialogue;
- encouraging collaboration and team learning;
- creating systems to capture and share learning;
- empowering people toward a collective vision;
- connecting the organization to its environment; and
- providing strategic leadership for learning.

Ortenblad (2004) sought to bring together conceptually most of the existing definitions of the learning organization in the literature (such as the ones just mentioned) and posited a model with four key components that need to be present in order to create a successful learning organization: (i) organizational learning; (ii) learning at work; (iii) learning climate, and (iv) learning structure. As he notes:

There will still be enough room for creativity inside the integrated model (i.e., inside each of the four aspects of the integrated model, as well as in the space connecting the aspects), but an agreement on the border of the idea will make things easier for those who really want to implement it in practice (Ortenblad, 2004: 131).

An interesting aspect of Ortenblad's characterization of the learning organization is that he explicitly includes the concept of organizational learning as one of the main components that needs to be present.

As explained above, organizational learning alludes to the processes or activities of learning in the organization. Individuals learn as agents for the organization. What each individual learns is stored in the memory of the organization through routines, standard operating procedures, documents, manuals, and so forth. This organizational memory regulates the organization's behavior and that of its members, as well as directing attention to what they should learn. It is here that Ortenblad (2004) intellectually intersects with the earlier work of Argyris and Schon (1978) who argue that organizational learning should take place at three different levels—single loop, double loop, and deuterolearning.

Single-loop learning refers to organizations being capable to continuously improve current ways of doing things by addressing the gaps between desired and existing conditions. That is, employees learn how to perform their work tasks more efficiently (i.e., focusing on “doing things right”). Single-loop learning or adaptive learning focuses on

improving the status quo and can produce incremental change in how organizations function. Double-loop learning (or generative learning) refers to allowing the organization to learn how to change the existing assumptions and conditions within which single-loop learning operates. That is, it alludes to the capacity to question established courses of action, and provides every employee the opportunity to evaluate the effectiveness of their work (i.e., to consider whether they are “doing the right things”) and suggest measures for improvement, thereby enabling some existing routines to be redefined or replaced. Double-loop learning aims at changing the status quo, and thus can lead to transformational change in which the status quo itself is altered. Deuterolearning implies becoming aware of how organizations single- and double-loop learn—that is, “learning how to learn.” Here learning is directed at the learning process itself, and determines whether the learning process itself is optimal or can lead to improvements and efficiencies in how learning is conducted throughout the organization.

A similar interpretation of learning processes in organizations is proposed by Cummings and Worley (2008). They put forward four interrelated activities that can also be understood in the context of single-loop, double-loop, and deuterolearning. These activities are: discovery, invention, production, and generalization. The learning process in the organization begins with the discovery of errors or rifts between actual and desired conditions (single-loop learning). Invention is aimed at devising solutions to close the gap between desired and current conditions; it includes diagnosing the causes of the gap and creating appropriate solutions to reduce it (double-loop learning). Production processes involve implementing solutions, and generalization includes drawing conclusions about the effects of the solutions and applying that knowledge to other relevant solutions. The periodic examination of how well the processes of discovery, invention, production, and generalization can lead to improvements in how learning takes place throughout the organization. That is, “learning how to learn” (deuterolearning).

Ortenblad’s remaining key aspects of the learning organization refer to the organization’s provision of opportunities for employees to learn and acquire knowledge through their job experience (learning at work); to the creation of positive conditions within the organization that facilitate the learning of individuals through an atmosphere that enables and creates incentives for collaboration, reflection, and inquiry (learning climate); and to the structure of an organization that favors the flexibility to adapt to new circumstances (learning structure).

The above conceptualizations of the learning organization can be summarized in the three building blocks that Garvin, Edmonson, and Gino (2008) posit as necessary to create a learning organization. These building blocks are:

- (i) a supportive learning environment in which employees feel safe disagreeing with others and presenting divergent and minority views;
- (ii) concrete learning processes characterized by well-established processes for the collection, interpretation, and dissemination of information, as well as for identifying and solving problems (a concept similar to Ortenblad's organizational learning); and
- (iii) leadership that reinforces learning through its willingness to entertain alternative viewpoints, signal the importance of spending time on problem identification, knowledge transfer, and reflection, and engage in active questioning and listening.

As will be seen later in this book, these three building blocks of the learning organization basically represent the culture that needs to be present for an organization to call itself a learning organization. And as will also be explained, these building blocks cultivate the required atmosphere for independent evaluation to function properly in an organization.

What Can Undermine a Learning Organization?

Learning barriers at the organizational level include features such as corporate culture and an emphasis on organizational consensus, which can well lead to groupthink and inertia. And, as well, sometimes organizations fail to translate newly acquired knowledge into policies, procedures, and routines. Their tendency is instead to focus on the exploitation of existing capabilities and opportunities in contrast to exploration and experimentation (cf. Locke and Jain, 1995).

As noted above, leadership is a feature that most models of a learning organization stress as fundamental. In learning organizations, leaders and managers provide critical support to enable a successful learning environment for teams and for individuals. Leaders and managers who themselves value and practice learning are better suited to nurture it in the rest of the organization. Leaders are crucial as they set the tone, establish the vision, and develop structures and systems to support learning. Those in the top tier of the organization should be able to motivate the necessary change, and are well placed to overcome resistance from other members of the organization.

Thus a leadership or management team that lacks a learning orientation is one of the most important barriers to becoming a learning organization (again, see Locke and Jain, 1995). This barrier emerges because it is management that holds the key to promoting any change in the organization, including a cultural change towards a more favorable attitude with respect to learning. In this sense, it is clear that if management does not provide the impetus for learning and informed change, suitable structures will not develop and practices will not change.

The Learning Organization in the Public Sector

The concepts of organizational learning and the learning organization have traditionally been applied to private sector organizations that compete freely in the market—from which noncompetitive firms tend to disappear. In this context, learning by an organization is presented as a method to maintain the competitive edge and survive in a hostile environment. The message is blunt: firms that do not learn perish.

But the need to learn and change is also relevant for public entities and governments. A “learning government” has been described as one that “is capable of improving its policy measures and underlying assumptions or policy theories” (van der Knaap, 2006: 281).

Lonsdale and Bechberger note that governments learn through different methods:

[F]or example, through doing and then reflecting on the experience; through staff attending courses or sharing experiences with peers; through having approaches demonstrated or explained; through challenges to the conventional wisdom—constructive or otherwise; through comparisons with other organizations or between units; and through external scrutiny, audit, inspection, or evaluation (Lonsdale and Bechberger, 2011: 269).

Change in any organization in any sector is a given. Even if public sector entities and IFIs do not face the harsh competition that could drive them out of the market, and even if inefficient public organizations can prolong their existence, they face the imperative to be accountable to their constituents, often the citizens whose taxes finance their operations. Thus, while public sector organizations might survive as the result of administrative or political considerations that are not related to the necessity of change, these organizations still face pressures from their own national governments, from the rapidly evolving global context, and their own clients.

Public sector organizations, when analyzed through the lens of a learning organization, can become more efficient, adapt to new circumstances,

and transform themselves. They can even strive to attain their objectives in a more cost-effective way. The reality is that inefficient public entities represent a cost to society, and thus represent missed opportunities to attain their objectives. The pressure on public entities to remain efficient is persistent. The relevance for public sector organizations to develop their collective learning capacity and become learning public organizations does not diminish.

Finger and Brand (1999) made perhaps the first attempt to apply the concept of the learning organization to the public sector. They claim that public sector organizations are not qualitatively different from those in the private sector, but that they also face a more complex environment determined by different factors that establish and condition their response.

Public sector entities display some particular features that distinguish them from organizations in the private sector. Public sector entities operate in a political and public context. This makes their functioning and management more intricate than private sector organizations. They also have multiple and distinct shareholders. Thus, public sector organizations are accountable to their governments as well as to the public at large. Their mission, their responsibilities towards society, their structure, history, and culture, as well as their managerial practices, all add complexity to their challenge of attempting to move towards a more efficient organization.

The above implies that a public sector organization is part of a larger system that has a significant effect on the functioning of the public organization and is beyond the organization's control. This also means that the eventual transformation of public sector organizations into learning organizations is necessarily linked to the transformation of the larger system (Finger and Brand, 1999). That is, transforming a public entity may well entail the transformation of the larger system. Unlike in a private sector organization, where new managerial practices can generate significant change towards becoming a learning organization, transformation of a public sector organization might also require the transformation of the entire system within which the organization is embedded. The bottom line is that a more complex approach may well be required for transforming public sector organizations than for transforming their private sector counterparts.

Finger and Brand (1999) conceptualize this public sector transformation as a collective learning process in which not only the public organization, but also the different stakeholders that compose the larger system, are required to learn. The collective learning process permits the integration of all actors in the system and a transformation

of their relationships. This collective learning process expands the capacity of the organization to learn and increasingly to function like a learning organization.

How might we put into practice the concept of the collective learning process?

Independent Evaluation and the Learning Organization

As explained above, for an organization to be considered a learning organization several fundamental factors need to be present. These factors are related to the learning climate within the organization, and to its structure, culture, and general attitude towards learning, as well as to the processes that support learning. While a number of conditions affect and influence these factors, we contend here that a functioning independent evaluation entity within an organization has a positive effect on all these factors and thus can play a significant role in the advancement towards a learning organization. Furthermore, not only does independent evaluation contribute to the learning climate, culture, and attitude towards learning of the organization, but also the other way around. That is, an atmosphere within the organization that supports and stimulates learning, serves also as fertile ground for independent evaluation to flourish, thus creating a virtuous circle in which the learning organization and independent evaluation reinforce each other.

The IEO, an entity that produces periodic evaluation reports on a variety of topics that have to do with the critical aspects of the work of the IMF, is a powerful tool to promote learning within the IMF. The mere existence of an independent evaluation unit created to “serve as a means to enhance the learning culture within the Fund” and “designed to complement the review and evaluation work currently underway within the Fund and . . . therefore, improve the institution’s ability to draw lessons from its experience and more quickly integrate improvements into its future work” (IMF, 2000b) sends an unequivocal signal to the Fund’s stakeholders that the organization considers learning important.

As noted in [Chapter 3](#), the creation of the IEO not only changed the institutional and regulatory framework of evaluation within the IMF but also significantly altered the resulting interactions and relationships among the various stakeholders within and outside the Fund. It is through these interactions that the IEO has served as a learning device for the IMF membership and the public at large. Using Finger

and Brand's terminology, the IEO has promoted learning by the "larger system" (referring here to the Fund's stakeholders). Thus, as the larger system learns from independent evaluation, the above-referenced collective learning process takes place, and the transition of a public sector organization towards the ideal state of a learning organization is put into motion. The extent to which this can occur, however, depends not only on the quality of findings, conclusions, and recommendations generated by independent evaluation but also on the organization's receptivity to learning and resultant corrective actions.