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AN INQUIRY INTO ORGANIZATIONAL LEARNING

A Dissertation Presented

By

WILLIAM THOMAS RATLIFF, III

Submitted to the Graduate School of the  
University of Massachusetts in partial fulfillment  
of the requirements for the degree of

DOCTOR OF EDUCATION

September 1981

School of Education

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AN INQUIRY INTO ORGANIZATIONAL LEARNING


A Dissertation Presented

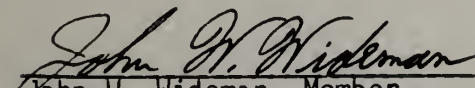
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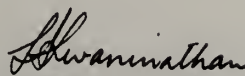
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This dissertation is dedicated to . . .

Jack, who helped me stay  
connected;

Don, who helped me stay  
grounded; and,

Fred, who helped me stay  
excited.

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At a much earlier point and continuing to this day, my parents have encouraged me to think for myself and to put my thoughts into action. This process of independent inquiry, which began long ago and which is only symbolized by this dissertation, has often taken me far away from them. But my learning has in many ways brought me full circle, a different person and yet closer to my beginnings.

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Other people have assisted me in ways that extend far beyond the parameters of the project itself, and without them, the process of thinking, writing, worrying, and concluding would have been at least more difficult and perhaps impossible. My friends Serena Lurie and Fred Sweitzer have been constant sources of support and encouragement. Susan Hill and Deborah Gladstein have contributed in such various and important ways that to attempt more than a heartfelt thanks here would be pointless.

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Will Ratliff  
July 1, 1981

## ABSTRACT

An Inquiry into Organizational Learning

September 1981

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Conceived as one part of the effort to determine the distinguishing characteristics of long-term effective organizations, this dissertation presents a model of organizational learning and reports on a case study of a company designed to test the usefulness of the model. Organizational learning is defined as the conscious and deliberate extension of a consensually shared knowledge base by members of the dominant coalition. The model is differentiated from other theories of organizational learning in that it is not primarily concerned with individual learning; political theories of decision making serve as the rationale for focusing on the dominant coalition of the organization and on the consensually accepted, publicly communicated, and integrated knowledge base it develops. These ideas are also related to the current phenomenological ideas of organizational paradigms.

Using this model as a guiding framework, an exploratory case study was conducted in a life insurance company. The report of this study describes the specific behaviors and patterns that satisfied the definitions of the organizational learning model. Berkshire Life Insurance Company was found to have a very clear dominant coalition



which has developed and consciously refined a consensually shared knowledge base. There is some evidence to indicate that this pattern of organizational learning did lead to superior economic performance, but attempting to establish this causal link was beyond the parameters of the study.

The important conclusion of the study is that the organizational learning model, when combined with other, more operationally specific theories, can yield very useful insights into organizational life. The most promising result is that this model could potentially provide a foundation for integration of presently disparate theories of organizational behavior. Other refinements of the model are also proposed which would make it easier to conduct more rigorous, equally comprehensive research in the future.

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# C H A P T E R I

## INTRODUCTION

### Context for the Study

The overarching goal of all organizational theory, all organizational research, is ultimately to provide those who live in, work in, and guide organizations--all of us--with concepts and theories which can be used to make organizations more effective. Of course, this overriding purpose is advanced in small steps directed toward more limited goals, such as training more effective administrators or developing more comprehensive and useful information systems. Each of these subordinate fields of work is still immensely complex and interdependent with the pursuit of useful knowledge in other areas, some specifically related to organizations and others pertaining to either more general or more specific areas, such as individual psychology, computer science, or political science. Furthermore, just as the study of individual behavior has lacked the unifying scientific premises that Kuhn has termed a "paradigm" (Ratliff, 1979), so organizational theory and management has been termed a "jungle" without universally accepted principles (Koontz, 1980), such as the laws of thermodynamics in physics and chemistry.

Even so basic an idea as "effectiveness" has proven extremely difficult to define or use without resort to arbitrary limitations (Connolly, Conlon, and Deutsch, 1980; Pennings, 1972; Pennings and Goodman,



1977). Since effectiveness implies instrumental action which is goal directed, questions inevitably arise over whose goals are being achieved--members' goals, or the goals of consumers, government regulators, or suppliers. If the concern is with members' goals, which members, individually or in groups, should be considered? Similarly, effectiveness implies standards. What standards should be applied to an organization--the economic model of profit maximization, levels of members' satisfaction or consumer satisfaction, achievement of publicly stated organizational goals? Assuming the standards, how can organizations with different histories, different environments, different memberships be meaningfully compared?

These are all troubling questions at a theoretical level. If one does accept certain admittedly arbitrary--because theoretically arbitrary may still be eminently practical--assumptions, then knowledge and theory may still advance in very useful ways. Such practical concerns are primary here. The context for the purpose of this dissertation is this quest for ideas that will enable organizations to function more effectively. Given the ambiguity and lack of definitive, causal "proof" that surrounds this core idea of effectiveness, the writer limited the focus by making an assumption well supported in the literature on organizations, namely that those organizations which are most effective over the long term are those which adapt or learn well.

Much of the current literature cites the crucial importance of organizational "fit" or "match" (Galbraith, 1973; Lawrence and Lorsch,

1969) to the specific nature of its environment. At the same time, writers in numerous fields are concerned with the accelerating rates of environmental change (Toffler, 1970). Presumably, an organization may "happen upon" a successful strategy or ride a single successful product for some time, but to remain successful for long periods during which resources must be deliberately allocated and choices concerning "future domain" (Thompson, 1967) must be made, an organization must have the capacity for successful adaptation to environmental shifts. This process of long-term, deliberate and conscious decision-making in relation to adaptation or "organizational learning" was the principal concern of this study. To the extent that one could identify aspects of organization life that are central to this process of organizational learning and develop ways to test for and subsequently strengthen these aspects, then a practical and a theoretical advance in the development of our knowledge of organizations would be established.

This study began with the assumption that organizational effectiveness will be enhanced by an organizational learning process and with a model to describe organizational learning. The problem was that no field research using this model had been conducted, and therefore important questions concerning its utility remained unanswered. This is a report of such a field study and of the answers it offers as to the utility of the organizational learning model.

Certain definitions and limitations of focus are important to establish before proceeding. Obviously, much of the review of the

conceptual and research literature is a more detailed description of the origins and significance of these definitions. A brief presentation of these "destination points," however, should lend a sense of direction and reasonableness to what is of necessity a complicated journey. The limitations tell where the study will not go and the assumptions illustrate the starting point.

### Definitions.

- D1. Organization: A group of individuals who act in patterned and coordinated ways in order to achieve some collective purpose (Argyris and Schon, 1978; Duncan and Weiss, 1979; Thompson, 1967).

This study was concerned with large and complex organizations which operate in a variety of domains and within the context of a complicated set of interdependencies. A family or a one-to-one therapeutic relationship may be considered an organization, but are not sufficiently similar to organizations considered here to assume research results would be meaningful in relation to them.

- D2. Organizational knowledge: Knowledge about organizational action-outcome relationships and the conditions, both within the organization and in the external environment, under which these relationships hold; in order for this knowledge to be organizational rather than simply individual, it must be accessible and communicable to all members of the dominant coalition, integrated with knowledge of the interdependence of various organizational actions, and consensually held by members of the dominant coalition (Duncan and Weiss, 1979).

- D3. Dominant coalition: "That group of interdependent individuals who collectively have sufficient control of organizational resources to commit them in certain directions and to withhold them from others" (Thompson, 1967, p. 128).
- D4. Organizational learning: The conscious and deliberate development of organizational knowledge, which may be a formal or informal process, by the dominant coalition.
- D5. Organizational adaptation: The adjustment to environmental change through organizational action, which may be but is not necessarily based on organization knowledge.
- D6. Organizational paradigm: A set of beliefs, assumptions, expectations, and perceptual frames of reference which are instilled in organization members through the process of socialization and which may be either conscious or unconscious. Those elements of the paradigm which are consciously held and shared by members of the dominant coalition are a subset of organizational knowledge.

### Limitations.

- L1. Concerned only with knowledge which is consciously and deliberately held and applied in the processes of problem-solving, decision making, and planning within the dominant coalition.
- L2. Concerned only with the development of knowledge, not with its implementation. Knowledge pertaining to implementation is certainly a vitally important subset of organizational knowledge, and the



implementation step is one part of the learning cycle in that it generates new information pertaining to errors or performance gaps. The success, failure, or even the actuality of implementation is not of concern here, however, only the development of knowledge.

- L3. Although this project is certainly one small step in defining the characteristics that distinguish effective organizations from ineffective ones and an assumed link between organizational learning processes and effectiveness is an important aspect of the rationale for the project, this project is not concerned with qualitative issues or evaluation of organizational learning, only with identifying the component processes of organizational learning. Before a process can be assessed, it must be identified, understood, and described.

#### Assumptions.

- A1. A cognitive-phenomenological view of individual learning, which includes goal-directed behavior, accepts only limited rationality, and weights perceptions and beliefs as opposed to realities (Argyris and Schon, 1974; Epstein, 1973; Thompson, 1967).
- A2. A systems view of organizations which stresses the interdependence of all organizational subsystems, incorporates feedback loops and a tendency to maintain homeostasis, but is not deterministic in that there is limited discretion and choice available to organization members within the range allowed by environmental constraints.

The dominant coalition is that group within the organization which exercises discretion in organizational action, as opposed to the discretion available to any organization member for individual action.

### Purpose of the Study

The purpose of this study was to assess the utility of a certain theoretical model of organizational learning.

The core constructs have been well developed, at least up to a certain point, by various authors in the field. Reviewing this development will be the basis of Chapter II. The model described herein had never previously been the basis of a field study, however, so that the constructs and propositions which make up the model required testing and refinement. A brief introduction to the model is needed before this purpose can be elaborated upon.

There are two central and reciprocal elements in this conceptual framework. The first is the "dominant coalition" in the organization and the second is "organizational knowledge."

Much of the literature concerning organizational decision making has focused on either predicting decisions assuming rationality or presenting new, more rational ways to make decisions. This literature has been roundly critiqued from various points of view (Pfeffer, 1977) and it is widely understood now that major decisions, those that affect the life and functioning and direction of the whole organization, are arrived at through a process more properly described as political than



rational (Cyert and March, 1963; Gabarro, 1979; March and Olsen, 1976; Pettigrew, 1973; Pfeffer and Salancik, 1974; Thompson, 1967). It is one in which coalitions among the members of the highest echelons of the organization, as well as powerful outsiders, play a central role.

This conception of organizational decision-making has been one contributing theme to the conflict over use of organizational goals as an element in considering organizational effectiveness: an organization is not synonymous with any coalition, particularly over time, and yet cannot be anthropomorphized as an entity separate from its constituent coalitions. The "dominant coalition" as presented by Thompson (1967), and as it is used in this paper, presents a solution to these questions of multiple organizational goals and conflicting subgroup goals by redefining goals in a uniquely organizational perspective. Goals can be viewed as "intended future domains," and anyone can intend that the organization move in certain directions, but only the dominant coalition has "collectively . . . sufficient control of organizational resources to commit them in certain directions and withhold them from others" (p. 128). Thompson and many others (March and Olsen, 1976; Pfeffer and Salancik, 1974) have shown how this political process of resource allocation can lead to "side payments" and other activities that have little to do with long-term fulfillment of formal organizational purpose. There has been much writing and some research on the various determining factors and internal processes of a dominant coalition. It is generally assumed that the dominant coalition is responsible for organizational decision making and overall performance as well as the subtler role of

establishing behavioral norms for an organization. Evidence of this is found in the literature that refers to the necessity of "top management" involvement in change processes (Allen and Pilnick, 1973; Beckhard, 1969; Peters, 1980) as well as in most general management and strategic planning literature. MacMillan (1978) is one of the few writers to both note the centrality of political behavior in organizations and also analyze systematically the appropriate responses of organizational leadership to political phenomena. His primary concern, however, is with the inclusion of political conceptualizations in the strategic formulations of the firm in relation to its environment.

This leaves a troubling gap in the literature, and in our theories of effective organizational leadership. Little has been published which specifically addresses the underlying issue in this paper--namely, what characterizes a dominant coalition which consistently leads an organization through effective adaptation. Stated more succinctly, how does a coalition learn? Using the literature for guidelines, this study was an attempt to identify the dominant coalition in a single organization and describe its present learning processes; this was simply a first, but necessary step in a series of research steps.

Use of "intended future domain" as a crucial element in the shared thinking of the dominant coalition sets the stage as well for the concept of "organizational knowledge." This concept has been most fully developed previously by Duncan and Weiss (1979) who emphasize the crucial distinction between individual and organizational learning. As the

dominant coalition goes about making the strategic decisions of resource allocation and future direction, each individual member has knowledge of the results a given organizational action will precipitate under certain conditions. These consequences are both external and internal and are affected by interdependencies with other organizational actions as well as by environmental conditions. Organizational knowledge exists to the extent that these individual assumptions and knowledge are consensually shared by members of the dominant coalition, to the extent that individual knowledge is accessible to all members, and to the extent that it is in a form that all members of the coalition can understand. Organizational knowledge exists in all organizations to some degree, if only because certain causal assumptions and knowledge bases are generally shared throughout the culture.

Organizational learning, as previously defined, is the development of organizational knowledge. Even a fleeting consideration of this view of learning shows that it is dependent on two distinct aspects of functioning within the dominant coalition. First, the quality and progress of organizational knowledge is directly dependent on the quality of information on various aspects of organizational performance available to any single member of the dominant coalition. There are numerous examples of innovative organizations developing unique information systems to support their special approach to the development of organizational knowledge (Chandler, 1962; Dowling, 1978). Once this information is available to any coalition member, the generation of organizational knowledge is then dependent on the willingness and ability of dominant

coalition members to share it in useful ways. Neither of these conditions can be taken for granted; for example, Pfeffer (1977) has pointed out that secrecy and privileged control of information is a very common and effective means for the maintenance and enhancement of individual power in organizations.

Various authors (Duncan and Weiss, 1979; Sheldon, 1980) have noted the similarity between the requirements for organizational knowledge and Kuhn's description of a scientific paradigm. "Paradigm" is a useful term because it lends a sense of the uniqueness that comes to characterize highly developed organizational knowledge within a single organization and to distinguish that sense of "specialness" from cause-effect knowledge that is generally available. It introduces the important effect of organizational socialization, the creation of a perspective and a set of expectations that can be either destructive or facilitative to the generation of organizational knowledge. Since organizational learning is dependent on the norms of sharing information as well as the procedures of gathering it, this added emphasis to the overall "paradigm" is helpful. There is at least extensive anecdotal confirmation of the link between a strong paradigm and organizational effectiveness (Chandler, 1962; Dowling, 1978; McKinsey & Co., 1980). Thus, a paradigm may be viewed as a certain type of extension, or perhaps an outgrowth, of the development of organizational knowledge.

This brief statement is a summary of the central ideas in the theoretical basis of this study. This project was not an effort to generate new theoretical constructs. The overlapping fields of management,



administration, and organizational behavior are inundated with theories (Koontz, 1980). The ideas summarized to this point represent a definition of the contributing elements in a process of organizational learning which appears to be both accurate in its representation of the reality of organizational learning and also testable, observable, identifiable in the terms proposed. Developed more fully in the next chapter, it represents a synthesis of the ideas about organizational learning published to date. This model holds great promise as a conceptual framework for integrating many different aspects of management and organizational theory. For example, if the model provides a sound basis for analyzing individual organizations, its component concepts might enable decision-making theorists to develop better hypotheses about what kinds of decision making processes are most likely to lead to implementation of decisions at different levels of the organization. At the macro-theory level, it might lead to political typologies of organizations which could be linked to predictions of effectiveness.

In order for such advances to be realized, numerous studies of various types must be carried out. The first type of study--of which the one described here is an example--must be exploratory in nature. By attempting to apply the general model to the rich, often overwhelming specificity of particular organizations, the model can be at once assessed and improved. Knowledge about specific member behaviors which lead to the extension of organizational knowledge may be established, for instance. After such general studies have refined the concepts and demonstrated their overall usefulness, if that is the outcome, then

later studies can develop systematic methodologies for studying large numbers of organizations in a comparative approach; and eventually correlations between organizational learning and some objective measures of effectiveness can be sought.

The purpose of this study then was to make a first exploratory effort at analyzing an organization in detail using the concepts of the organizational learning model as the theoretical foundation. This serves to evaluate the usefulness of the model and to aid in its refinement. Its usefulness has been assessed both as tool for analysis and as a heuristic model for describing organizational behavior in an integrated way. A by-product of the study, described in more detail in Chapter V, is its contribution to the systematic methodologies mentioned above as a goal of future research.

### Methodology

The basic methodology utilized was an exploratory field study focusing on a single organization. As a first effort to determine the value of the model and possibly to improve it, this approach was merited for several reasons.

First, there are aspects of the model and its historical development that lent themselves to an intensive case study approach. The model is a relatively new one, never before used to guide a research project. This means that both the constructs and the propositions of the model, as well as the model's relation to more general theories,



are very much in the process of refinement. Operational definitions of the component parts of the model are a particular priority. The model is also a relatively abstract one, not dependent on any single set or sequence of behaviors. Finally, it is a model of great promise in terms of both its realism and its significance as a possible unifying model for presently disparate theoretical themes. Analysis of published cases (See Appendix B) reaffirmed this promise.

Given these attributes of the model which served as the guide for this project, there was a near perfect match between the strengths of the methodology proposed and the anticipated research problems. Kerlinger writes, "Field studies are strong in realism, significance, strength of variables, theory orientation, and heuristic quality (1973, pg. 406)." He goes on to point out that one of the principal uses of field study approaches is to lay a groundwork or foundation for later research which can be more rigorous in the testing of hypotheses. This was particularly important to the purpose of this study where both model and research techniques were being tested and refined more or less simultaneously.

No methodology had previously been used to research this model. In all of behavioral science, there is little assistance for matching specific methodologies to specific research problems. Therefore, more open ended and exploratory approaches were deemed most desirable. Interviews especially offered the opportunity, within the structure of a schedule calling for focus on broad areas, for subjects to make connections which seemed most important to them. This expedited the search

for areas of consensually held, accessible, and valid knowledge and also permitted more subtle aspects of the paradigm--such as similarity in phrasings or emphasis--to emerge. Thus, these techniques were the most promising ones to use in an effort to uncover specific processes which would fit into the more abstract concepts of the organizational learning model. Only after some period of time, at the point when the model offers discreet hypotheses about operational and controllable variables, can the methodology become more specific and concrete.

Faced with this inherent ambiguity in results, a researcher does well to limit the complexity of a given project and simply be as open and direct about the strengths and limitations of the project as possible. Such is the case here.

An exploratory field study with a single subject offered the opportunity to engage in a discovery process, one in which rich data and researcher flexibility allowed for progressive strengthening of both the methods and the guiding model. The development of each illuminated the other.

There were at the same time obvious limitations to this research design. These limitations are well established in the literature of behavioral research. Kerlinger (1973) points out that the lack of discreet hypotheses makes field research difficult to assess. Furthermore, no variables can be controlled, even if they can be sufficiently well identified, and therefore relations between variables are difficult to establish beyond appeals to logical inference.

A more important limitation still is generalizability. Without more than academic comparisons to other organizations, there is the risk that the results of this study are simply a report on a single, idiosyncratic phenomenon rather than a first step toward insight into the learning process in all complex organizations. Even supposing, as this researcher believes, that the results are not simply reflective of an isolated process, how far the findings can be usefully generalized is a very difficult matter. At the very least, there is understandable reason to doubt that the same processes would be found in the same form in organizations with very different purposes, of different size, or of very different formal structure. Clearly, similar projects will be needed to demonstrate the usefulness of the model in varying sizes and types of organizations functioning in varied environments. It is important to keep in mind that the project herein was a first step and an essential step if that process is to proceed. So, with all the problems and potential limitations of the project, it seemed clearly to offer a significant contribution.

As has been stated, in this project there was an interplay between the theoretical model and the research itself. This interchange helped to uncover more specific situational elements in the single organization than the model is designed to assess and also insured against significant gaps or blind spots in the research. Thus, there was an expectation that the model and the research method had to be "bendable" to accommodate the enormous complexity of the variables involved. This

flexibility of approach has been defended by Mintzberg, who calls for "inductive, creative, intensive field research" (1977, p. 94) when the functioning of managers and policy makers is the subject. He sees this as a result of the unstructured and varying nature of management work as well as of the current developmental state of theory in this area of organizational behavior.

At the same time, there were also checks and balances or cross referencing built into the methodology. Otherwise, lack of quantitative or controlled data could have served to remove requirements for rigor in the linkage between research results and the theoretical model. Little help was to be found in quantitative models or formulas; almost none has been effectively applied to complex organizational phenomena (Koontz, 1980) and even when there was such research, as in laboratory investigations of coalition behavior (Wahba, 1977), it was so divorced from practical situations as to be only peripherally related. A methodology was developed, however, that met the needs for rigor without absencing the relevant. The overall technique here was to investigate important phenomena using at least two independent sources of information to check against each other. For example, relationships between the President and other members of the dominant coalition were assessed through self-reports and through reports of third parties. This approach of pursuing different perspectives on the same event/object is a fundamental verification technique (Bateson, 1979) in daily living and problem-solving as well as in science. When confronted with divergent phenomena



that have no "correct" or logical end-point and where replication in a precise sense is impossible, this type of model verification presents the only alternative to simple anecdotal reports. Writers primarily focused on research methods have made the same appeal for cross-verification (Campbell and Fiske, 1959; Webb, 1966).

The goals of a methodology for diagnosing organizational learning within this model were threefold. First, the dominant coalition had to be identified. Second, the various elements of organizational knowledge, both the specific action-outcome relations and more importantly, the paradigmatic beliefs or philosophical guidelines, had to be clearly established or verified. Third, the processes whereby this knowledge is developed and altered by the dominant coalition had to be identified, with attention to both the specific behaviors involved and also to the contextual factors, internal norms, and "intelligence functions" that shaped the organizational learning process. The organizational learning constructs had to be operationalized into observable phenomena. The methods applied permitted this activity to proceed within the research project itself because no prior research had developed these operational definitions.

A review of the methods used in similar investigations shows consistent overlap. Furthermore, their effectiveness has been verified at least informally by both general use and by successful application in many settings to various ends. The first and most obvious approach for many researchers has been a combination of direct observation and

interviews (Argyris and Schon, 1978; Beckhard, 1969; Gabarro, 1979; March and Olsen, 1976; Pfeffer and Salancik, 1974; Schon, 1978). Since the number of people included in a dominant coalition is not great, even in very large and complex organizations, this approach is both practical and also productive because it can yield a great deal of information. Although it presents many problems, such as censoring, bias, and possible misinformation, it has the added advantage of possibly revealing other sources of information that can be used to substantiate or disconfirm the interview results, and which may well be peculiar to the specific organization or type of organization.

One crucial aspect of the focus of this investigation to keep in mind was its limitation to conscious and deliberate organizational learning efforts by members of the dominant coalition. This focus, in and of itself, made the study more amenable to research based on self report and less susceptible to abusive attributions of internal processes.

Pfeffer and Salancik (1974), investigating the impact of intrauniversity politics on budget resource allocation, set out first to find out which departments were most powerful. They combined interviews with departmental chairmen and historical studies of key faculty committee memberships and found significant corroboration between the two sources.

Many researchers primarily concerned with only a few top managers have been even more reliant on interviews. Gabarro (1979) interviewed three newly installed company presidents and their principal

subordinates at regular intervals over three years in his investigation of the development of relationships within a top management team.

Mintzberg, who has attempted to offer detailed and concrete descriptions of actual management roles, has simply spent days observing a single manager.

As this review shows, there is a great deal of variation within a general approach. Researchers have largely accepted the type of "inductive, creative, intensive field study" research for which Mintzberg calls and have shown considerable willingness to adapt research interventions to their own needs. Unfortunately, in the work of some researchers the weakness of this flexible approach is quite apparent, where grand prescriptions or generalizations are made on the basis of quite limited information. One guard against the misuse of "soft" data is obviously the investigation of numerous organizations using the same essential model or approach. Notably, this approach has been used both by Argyris and Schon (1978) and by March and Olsen (1973); in researching a concept as complicated and multidetermined as organizational learning, such comparative data is particularly useful. Although that approach was not a possibility within the scope of this project, previously reported "cases" were analyzed with this model as "test cases." A number of these analyses are reported in Appendix B.

Generally, researchers (Kerlinger, 1973; Pelto and Pelto, 1978) and others concerned with data collection (Nadler, 1977) have stressed the same strengths of interviewing--adaptability, opportunity to build



rapport and to empathize, and the potential richness of the data. These strengths matched precisely the needs of this study. At this exploratory level, interviewing provided the greatest hope of building the kind of interchange between the theoretical model and the direct data that is needed to develop the model. The often cited problems of expense and of difficulty coding data were not sufficiently problematic in this project to be of concern. The only major concern that is also mentioned in the literature is that of interviewer bias affecting results; this was potentially a problem, but one which simply had to be addressed through self-awareness on the part of the researcher and through the use of on-going criticism of the research project by people not directly involved.

Several researchers have made additions or extensions to the interview process a vital aspect of a larger methodology. Argyris and Schon (1978) have developed a very specific, and innovative, tool. As a follow-up to interviews these authors have asked organization members to fill out a form which details both inquiring behaviors and unacted on thoughts, feelings, or considerations. Accumulating a body of such reports, then they construct a "map" or "information flow chart" which shows graphically the blockages within each crucial learning loop. Some reviewers have cited this addition to the methodology of organizational intervention and research as one of the major contributions of the authors' work (Coleman, 1978). Similarly, research on the effectiveness of various OD approaches has shown that survey feedback has been one

technique which seems to be effective fairly consistently (Porras and Berg, 1978). Although organizational change is not the goal of the methodology under consideration here, such research does indicate that review of organizational learning "maps" or feedback of preliminary data are methods of generating valuable and valid information.

These general techniques were designed to yield data in all three areas of concern in the research, the who, what, and how of organizational learning. Within just these approaches, there was also ample opportunity for the cross verification mentioned earlier; certain aspects of self-reports were compared to verbal assessments of the same point by other members or checked by related observations. These approaches were the core of the methodology.

There are other, more limited methods that were added to yield valuable insight as well, particularly as ways to confirm or disconfirm information gained from "softer" sources. One such technique, and one of the very most promising insofar as determining the membership of the dominant coalition was concerned, was network analysis.

As Tichy, Tushman, and Fombrun describe it (1979), network analysis can be adapted to yield information about many aspects of who communicates with whom, the content and importance of the exchange, and the "clustering" or "density" of different groups or subgroups. They mention self-reports as one source of this information, but generally would provide a structure to the response by asking for specific data. Examples would be, "List the names of the ten persons you talk to most

often in order to accomplish your job," or "List the persons whom you view as most essential to you in the performance of your job." Observations could also be used. A variation of these questions was used in the interviews.

A final approach, and one which was easily combined with ones mentioned already, was that of historical analysis. One central line of investigation was into a revealing event in the history of the organization; there are certainly similar techniques employed in all social science, from psychohistory at the individual level, to the "critical incident" approach to group analysis, to the rigorous art of writing history itself.

In fact, historical analysis has several advantages. It may well be less threatening to organization members than investigating the present and because it can be "bounded" in time and space to some degree, relationships between variables can be more carefully pursued. Although speculating about qualitative links, opening up the "effectiveness" can of worms, was not to the point of this project, historical incidents are also more amenable to that type of assessment because "the returns are in," at least presumably; objective performance data can be reviewed and attempts at correlation can be made. Finally, within the phenomenological frame of reference, the ways and feeling with which the past is described by present organization members may yield valuable insight into the present state of organizational learning, particularly at the emotional or meaning attribution levels of a paradigm.

Pettigrew (1973) addressed many of the same issues which are relevant to the methodology of this project, and his research was sufficiently similar to this effort to merit careful attention. He, too, expressed concern about the excessive dependence of social science research projects on a single method--whether it be observation, interviews, or questionnaires. Again and again he stressed the need for combining various approaches and, within approaches, the use of various sources.

Thus, Pettigrew's comprehensive and multifaceted approach appears to be at once a validation and a model for the methodology of this project. In the process of studying a single decision in great depth, he used direct observation over time, interviewing, content analysis of documents, diary-keeping, questionnaires, and unobtrusive measures.

These methods were further enriched and cross validated through use of multiple sources of documentary data and multiple observers. These approaches may not be uniformly available in every organization and, as Pettigrew points out, the methodology evolves to some degree with the research, due to both increasing familiarity with the site and increasing sophistication of perception on the part of the researcher. Still, his methodology provided for both depth and breadth of data. Finally, Pettigrew makes a strong proposal for historical investigation; he stresses the importance of being able to place the present in an historical context and the fuller perspective available on historical events.



Pettigrew has been a particularly compelling model for the investigation proposed herein. His methodological scheme, though more involved and requiring more time and resources than the project under consideration, was in essential principles and goals very similar.

Jelinek's study of the planning processes at Texas Instruments (1979) is an even more important parallel to this study. She was also attempting to verify through a field study a model of organizational learning. In this effort, she used interviews and document analysis to trace the evolution of the Texas Instruments' planning system. While her view of organizational learning is significantly different from the one proposed herein, she settled upon roughly the same methodology as was developed for this project. This is not accidental, insofar as her model of organizational learning, and the concept of organizational learning itself, were--and still are--in the process of formulation. Given this stage of development in the theory base, field studies of an exploratory nature are almost the only reasonable research approach.

#### Significance and Limitations

The significance and limitations of the study have been referred to in passing throughout this chapter. They also provide a useful point for summing up the most important themes.

The study is significant because it contributed a concrete and active test of a very promising theoretical model. In theory, the model provides an integrative framework into which many of the disparate ideas

in organizational theory can be meaningfully placed. This study provides a preliminary, and very substantive, test of the value of the model as a guide in the detailed analysis of a single organization. Thus, not only does the study represent a successful case analysis of a single organization's learning processes but it also demonstrates the usefulness of the organizational learning model as a guiding framework for the analysis of organizations in general. At the very least, it points what could be a very productive direction for future research. Too little is known now about the internal determinants of long-term organizational effectiveness, and further use of this model--as encouraged by the study--may greatly enhance our knowledge in this field. Within this broad contribution, of course, this study illuminates particular component concepts of the model, such as the relationship between individual managerial styles and the organizational paradigm.

There are severe limitations to the study, however, many of them inherent in field studies in general and case studies even more especially. The first is generalizability. Berkshire Life Insurance Company is not a large organization by most standards, employing only about three hundred and fifty people. Its product lines are fairly limited and most of its operations are housed in a single location. Although a business, as a mutual life insurance company--one in which the policy owners are also technically the owners of the company--it is somewhat insulated from particular environmental pressures which many businesses face. Every organization is unique, and a case study can never be



guaranteed to separate the unique from the general. In short, although the organizational learning model was extraordinarily useful in guiding an analysis of Berkshire Life, there can be no certainty as to its applicability to other organizations; and the more different an organization is from Berkshire Life in terms of size, mission, or almost any other criterion, the less it can be assumed--solely on the basis of this study--that the organizational learning model would offer the same benefits.

Similarly, field studies are prone to researcher bias and that is certainly a danger in the present study. The nature of that bias is such that the author-researcher cannot identify it beyond recognition of the risk. In this project, the risk was perhaps unusually high, since the researcher worked alone and was constantly placed in the position of identifying with the company and its managers, the subjects of the research.

Finally, there are limitations inherent in the study itself. This study was not designed to establish a causal link between organizational learning and effectiveness. It was not designed to establish the connection between top manager perception and belief and that of lower level subordinates. The study was designed only to establish the usefulness of looking at organizational learning, at the interaction of political processes within an organization and the generation of knowledge which serves as the basis for organizational action, and this limited goal was accomplished. Its relevance to other past and future

research conclusions can only be estimated, not clearly established as a result of this study.

C H A P T E R   I I  
REVIEW OF THE LITERATURE

Section 1 - The Dominant Coalition

Often in the literature on organizational behavior and organizational performance, "the organization" or "senior management" or "top decision-makers" are referred to in ways that imply an almost mechanistic degree of rationality, as if once all external influences on the organization and all the internal technology are known, an observer could predict organizational behavior. This style of writing recognizes the reality of concerted organizational action and, since the stated purpose of many organizations is in fact to rationally achieve organizational goals, it is certainly understandable and useful. Furthermore, the reduction of uncertainty--including uncertainty associated with the variability of human actors--is a driving force seemingly inherent in the very nature of organizing (Thompson, 1967).

Tushman (1977), in concert with many others, has assailed this tendency to "treat the organization as a black box." Rational models of decision-making, as well as the deterministic theme in the organizational design literature, have been critiqued from many perspectives. Limited individual information processing ability (March and Simon, 1958), the prevalence of ambiguity regarding cause-effect knowledge on which decisions are based (March and Olsen, 1973), and the variance of individual and subunit goals (Pfeffer, 1977; Pfeffer and Salancik, 1974; Tushman, 1977) have all been used as reasons to question any perspective

which assumes predictability and unanimity in organizational action. Of course, the greatest critique rests in empirical evidence, a recognition of the fact that there may be no rationally comprehensible reason why U. S. Steel chooses 1980 to begin instituting tighter cost controls and higher standards of profitability for its plants rather than 1978 or 1970 (Salpukas, 1980).

This reality has been recognized in organizational literature in two ways. First "choice" or "discretion" has been postulated in the literature as an important element of roles at the higher levels of organizational hierarchies (Thompson, 1967). Mintzberg (1977) and others who have directly studied managerial work have likewise stressed its unstructured nature and the individual and idiosyncratic ways in which information is gathered or decisions are made. The second and most consistent response to the unpredictability of organizational behavior has been descriptive studies of the ways in which decisions are actually made. This approach has led to the recognition of and increasing emphasis on political phenomena in organizations, on the acquisition and use of power to achieve person or subunit goals.

Cyert and March (1963) are generally credited with the introduction of political realism into organizational theory. Their work drew attention to coalition phenomena but has been found severely wanting in its lack of analysis of these phenomena (Pettigrew, 1973). Without adding new research, Thompson (1967) did a great deal to systematize a theory of coalitions and the environmental and technological factors that would affect their composition and development. Many researchers

have continued to investigate decision processes with particular attention to the role of coalitions. In a typical study, Pfeffer and Salancik (1974) studied the relationship between departmental power and resource allocation in a university budget process; they found that budget increases reflected more closely the differential power of individual departments than it did any other criteria such as size, student class enrollment, or national prestige.

Pettigrew (1973) performed a longitudinal study of effects that specialization had on coalition formation in a single organization and of the specific individual and group behaviors employed over time to acquire and maintain the power to shape allocations, policies, and future direction of the organization. His work verifies the usefulness of a coalition perspective in analysis of behavior at every hierarchical level within an organization and also emphasizes the importance of unique circumstantial and historical factors in the evolution of coalitions.

The combined result of this work has been a focus on and acceptance of the "dominant coalition" as that group in the organization, and possibly including outsiders, who at a given point in time "collectively have sufficient control of organizational resources to commit them in certain directions and to withhold them from others" (Thompson, 1967, p. 128). Although numerous authors contend that power-based phenomena in organizations are insufficiently studied (Pettigrew, 1973; Schein, 1977; Tushman, 1977), the general idea and definition of a dominant coalition as the group which defines organizational goals and directs concerted



organizational action seems to be generally accepted and frequently used as a starting point for explanations of and investigations into organizational behavior (Duncan and Weiss, 1979; Nolan and Finch, 1980; Finch, in process).

A final verification of the centrality of the dominant coalition in considering organizational learning comes from the literature on organizational development and planned change. It is an accepted "truism" that the support and participation of top management are essential if change efforts are to be successful (Allen and Pilnick, 1973; Lake and Callahan, 1971; Ivancevich, et al., 1978). Some writers have even gone so far as to include top management initiation as an element in the very definition of "organization development" (Beckhard, 1969). Peters (1978, 1980) has made detailed studies of the means by which top managers do in fact alter patterns of organizational action.

The explanations given for the necessity of dominant coalition sanction are hardly sophisticated in their approach to reasons behind this important understanding. There is usually a reference to either "power," since top management has the ability to compensate for and institutionalize change processes, or "commitment," based on the assumption that subordinates will not commit themselves to efforts which "higher ups" do not feel are important enough to merit participation. These ideas are not usually presented as part of a comprehensive system or model that explains the crucial role of the dominant coalition. The model proposed in this thesis offers such an explanation for this phenomena which is widely observed but poorly conceptualized in the literature.



A detailed review of coalition theory is not to the point of this paper, but certain important themes should be noted. One such theme concerns the source of organizational power. Kruglanski and Raven (1975) have theorized various power bases, but these can be considered general rather than unique to organizations. Within organizations, management of significant uncertainty has been postulated as a primary source of both individual and subunit power (Kotter, 1978b; Thompson, 1967; Tushman, 1977). This has been verified in part by a typology of companies and the management specialties which tend to dominate top management positions within each type. The dominant specializations in turn shape the future direction of the company in self-reinforcing ways (Miles, et al., 1978). Thus, in a specific dominant coalition, expertise in areas defined by organizational members as sources of uncertainty may determine power balances or the degree to which subsystems are over- or under-represented in the coalition.

Similarly, various degrees of interdependence and dependence characterize the relations between subsystems of a system. Kotter (1978b) and Pettigrew (1973) show how crucial an aspect of the power-oriented behavior in organizations the management of these interdependencies is.

Control of information has often been recognized as a source of organizational power. Since accurate and current information is one foundation of the organizational learning process, one way political behaviors will shape organizational learning is through the control of information. Pfeffer (1977) views secrecy as one of the principal

techniques in the acquisition and maintenance of individual and subunit power.

A final theme of the decision-making and coalition literature which sheds light on the organizational learning process is the distinction drawn therein between routine and innovative decisions. The latter involve considerations which are understood to be new and different from any decisions that are so common in the organization as to be institutionalized and routine. Pettigrew (1973) views innovative decision processes as a time of heightened political activity within the organization, in large part due to the uncertainty involved. Involvement in these different types of decisions may vary and hence shape the constitution of the dominant coalition. This fact may explain a great deal of the usefulness of institutionalized planning and evaluation processes in that these processes make the process of considering newness and the uncertain future a routine organizational process, subject to greater control and direction by the dominant coalition. Jelinek (1979) contends that only processes which have been administratively institutionalized can be considered truly organizational. Hence her focus in a study of organizational learning is upon administrative systems employed in a single organization to make innovation and learning routine.

MacMillan (1978) has made one of the few systematic inquiries into the nature of political activity in organizations. His concern is more with interorganizational political strategy than with the political dynamics within organizations, but he does root his theory in an

explanation for individual political behavior and the resultant formulation of coalitions. He views coalitions as an inevitable element of organizational life and describes policy formulation by the leaders of the organization as a political process of balancing demands of various internal and external coalitions. Interestingly, he views this group at the top of the organizational hierarchy primarily as "fiduciaries," as representatives of interest groups, rather than as a potential coalition. This group generally is invested with legitimate authority within the organization as well, which puts it in a unique position politically vis a vis other interest groups. MacMillan never discusses these leaders as a coalition, or coalitions, in their own right and hence fails to bridge his discussion of political effectiveness within the organization to any external organizational effectiveness other than in the realm of political activity. Still, he offers very illuminating ideas on intraorganizational political activity, and perhaps most usefully, begins by defining a number of terms: political action, power, influence, political capability and authority. His definitions bear repeating here because they can serve as a set of linking concepts in the process of matching specific behaviors and perceptions to the more abstract concepts in the organizational learning model.

Political action takes place when an actor, recognizing that the achievement of its goal is influenced by the behavior of other actors in the situation, undertakes action against the others to ensure that its own goals are achieved (p. 8).

Power of an actor over an opponent in a situation is the capacity of the actor to restructure the situation, so that the opponent acts as the actor wishes.

Power in a situation is regarded as the capacity of an actor in that situation to . . . restructure the situation in such a way as to get others to act as the actor desires . . . power is situationally determined.

Influence of an actor . . . is the capacity . . . to restructure the perceptions of the opponent so as to get the opponent to act as desired [emphasis in original, p. 15].

Political capability is used to denote the sum of power and influence of an actor.

Authority is defined as legitimized political capability; that is, legitimized power and influence . . . . The actual authority of a person in a situation is really his informal authority in the situation. This informal authority can be greater or smaller than the formal authority conferred on the person by the organization . . . . there are limits to authority, and these limits are broadly set by the organization in a formal sense, yet they are specifically set by each individual in a situation in an informal sense . . . . what may constitute a legitimate action by some may not be regarded as legitimate by others . . . . [emphasis in original, pp. 16-17].

With these definitions as starting points, MacMillan structures a very coherent model of political behavior, both intra- and interorganizational. Since the concern here is not primarily with political activity but with the effect of such activity on organizational learning, his thrust is tangential to the principal topic here. His definitions do provide the basis for the analysis of political action and structures, however, and he reemphasizes many of the points made in earlier literature concerning organizational power and influence bases. He reduces these bases to very manageable and operational terms, which makes them more useful for analysis as well. Power bases are possession of strategic power resources, control of alternatives, influence, and authority. Influence bases are, similarly, possession of strategic influencing resources--such as audience or information, control of influencing



alternatives, power, and authority. He also points out, as several authors have previously, how specialization within the organization may serve as the basis for competing interest groups, and offers some insight into what constitutes effective political leadership. Thus, by systematizing prior conceptualizations, MacMillan makes a major contribution to the literature on political processes in organizations; and though he is not primarily concerned with the phenomena surrounding a dominant coalition--in fact, he never uses the term--he provides this study with concepts which are very useful.

Insight into these political processes in organizations greatly enriches the theoretical and practical guidelines of this study. There are two critical contributions that this literature makes to the study of organizational learning that must be reemphasized. First, the site of organizational learning is clearly established; we know where and for whom to look--the dominant coalition. The group which directs the concerted action of the organization must also be the group that learns if organizational adaptation is to take place in a conscious and deliberate way. A central premise of this model of organizational learning is that organizational learning must be understood, and can only be understood, as a function of the interactions in the dominant coalition. Important information may exist outside the collective awareness of the dominant coalition, but organizational learning cannot take place until this information is shared and integrated into the knowledge base of the coalition. Organizational learning may take place at a subsystem level and affect organizational behavior within that subsystem, but this



simply illustrates the model working at a lower hierarchical level, not an aberration to the model.

Once the dominant coalition becomes the focal point of investigation, the task of describing organizational learning becomes significantly simpler. First of all, we have narrowed the field of inquiry to a single group of people. Although not much of the literature on groups addresses anything like the complexity of factors affecting a coalition at the pinnacle of a large organization, there are certainly valuable contributions to be gained from the literature on groups. Some of the literature specifically directed toward top management relationships (Gabarro, 1979) has produced results quite similar to analysis of group development in laboratory settings, with an emphasis on sequential stages of introduction, testing, and finally trust and accommodation. There is no reason not to believe that a dominant coalition is governed by much the same behavior patterns as other groups. This is not an appropriate place for an extensive review of group literature, but group functioning within the dominant coalition obviously greatly affects the development of organizational knowledge. Numerous authors have already drawn this link between group functioning and the capacity for system learning; Janis (1972) comes immediately to mind, with his reconstruction of governmental crises resulting from the exclusion or repression of divergent viewpoints.

The second vitally important contribution of the literature on decision-making and political process in organizations to an overall understanding of organizational learning is to place that organizational

learning process in its socio-political context. To the extent that organizational knowledge exists and is developed and refined, it is a product of political processes and negotiations, of the use of power within the organization. It cannot therefore be analyzed from a simple, rational point of view. The organization may fail to learn in times of apparent need or learn without apparent environmental stimulus. Individuals may learn and even publicly share their new knowledge with no impact on systematic organizational action. Only with an appreciation for the role of the dominant coalition and for the power relationships and structures, formal and informal, which support it, can organizational learning be understood.

An increasingly popular concept in efforts to improve overall organizational functioning is that of strategic planning (Hofer and Schendel, 1978; Andrews, 1980). This work is similar to the literature on decision-making in that it is primarily prescriptive in nature and assumes rationality in decision processes. Here again, a thorough examination of this literature would be only tangential to the purpose of this paper. Two points are crucial, however, and are consistently reemphasized in writing on the subject of planning. First, top management is clearly assumed in this literature to be responsible for the long-term performance of the organization through the process of developing and implementing strategies in a changing environment. Secondly, the planning process itself is often discussed in much the same terms as learning processes are in the organizational learning literature. Planning is clearly one avenue, and perhaps the most common

one, through which organizational knowledge is developed and extended by the dominant coalition. What is characteristically and unfortunately missing from most of the planning literature is a recognition of the political, coalitional aspects of organizational decision making.

Without detailed review, voluminous bodies of literature in four principal areas have been alluded to in this section: organizational decision-making, group behavior, organization development and strategic planning. A brief example may be helpful in illustrating how these disparate approaches converge to verify this model of organizational learning. Tushman (1977), in his overview of political processes that affect organizational action, notes that "superordinate goals" have been frequently proposed as one organizational influence which can limit subunit conflict and promote concerted action. Allen and Pilnick, describing their efforts to combat "negative norms" in organizations (1973), list several factors that are key in this change process. Top management commitment, modeling behavior, and sanctioning behavior in support of the new norms are the first factors listed. And in Dyer's (1977) review of factors that promote group performance, "unifying purpose" is a central focus. Andrews (1980) considers definition of business purpose as the first priority of top management. Thus, in different terms from different perspectives, writers in each area have pointed to the crucial impact that the dominant coalition can have by promoting a shared view of the organization and its purposes. The nature of such a view is the subject of the next section.

## Section 2 - Organizational Knowledge

Given the importance of the dominant coalition in the process of organizational learning, the next critical concept is "organizational knowledge." By developing the idea of a dominant coalition, the "learner" in organizational learning has become much more focused and manageable. In the same way, we must clarify the "object" in the learning process. The definition of "organizational knowledge" has already been provided. Much of this definition focuses not on the knowledge or information itself, but on the social or interpersonal context in which it is held. "Consensual," "communicable," "integrated," "accessible"-- these words describe not knowledge, not content, but the conditions under which any knowledge can be considered "organizational knowledge." As has already been stated, organizational knowledge exists to some degree in all organizations, but a fuller understanding of its nature, and of the informational aspect of it, is necessary. More specifically, since information and knowledge are the bases for organizational action and decision-making, we must understand how and what kind of information is involved.

A central assumption of this paper is a cognitive-phenomenological view of human learning (see A1, Chapter I). An important aspect of this view of individual learning is the emphasis it places on a "world view" (Epstein, 1973) or "theory-of-action" (Argyris-Schon, 1978); this concept is of a hierarchically organized system of values, beliefs, and assumptions. Experiences and sensory data are filtered through this



system internally and analyzed and given meaning according to the "constructs" held by the learner. Hence, the behavior of an individual is a function as much of this "theory of action" as of the stimulus situation. It is tempting when seeking to explain organizational learning to focus on the accuracy or substance of information upon which decisions are made, and in fact organizational errors are often the product of poor information. Over the long-term, however, a dominant coalition can develop an information system that reflects its unique needs and goals. The historical examples of innovative companies suggest such a pattern (Chandler, 1962; Dowling, 1979).

There is a tremendous literature as well specifically concerned with management information systems, so-called MIS, and with the information processing capability of various organizational structures (Tushman and Nadler, 1978). Although the "intelligence function" (Wilensky, 1967) is a vitally important aspect of the overall organizational configuration, it is not the concern here. Once again, the presumption here is that a dominant coalition capable of organizational learning, as defined by the model, will develop increasingly effective information systems, whether formal and structural or informal. Similarly, the extensive literature on information processing within various organizational structures is only tangential to the argument developed here.

Theories which stress information content over the processes whereby information is assimilated and applied miss the point. The history of organizations--governmental, military, business, educational,



etc.--is full of cases of "intelligence failure," where decision makers ignored vitally important data, even falsified it, in order to maintain a belief system. In discussing just this phenomenon, Wilensky (1967) emphasizes repeatedly that the quality of information will always reflect the quality of questions asked by top management. Automation serves not to alter this principle, but simply to make errors apparent faster and with greater reverberation through the system.

Clearly, the quality of questions asked is a product of the experience, education, and frame of reference of the manager. Wilensky tends to emphasize these individual factors and other research corroborates this assumption, indicating that "cosmopolitans"--those with more education and a wider range of experience--tend to be more innovative in organizations than "locals" (Pierce, 1977). There is clearly no substitute for technical expertise and analytic skills. There are also social or organizational factors that have been shown to be important, such factors as job satisfaction and involvement, performance discrepancies, and, most importantly to this thesis, "values of strategic decision makers" (Pierce, p. 33). This theme is repeated again and again in the literature; the attitudes and values and priorities of top management are reflected in the information and innovative ideas that are generated in the rest of the organization. Even in such an apparently scientific endeavor as geological exploration, Peters (1980) found a close correlation between corporate success in mineral exploration and the amount of time spent discussing exploration in top management meetings.

Wilensky says that the greatest impact an information specialist can have is not in regard to content or quantity of information, but in "the capacity to affect the general tone of policy discourse" (1967, p. 174). Thus, even though there is little we can say on the specific nature of information involved, organizational learning requires a certain attitude or value toward information within the dominant coalition.

There are many sources of blockage, just as there is the ever-present danger of wrong or insufficient information. Beyond individual characteristics of managers that promote information flow, innovation, and the development of new knowledge, there are also characteristics that become organizational or systemic and which come to frame the efforts, initiatives, and expectations of organization members. Clearly, in a model which defines learning as the development of consensual, accessible, communicable, and integrated understandings of action-outcome relationships, the focus is first and foremost on these organization-wide, or at least dominant coalition-wide, characteristics.

One team of theorists and OD practitioners that have clearly grasped these issues from a different perspective is Allen and Pilnick (1973). They stress the "normative systems" operating within any organization that shape individual expectations and experience far beyond any single set of role defined behaviors, systems of ideas or beliefs having to do with organizational and personal pride, performance standards, customer and colleague relations, or innovation and change. In addressing the organizational factors that shape and maintain this system

of belief and expectations, Allen and Pilnick list among other factors: top management commitment to norms; modeling behavior, especially by leadership; management sanctioning behavior; evaluation and reward systems; and, information, communication, and feedback systems. All of these factors are a direct result of dominant coalition policy, though they will certainly evolve independent of dominant coalition attention.

Beckhard (1969), also concerned with purposeful change efforts in organizations, cites many of the same attitudinal elements of organizational life under the anthropological term of "culture." He, like Allen and Pilnick, sees the top management of an organization, the dominant coalition in the terms of this paper, as responsible for the creation and maintenance of a culture that promotes attainment of organizational goals.

From yet another perspective, an unpublished McKinsey & Co. report (1980) indicates that some of the characteristics that consistently effective and innovative corporations share are similarly based. These similarities include a "guiding philosophy," a strong emphasis on customer satisfaction and attention, and an internal system that stresses accountability. The present concern of this paper is not so much on effectiveness, but quite simply on the existence of this organization "ideology" that has previously been alluded to, and cited in organizational literature, as the "organizational paradigm." Just as every organization must have some degree of organizational knowledge in order to function, every social organization also develops norms. Both are interacting elements of individual and organizational "theories of

action." A crucial distinction, however, is that by definition organizational knowledge is consciously and deliberately developed. A paradigm may operate, and often does operate, out of the awareness of organization members. To the extent, however, that a paradigm is consciously recognized and cultivated, to the extent that IBM is aware of socializing and cultivating "IBM men," the paradigm is an arena for organizational learning in the same sense that any organizational action may be. And to that degree, the paradigm is a special and uniquely important subset of organizational knowledge.

Pfeffer (1980) has stressed the maintenance of a paradigm as a key management function. In an illuminating summary, he points to the two major thrusts in the organizational literature; one approach emphasizes the macroview of economic necessity and environmental determinism and the other stresses cognitive, proactive activities and behavior on the part of managers. Pfeffer notes that both are critical in analyzing organizations and then focusses on the indications that creation and maintenance of an effective paradigm are critical aspects of the behavior of effective management; in this set of behaviors he stresses "symbolic action" by management which legitimates economic necessities and constructs an organizational identity which organizational participants can then use to guide their own behavior. Clearly, although these behaviors are symbolic in nature, the contributions which Pfeffer indicates they make to organizational effectiveness are profound.

This understanding of organizational knowledge is a much more recent development in the literature on organizations than is the



dominant coalition. Yet, in a view of organizational behavior that incorporates the social and political processes, such a specialized view of knowledge is a necessity. In describing this view of organizational knowledge, Duncan and Weiss stress this distinction between individual knowledge and knowledge "required" for systematic organizational action. . . . The overall organizational knowledge base emerges out of this process of exchange, evaluation, and integration of knowledge. Like any organizational process, the only actors are individuals. But it is a social process, one that is extraindividual. It is comprised of the interaction of individuals and not their isolated behavior" (emphasis in original) (1979, pp. 88-89).

Even though a paradigm may operate out of awareness in many ways, to the extent members of the dominant coalition are aware of sharing certain values and beliefs, it is a vital part of organizational knowledge. "Around here we work at it until we are the very best in the field," is obviously a much more important consensual, communicable, and integrated action-outcome assumption than a more concrete one such as "advertising for product X is most cost-effective during summer months," even though the latter is easier to verify. A crucial aspect of understanding organizational learning processes lies in grasping the way that paradigmatic organizational knowledge, as exemplified by the first quote, shapes the development of understandings such as the second quote.

Thus, in seeking organizational learning, the focus is on social, interactive processes that develop organizational knowledge that fits



these relatively clear requirements. Unless these requirements are met, investigation gets hopelessly bogged down in a focus on individuals. Individuals develop knowledge or bring it into the organization through individual learning, whether factual, causal, or paradigmatic; unless this knowledge is shared with and accepted by other individuals, specifically those in the dominant coalition, learning is not yet organizational learning. This is the primary difficulty with most models of organizational learning, which leads to the next section.

### Section 3 - Organizational Learning

Each component of this organizational learning model thus has extensive support in various parts of the literature. Certain authors have also specifically used the term "organizational learning" in their own writing as a central construct. Three pairs of authors-- Argyris and Schon (1978), March and Olsen (1976), and Duncan and Weiss (1979)-- deserve special attention since they have focused on the same core issue as does this thesis. The Duncan and Weiss position is clearly the most thorough and comprehensive view, although not nearly as detailed in its development as that of the other two teams. First, this model will be summarized and additions to and minor differences with it will be discussed. Then I will show how the other models are sufficiently accounted for within this comprehensive theory. The definitions for organizational knowledge and organizational learning already presented are taken directly from Duncan and Weiss; hence, their influence is also clear and necessary, if not so exclusive, in the views of organization,

dominant coalition, and in the underlying theoretical assumptions concerning individual learning. A final author, Jelinek (1979), has addressed organizational learning from a somewhat different perspective and also merits special attention.

Each of these theories is an attempt to specify some of the critical processes that have been neglected within what Tushman has called the "black box" perspective of top management behavior (1978). An organizational learning approach recognizes the fact that neither internal structure nor external environment has a predictably deterministic effect on organizational action. It is utterly apparent that even organizations that share essentially the same internal structure and external environment--two schools within the same urban conditions in the same district for example--often function with marked differences in success at meeting organizational goals. This readily observable reality has made obvious the need for theoretical models that account for the difference between organizations' abilities to adapt and respond to environmental or internal elements. This is the universally accepted rationale for a theory of organizational learning.

A major theoretical problem involved in building such a theory, however, has been dealing with the fact that even though organizations may have different degrees of success over time, regardless of the presence of any single member or group of members, only individual members act or learn for the organization. It is precisely due to the different solution to this central theoretical problem that distinguishes the Duncan and Weiss model from the other three, both theoretically and

quantitatively. Whereas Duncan and Weiss begin their analysis by placing learning, and all organization action, in the context of what is known concerning political power in organizations and the central role of the dominant coalition in determining organizational direction. Argyris and Schon, and March and Olsen take individual learning as their starting point and never effectively make the bridge to concerted, systematic organizational processes. Jelinek limits her focus to the development of systematic methods of "institutionalizing innovation" and hence is primarily concerned with administrative systems.

Given the starting point, Duncan and Weiss have the core of a truly organizational model--one that meets requirements for theoretical consistency both within larger, macro theories and internally, for descriptive accuracy, and for predictive ability. Focusing on the dominant coalition narrows and concretizes the study of organizational learning; all individual learning need not be explained or addressed and attention only to individual learning is insufficient.

The second question Duncan and Weiss address, which leads to the development of their understanding of organizational knowledge, regards the nature of what must be learned by members of the dominant coalition. Presuming that knowledge, cognition, is the basis of action, then the knowledge base of the dominant coalition is "action-outcome relationships" which also "specify the conditions under which a given action will lead to a given outcome" (Duncan and Weiss, 1979, p. 82). This includes knowledge of the external environment, the internal system, the interdependence of subsystems, etc. As has been developed previously,

this knowledge has a paradigmatic quality that the authors also describe; although these more abstract beliefs may be stated in less operational terms, as a sort of embracing "this is who we are," they are still clearly understandable as action-outcome relationships.

That this knowledge exists within the organization is necessary but not sufficient; referring back to the dominant coalition as the group which directs organizational action, a socio-political phenomenon, knowledge must be placed in this socio-political context. In order for knowledge to be the basis of systematic, concerted organizational action directed by the dominant coalition, this knowledge must be shared knowledge, it must be understandable to all who act on it, and it must be integrated into a system of knowledge. These are social requirements, not informational ones or conceptual ones. Having clarified these social requirements that distinguish organizational knowledge from individual knowledge, the rest of the model flows easily. Understanding this crucial point, Duncan and Weiss emphasize it repeatedly:

Organizational learning is limited to public knowledge, but is socially defined as valid, relevant, and available to other members of the organization (p. 88).

This knowledge produced by individuals is organizational only when it becomes exchanged and accepted by others. Thus, the exchange is necessary, although not sufficient, for organizational learning. It is this exchange that makes it possible for individuals to integrate the fragments of specialized knowledge into an organizational knowledge base. . . . This requires that [it] be subject to validation by some criteria and that others identify it as relevant to their own needs. This is necessary for organizational knowledge to be consensual and integrated (p. 89).

Regardless of the method by which an individual finds a new action-outcome relationship or modifies an existing relationship, this change in knowledge must be made public, communicated to and be accepted or legitimated by others before it can be considered a change in organizational knowledge. This does not mean that the



individual has not yet learned, or that this new knowledge cannot be the basis for individual activities. It does mean that this knowledge cannot be used for organizational activities beyond the individual. In other words, at this point, no organizational learning has occurred. (emphasis in original, p. 94).

With the centrality of the dominant coalition and the social nature of organizational knowledge established, the processes of organizational learning are easily inferred. Since these shared action-outcome relationships are the basis of organizational action, they will be changed and developed when expected or intended outcomes are not achieved.

Duncan and Weiss emphasize the importance of these "performance gaps" (pp. 91-92) in describing the actual circumstances that lead to organizational learning. They also accept any other process whereby new knowledge might change the consensual understanding of these relationships. Examples they give are knowledge provided by outside consultants or other organizations, such as universities, insights gained through rethinking organizational problems, or results from altering communication channels within the organization so that individuals are exposed to new information about organizational actions. While all these processes begin with new knowledge acquisition by individuals, the learning must always be accepted by other members of the dominant coalition and incorporated into their shared system of integrated concepts in order to be considered organizational. New knowledge is only relevant and integrated once it has been incorporated into the shared view of action-outcome relationships.



Duncan and Weiss also stress the important role of the organizational paradigm.

A view of organizational learning as systematic requires some mechanism to 'simplify' the complexity of the world about which organization members create new knowledge . . . such a mechanism would be some form of framework comprised of concepts which group phenomena into classes or categories and make abstract thinking possible. There must exist within the organization some consensus about this framework in order to make communication among organization members possible (p. 90).

These are provided to organization members in their socialization . . . paradigms are necessary for organizational learning. They provide a basis for abstracting general action-outcome relationships from specific events. They provide a way of determining the relevance or importance of questions within the organizational learning process. They provide a common language, which makes possible the sharing of experience and insights among organization members (p. 91).

This is one of the few points in the development of the Duncan-Weiss model that needs clarification for the purposes of this proposal. It is not clear when they write about a paradigm whether they are discussing more abstract, general, and philosophical tenets which are still subject to conscious and deliberate scrutiny, as all organizational knowledge must be, or whether they consider the paradigm a more unconscious, ideological frame of reference which provides a context for the development of organizational knowledge. In considering methodological issues of how to identify, indeed how to operationalize, organizational learning, this distinction between conscious and contextual is not insignificant, even though in observable practice the difference may not be readily apparent.

When Duncan and Weiss describe the paradigm as, in effect, criteria, "a way of determining the relevance or importance of questions

within the organizational learning process," it seems they are speaking of consciously shared understandings which, while abstracted from any specific events, are still available to dominant coalition members within the exchange that constitutes organizational learning. When the authors allude to "a way of seeing or organizing the principles governing perception" or "frameworks . . . provided to organization members in their socialization," it seems they are referring to more profound, less conscious factors in the organizational learning process, to contextual factors. Kuhn's (1970) concept of paradigm would include both the conscious and the unconscious, but within the limitations placed on organizational knowledge, it could include only the former. Similarly, other writers have used the concept "paradigm" in much the same way as "culture" (Sheldon, 1980) is used when referring to organizations. Pfeffer (1980) emphasizes what a vitally important aspect of management the creation and maintenance of a paradigm is.

Inquiry into the organizational paradigm is a vitally important aspect of organizational learning, described as "double loop" and "deutero-learning" by Argyris and Schon (1978). "Paradigm" and "organizational knowledge" are not usefully considered synonymous, however, and Duncan and Weiss do not make this distinction sufficiently clear.

Having constructed this model of the dominant coalition learning via the evolutionary and incremental process of developing organizational knowledge, and having postulated the way in which they theorize learning might take place, Duncan and Weiss conclude by considering the factors that might limit the acceptance of new knowledge by the dominant

coalition, regardless of validity. Many such factors can be easily inferred and have already been mentioned in Section 1. Besides the limitations imposed by the necessity for consistency within the paradigm, the authors mention political factors in the organizational and communication channels. As will be pointed out, the other models of organizational learning, for all their limitations, have more to offer on this topic.

Argyris and Schon began their collaboration with development of individual learning and behavior models within their "theory of action" approach (1974). Although it relabels some of the terms, their model of individual psychology is very similar to mainstream cognitive personality theory (Epstein, 1973; Kelly, 1955); their concepts essentially mirror the underlying assumptions in this proposal concerning individual action and learning. That perspective need not be developed here, but it is crucial to the Argyris-Schon approach which repeatedly stresses that people act according to "images," "maps," and "theories of action." The failure of the Argyris-Schon model is that they never develop a model of organizational action, except to say it is taken by individuals. What is missing is a useful or meaningful address of the central importance of power relationships, the fact that only a limited group of individuals determine the direction and domain of the organization and hence shape the meaning of organizational learning. To the extent that Argyris and Schon directly discuss power, it is primarily as an obstructive factor in their chapter on "limited learning systems" (1978). In another work, however, Argyris (1976) demonstrates at least implicit

sophistication about the centrality of top management in organizational learning.

When the Argyris-Schon model is combined with the Duncan-Weiss model, however, it makes a significant contribution to a deeper understanding of organizational learning. As might be expected, this contribution is especially valuable in describing just what the specific individual and interpersonal behaviors might be in the organizational learning process. They also offer a typology of organizational learning which draws useful distinctions as far as the focus or content of organizational inquiry.

The two models mesh so nicely because they both accept action-outcome relationships as the organizational knowledge base. Argyris and Schon call this system of propositions the "organizational theory-in-use," thus, they share the assumptions of desired rationality and goal orientation of the Duncan-Weiss team, and describe organizational learning as a process of "error correction":

Just as individuals are the agents of organizational action, so they are the agents for organizational learning. Organizational learning occurs when individuals, acting from their images and maps, detect a match or mismatch of outcome to expectation which confirms or disconfirms organizational theory-in-use. In the case of disconfirmation, individuals move from error detection to error correction (emphasis mine, p. 19).

This is almost identical to the idea of "performance gaps" preferred by Duncan and Weiss. Argyris and Schon even distinguish between organizational and individual learning, writing:

. . . for organizational learning to occur, learning agents' discoveries, inventions, and evaluations must be embedded in organization memory. They must be encoded in the individual images and the shared maps of organizational theory-in-use from which individual members will subsequently act (emphasis in original, p. 19).



Unfortunately, these ideas of "organization memory" and "organization theory-in-use" are never clarified as to the question of who holds and develops them. This gap is filled by the dominant coalition.

The specific contributions of Argyris and Schon to the model developed here are in two areas. First, through detailed cases and elaboration of the "images" and "maps" ideas, they give a detailed view of how organizational learning can be impeded and of the form productive inquiry can take. Calling impediments to learning "conditions for error" and "inadequacies in organizational theory of action" (p. 56), Argyris and Schon describe specific incidents wherein "mistaken assumptions, incongruities between espoused theory and theory-in-use, and incompatible norms" block communication. The product of successful inquiry fits the Duncan-Weiss requirements of communicable, accessible, consensual, integrated knowledge. Conditions for error may result in either undetected error or in uncorrected error, but these cannot be systematically addressed without inquiry into and correction of the conditions themselves. The table below matches specific conditions to specific "corrective responses" (p. 59):

TABLE 1: CONDITIONS FOR ERROR AND CORRECTIVE RESPONSES

Conditions for Error in Organizational Theory of Action	Corrective Responses, which may or may not be permissible within the behavioral world
Mistaken assumption -----	Reformulate
Incongruity -----	Reconcile
Incompatibility of norms -----	Resolve
Vagueness -----	Specify
Ambiguity -----	Clarify
Excess/Sparseness -----	Prune/Enrich
Untestability -----	Make testable
Scattered -----	Concert
Information withheld -----	Surface



Argyris and Schon spend considerable time detailing dysfunctional behaviors and patterns, showing how these patterns can be mapped graphically, and describing possible solutions or alternative patterns. The specificity is helpful in generating possible avenues of investigation within an organization.

A second contribution from this model lies in the distinctions Argyris and Schon draw between different types or levels of learning:

-single loop learning:

members of the organization respond to changes in the internal and external environments of the organization by detecting errors which they then correct so as to maintain the central features of the organizational theory-in-use. These are learning episodes which function to preserve a certain kind of constancy . . . strategies and assumptions are . . . modified so as to keep organizational performance within the range set by organizational norms. The norms themselves . . . remain unchanged (pp. 18-19).

-double loop learning:

. . . a double feedback loop which connects the detection of error not only to strategies and assumptions for effective performance but to the very norms that define effective performance . . . incompatible requirements in organizational theory-in-use are characteristically expressed through a conflict among members and groups within the organization. . . . Double loop learning, if it occurs, will consist of the process of inquiry by which these groups of managers

confront and resolve their conflict . . . by setting new priorities and weightings of norms, or by restructuring the norms themselves together with associated strategies and assumptions (pp. 22-24).

-deutero-learning:

. . . members learn about organizational learning and encode their results in images and maps (p. 29).

These three different types or levels of learning are not necessarily discontinuous, but they are qualitatively different. Duncan and Weiss

do not make these distinctions explicit, though in their consideration of paradigms in organizations they are alluding to just these different levels of the learning process. Each type of learning refers to revision of shared understandings of action-outcome relationships, but the spheres and time frames are likely to be different. Technical and short-term questions probably dominate in the single-loop process, whereas long-range planning demands a more normative perspective.

Although March and Olsen (1976) refer to "organizational learning," their work lacks any reference to a process distinct from or more comprehensive than individual learning. Their focus is on the many factors that complicate traditional, rational models of individual learning within the organizational context. They allude to the same theoretical tradition which produced a focus on political and coalition phenomena, and in fact March is a frequently cited author within that tradition, but they in no way relate this understanding of the social processes within organizations to a model of organizational learning. Their concern is a further elaboration on the severe restraints placed on traditional decision making models by conditions of ambiguity and it is useful to the model developed here only to the degree that it illuminates important limitations.

Most "models of choice" imply a cycle shown below (p. 57):

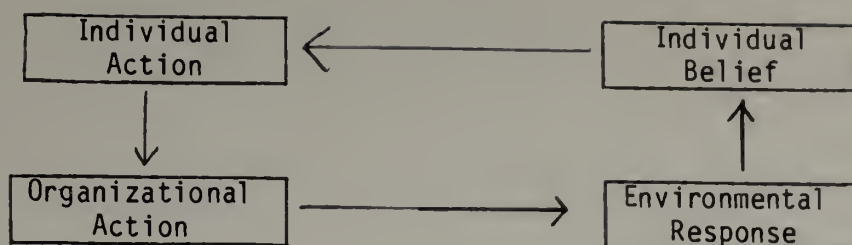


Figure 1 - March and Olsen's Individual Choice Cycle

March and Olsen detail how various factors can break each link in the cycle. Tradition and obligation often compel individuals to act differently than their beliefs might otherwise lead them to. Individuals often are quite unsure about what if any effect their action may have on organizational action. Environments change and shift constantly and it is often not clear which shifts are caused by organizational action and which are the result of other, unrelated or chance factors. Nonetheless, March and Olsen conclude that, "despite ambiguity and uncertainty, organization participants interpret and try to make sense out of their lives (p. 63)." In the context of ambiguity, this sense is often a product of social and interpersonal factors. If a member is well integrated in the organization, s/he will tend to like what s/he experiences in the organization. If s/he trusts the people with whom s/he has contact, s/he will tend to share their perspective and evaluations.

Taken together these propositions suggest a view of reality forming that emphasizes the impact of interpersonal connections within the organization and the affective connection between the organization and the participant on the development of belief . . . (p. 66).

March and Olsen are primarily concerned with models of choice, with how decisions get made. They never draw specific connections between their

different macro critiques and their individual learning model except insofar as choice situations affect the interpersonal and affective connections to which they allude. Still, they offer some useful insight into the individual experience within organizations and the ways that ambiguity, a prevalent perceptual and emotional condition, affects organizational action and decisions, including the organizational learning model proposed herein. Duncan and Weiss focus on shared knowledge of action-outcome links. March and Olsen show how often, and more importantly how, organizations muddle through without such knowledge, particularly how public organizations do this.

None of what March and Olsen contend disqualifies the model developed here even if accepted as valid. Their perspective does cast a shadow on the neat coherence of the interrelated aspects of the model. More importantly, it provides some insight into the peculiar power and importance of paradigms, of those systems of assumption and belief which are shared by organization members and which assist them in simplifying the world prior to analysis of specific causal links. The paradigm provides direction and coherence in an uncertain and confusing world. To the extent that a paradigm does unify and strengthen the affective connections within an organization without doing violence to inquiry into error and conditions for error, then it provides a basis and context in which organizational learning can proceed.

An important addition to the literature on organizational learning has been made by Jelinek (1979). In an attempt to limit her definition of organizational learning to those events which meet the most rigorous



requirements, she focuses on the development of administrative systems designed to insure continued change and innovation in an organization. She views this as the clearest example of Bateson's idea of deutero-learning in organizations, wherein an organization--Texas Instruments in the case of her study--institutionalizes a process of learning that was simply idiosyncratic or individual prior to that time. This definition is unnecessarily limited, largely because it does not focus on the dominant coalition or any set of actors as the learner. Still, her focus on the process of institutionalizing the learning process lends a concreteness and specificity which can only further the development of the concepts. Furthermore, her study, while using different models and definitions as starting points, points to some of the specific behaviors involved in organizational learning, just as do Argyris and Schon. In a step beyond any of the authors mentioned to this point, she and, in a similar study, Murray (1976) have charted the process whereby a new piece of organizational knowledge becomes "institutionalized" into the routine patterns of a large organization.

#### Section 4 - Summary

A brief summary of the model as developed to this point may be useful. There are two central constructs. First, the "who" of organizational learning is the dominant coalition, that group within an organization which determines the allocation of organizational resources. The "what" of organizational learning is organizational knowledge, knowledge of action-outcome relationships and the conditions



which affect them. In order to be organizational, these relationships must be consensually held by, accessible and communicable to, and integrated into an overall knowledge base by members of the dominant coalition. Further attention has been paid to the organizational paradigm as that set of unifying beliefs and assumptions which serves as the basis and guiding principles for organizational learning. Thus, an organization learns as the dominant coalition refines and develops its shared knowledge within the context of a guiding philosophy or paradigm; the paradigm itself may also be a subject of inquiry and hence of learning. This is a learning cycle as well, because a clearer, more extensive knowledge base encourages the development and unified action of a dominant coalition (see diagram below).

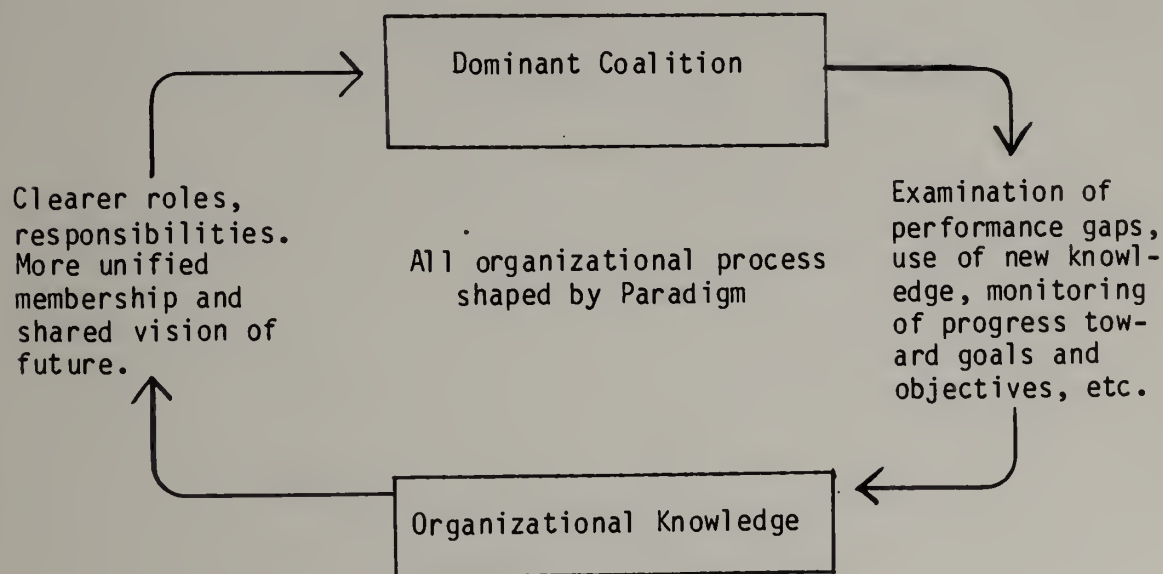


Figure 2 - Organizational Learning Cycle

There are two central theoretical foundations for the model described above. First, there is the ample literature which characterizes

decision-making within organizations as an essentially political process. The second theoretical basis of the model is the less extensive literature regarding the nature of knowledge used in organizational decision-making and of its social construction through such activities as planning, information gathering, environmental analysis, and problem solving. Drawing on this literature, it is clear that an investigation of organizational learning in any organization must attempt to answer three questions:

--who is the dominant coalition?

--What is the nature of the present base of organizational knowledge?

--how is new organizational knowledge developed by the dominant coalition? These are the questions to which the methodology described in the next chapter was addressed.

C H A P T E R   I I I  
R E S E A R C H   P R O C E D U R E S

Section I - Preparation

Based upon the nature of the model and a review of various possible methodologies, an exploratory case study of a single organization was chosen as the best way to proceed. (For the rationale for this overall methodology and for the specific data gathering approaches, see Methodology section of Chapter I.) Unstructured interviews were to be the primary instrument of the research, and two different interview formats were designed. The first interviews, limited primarily to possible members of the dominant coalition, were structured around an open-ended interview protocol which would generate information relevant to the model as it pertained to the present functioning of the organization. The second round of interviews was to provide the first cross validation of the information gathered in the initial interviews, and was to include more organization members in addition to the dominant coalition. These interviews were to focus on some important historical incident but, being open ended in nature, were expected to generate data either congruent with or in conflict with that gathered in the first round. Other supporting methodologies were an analysis of various public and internal documents and an analysis of the response within the organization to the feedback of information gathered to that point.

This four step procedure was a product of a compromise between the ideal research approach exemplified in this case by a project such as

Pettigrew's (1973), and some important constraints. Whereas Pettigrew was able to use multiple investigator/observers and to conduct his study longitudinally as well as intensively, financial and time restraints limited the scope and length of this project. The investigation of an historical 'incident was an attempt to compensate for the lack of a truly longitudinal component. The only balance to a lack of additional researchers was to present the research procedures as candidly and thoroughly as possible and to invite questions from reviewers of the study. In addition, the members of the author's doctoral committee could and sometimes did raise questions and issues from their perspectives as the project proceeded.

Another constraint on the scope of the project was the willingness of prospective organizations to commit significant resources and time to a project with limited internal pay-off, so the project was structured to be minimally disruptive and maximally useful to the host organization. This limitation revealed itself primarily in the relatively small number of interviewees, the lack of other than incidental direct observations of company processes, and the structure of the feedback meetings and report. (A copy of the final report to Berkshire Life is included as Appendix D.)

Having decided that an exploratory case study using interviews as the primary data gathering tool was the most appropriate research approach, the next step was to develop an interview format and pre-test it. Drawing on various methodological and theoretical sources, a questionnaire was designed to elicit information answering the three

basic questions inherent in the model. The questions were essentially the basis for all inquiry into the organizational life of Berkshire Life Insurance Company. They were:

Who is the dominant coalition?

What is the present organizational knowledge base?

How, if at all, does organizational learning, as defined in the model, take place?

Each of these abstract ideas first had to be matched to specific behaviors and knowledge areas in the organization which could then be targeted for inquiry. As explained earlier, the goal was not so much to explore any specific aspect of the organization in great detail, but to obtain a broad enough picture of the dynamics at the highest levels of the organizational hierarchy to be able to characterize the development of new organizational knowledge by the dominant coalition. This information and analysis would then serve to answer the ultimate question of the project: Does inquiry guided by the organizational learning model provide insight into the factors that ultimately shape organizational performance? This chapter describes the development and application of the procedures used to answer the three key questions posed by the model. An analysis of published cases provided significant indications that the model would be useful and some insight into how best to pursue data relevant to the model. (See Appendix B for this analysis.) This served almost as a type of pilot study. The answer to the question concerning the usefulness of the model itself is one that can only be provided by analysis of the data produced by pursuing the three questions.



The specific questions relating to the composition of the dominant coalition grew out of two basic sources. The most obvious source was the definition of "dominant coalition" provided by Thompson (1967): "That group of interdependent individuals who collectively have sufficient control of organizational resources to commit them in certain directions and to withhold them from others." Given the mention of resource allocation, this was the easiest of the three key definitions to operationalize. Interdependence, as well as some basic information concerning communication and influence patterns, was the subject of several questions drawn from network analysis (Tickey, Tushman, and Fombrun, 1979).

To assess the present status of organizational knowledge, two underlying issues were involved. The first was to identify aspects of organizational life which might be the subject of organizational learning. Drawing on various sources in the literature (Allen and Pilnick, 1973; Dowling, 1978; Duncan and Weiss, 1979; Jelinek, 1979; Kotter, 1978a; Kotter, 1978b; McKinsey & Co., 1980; and Pettigrew, 1973), the rather inclusive headings of Planning, Management Philosophy, Communication, Financial Orientation, Customer Orientation, and the Orientation of Individuals to the Organization were chosen. It was recognized in advance that these were essentially arbitrary distinctions and that inquiry into any one area would automatically overlap into others. The importance of these topics lies not in their separateness but in the comprehensiveness of the overall list. The goal was to include enough areas of management action to illuminate consistent patterns in dominant coalition thought and behavior.

The second underlying concern in the effort to surface the organizational knowledge base was the identification of those topics where the social criteria of organizational knowledge--accessibility, communicability, integration, and consensus--were satisfied. To serve this goal, respondents were consistently asked if other top managers would agree with their own individual understanding of particular action-outcome relationships. Overlap in responses alone would not have been sufficient, since organizational knowledge is by definition consciously held and deliberately developed.

The final phase of the questionnaire concerned organizational learning. It was pursued through only one central question with possible follow-up prompts. Where interviewees indicated the existence of consensus on certain topics, they were asked to describe how--if at all--that agreement among top managers was consciously and deliberately promoted. Certain of the topics listed in the Organizational Knowledge phase of the questionnaire were "processes," notably Planning and Communication. Questions on these topics, particularly those pertaining to planning, were expected to preempt the final phase of the questionnaire. Several authors (Dowling, 1978; Jelinek, 1979; and Andrews, 1980) have indicated the centrality of planning--at least potentially--as an organizational learning tool. Furthermore, since "strategic planning" is a "hot ticket" in business literature and consulting these days, it was hoped that inclusion of planning as a central point of inquiry would facilitate entry into a host organization.

Given this "first cut" at a questionnaire, which was included in the proposal for this project, the next step in the procedure was a series of interviews to test and refine it as a research instrument. These interviews were conducted over a several month period. Fortunately, it was possible to hold a number of these interviews within one single organization. The researcher was able to conduct test interviews using the "Initial Interview Schedule" (See Appendix A for final interview schedule.) with the Chancellor, Vice-Chancellor for Student Affairs, a dean, a former dean, and an associate dean, all at the University of Massachusetts, Amherst. This concentration of pre-test interviews in a single organization permitted a more thorough analysis of the questionnaire's utility in generating answers to the three core questions proposed by the model. A final pre-test interview was conducted with a divisional vice president in a major manufacturing corporation. This additional interview was used to make sure that the final questionnaire would be in language appropriate to a business setting, as opposed to a public service or educational setting.

As a result of this pre-test procedure, the original interview schedule was significantly altered. Planning was emphasized to a greater degree; Performance was added as a separate topic; and other topics were pared down. These changes were indicated by the fact that whereas specific content areas, such as Financial Orientation, often revealed some of a manager's thoughts, inquiry into planning and performance usually elicited ideas related to all three aspects of the model and to the dynamic interaction between them. For example, a dean,

when asked if there was an "official" philosophy of management at the university, said that he first began to see such a philosophy emerge in the meetings the deans held to discuss what would be the most important qualities required of a new chancellor. When asked to elaborate, he went on to say that it was at that time that he heard people at the highest levels of the University say, for the first time in public meetings, that the University was at a critical juncture and had to choose between either emphasizing excellence in selected areas or legitimating and trying to respond to every demand for new services and offerings. In the course of those discussions, the deans decided as a group to press the emphasis on quality. This answer, which addressed a planning process, touched on the emergence of a coalition and linked it to the development of consensus around a critical action-outcome relationship.

When similarly revealing answers were forthcoming almost every time planning was the focus of the interview, it made sense to revamp the protocol to closely examine planning processes. As it turned out, the historical incident eventually chosen as a point of investigation was the initiation of a formal planning system at Berkshire Life. With an interview schedule that would surface the information relevant to the model, the next step was to find an organization willing to host the project.

### Entry

Probably no stage of this project so illustrates the problems inherent in exploratory field research as that of locating and



negotiating entry into Berkshire Life Insurance Company. After several months of contacting companies in vain, the researcher was referred by a relative to a business associate and professional consultant in the life insurance industry, J. Kenneth Wiley. Mr. Wiley was willing to write a "letter of introduction" for the researcher to Albert Cornelio, Executive Vice President for Marketing at Berkshire Life. Several weeks later the researcher met with Mr. Cornelio at Berkshire Life and in the course of forty-five minutes laid out the nature of the project, some of the theory behind it, and his request for a supporting stipend. Mr. Cornelio responded that he was at least willing to consider the matter with the other senior officers and that he would have Richard Whitehead, Sr. Vice President, call if the matter was deemed to be worth exploring in more detail.

Early the next week, a meeting was held with Mr. Whitehead in which the project, its possible benefits to Berkshire Life, the researcher's academic and professional background, and the appropriateness of Berkshire Life as site were all explored in detail. Throughout this time, the primary "selling point" for the project was its possible benefits to the corporate planning process; a copy of the final and least academic of the project proposals is attached as Appendix C. This had been read by Mr. Whitehead, along with the author's resume. At the conclusion of this interview, Mr. Whitehead asked to see a copy of the interview schedule which would be used in the first stage of the research. This document, included in Appendix A, was provided by mail, and the following week Mr. Whitehead agreed on behalf of Berkshire Life

to host and fund the project. Another appointment was scheduled to make arrangements for the project.

In this second meeting with Mr. Whitehead, the principal focus was on further elaborating the actual research steps and the best way to proceed with them at Berkshire Life. The researcher proposed that a liaison within the company be appointed to facilitate scheduling and orientation to the history, present structure, and operating procedures of the company. This would reduce demands on top management time and might also provide some valuable experience to an organization member below the top management level. Mr. Whitehead decided to consider this with the other senior officers.

Another researcher proposal concerned the best way to introduce the project to the rest of the top management group. He suggested that a meeting be held where the underlying theory and a description of the research steps could be presented to everyone involved and then clarified through discussion and questions. This was agreed upon and possible dates for the meeting were discussed.

The final point of discussion in this meeting was the schedule of payment of the research grant. Mr. Whitehead offered to arrange this in any way desired by the researcher and it was agreed that the grant would be paid in four equal installments with the final one due upon completion of the project as it related to Berkshire Life. This involved the initial meeting, an orientation to the company, the first round of interviews to last one and a half to two hours with the four senior officers and the head actuary, a second round of interviews designed

to investigate some historical incident of significance to the company, and then a feedback of this data to the company for its internal use. The design of the feedback was by agreement postponed until its nature and usefulness to the company could be assessed.

On the day of the introductory meeting, the researcher met briefly with Mr. Whitehead and was informed that William Furey, Vice President for Field Planning and Manpower Development, would be liaison for the project and would be in the meeting. Attending the presentation of the project, in addition to Messrs. Whitehead and Furey, were: Larry Strattner, President, Albert Cornelio, Executive Vice President--Marketing, and Gene Amber, Senior Vice President--Investments.

The presentation was in three stages. First, the underlying theory was described. "Dominant Coalition" was not used, however, and the importance of political phenomena was not emphasized; "Planning team" or "top management" was substituted for "dominant coalition." This change was made in an effort to not shape in advance responses which might be given in the interviews. The second stage of the presentation focused on what benefits might accrue to Berkshire Life as a result of the project. The principal points here were that planning might be improved and that the investigation of the organizational knowledge base might reveal aspects of the company's activity or performance which were receiving too little top management attention. In the third phase of the presentation the specific steps in the project were described.

The principal questions focused on the meaning of "paradigm," which was answered by examples from the literature, and on the appropriateness of Berkshire Life as a research site. The latter question was based on Berkshire's comparatively small size, particularly since examples in the presentation were giants like Texas Instruments, IBM, and ATT, and on the fact that it has a fairly limited product line. The researcher attempted to allay these concerns by expressing his satisfaction with Berkshire as a site and by pointing out that the examples available in organizational literature are primarily of giant companies. Otherwise, there was limited discussion of the presentation, though it seemed to be positively received, and it was agreed that the project should proceed.

#### Orientation to Berkshire Life

Both as a way of reducing the demands on top management time and also as a way of facilitating researcher understanding and acceptance, several steps were taken to introduce him to the life insurance industry in general and to Berkshire Life in particular. The first such step was a two hour meeting with Dr. Grant Osborne, Professor of Insurance at the University of Massachusetts, School of Business. He provided an overview of the current state of the life insurance industry, explained technical terms pertaining to life insurance products and the very complex accounting procedures used by life insurance companies, and explained the most common ways of evaluating life insurance company performance. Then, in the context of this earlier discussion, he assisted



the researcher in understanding and evaluating the Berkshire Life Annual Report and comparing Berkshire Life's performance to that of other companies in the industry.

The balance of the orientation took place in extensive conversations with Bill Furey, the liaison for the project and an employee of Berkshire Life his entire professional life, and in reviewing a great many documents provided by him. (A complete list of the documents reviewed and analyzed at this and other points in the research is provided at the end of this chapter, page 83.)

The last of these conversations, prior to the first round of interviews, took the form of a sample interview so that aspects of Berkshire's functioning that might require detailed explanation could be uncovered. At this point, specific policies and procedures, such as the performance appraisal system, the roles of committees and task forces, and the educational refund policy, were explained. It was also during this orientation phase that a fairly detailed history of the past two decades was compiled so that references to past events and people no longer with the company could be readily integrated into the interview format without additional explanation. This sample interview with Bill Furey was included for purposes of analysis in the first round of interviews, which followed the same general schedule of questions.

### The Interviews

Following the orientation and initial review of relevant documents, five interviews were conducted with the four senior officers

and Al Easton, Vice President and Actuary. These ranged in length from two to two and one-half hours and roughly followed the "Initial Interview Schedule" (see Appendix A). At the outset, however, interview subjects were encouraged to "wander" and to elaborate points or draw connections between events in whatever way seemed most useful to them. This introduction, and to some degree the first question--"What has been your most important contribution to this organization?"--were included to put respondents at ease in hopes of eliciting candor and their own individual judgements and perspectives.

This initial round of interviews, and further document analysis, led the researcher to choose the first formal, long-range planning process in 1972-73 as the historical incident for investigation. The rationale for this choice will be discussed in more detail in Chapter IV, but in essence, this process was frequently and repeatedly referred to by interviewees as a turning point in the management, and hence in the performance, of the company. Being eight years past, however, and over a year in duration, a detailed inquiry which might be the usual approach to an "incident" did not seem appropriate. Therefore, the interview format for the second round of interviews was kept fairly general and evaluative in approach. The subjects for this round of interviews were the ten of the eleven members of the original Long-Range Planning Task Force who were still employed at Berkshire Life. This group included Bill Furey, the five men interviewed in the first set of interviews and four additional subjects: Tom Franco, Director of Advertising and Sales Promotion; Dick Levy, Vice President-Computer

Services; Colin MacFadyen, Vice President-Securities; and Bob Plageman, Real Estate Officer, who at the time of the task force was Director of Planning and Office Services.

This interview format was shorter in length. For those subjects who had participated in the initial interviews, it included both questions from the first interview that had been neglected or which needed more elaboration and also whatever questions concerning the original planning process they had not answered spontaneously in the first interview. For the four new subjects, the format included an introduction to the project, an encouragement to "wander" or to draw connections which seemed most important to them, and the complete set of questions in the "Historical Incident Interview Schedule," which can be found in its entirety in Appendix A.

After all the interviews were transcribed and analyzed, separate meetings were held with Bill Furey and Dick Whitehead to discuss the results of the interviews and to design the feedback mechanisms for the management team at Berkshire Life. It was agreed that the first stage in this process should be an oral presentation of the results to the four senior officers as a group. Bill and Dick independently arrived at the conclusion that it would be inappropriate for Bill to attend this meeting because some of the results pertained to issues that clearly were the private domain of senior management, at least initially, such as the approaching retirement of the President. It was also agreed to leave the design of the feedback process to the rest of the interview

participants, and possibly to other officers as well, until after the meeting with the senior officers.

### The Feedback Process

At the meeting held with the senior officers, the research results were presented in four areas. First, feedback was addressed to the formal document "Corporate Philosophy--Objectives--Strategy--Policy." Then, feedback pertaining to the implementation of that plan was given. The next area for feedback related to the planning process as it was presently structured. The final focus of feedback were some important results from the interviews pertaining to management style and the approaching retirement of the President. None of these results were surprising to any of the top managers and discussion generally focused on clarification of the results and on how to use them.

Subsequently, a report was written to be circulated to all participants in the research project. This report included a summary description of the theory behind the research, the steps of the research procedure, and the overall results of the project. This document (included as Appendix D) focused primarily on the long-range planning process, reflecting the original interest of the senior officers in the project. This step concluded the actual research procedures. Observations and comments made during the planning and execution of these feedback steps were used in cross validating the results attained at earlier stages.



### Summary

The research was conducted in three sequential stages, the second of which was the primary data gathering phase. The first stage involved entry into and orientation to Berkshire Life. The second stage consisted of two sequential rounds of interviews with a total of ten top management personnel. Document analysis was an integrated part of both these first two stages. After the first two stages were completed, the data were assembled and a synopsis of the important points were presented back to the participants in the research. The responses to this feedback were observed and analyzed to check the preliminary findings for accuracy and to gather any new and relevant information.

Following is a complete list of the interviewees, their official titles, and some information on their background as it relates to their role at Berkshire Life and this project. There is also a list of the documents reviewed in the course of the project.

List #1: Managers Interviewed

Lawrence W. Strattner, Jr., CLU, President. Began his professional life in education, which was noted by several participants when the researcher's own professional background was discussed. Worked in the field for Prudential. Came to Berkshire Life 20+ years ago as the first Director of Training and Development. Held various other positions, including Senior Vice President-Agency Operations, from which he was promoted to President in 1967.

Albert C. Cornelio, FLMI, CLU, Executive Vice-President-Marketing. Came to Berkshire Life as an attorney 20+ years ago. Rose to Senior Vice President-Insurance Services prior to combination of Insurance Services with Agency Operations to form a single division, Marketing, in 1971.

Eurgene L. Amber, Senior Vice President-Investments. Came to Berkshire Life 20+ years ago in Investment Division. Has been Senior Vice President since before 1967.

Richard L. Whitehead, Senior Vice President and Secretary. Responsible for all home office administrative and corporate/community relations functions. Came from Home Life of New York 20+ years ago in Personnel. Became Senior Vice President in 1965.

Albert E. Easton, FSA, FLMI, CLU, Vice President and Actuary. Came to Berkshire 13 years ago from Equitable. Became chief actuary in 1971.

Thomas S. Franco, Director of Advertising and Sales Promotion. Came to Berkshire 15 years ago in present role.

William M. Furey, CLU, Vice President-Field Planning and Manpower Development. A third generation employee of Berkshire Life whose father was President prior to 1967. Has been with Berkshire his entire 20+ year professional life, and is now primarily responsible for recruiting and developing new General Agents.

Richard C. Levy, Vice President-Computer Services. Came to Berkshire 16 years ago as a programmer.

Colin MacFadyen, FLMI, CFA, Vice President-Securities. Came to Berkshire in Personnel 20+ years ago after working in the field for another company. "Recruited himself" for investment position prior to 1970.

List #1 (continued)

Robert L. Plageman, Real Estate Officer. With Berkshire 20+ years, up until three years ago in Administrative Services. Served on task force in 1972-73 while Director of Planning and Administrative Services.

List #2: Documents Reviewed and Analyzed During Project

Annual Reports to Policyowners, 1979 and 1980.

Annual Statement to State Insurance Departments, 1980.

Communications with Outside Parties:

Advertisements in industry magazines, recruiting materials, monthly magazine for agents.

Internal Communications:

Statement of Corporate Philosophy-Objectives-Strategy-Policy, 1973.

Statement of Corporate Philosophy-Objectives-Strategy-Policy, 1978.

Extensive reports and memoranda filed as part of task force efforts in preparation for 1973 "Statement of Corporate Philosophy."

Memo detailing the current composition and principal purposes of the twelve standing committees and the two currently operative task forces.

Memoranda detailing personnel policies.

Report assessing in detail the results of general agent recruiting and training over last eight years.

Reports comparing company performance to industry as a whole and to twenty-eight companies which are viewed as competitors.



C H A P T E R I V  
RESULTS AND ANALYSIS

Introduction

This chapter reports the findings of the research project and then the analysis of those findings. The findings are organized into four sections. First, a brief summary of the recent history of the company is provided; drawn from various sources, this background information is offered at the outset in order to facilitate reader understanding of later information. The next three sections of the chapter each summarize the findings in relation to one of the three core questions of the case study guided by the organizational learning model. These questions are, in order of presentation:

Who is the dominant coalition of Berkshire Life?

What is the state of the current organizational knowledge base at Berkshire Life? and,

What are the organizational learning processes at Berkshire Life?

The sources of the answers to these questions are detailed throughout; generally, interviews have provided the overwhelming bulk of the data. Documents, observations, and the feedback processes were primarily used to either confirm or disconfirm interview responses.

After the data is reported, analysis follows. The first level of analysis is structured to answer the question: To what degree does Berkshire Life "learn" in the sense defined by the model? This analysis concludes the traditional case study aspect of the project.

The second level of analysis addresses the central question of the entire project, however, and therefore this discussion has been placed in the final chapter. This central issue is: How useful is the organizational learning model in guiding inquiry into the factors that determine organizational effectiveness? As a secondary aspect of this analysis, strengths and weaknesses of the model outlined in Chapter II are considered. This final level of analysis was separated from the case study portion of the analysis because it is another step removed from the data. It represents a qualitative assessment of the usefulness of the data. Of course, the actual sifting of data and drawing of conclusions did not proceed in such a neat sequence; it was a messy, back and forth, interactive process. In a project with so many interwoven themes, there might be other equally reasonable ways to present the data and analysis, but this order fit both the process of the research steps and also the components of the model which guided the research.

### Section 1. History and Present Structure

Berkshire Life Insurance Company was founded in 1851 as a mutual company, meaning that the policyowners technically own the assets of the company. Until recently, it was almost exclusively an East Coast company, providing a full range of life insurance products through its field force, which was organized in General Agencies. As it was for most businesses, and for most life insurance companies especially, the 1930's were a period of terrible financial strain for Berkshire Life.

The company came out of that period attempting to grow by being "all things to all people" and without a clear definition of the type of market it wanted to serve or the type of agent it needed to recruit. As a result, it entered the 1960's with a rather "rag tag" collection of agents with widely varying competencies and styles of selling. The President in this period was Rankin Furey, a man of dynamic capability who ran the company with most significant decision-making centralized to his personal attention. Seven people reported directly to him at one time and he was involved in initiating and controlling organizational actions in every sphere. Under his leadership the company grew, but turnover in upper management positions was high and there is some indication that at least in the latter years of his tenure, the company was "buying business"--pricing its products too low or compensating its agents too liberally, either of which would result eventually in losses on those policies. In 1967, he retired and Larry Strattner, then Senior Vice President--Agency Operations, was selected as his successor.

In order to smooth that transition of leadership, Larry produced a statement reflecting his own ideas of what corporate philosophy and direction should be. This became a public document. Shortly after assuming the presidency, he began to promote a long-range planning process, but there were pressing immediate problems which led this first planning effort to be postponed.

The company was employing at that point about three hundred and fifteen people in the home office and the building into which they had moved in 1958 was filled to capacity. Bob Plageman was actually charged

with recommending architects for a new addition before it was decided, at his suggestion, to initiate a work measurement program with the assistance of an outside consulting firm. According to Bob, he had recommended this step several times to the previous president, but it had never been investigated beyond that point. Through this program, the company reduced the home office work force by twenty per cent over the next two years, even as the volume of business continued to grow; this reduction was attained through attrition rather than lay-offs.

This program eased the pressure of growing expenses and allowed expansion of the building to be postponed as well. Studies by the chief actuary, who was terminated not long afterward, indicated that the financial situation of the company was still quite serious, however. This led to decisions in 1971 to cut the dividend scale, a comparatively drastic step in a mutual life insurance company, and also to introduce new, less competitively priced products. Both Al Easton and Larry Strattner feel in retrospect that these measures may have been overreactions, but by the early 1970's the company was in considerably better financial shape.

There was also considerable flux in the top management group at this time. The Director of Computer Services left for another job and Dick Levy assumed that position in 1970. One actuary retired and his successor was asked to leave when he was not working out to the satisfaction of the senior officers. Al Easton, a relatively new arrival at that time, was promoted to the position of senior actuary. A General Agent was asked to come in as Senior Vice President--Agency



Operations, Larry's old position, with the understanding that he could later return to his agency, which he did in 1972. Finally, the Senior Vice President of the Administrative Division was approaching retirement as well.

In 1972, Al Cornelio was made Senior Vice President--Marketing Services, a position which combined the old Insurance Services and Agency Operations divisions into a single division. This combination was apparently Larry's idea, and at this point is still a very unorthodox one in the insurance business. This innovative arrangement, and Al Cornelio's appointment as the head of the new division, brought questions and criticisms both from inside the company, particularly among the field force, and also from outside the company. This seems to have been the last event in a period of considerable turmoil, however; as one subject put it, "the power structure was finally stable."

With the financial and personnel situations more stable, President Strattner turned again to long-range planning in 1972. He convened a task force, which he chaired, consisting of Dick Whitehead from Personnel, Bob Plageman from Planning and Administrative Services, Colin MacFadyen from the Securities area of Investment, another investment officer who left the company soon thereafter, Dick Levy from Computer Services, Al Easton from Actuarial, Bill Furey from Agency Operations, and Tom Franco from Advertising and Sales Promotion. Thus, every major department of the company was represented by a junior officer and the three senior vice presidents, Al Cornelio, Gene Amber, and Merle Tabor from Administration, sat in as ex officio members.

Meeting throughout the year of 1972, this group produced the first written long range plan for the company, dated January 1, 1973. This plan identified the specific markets the company would strive to serve, provided broad outlines and philosophical commitments, and established numerical goals in critical areas for the first time.

In the period covered by this first five year plan, there were two jolting environmental shifts. A large increase in Social Security disability benefits radically altered the market conditions in the "blue collar" disability market, and the passage of the Employee Retirement Income Security Act (ERISA) made tax qualified pension plans so complex that literally tens of thousands of small businesses and professional people, Berkshire's primary customer markets, allowed their pension plans to lapse. These two external events affected Berkshire's economic performance, but otherwise the years since 1972 have been ones of steady, and accelerating, growth. The two most recent years were particularly successful, in which Berkshire stood near or at the top on every dimension of industry comparison.

Today, Berkshire Life is still a small company in an industry of about 1800 life insurance companies. The industry is dominated by a handful of giants, however, such as Prudential, Connecticut General, Metropolitan, etc., so that Berkshire still ranks among the largest seven per cent. The company has expanded its operating area by opening General Agencies in such distant states as California, Texas, and Washington, and is now licensed in the forty-eight contiguous states. While it offers a complete line of life insurance products, its clear

emphasis is in pension, salary continuation, and disability products designed for the affluent and financially sophisticated professional or small business person. These products require a great deal of continual service, which is provided primarily by the home office after the initial sale.

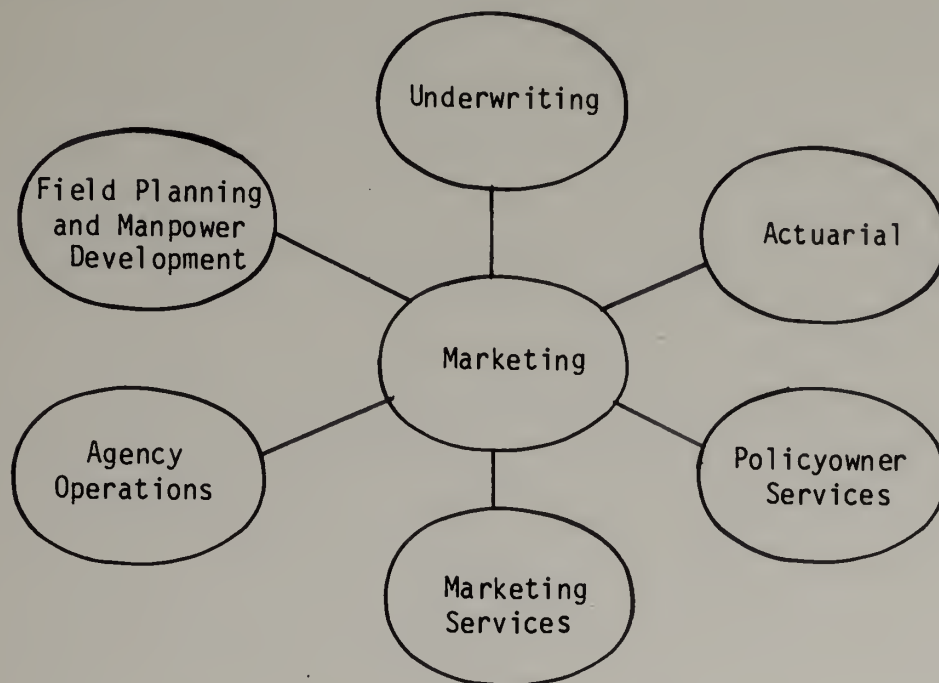


Figure 3: Marketing Division at Berkshire Life

Unlike most insurance companies, where the Policyowner Services and Actuarial departments are structurally separated from all field functions, at Berkshire Life all market related functions are combined in a single Marketing Division (see Figure 3). This integration of functions is further promoted by a system wherein three key committees bring together diverse specialists for ongoing joint efforts in Merchandising, Marketing, and Product Development. The last of these provides an example of how these committees function.

Whenever a new product or product change is suggested, and there are many sources for such suggestions, the Product Development Committee, chaired by Al Easton, is convened to consider it. The committee includes not only Al Easton and another actuary, the traditional product specialists in an insurance company, but also Al Cornelio, the department heads from Underwriting, Policyowner Service, and Marketing Services, and Dick Levy, Vice President--Computer Services. Levy is not a member of the Marketing Division, but his department will have to design much of the support for any product. Before a decision is made, all of these specialists have an opportunity to contribute their unique perspective not only on the proposed product change itself, but on the impact such a change might have on their departments and the best ways to coordinate their efforts in planning and implementing the change.

Similarly, at the corporate level, whereas each division head has sole responsibility for the functioning of his division--and makes the final decisions pertaining thereto--the Management Committee (Strattner, Cornelio, Amber, and Whitehead), meets biweekly "to provide for regular and orderly communications among the senior officers of the major divisions and for briefing and review of general administrative, personnel and company relations matters." (Memorandum from President Strattner to all management personnel on standing committee assignments, dated January 12, 1981.) Almost every matter of corporate wide consequence is discussed in this committee before action is taken.

There are other committees serving a variety of functions, from technical planning in the Telecommunications Task Force to conducting



input from lower levels of the hierarchy to appropriate decision makers. On the Building Addition Advisory Committee numerous employees have had an opportunity to be party to the design and construction of the new addition to be completed this summer. The Personnel Advisory Committee provides an ongoing forum for many supervisory personnel to make suggestions concerning personnel policies. Thus, there is a fairly conventional, functionally specialized corporate structure with an active and important overlay of committees.

### Section 2 - The Dominant Coalition

There is clear evidence from all sources concerning the membership of the dominant coalition at Berkshire Life. The four senior officers--Strattner, Cornelio, Amber, and Whitehead--are involved in and responsible for, either singly or as a group, every decision with long term significance for the company. Every single interview subject attributed to this group the principal influence over present and future directions for the company. In addition, there are clear structural components to their centrality--their positions at the lead of each major corporate division and the company as a whole, and their exclusive membership in the Management Committee. Thus, the interview responses have obvious support in the structure, and hence, also the documents, of the company. This group also is, and has been, quite stable over time and over types of decisions. It is very clear then, who the dominant coalition is at Berkshire Life.

There was also substantial agreement in responses concerning other aspects of the leadership of the company. Interviewees who mentioned

other powerful organization members clearly differentiated these others from the primary group. There was significant overlap between the persons mentioned; of five subjects who named people other than senior officers, four people mentioned Bob Herklotts, and three mentioned Al Easton and Dick Levy.

The basis for differentials in degrees of influence was also a point of agreement. Every time such a difference was mentioned, it was described in terms of functional role. The most important example of these comments concerned the centrality of marketing functions. Every senior officer, and several others as well, described Berkshire Life as a "marketing organization" or as a "marketing driven" company. Therefore, Larry and Al, as the senior officers involved in marketing, were viewed as most influential by almost every respondent. Similarly, when Herklotts, Easton, or Levy were described as influential, the importance of their respective functions was given as the rationale for these attributions.

No one described personal friendships or other factors not directly related to job functions as a source of organizational power. At the same time, several interviewees below the senior officer level said that Berkshire Life had considerable political maneuvering eight or ten years ago. Events which were cited as bringing about the end of such covert struggles were three: Hank Weiss's departure and the subsequent installation of Al Cornelio as Sr. Vice President of the combined Marketing Services division; Larry Strattner's selection as President; and, the initiation of a formal plan which clearly defined

corporate direction and therefore provided a rational basis for resource allocation and personnel decisions.

Members of the organization place a great deal of importance on this stability in the top management group. Al Cornelio expressed it thusly: "Another thing that's helped . . . we've had a relatively mature, stable group. It's hard to describe the benefit of an on-going team which has been at it for a while. Without a plan and with high turnover, we were always susceptible to changes of direction. Now when we bring in a new person, we (can) watch them very carefully." This theme was echoed as well by those immediately below the senior officers. Almost the first comment Al Easton made, when told of the focus of the project on planning, was: "An advantage now is that spheres of influence are set. I don't sense any power struggles. I go way beyond planning in terms of what makes a successful company. You need a stable power structure; those are the periods when you make progress." Bill Furey repeated the same idea. "One of the reasons why we have the progress we've made is because prior to (the beginning of formal planning in 1972) there was a lot of organizational change. I've worked for three or four different people since I came to the home office in 1960. . . . Keep in mind that all the people I've talked about . . . Henry, Herklotts, Furey, Cornelio, Strattner and to some extent Whitehead, we've worked together for a number of years."

The clarity with which the dominant coalition can be established makes the next data, describing the organizational knowledge base, much easier to present.

### Section 3. Organizational Knowledge

In order for knowledge or belief to be organizational, as opposed to individual, in nature, it must fit a very clear definition. Organizational knowledge describes action-outcome relationships that are consensually agreed to be valid by the dominant coalition, that are expressed in communicable terms, that are accessible to all coalition members, and that are integrated into a system of action-outcome knowledge so that relationships between different actions can be described and assessed in terms of their impact on the organization as a whole. The goals of the questions designed to explore the organizational knowledge base were to establish the existence of that knowledge base and to discern patterns or significant, consistent characteristics of the shared ideas. Every specific aspect would certainly have been impossible and pointless to pursue, since the emphasis in the model of organizational learning is on more paradigmatic understandings as opposed to specific functional or technical ones.

Only those six interviews conducted in the initial round and employing the more extensive schedule of questions (see Appendix A) were structured to uncover organizational knowledge in a systematic way. The later interviews and other data gathering techniques were used primarily to check the results of these initial interviews. Overall, there was substantial congruence between the two pools of data, and since the entire dominant coalition was included in that first set of interviews, they provided the basis of any organizational knowledge. The concurrence of other members peripheral to the dominant coalition is



validating, and is mentioned where pertinent, but is not essential. Although the interviews themselves often did not follow the order or specific questions of the interview protocol, the general areas of organizational life listed in that schedule do provide a useful way of organizing the subjects' responses.

Planning and strategy. Since 1972, Berkshire Life's identified markets have been

the small businessman or professional person; corporations with business needs for personal insurance products--pension plans, salary continuation plans, etc.; others whose needs for income replacement upon death, disability, or retirement exceed benefits provided by government and employer, and who should have been well qualified counsel with regard to supplementing such benefits. (Corporate Philosophy-Objectives-Policy-Strategy; Jan. 1, 1973; p. 6.)

Every single respondent credited the definition of this specific market, and the resulting direction of the company, to the Long-range Planning Task Force which met through 1972. All the interview subjects were members of this task force, but even given that fact, the unanimity with which respondents described the past and future direction of the company, the specific components of that strategy, and significant environmental threats and opportunities facing the company was striking.

The consensual view was that the company should, and most probably would, maintain essentially the same direction for the next five years that it has established in the last eight. The most difficult constraint on company growth, and hence a central goal, is the lack of well-qualified General Agents in the field. The principal threats in the larger environment come from new, investment-oriented insurance

products which are being marketed without providing the traditional level of compensation to the agent making the sale. This is a dual threat, since it not only presents the company with stiff competition to its present products but also undermines the agency system which has been the primary marketing approach of the life insurance industry for decades. Inflation has made these new products attractive and the changing nature of financial service institutions, exemplified by the recent wave of insurance company-brokerage house mergers, has provided the marketing thrust behind them. Without exception, every one of the six initial interviewees mentioned every one of the factors above.

The "marketing driven" nature of the company was reemphasized by these responses, insofar as there was comparatively little discussion of any forces which might have an effect outside of the marketing area. Demographic shifts, mentioned by three of the six, and technological advances, mentioned by five of the six and two of the four in the second round as well, were only discussed in light of the impact they might have on the demand for life insurance products and the company's ability to market them. The only respondent who consistently spoke of opportunities, trends, or threats in relation to any area other than marketing was Gene Amber, who of course focused on investments. Even he, however, outlined every aspect of the direction and present situation of the company in terms of marketing.

The significance of the plan as a component of the organizational knowledge base was even more obvious in the ways individuals referred to it. Larry Strattner described its origin this way:

Our sales representation was a fairly motley crew, selling in different kinds of markets with vastly different levels of sophistication . . . . This helter-skelter collection of people and agencies didn't seem to be the ideal thing to build on. We decided to look at what we were doing, to identify those things which seemed to have a future and to build on those things and achieve some sense of direction.

[The plan] is hardly a Bill of Rights. It has nevertheless provided us with a track . . . . It is a simple, basic policy now established through osmosis.

Al Cornelio expressed the same basic thought.

That original product--now everybody has that pretty much ingrained in them. They know our products. They know our markets. We have a track to run on, and don't spend a lot of time spinning our wheels.

The plan was described in very similar terms, sometimes even the same phrasings, by all respondents. Several, like Al Cornelio, also focused on a specific aspect of the plan that makes it particularly important from an organizational knowledge point of view, namely that it yields very explicit performance goals and therefore performance gaps. This fact will be discussed in more detail in the section on organizational learning, but it is important here in that it indicates the action-outcome basis of organizational knowledge.

The plan was also described as more than simply a group document that guides decisions and operations. When subjects were asked who the "prime mover" behind the plan was, seven of the ten responded that it was Larry Strattner. Most, however, never had to be asked that question because they had already described a link between Larry's personal style and the plan. Al Cornelio summarized it by saying, "His strength is that he conceptually comes up with things . . . he is a thoughtful kind of guy who does not get involved in saying, 'Do this or don't do



that'." Even more illuminating, however, are the comments of Bob Plageman and Colin MacFadyen, who viewed the plan as indicative of organizational knowledge--and learning--far beyond its specifics. Bob Plageman:

Now, I do know, having known Larry for all the time I've been in the company . . . this very much fits his personality. He's a very organized and quite structured guy. His predecessor . . . had a very different style, had different strengths and different weaknesses than Strattner . . . successful, yes, but still we didn't have what Larry likes to run by, which is a roadmap.

In a similar vein, Colin MacFadyen spoke of the plan as an incorporation of Larry's style into the company's operating patterns.

. . . it was a part of Larry's style, precipitated by his perception of changing conditions in the industry and how we were going to cope with them. It developed for all of us a form of discipline, in that we had to think ahead and set it down in writing and establish objectives . . . and that discipline has continued to prevail . . . Larry's a very well-organized type of person. This represented a passing on of his style of organization to those of us who work with him.

Thus, the plan embodies implicit action-outcome relationships, and powerful paradigmatic ones, as well as explicit ones.

Performance. Every single respondent found Berkshire Life's performance in recent years excellent. There is a very clear objective basis for this shared view. Berkshire's economic results for the last two years have shown substantial increases over both the company's past results and the industry averages for the same periods. Quoting the 1980 annual report,

. . . for Berkshire Life, 1980 was a truly outstanding year, and such progress deserves attention and evaluation . . . The highlight of our year has to be our gains in new business. New life insurance volume of \$587,812,000 represented a 68% increase over 1979, a year in which . . . the gain over the prior year was a hefty 24%.



There are other impressive figures, and the good performance includes the investment area as well, where policy loans had played havoc with the results of many life insurance companies. Berkshire Life's "new money rate" has consistently been in the top four or five of the twenty-eight companies which they consider actual competitors, which was reported not only by Gene Amber, but by other subjects from the marketing and administrative divisions as well. The specific statistics are not important here. The important fact is that everyone knew these results, and not simply in relation to their own specialty functions.

It is important to note in this discussion, that the life insurance industry is a tightly regulated one with a long history. Its measures of performance, both current and in relation to the past, are absolutely standardized and publicly available. Therefore, researcher questions regarding the type and accuracy of performance measures were not of great relevance at Berkshire Life. These questions usually brought one of two related issues to the surface, however. Both relate to the meaningfulness of the numerical goals included in the plan. These comments touch on one area of disagreement, both within the dominant coalition and among other members of the upper management.

Dick Whitehead said he feels the plan should include comparative goals, stating desired industry rank in each area, such as growth in assets or new premium income. Also, he feels the planning process should include more thorough investigation of forecasts that are missed, either above or below. As he discussed these points, he also predicted --based on past conversations in the Management Committee--that the

other senior officers would disagree with him. He was right; the other three indicated satisfaction with both the goals and measures for performance.

At the same time, his view of the numerical goals was shared by some of the junior officers who described them as "arbitrary" and not particularly useful in setting departmental priorities or in evaluating departmental performance. These comments reflected an ongoing, though very low key, debate within the dominant coalition and other managers. Part of the basis for this disagreement was revealed in a comment by Larry, when he said the numbers in the plan were "sort of incidental," that the important aspect was having challenging and measurable goals and that getting too "sophisticated" in analyzing the numbers would not be useful.

When subjects were asked what Berkshire Life does particularly well and what it does particularly poorly, there was again broad agreement. For strengths, every interviewee--even those not asked the question--stressed the company's services and support to its field force and to the ultimate customer. Specific aspects of this service were stressed repeatedly as well. Every senior officer other than Gene Amber spoke of the sophisticated telecommunications system that provides much quicker backup to agents than that of most companies Berkshire's size, and he jokingly referred to Investments always receiving the lowest priority for computer services--a sort of humorous confirmation of other people's comments. The fact that top managers consistently stress service to the field was also repeatedly mentioned.

Interestingly, Gene Amber described the commitment in his division to responding quickly to mortgage bankers when they inquire about specific projects; then he added, "It's sort of like the rest of the company, its service--service to the customer."

Other strengths were also frequently mentioned. The committees and task forces were described as very effective communication and operational planning structures by eight of ten subjects. The "open" and "concerned" style of management was also described as very firmly established and as a contributor to open communication and to increased commitment and motivation.

There was less overall agreement about weak areas in the company's performance. When the interviewer asked this question as it was written in the interview schedule, "What does this organization do particularly poorly?", the response was most often something like, "I can't think of anything we do poorly," or "We've spent the last ten years making sure there is nothing we do poorly," or "If there was anything I thought we were doing poorly, I'd be working on it." Respondents were very willing, usually spontaneously, to turn the question around and discuss aspects of the company that need improvement. Amber and Easton, both concerned with the overall financial situation of the company, said they have been disappointed with the growth of assets. At the same time, they acknowledge the plan did not establish that as a priority. All six subjects in the first round mentioned the slowness of the upgrading and expansion of the field management; at the same time they stressed the unexpected difficulty of finding and retaining general agents who can

function in Berkshire Life's sophisticated markets and noted the innovative and diligent attempts made by the company in this area. Continuing to address this problem was the single goal mentioned by every respondent.

Although there was clear consensus around this and other problem areas, there was none that this was something that the company does poorly--only that it is faced with a challenging problem. Other examples of this are the comments made concerning employee performance appraisal and the communication of "general" information. In both these areas, no one mentioned them when asked the question about what the company does not do well. When asked about performance appraisal, however, two senior officers and three other managers said, in effect, that this was an area that the company has not done as well in as it should. This was repeated when asked about communication. Three senior officers expressed concern that although they make a tremendous amount of information public, it seems not to stimulate curiosity in officers' meetings or feelings of being included at lower levels in the organization hierarchy. This was one of the few management concerns where there seemed to be genuine uncertainty about the nature of action-outcome relationships.

Management philosophy, orientation toward organization members. The same words were repeated again and again by subjects describing the management style or philosophy of the company, words such as "open," "concerned," "people oriented," "informal," and "flexible." A majority of the subjects also drew a close connection between the company's



"official" style and Larry Strattner's personal style. The agreement on basic management principles among the four members of the dominant coalition was even more pronounced. Since that group is the seat of organizational knowledge, that is the starting point for reporting data on management style and philosophy.

Larry Strattner described two essential ideas on management in addressing this question. First, it is the responsibility of management to manage and the responsibility of the Board of Directors to monitor. This principle holds at lower levels of the organization as well, where Larry said he expects each manager to make decisions in his own area and for his superior to support him unless he is prepared to replace him or unless the decision has impact beyond the manager's own division or department. Balancing this principle of trust and managerial independence, Larry has worked to establish "an environment in which we seek as much as possible to manage by consensus." Whereas these two ideas might appear to be in conflict, Larry explained how that was a misconception:

There are some misconceptions about the role of committees . . . . Any major decision is discussed in the Management Committee. Consensus is the goal, but I will play referee. The committee structure affords specialists with input into the overall company, but the Management Committee doesn't decide anything. The individual officers make decisions about their areas or I make decisions where I have to, but we strive to establish consensus about what the best way to move is. (emphasis added)

Each of the other senior officers repeated these principles, not only explicitly but implicitly as they described their own managerial behavior. Al Cornelio, when asked who was moving Berkshire Life into

future directions, began by saying that the original long-range plan was the product of that task force in 1972, then:

Accepting that plan, it is reviewed on an ongoing basis--not very formally but in an ongoing way . . . basically, through committee structures. Neither Larry nor I are going to take product development for our markets on ourselves. There's the Product Development Committee, chaired by Al Easton--all input goes through that Committee, product research, suggestions from the field. In that committee we ask, "Will it work in the market? Is it competitive?" (Gives example of how suggestion from the field was handled.)

Anyway, the committee operates in terms of short-term changes in the basic context of the plan. If we sense a basic change, so that the plan has a problem because it's holding us back product-wise, the committee refers that to Strattner and the Management Committee.

Describing his relationship with a subordinate he was about to hire, Al said,

He asked, 'How much control am I going to have over how I run the department?', to which I answered, 'You'll have all the control in the world, just don't change anything. If you want to change something, then you bring us in . . . we want input.' We don't want change for change sake where it concerns our products or marketing. Now he's been here a while and knows our strengths and weaknesses, so he can make a contribution, but where his actions will affect other areas we want to make sure it fits our direction.

In a very different way of expressing it, Al was pointing out the same two underlying ideas--managerial autonomy balanced against the push for consensus in important decisions. Dick Whitehead and Gene Amber made similar points in their responses, emphasizing both the openness to input and debate and also the finality of their decisions in their areas of responsibility. The senior officers also repeatedly emphasized the aspects of management style mentioned earlier as a particular company strength--management openness and concern in relation to employees. This theme was particularly important in the comments of the other interviewees; both Bill Furey and Al Easton, the only managers not on

Management Committee to participate in the longer interviews, linked this "people-oriented" style to Larry's personal style of being empathetic, willing to listen, and concerned about how people feel about what they do.

An aspect of management style that was mentioned by only one senior officer, but which also seemed to be shared--at least insofar as how the senior officers are perceived by the other respondents--was their willingness to get involved in detail. Bill Furey, Al Easton and Dick Levy all described specific incidents in which they were impressed by top management attention to detail, especially on Larry's part. The degree to which Larry's personal concern and attention to detail are influential in projecting an overall management style was revealed in a lunch conversation with Jim Dunn, Manpower Development Officer reporting to Bill Furey. He described his experience on the day after his arrival as a management trainee when he heard his father had died. He was sitting in his office worrying about the ramifications of taking time off, when President Strattner, whom he had never met, came in. Larry told him not to worry, to take as much time as he needed with pay, and that his job would be waiting for him when he got back. As Jim said, "That builds loyalty."

It is important not to conceive of this management philosophy as individual, however, because it is truly organizational--shared by and consciously developed by the dominant coalition. Dick Levy's comments about his experience working in Computer Services are illustrative:

The top management of this company has become very involved, not in the bits and bytes of data processing or in the intricacies of how



you get something done, but in what they want done . . . senior management has been setting priorities and backing me in a lot of different situations developing products, not in an undue pressure environment, but in an understanding manner. Senior management has made a major contribution to the success of data processing, . . . especially Whitehead and Cornelio.

It's a relatively smooth relationship between our area and upper management . . . . We seem to feed each other information relatively well. I have no qualms about going to them and saying, 'Hey, we did this wrong. I think we should regroup and start again.' . . . the feedback is good . . . in fifteen years since I've been here, I've become more and more excited about working at Berkshire Life. They gave me a lot of opportunity. They gave a lot of people a lot of opportunity . . . . They don't tell you they're going to do anything for you but they give you the opportunity to show that you can do it.

Dick Levy's last comment leads to one final aspect of management philosophy which was demonstrated not simply by the comments of senior managers but also by the career paths of individuals in the company. While recognizing that they must sometimes hire technical specialists from the outside, Berkshire Life maintains what Larry Strattner calls an "almost fanatical insistence on promoting from within." Though less emphatically, this was echoed by Cornelio and Whitehead, the two senior officers with primary human resource development responsibilities.

In addition to top management commitment and behavior, there are also systems and policies that support many of the ideas mentioned in the interviews. Berkshire Life will refund between fifty and one hundred percent of education tuition costs incurred by full-time employees. There is an official "open door" policy announced by a memo from the Personnel Department that assures any employee access to any manager, including the President, to discuss any company-related concern without fear of retribution. There is a merit salary system wherein each



department head is given salary parameters for every position in the department and a certain percentage increase in the departmental budget for salaries. Within those two constraints, department heads are permitted to make annual salary adjustments according to their own assessment of employee performance. Each of these policies supports a central idea in the management philosophy at Berkshire Life.

The performance appraisal and overall compensation systems, as mentioned earlier, were viewed by most interviewees as areas in which Berkshire Life has not performed as well as it should. This led to a top management decision to have Hay Associates, a very prestigious compensation consulting firm, evaluate and systematically redesign the job description and compensation guidelines at the company. This massive intervention, concluding while this study was being conducted, was described by all six of the initial subjects as providing a basis for designing a more effective performance appraisal system.

Communication and information flow. As mentioned in the earlier subsection on Performance, certain aspects of communication were viewed as being particular strengths of the company while the efforts to communicate general information to all officers or all employees were seen as problematic. There are really three different types of communication and information. One type is that information needed to make and implement the daily operational decisions that constitute the work of the company. The second type of information is that which top managers receive through whatever means that lets them know how the organization is performing in its various domains. The third type of information is

that which is exchanged between top managers and other company employees concerning the company as a whole, its purpose, performance, and guiding policies, not related to specific task accomplishment. Members of the dominant coalition discussed these three different types of communication in very different terms, although both their certainties and their confusions were consensually defined.

Everyone agreed that the essential communications having to do with the ongoing tasks of the business are a particular strong point in the company. Several officers below the top management level mentioned the stress Larry places on communication. Al Cornelio described one of his major contributions as "getting a number of diverse, 'go your own way' departments in unison to achieve company goals." The committee structures in his division serve this function. Almost every respondent alluded to the committees and task forces, which are used extensively in the Marketing Division, as being extraordinarily effective communication forums.

In another example of his attention to communication, Al described altering application forms so that agents in the field would know as soon as an application was approved without having to wait for it to be processed. By focusing on this communication system, persistent problems were alleviated. "People complain that I've gotten involved in detail, but over the years some people who work for me have learned to do that."

Tom Franco's comments about the Merchandising Committee, which he chairs, were illustrative of both the committees' usefulness in

communication and also of the two principles of management described in the earlier section.

[It] really is nothing more than a communication forum, because from a line standpoint Al makes the decisions . . . but that doesn't change the fact that I need to know what the decisions are and some of the philosophy behind them. I get a hell of a lot of that in the Merchandising Committee, which then spills over into subcommittees and hallway conversations . . . and the committees are well inter-mixed.

He went on to describe how the overlapping membership of committees in the marketing area adds to the richness of his perspective and understanding. Franco's comments also showed how the committee structures help overcome the fact, which Larry pointed out in his interview, that an insurance company is a collection of specialists.

Bill (Furey) and I have no reporting connection, but we're on the Merchandising Committee together and we see each other at least once a month there and talk about a lot of things . . . which maybe we forget otherwise, and then that prompts some other conversations . . . I'll end up on a subcommittee with a guy from the Computer Department or a guy from the Actuarial Department, people I ordinarily wouldn't talk to for six months.

Although Dick Whitehead and Gene Amber do not employ committees quite so extensively as Al does in Marketing, the stress on communication is much the same. Gene Amber described his view this way:

Communication could always be better, I don't care what the organization is . . . We do pretty well in my rather smallish organization, information within the division, but even there things go astray. We try to keep people apprised of what's taking place.

Dick Whitehead focused on the impact of committees and task forces as well, and on the quality of interaction within them.

. . . the fact we can pull together people from various functions to attack the problem, put someone in charge of that task force who is not the senior person, and get them working toward a common goal without defending their own turf . . . I think the four senior officers set the example in that we do not all manage the same way,



and we are not reluctant to disagree either among the four of us or in front of other people, so that it's no secret in the company that the four of us disagree, and it's clear that that hasn't impaired the four of us from cooperating or in terms of career.

He went on to describe how he holds regular staff meetings with his department heads to discuss goals, problems, etc. So, it's very clear that the four senior officers are in essential agreement, and push a definite--and reportedly effective--approach to operational communication.

In the area of gathering relevant information from outside the organization, particularly as it relates to performance and the marketing environment, there was also agreement and a clear emphasis. In Marketing, there are various structured ways that general agents and agents can communicate to the home office management. In addition, pricing analysis is done at least once a year for every product so that the company's position in the marketplace can be assessed. This information is then fed into the committees for discussion.

While this study was being conducted, a report was being compiled by Bill Furey's department and the people in Agency Operations on the performance of the company in recruiting and successfully supporting new general agents. Al Cornelio described the process of examination that information would go through.

I'll discuss it with the people responsible (for the report) . . . We'll discuss it, and if there's anything we feel we should be doing differently, Bill, Cy, and I will take it to the Marketing Committee and we'll discuss it in the Merchandising Committee, and then if we decide we should be doing something differently, I'll take it to the President. So, it'll go through a number of gelling processes.

Another source of valuable information for company management is the various industry associations; there is one of these for virtually



every technical specialty in the company. Dick Whitehead described the company philosophy this way--

Our participation in industry associations is a way we perceive things beginning to happen. Again, it is very important for us as a company because we sit up here all by ourselves and it's easy to be satisfied and not realize that the world is passing you by. But there are a lot of good ideas out there we could use if we just knew they existed, so we encourage a fair amount of participation and we try to get our people out and part of these industry associations.

Even though there was no question designed to surface such information, every subject except one mentioned his participation in some industry association. So, in this area as well, a consistent pattern is evident in the thought and action of the top management group. Just as there is a strong emphasis on effective communication within the company in the course of task accomplishment, there are also efforts made to establish useful information flow into the company from outside.

The last type of communication is more amorphous; it concerns the efforts of the dominant coalition to open up channels of communication to lower levels of the organizational hierarchy in relation to concerns and information that do not pertain to daily task performance. The fact that an effort has been made here at all demonstrates the centrality of communication in the value scheme and frame of reference of the top management group, but their only shared action-outcome understanding expressed during the interviews was one of disappointment and confusion at the apparent lack of success in this area. The basis of that disappointment was an externally conducted, anonymous Employee Attitude Survey. Whereas the company received above average ratings for job security, employees at Berkshire Life seemed less satisfied with efforts of top managers to communicate with them than was the case in most life

insurance companies of similar size. As Al Cornelio put it, "I was amazed, because only six or eight months before that the President of the company had just completed a series of meetings over coffee in which, over the course of a year, every single employee had the opportunity to discuss any topic with the President."

This befuddlement was repeated or affirmed by each of the senior officers, and this concern was the topic of group discussion at the feedback presentation to the senior officers as well. It was clearly a matter they had discussed on numerous previous occasions.

Customer Orientation. This area has already been touched on in the earlier section on Performance. Every subject except Colin MacFadyen and Bob Plageman, the two who have no direct contact with the field, named service--both to the agent and also to the policyowner, as a central value of the company. There is no reason to quote specific individuals here, because their comments essentially repeated, with only minor variations, the commitments explicitly outlined in the original "Corporate Philosophy-Objectives-Policy-Strategy":

What we will sell: Products and services will be developed within a framework which recognizes that they are inseparable--that the sale implies service and service is performance product.

Several subjects emphasized the point that the general agents, although employees, are in effect the customers of the home office and deserve to be treated as such. Larry Strattner:

We preach . . . and it is now a part of the company program, that it is the job of the home office to serve the person carrying the rate book. The agent is our customer and the policyowner is their customer.

This is the consensually shared idea of customer service at Berkshire Life. Likewise, the agent is generally the conduit for feedback from the policyowners on company products and services. As was noted in the preceeding subsection on Communication, there are both structures and norms operative to emphasize the value of input and feedback from the field. These are consciously reinforced by each member of the dominant coalition.

Financial Orientation. Questions in this area focused on three issues in financial management--profitability, cost effectiveness, and cost control. Most of the discussion in the interviews focused on the last of these three, for several reasons. First, profitability is a somewhat different concept at the corporate level in a mutual company than in most business firms because all income beyond cost of business and provision for a contingency reserve is returned to the policyowners in the form of dividends. Second, profitability of individual products is extremely hard to assess, particularly in the short run, because all sales lose money in the first year or so--due to field compensation and the costs associated with setting up a policy--and also because it is affected by long term events, such as mortality rates. These calculations are usually left to technical specialists, the actuaries. Finally, these vagueries make cost effectiveness, which is always very difficult to assess, almost impossible to determine in any meaningful way in the life insurance business. The accepted measure in the life insurance industry is "net cost to policyowner per \$1000.00 of coverage," but again, over the life of a policy this figure can be altered substantially by changes in the dividend scale.



Given this background information, there is clear unanimity about the basic financial goal of Berkshire Life--it is growth. This goal is clearly established in the corporate plan:

Growth contributes to better unit cost; it helps to stabilize earnings from mortality; it provides opportunities for a broader based investment program; and most important, it helps create a climate for attracting and retaining outstanding people. We will, therefore, continue to pursue aggressively a course of sound growth.

This underlying commitment was implicitly obvious, and often expressed, throughout the interviews and was well supported in the documents and observations as well. Berkshire Life is aggressively, and successfully, attempting to expand its business.

This effort was obvious in the marketing thrust of the organization. A consistent commensurate effort at the home office must be made to insure that costs of gaining and servicing that new business do not outstrip the income it generates. This was why so much discussion focused on cost control; in addition, it is an area where the company experienced a severe problem in the late 1960's, and one where it experienced a highly successful solution.

The importance of that historical incident, where a work measurement program was instituted with outside help and home office costs were subsequently brought under control, was stressed by five of the six people asked about the company orientation to cost control. The senior officers especially spoke of having weathered that crisis as an experience that has shaped their individual and shared attitudes.

There was less agreement about the status of present cost control efforts. Significantly, those three senior officers who elaborated on



the topic not only stated their own view but also noted the current disagreement among them and predicted accurately who would express current concern and who would not. Although there was currently disagreement about the meaning and significance of climbing costs, there was consensus about the long-term importance of cost control and the systems, such as work measurement, were in place to support it.

Orientation of individuals toward the organization. The four senior officers, and everyone else interviewed or spoken to informally, expressed very positive feelings about Berkshire Life as a place to work. Most respondents mentioned the positive organizational climate, and also noted that the company's outstanding performance in recent years both has been gratifying in and of itself and also has enabled the company to do more for its employees in the way of bonuses, benefits, etc. In describing their view of company-wide morale, the senior officers once again noted their surprise at some of the results in past surveys of employee attitudes. Two of the senior officers mentioned the fact that the company fared considerably better among employees that had been with the company a while, and it was also noted that comments about unfairness in work loads and compensation had been one impetus to the comprehensive intervention by Hay Associates. The members of the dominant coalition expressed very similar thoughts on this subject, despite some shared sense of not knowing exactly what the nature of action-outcome relationships are. It was clear from their comments and past actions, such as taking regular surveys, that the levels of morale and job satisfaction are viewed as important elements in both the mission and the long term success of the company.

#### Section 4. Organizational Learning

The final set of questions in the principal interview protocol concerned the means by which shared knowledge and attitudes are developed and refined. Although to meet the demands of the model, this process need only include members of the dominant coalition, the development of organizational knowledge frequently includes other organization members as well. Several subsections of the section on Organizational Knowledge have already touched on the ways that top managers described extending their action-outcome knowledge.

One of those subsections focused on responses to questions about planning and strategy. Comments by several people demonstrate how the act of planning itself provided for the development of organizational knowledge. Colin MacFadyen, quoted at length earlier, described how he viewed planning as conducive to a shared sense of discipline by the top group. Bill Furey also described the development of shared knowledge, almost expressed in terms of the identify of the company, and how that led to more effective use of managerial talent:

. . . the most important single reason why we've had less turnover, because we've known where we're going. We defined our markets, . . . we'd never defined our markets before. We'd tried to be all things to all people and were all over the lot; corporate planning has been vital in keeping us stable--'here's who we are, what we're committed to, here's how we're going to go about it; here's the market'--we started with the market and then decided what kind of agent we needed, then what kind of agency management, then what kind of support, then what kind of home office. So you add to that we've had the people plugged into the right slots in the plan, and it's worked pretty well. Everybody was pulling in the same direction.

These comments show how the plan provides a direction and a basis for other types of decision, a set of action-outcome understandings. These

original understandings also yielded performance gaps, which served as the basis for new inquiry by the dominant coalition. Al Cornelio described how this occurred in the first five years.

ERISA . . . is a fine example of how the planning process works very nicely. We were going along fine and then hit a blip. Plan sets out the goals, then you have to look at deviations. You have good and bad deviations--and need to look at both. Last year we had good deviations. After ERISA, all of a sudden we were falling off.

The same thing happened with disability income. Social Security payments jumped way up and took away some of the incentive to work. We had massive losses. With the plan, we had something to compare it to. In the old days, we might have gone along bumpity-bumpity. We wouldn't have known to take a look because we wouldn't have known where we were supposed to be. . . . The plan caused us to look at the deviations. It turns out these deviations were the result of external events that required new adjustments, not in the basic plan --which was still sound, but in some of our ways of implementing the plan.

These essential themes about the usefulness of the plan and the planning process were repeated again and again. Every single interview subject gave much of the credit for the company's recent performance to the plan and the planning procedures instituted in 1972.

Another way of developing shared knowledge of the organization which was mentioned by most interviewees is the extensive use of committees and task forces. These have been documented already, particularly in the subsections on Communication and Information Flow and on Management Philosophy. It is worth quoting Larry Strattner again.

The committee structure affords specialists with input into the overall company. The Management Committee is focal in providing overall direction. Any major decision is discussed in the Management Committee; consensus is the goal, but I will play referee when I have to.

This type of exchange almost inevitably leads to a shared understanding at least about how each individual views the company, even if it does not lead to agreement on direction.



Another top management learning tool has been the fairly regular use of consultants. At least three times since Larry Strattner became President, major consulting firms have been hired to assist in improving organizational performance. The specific projects have been in technical areas--work measurement, field compensation systems, and home office compensation systems. These experiences have also helped shape top management attitudes.

The decision to host and fund the project described here is another example of the use of outside resources. The dominant coalition did not initiate the project, but provided the opportunity, they discussed as a group the possible costs and benefits, met as a group for the initial presentation of the project, contributed significant amounts of time to the interviews, and then met as a group again to hear and discuss the results. At that point, they indicated some of the feedback might well prove useful to them.

Similarly, they have employed outside people to take employee attitude surveys. Then they have discussed those results in depth and used them, to some degree, to guide future decisions. They have drawn on the opportunities provided by industry associations for individual learning, and there is historical and interview data to suggest they have used that individual learning as a starting point for group learning.

The senior officers mentioned other activities as well when asked how public knowledge of the company's performance and philosophy gets developed and extended. They described officers meetings, held six



times a year, and the company newsletter that goes to all employees. These seemed to be, as they described them anyway, more attempts by the dominant coalition to communicate to the employees, as opposed to efforts to generate new knowledge among the top four.

One final source of dominant coalition learning deserves mention. The other three senior officers each gave a great deal of credit to Larry Strattner for both promoting certain ideas explicitly and modeling principles that have become known as corporate values. He was frequently mentioned as the exemplor of the company management philosophy and the company approach to communication. It was his idea to merge the two old divisions into a single Marketing Services division, and that idea of marketing as a process from product development to point of sale has become a central concept in the organizational knowledge base--in the conception of the company as "marketing driven." Other interviewees, below the senior management level, described Larry as contributing "discipline," "organization," and "concern for people" to the corporate philosophy.

Several respondents, including two senior officers, said informal conversations were a source of new thoughts and ideas. As they elaborated, it seemed that in such instances, these spontaneous discussions usually lead to examination of such a topic in a more formal meeting, such as a committee.

TABLE 2  
SUMMARY OF INTERVIEW DATA

INTERVIEW SUBJECT	DOMINANT COALITION	FUTURE CORPORATE DIRECTION	KEY CORPORATE GOALS	ENVIRONMENTAL TRENDS OF IMPACT
#1	Senior Officers Al Cornelio	Basically the same	Recruiting GA's	New prods. New comp. Demographics Techno. trends
#2	Larry Strattner Al Cornelio Senior Officers Planning Group	Basically the same	Recruiting GA's Field backup	Inflation New prods. New comp.
#3	Senior Officers - Easton, Herk- lotts, Levy	Basically the same	Recruiting GA's Field backup	New comp. New prods. Inflation Tech. trends
#4	Senior Officers Cornelio - Easton	Basically the same	Recruiting GA's Growth	Inflation Economic growth New prods.
#5	Larry Strattner Al Cornelio Senior Officers	Basically the same	Recruiting GA's Insuring GA quality	Inflation New prods. New comp. Tax changes Demographics
#6	Larry Strattner Al Cornelio Dick Whitehead Gene Amber	Basically the same	Recruiting GA's	New prods. Demographics
#7	Al Cornelio Senior Officers	Basically the same	Recruiting GA's	NA
#8	Senior Officers Larry Strattner Al Cornelio	Basically the same	Upgrading quality of GA's	Technological trends
#9	Senior Officers Larry Strattner Al Cornelio Dick Whitehead	NA	NA	NA
#10	Larry Strattner Senior Officers	NA	NA	Inflation

NA = Not asked or addressed spontaneously.

Many of these summarizing words may not be clear without referring to the text of Chapter IV.

TABLE 2 (continued)

INTERVIEW SUBJECT	NUMERICAL GOALS & MEASURES	STRENGTHS	NEEDS IMPROVEMENT	PLANNING PROCESS
#1	Satisfied	Service to agent & customer	Not much, Overall communication could be better, Perf. appraisal	Track clear Not too sophisticated Integrated
#2	Satisfied Very difficult to figure	Service Competitive products Computer services	Not much Communication of broader issues	Track clear Committees monitor Per. gaps show up
#3	Not satisfied, Not enough depth of understanding	Open comm. Service Sales support	Financial planning, Training of sales org., Perf. appraisal	Not enough evaluation Not enough participation Markets clear
#4	Satisfied	Service Quality people	Growth in assets	Provided groundwork Effective
#5	Satisfied	Service to field Communication	Computer back-up Perf. appraisal Recruiting GA's	A blueprint Direction, markets clear Consensus built
#6	Satisfied	Service to field	Growth in assets Perf. appraisal	Track clear Direction, more important than goals
#7	Numbers not relevant	Service Backup to field	Numerical goals Perf. appraisal	Exercise good Markets clear Plan vague Committee fill gap
#8	NA	Service, esp. field	NA	Clear markets Focus on GA recruiting
#9	Numbers not relevant to departments	NA	NA	Track clear Goals clear
#10	NA	NA	Reviews of plan	Provided discipline

NA = Not asked or addressed spontaneously.

Many of these summarizing words may not be clear without referring to the text of Chapter IV.



TABLE 2 (continued)

INTERVIEW SUBJECT	MANAGEMENT PHILOSOPHY	COMMUNICATION FLOW	CUSTOMER ORIENTATION	FINANCIAL ORIENTATION
#1	Consensus Committees integrate Managers manage	Field input EAS* indi- problem Lots of effort here	Service Strong com- munication Agent as customer	Cost concerns History
#2	Open comm. Concern for employees Detail	Field input Committees Surprise at EAS	Good prods. Service and backup to field	Controls impor- tant Time lags affect calculation History
#3	Open comm. Committees and task forces Managers manage	Task forces and committees Open door Strong commit- ment	Service Strong commit- ment Sales support	Overviews need to be improved Profitability needs moni- toring
#4	Cohensive, open Theory Y Managers manage	Could be better Open door Info for deci- sions good	Service is key Strong commit- ment	Cost effective, instilled History
#5	Open comm. Consensus People oriented Matrix	Committees Strong commit- ment	Planning be- gins with customer Agent as customer	Controls effec- tive History
#6	People oriented Open Door	Committees Open door Strong commit- ment Good lateral comm.	Field oriented Strong com- ment	Shared, commit- ment, lax at moment History
#7	Committees Managers manage Trust in people Flexible	Committees are key	Service best available	NA
#8	Informal, open Supportive Involved	Open exchange Trust evident	Service Strong commit- ment to field	Controls effec- tive, impor- tant, useful History
#9	Informal, open Can be tough Goal oriented Participatory	Participation encouraged Open comm.	NA	Precedent for planning Very important
#10	Informal Well organized	Informal Info available if interested	NA	NA

NA = Not asked or addressed spontaneously.

Many of these summarizing words may not be clear without referring to the text of Chapter IV.

\*EAS = Employee Attitude Survey



## Section 5. Discussion and Analysis

The central issue remaining, based on the information presented in the previous three sections, is--does Berkshire Life function as a learning organization? More specifically, does the dominant coalition at Berkshire Life consciously and deliberately develop a progressively more useful and effective knowledge base to guide its actions and decisions? The answer to both questions is clearly "yes." All the various components of the organizational learning model are well represented in the data.

Dominant Coalition. The dominant coalition is so unanimously and consistently verified--by self-report, third party report, organizational structure, document analysis, and behavior during and in relation to the project--as to be established beyond doubt. Not only do the four senior officers collectively control the company's resources, but by all accounts they have provided stable and influential political leadership as well. MacMillan (1978) distinguishes between power and influence, and the dominant coalition at Berkshire Life holds both the legitimate power to restructure situations and the influence to restructure the perceptions of organizational members. In MacMillan's terms, they hold a tremendous amount of "political capability."

Organizational Knowledge. In order to be considered organizational, an action-outcome relationship reported by a single member must be accepted consensually by all members of the dominant coalition. It must also be

public and accessible to all coalition members, expressed in terms all of them understand, and integrated into a system of other action-outcome understandings. Many concepts of the functioning and underlying philosophy of the company described by the dominant coalition and other managers at Berkshire Life meet all of these requirements.

In the areas of future direction of the company, environmental trends, management style, organizational communication, attitudes toward the customer and the agent, financial orientation, the strengths and weaknesses of the company--in all these areas there is a remarkable degree of agreement in all of the data. There are areas of disagreement as well, but the way in which these were reported supports the self-reports concerning communication and management philosophy. Open disagreement and debate are apparently encouraged.

The accessibility of knowledge was also reported. Not a single respondent reported any area of company performance or functioning that was taboo for discussion. This knowledge is for the most part not only cultivated within the dominant coalition but also disseminated widely to other members.

The interviews at Berkshire Life, the quoted passages in the earlier sections of this chapter show, were for the most part free of technical jargon or cliqueish phraseology. Even if an effort was made to present information in this form to an unsophisticated outsider, which is doubtful given the spontaneous and relaxed delivery of most participants, then it has demonstrated the ability of the coalition members to describe shared ideas in communicable form. This was further

evidenced by the fact that, even though substantial consensus existed, each subject expressed these core ideas in a form and by drawing connections that were uniquely individual. For example, one officer said that he felt a course in Transactional Analysis given by external trainers to all managers had been a major turning point in altering barriers to effective work communication. Not a single other subject even mentioned the event, but all characterized the commitment to open communication as being accepted and firmly supported at the top of the organization.

Finally, there was considerable evidence of integration among the various action-outcome understandings. The process view of marketing embodied in the company structure, complete with ongoing committees where technical specialists jointly define problems and solutions, demonstrates one aspect of this integration. The various efforts to provide job security, design fair compensation systems, open access to top managers, and develop individuals within the organization showed both an integrated concern for people and also an understanding of the impact employee morale and satisfaction can have on performance. The fact that the Management Committee meets regularly, that every division is represented, and that each decision is discussed in an effort to reach consensus demonstrated an appreciation for the importance of all affected parties understanding and being committed to a decision. The same could be said of the broad departmental representation on the long-range planning task force.

There are significant areas where integration is lacking, at least to the degree it was uncovered in this study. Although the interviews

were not designed to uncover issues of corporate social responsibility, only a single respondent mentioned any concern, or even thoughts, about this area except in the context of exhibiting concern for employees. Likewise, one senior officer expressed the need for more overall integration of financial management, a concern which was significantly not expressed by anyone else.

Of course there would be areas where organizational knowledge has not been extended, and there were areas--like the one concerning communication with employees beyond issues of task performance--where what the dominant coalition shares is a feeling of mystification. The important fact is that there were very important areas of company functioning where the dominant coalition had developed an integrated, consensual, accessible, and communicable set of action-outcome understandings.

Organizational Learning. Given that a well established dominant coalition possesses a well developed organizational knowledge base, there was also ample evidence that this coalition has been (and is) engaged in a continuous learning process in which it is consciously and deliberately extending the parameters of its shared knowledge.

There is some evidence in the literature to suggest that formalized planning processes alone correlate with improved economic performance in business organizations (Hofer and Schendel, 1978). Planning has certainly made a key contribution to the improving economic performance at Berkshire Life; in the comments of the senior officers, it has been perhaps the most important element in that improvement.



Theorists in strategic planning tend to be rationalists, however; they rarely mention the political foundation of an effective planning process. This foundation has been evident at Berkshire Life since before a formal plan was ever instituted. Still, the plan and the planning process--as the comments quoted earlier indicated--have been a critical method of defining and making explicit the organizational knowledge base and then of refining it. Bill Furey's comments about how definition of the markets led logically to more careful definition of every aspect of the business show beautifully how integration was a vital aspect of that organizational knowledge base, and also how the plan promoted that integration. The juxtaposed quote from Al Cornelio shows how the performance gaps that grew out of monitoring the plan led to new organizational knowledge. Duncan and Weiss (1979) emphasized the importance of performance gaps as a starting point for organizational learning.

In fact, the senior management seems to have employed a wide range of learning strategies beyond planning. They have promoted individual learning, relying on intra-organizational communication to capitalize on ideas that might thus be introduced. They have made regular use of external consultants, trainers, and researchers; they have developed systems of generating information about the environment, and particularly about their competitors, which assist them in product development, pricing, etc.

The dominant coalition at Berkshire Life provides an excellent example, it would appear, of Wilensky's (1967) emphasis on the quality

of top management questions as the basis of quality information. As Al Cornelio emphasized repeatedly, the plan was as important because of what it permitted him to stop doing as it was for what it directed him to do. He and his staff stopped pursuing every appealing idea; they stopped researching the college market or the mortgage insurance market. As this delineation sank in, he and his staff were able to focus one hundred percent of their attention on the questions that might make a difference--those that pertained to the professional and small businessperson and the other companies out to get the same business.

One organizational learning strategy deserves analysis in some depth. In describing the basis of planning for innovation at Texas Instruments, Patrick Haggerty repeatedly emphasizes the concept of "coupling" (Dowling, 1970; Jelinek, 1980). By this he means the juxtapositioning of specialists from different fields in the context of a common product development problem. Jelinek (1980) goes on to describe how this approach to innovation was institutionalized, insuring continuous innovation, in the Objectives, Strategies, Tactics (OST) process. On a much smaller scale, with a shorter time frame, Berkshire Life has built this same "coupling" into its marketing committee structures. The product line is limited, so they do not organize around projects unless a task force is needed to address some specific issue. The standing committees, however, bring together all the specialists who are involved in a specific function. In this way, everyone has input into the original decision, limiting the likelihood of a need later for significant changes. Task forces drawing on specialists or affected

departments are called together from across all three divisions when some corporate-wide issue needs to be addressed. This type of ongoing exchange seems to have promoted both effective problem solving and commitment to implementation; even as it developed a shared perspective on the specific problem, it reinforced in an ongoing way a general company philosophy about how to solve problems.

Organizational Paradigm. The paradigmatic nature of many of the consensually held ideas was quite obvious. When Larry Strattner or Gene Amber described a company-wide commitment to service, they were not referring to some specific approach to handling inquiries from the field. They were describing a philosophical commitment, a general attitude they want to cultivate in all employees to be applied in every exchange with an agent, a customer, a fellow employee, whomever. The commitments to consensus building, to concern for employees, to open communication, or to fair compensation can each be viewed in a similar light. Each could be shown to have quite specific and quite beneficial behavioral correlates, but the dominant coalition was--as it must be--concerned with the underlying principles. Obviously, this did not preclude specific actions. When Al Cornelio got involved in details of paper flow or when Larry Strattner went to Jim Dunn's office to offer his condolences and personal reassurance, they were genuinely committed to addressing that specific issue, but the fact that it was the Executive Vice President or the President made it also a symbolic act. Pfeffer (1980) and Peters (1980) emphasize the significance of just such behavior by top management. Larry Strattner has so solidly established a pattern of

such gestures, that more than once people responded to the question about a company management style by saying, in effect, "It's Larry's style." It is important to understand that noting the "symbolic" or "political" significance of such actions in no way calls their sincerity into question, it simply indicates what Allen and Pilnick (1973) emphasized, that few factors have as much impact on organizational norms as top management modeling. In the case of Berkshire Life, this seems to be true within the dominant coalition as well as at lower levels of the hierarchy.

In the interviews, Larry Strattner and the other senior officers were very clear about their conscious efforts to shape the paradigm at Berkshire Life. Although in some cases it seems they may have been more frustrated in these efforts than in their more directly task related leadership, there can be little doubt that these paradigmatic concerns have stimulated efforts at organizational learning in much the same way that more functional, specific concerns led to organizational learning in more limited spheres of action.

Summary. The entire organizational learning cycle (See Figure 2, pg. 63) is amply demonstrated at Berkshire Life. The dominant coalition established an organizational knowledge base at least as long ago as 1972 and there have been continuous efforts to refine it in varied spheres of organizational action, from field recruiting to product development to compensation in the home office. These efforts have led to progressively clearer role definitions, especially for managers immediately below the senior officer level. These changes have permitted more



systematic efforts still at the extension of valid knowledge about the effects of organizational actions.

The next level of analysis concerns the meta-purpose of this study, the assessment of the usefulness of the model in the analysis of organizations. That issue is the core of the concluding chapter.

C H A P T E R V  
SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Introduction

One of the risks of this type of research design is that the researcher has a great deal to do with what kind of information is gathered and complete control over what is reported. This project generated over two hundred pages of interview transcripts as well as observation notes, documents, and a wealth of data which went unrecorded except in the researcher's memory. There were eleven trips to the site, several of which lasted all day. Since the model guided the search for information, and presumably shaped the researcher's perceptions as well, there is the possibility on the face of it that the project simply discovered what the researcher already believed to be true.

Counterbalancing this problem, however, there were thorough checks built into the design. There were ample opportunities for the senior managers at Berkshire Life to offer conflicting points of view or to question the accuracy of the conclusions; there would have been little point in their attempting to mislead the researcher, since their investment in the outcome of the project was minimal. It is also unlikely that so many different sources of information could be made congruent intentionally.

Barring informant censoring, the other way that researcher bias could have affected the project would be through omission of significant

findings or neglect of strategies of investigation that might have uncovered problematic information. The procedures are reported in full and the findings are summarized systematically; of course, there is still the danger of researcher selectivity, but here again, the evidence reported converges so consistently that whatever the researcher might have added or subtracted would be of minor significance compared to what has been reported. Alternative explanations can be offered for the remarkable overlap in subject responses, but the consensual agreement in so many areas is factual, the structure of the company is factual, and the economic performance of the company is factual.

Interpreting and labeling such data is the leap of research, and in an exploratory field study, the leap is a long one--one not generally taken without faith. Yet the primary benefit of this type of research is precisely that it provides a perspective that might never be obtained through the orderly additions of more rigorous research designs. Given a description of that destination point, the point from which new explanations or new integrations are possible, subsequent research may indicate the small, component truths that made the original leap of faith successful.

The destination point in this project was a new, more integrative explanation for the fact that some organizations are remarkably effective over time while others are not. The starting point for this study was a model of organizational learning that appeared, on the basis of theory, to offer such an explanation. The purpose of the study was to see whether or not that model might usefully provide the basis for

research into the factors that determine organizational effectiveness. The conclusion is that it did in this exploratory study, and that it can be even more usefully employed in the future. Before examining the reasons for this in more detail, it may be useful to retrace the theory and the research.

The model of organizational learning. The most important sources of the model are political theories of organizing and decision making. These theories establish the inevitability of coalitions in organizational life and provide a coalitional or political explanation for corporate action, the dominant coalition. This is the starting point of the model, the group which collectively determines the long-term direction of the organization. This group then becomes the focus of attempts to explain organizational effectiveness, and the rest of the model flows from that point; the dominant coalition which improves organizational performance over the long-term must be capable of learning. Since individual learning is insufficient, the learning must be extensions--non-accidental extensions--of the knowledge shared by that group as a whole. This is the origin of the social requirements of organizational knowledge--that it be consensual, accessible, communicable, and integrated. Conscious and deliberate development of organizational knowledge by the dominant coalition is organizational learning. An important subject of inquiry by the dominant coalition is that set of norms, beliefs, and commonly held principles which give the organization its unique personality--the paradigm. The paradigm both shapes and is shaped by actions in every sphere of the organization.



It is through the progressive and continuous refinement of this organizational knowledge base that organizational learning takes on real significance. As action-outcome relationships are more clearly understood, and related more closely into an integrated system of knowledge, performance gaps become easier to identify and roles and responsibilities become easier to establish and evaluate. These processes in turn lead to the development of new organizational knowledge. The dynamic nature of this model is illustrated in Figure 4. This learning dynamic produces a more and more extensive and integrated organizational knowledge base. Various technical knowledge specialties must be included in this knowledge base, but it is the paradigm which serves to integrate the different subsystems and to guide the organizational actions taken in each technical domain. Figure 5 illustrates the relationship between various components of the organizational knowledge base. Figure 6 shows how these different aspects of organizational knowledge are both produced by and productive of organizational action. The dominant coalition always serves as the "learner" of this knowledge, and unless all members of the coalition have access to this knowledge, it is not truly organizational.

The research results. In an exploratory case study of Berkshire Life Insurance Company, each element of the model was identified in terms of specific people, ideas, and processes within the company. The dominant coalition at Berkshire Life deliberately and consistently attempts to improve an already extensive and integrated knowledge base. Hence

## ORGANIZATIONAL LEARNING DYNAMIC

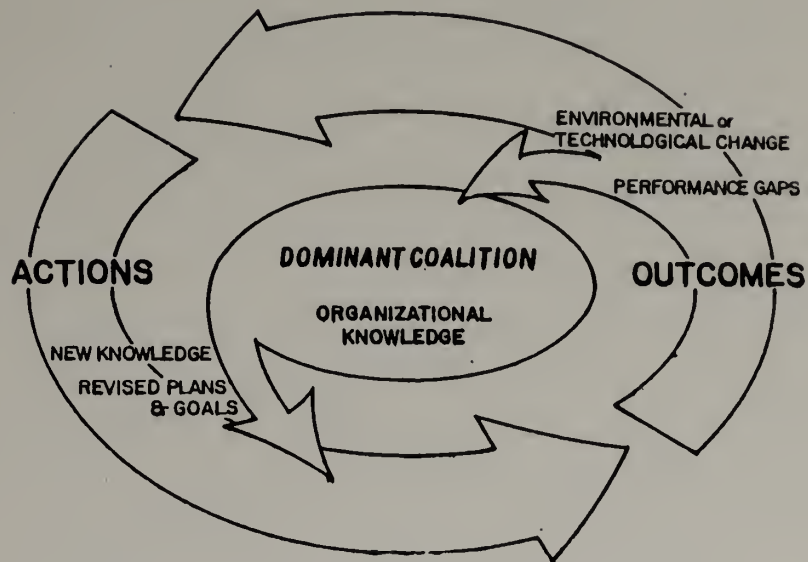


Fig. 4. The dominant coalition selectively monitors organizational outcomes and then feeds new organizational knowledge into the organization to shape new actions.

# ORGANIZATIONAL KNOWLEDGE

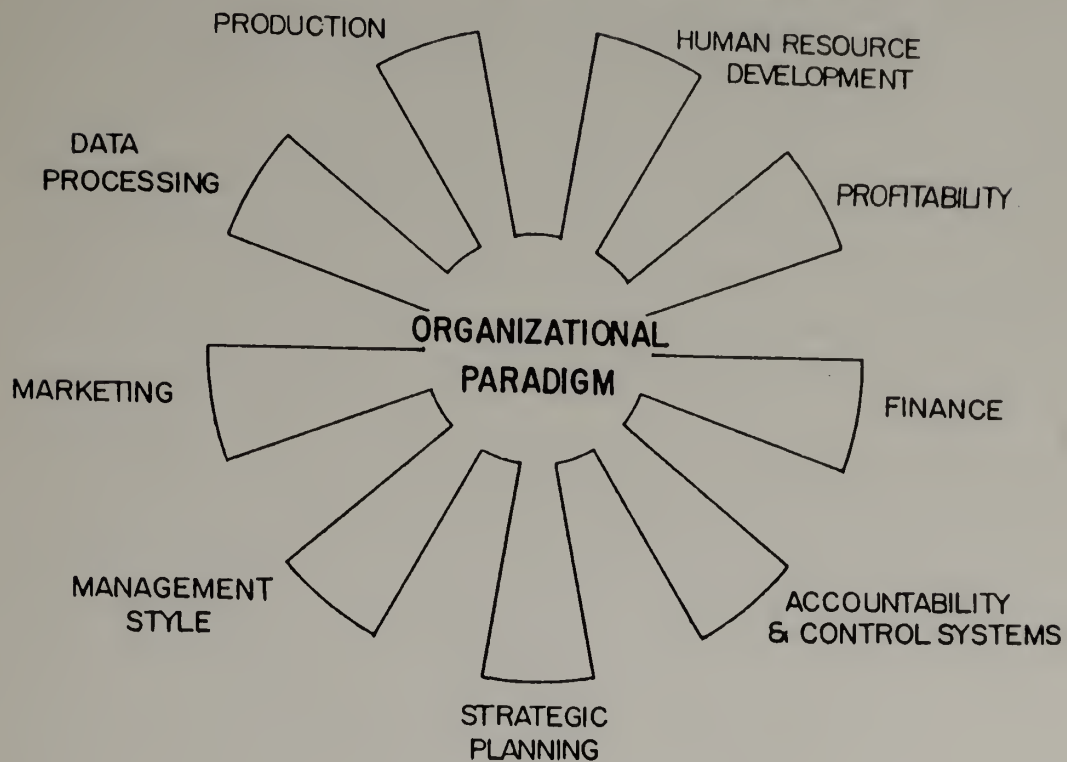


Fig. 5. This shows visually how organizational knowledge is the combination of technical knowledge in different domains of organizational action and the paradigm, which serves to integrate and guide organizational action within technical specialties.

THE FLOW OF ORGANIZATIONAL KNOWLEDGE INTO  
ORGANIZATIONAL ACTION AND VICE VERSA

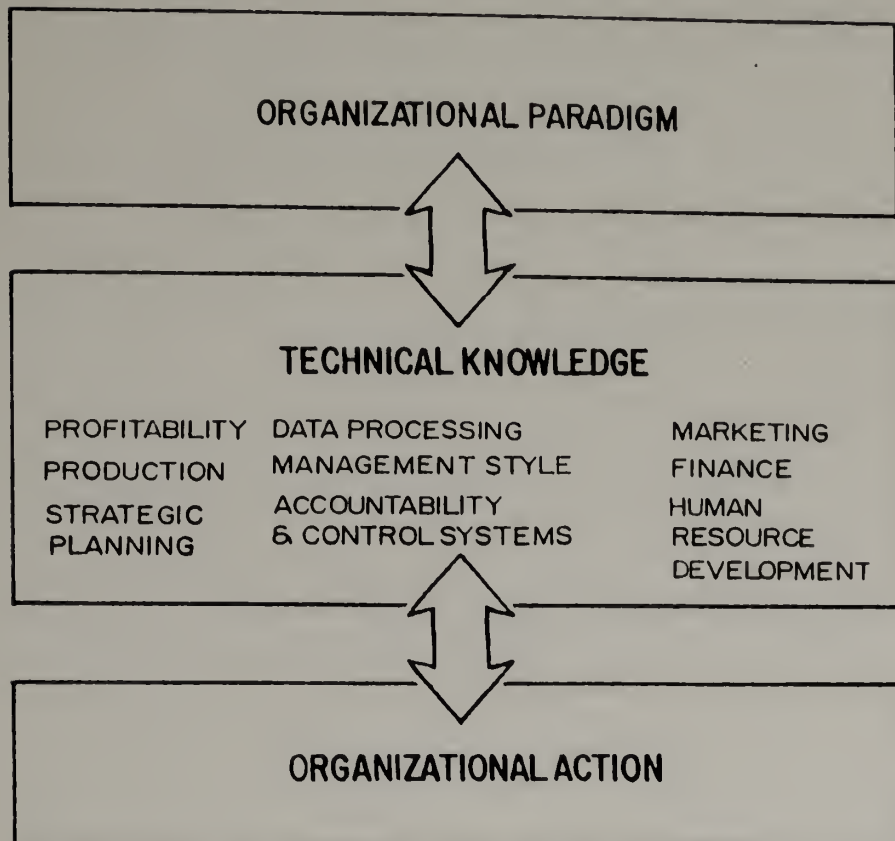


Fig. 6. This diagram illustrates how the various components of organizational knowledge guide organizational action and are in turn shaped by those actions and their perceived consequences.



Berkshire Life was found to be a good example of on-going organizational learning.

What this means in more detail is important. First, it was found that the four senior officers--the President, Executive Vice President--Marketing, Senior Vice President--Investment, and Senior Vice President--Administration--considered themselves, and were likewise considered by everyone else, to be determining the future direction of the company. Thus, all questions of long-term goals, of significant commitments of company resources, and therefore of long-term effectiveness, are the responsibility and ultimately the product of this group.

Second, this group has systematically developed a knowledge base that guided its actions. The degree of consensual agreement, particularly in the essential areas of daily operations and long term direction, was striking. Management philosophy, financial and customer service orientations, company markets, and the serious trends affecting those markets were all points of detailed agreement expressed in very practical, applicable terms. None of the senior officers, or the officers below them that participated in the research, have any questions or confusions regarding the direction of the company in its economic or managerial actions or about their personal role and priorities in promoting company performance in that context. There were certainly areas where organizational knowledge was lacking or so vague as to be of only marginal usefulness; these areas, such as overall financial management, have not been subjects of particular problems, however.

This sort of clarity in relation to corporate direction and individual contribution is a substantial achievement, and one which was

obtained through a number of processes that meet the definition of organizational learning. Planning was mentioned routinely as a source of continued redefinition of company commitments and strategies. Similarly, committees and task forces which bring together people from diverse specialities and company roles have promoted a shared sense of corporate endeavor at the same time that they have contributed new, integrative solutions to organizational problems. External people and organizations have also been called upon to offer new knowledge which became part of the organizational knowledge base. Organizational learning proceeded by all these routes, and the dominant coalition--and other managers as well--credited these processes with the company's success. Obviously, these processes have not been divorced from the personal leadership qualities of the top managers either, particularly those of the President.

### Conclusions

This final point in the summary is the key one for the purposes of the overall study. Research guided by the model focused on precisely those processes which the people who have worked in the company--most of them for more than twenty years--described as central in determining organizational effectiveness. Explanations for the importance of these different processes, and prescriptions of their importance, have been offered before. In fact, the various managers sometimes spoke in terms of different theories: "Theory Y management style," "matrix organization," strategic planning, etc. These and other ideas have been developed piecemeal, however, and no one of them could serve as the

integrating theory for the rest. The model of organizational learning fills that role, and hence represents a significant advance in the fields of organizational behavior and organization development. The fact that it also led to successful inquiry into a single organization indicates, in a preliminary way, that it is not only broadly integrative but also sufficiently specific as to lend itself to diagnosis and prediction. Hence, it seems to meet the tests of a good theory--extensivity, parsimony, empirical validity, internal consistency, testability, and usefulness (Epstein, 1973). Since the overriding purpose of this study has been to assess the value of a particular theory of organizational learning, it makes sense to address each of these points discreetly as a way of presenting the assessment of the model.

Extensivity. This theory accounts for a very wide range of phenomena. Its starting point is a political analysis of organizational life, and it therefore provides a perspective on and integrates prior contributions to theories of individual and group behavior in organizations. As Pettigrew's study (1973) shows, the tensions that arise between technical, functional, or divisional specialties within organizations can be understood in political terms. The responses at Berkshire Life which described the functional bases of individual power would at once support Pettigrew's conclusions and demonstrate how inquiry in organizational learning points up the significant bases of political action.

In their original proposal of the organizational learning model which was fundamental to this project, Duncan and Weiss (1979) demonstrate how this model can serve as the "macro" theory for a "middle

range" theory of organizational design. Similarly, discussion in Chapter II indicates how the social criteria of organizational knowledge can provide a starting point for investigation of information processing in an organization. Here again, the responses at Berkshire Life both addressed these issues of management and also integrated them into a larger explanation of corporate functioning.

Pfeffer (1980) describes how literature on organizational behavior can be viewed as falling into one of two schools--the phenomenological and behavioral school which is concerned with managerial issues and the more quantitative, "macro" school which is concerned with patterns of organizational responses to general economic and environmental conditions. Pfeffer cites evidence to indicate that the latter, more terministic school of thought can explain most influences on organizational performance, influences which for the most part are out of the control of managers, especially in the short term. This would support the focus of the organizational learning model on long term goal achievement. More importantly, the organizational learning model--while being clearly of the phenomenological-behavioral school--bridges the gap between the two by not being content or form specific. It is sufficiently general, and not at all prescriptive in the behavioral sense, as to emphasize management adjustment to whatever ongoing environmental forces affect the organization. Figure 7 illustrates the theoretical congruence of the organizational learning model with other theories, and its significance as an integrative and "linking" theory.

An important aspect of extensivity which cannot be fully addressed at this point concerns one of the limitations of the study,



generalizability. Because the theory has never been applied in actual research in a very large firm, a large public bureaucracy, or a firm which faces more strictly technical concerns--such as a mining operation, there can be no certainty that the model would provide insight into the factors determining effectiveness. There is no apparent logical or theoretical reason why it would not, however.

Parsimony. One of the very great strengths of the organizational learning model is its simplicity and economy. It is not weighted down with extraneous concerns and its postulates are both broad enough to provide for integration of many phenomena and specific enough to provide some guidance as to the significance of phenomena, or of subtheories pertaining to certain types of phenomena. This can be illustrated in several ways.

Argyris and Schon (1978) spent a great deal of time developing the idea of two "archetypes" of organizations--Model I organizations which are characterized by rigid policies and procedures, conflicting norms and values, and the general inability to inquire, and Model II organizations which are characterized by flexibility, inquiry, and resolution of implicit conflict. Although the categories are interesting and may be of descriptive value, they appear ultimately superfluous, and perhaps misleading. Berkshire Life would seem on the face of it to represent Model II, but there are areas in which inquiry does not take place, and there never seems to have been a discontinuous leap from Model I to Model II. Although the planning task force of 1972 may have been an example of *dutero-learning*, of learning to learn, there were clear

## HIERARCHY OF THEORIES EXPLAINING ORGANIZATIONAL BEHAVIOR

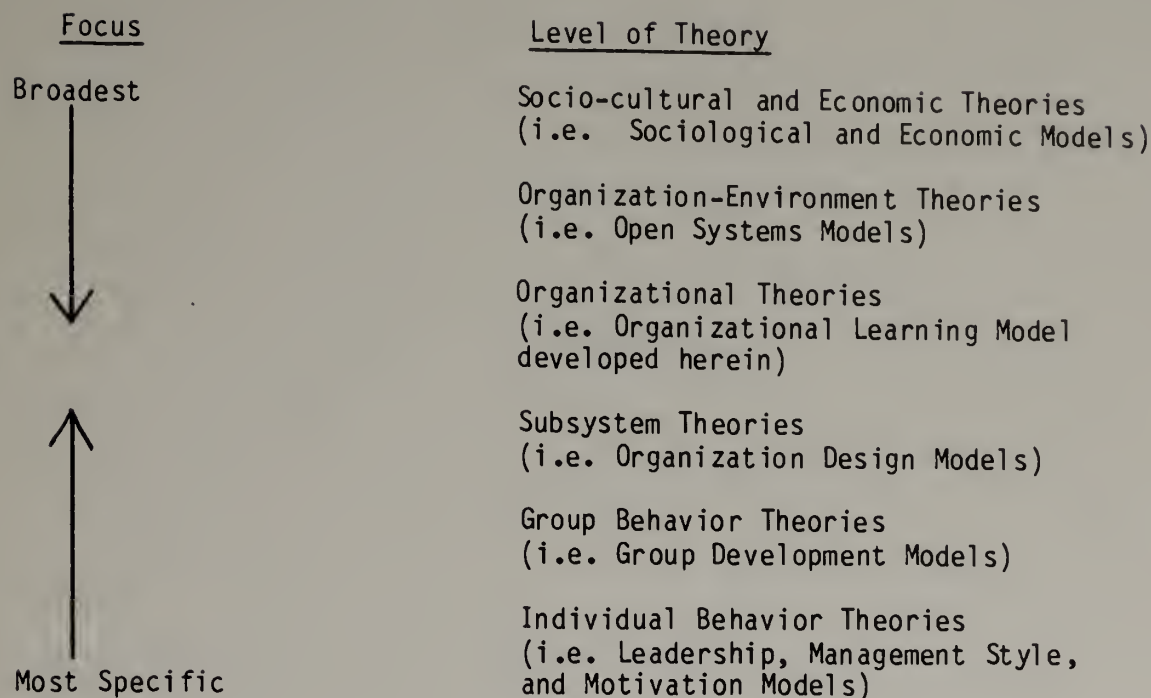


Figure 7. Although knowledge of the first and second levels in this hierarchy can inform management decisions, only the four lower levels pertain to areas which actually fall under top management control. The promise of the organizational learning model is that it provides a framework for integrating all the theories at the four lower levels in a way which does not contradict the importance of the first two levels.

In addition, there are very general theories such as information processing theories or systemic learning theories (Bateson, 1979) that can be applied at every level of the hierarchy above. They lack specificity, however; while more specific, the organizational learning model is still congruent with these theories.

that original process. Most importantly, however, Model I and Model IS add nothing to the analysis of those learning phenomena, they are just theoretical labels requiring explanation. The model used in this research, while relying on invented terminology in some degree, is not laden with the labels and implicit value judgments of the Argyris and Schon theory, and as a result is cleaner and easier to present and to use. This heightens both its analytical and its heuristic value.

Another strength of the model in terms of parsimony is its distance from any specific behavior. Although planning played a prominent role in the reports of organizational learning at Berkshire Life, the model is not attached to planning, or matrix structure, or any other specific behaviors or structures. At the same time, its concepts provide an explanation for the utility of planning, and theories of strategic planning can be integrated comfortably into the model. This combination of being one step removed from the behavior itself and yet clearly attached to behavioral processes is a peculiar strength of the model.

Empirical validity. Does the organizational learning model reflect reality? It seems clear that it reflects the reality of Berkshire Life; the theory seems to both indicate what data should be collected and how it can be viewed. Although explanations of the data and its significance were offered by participants in the research, their explanations were less comprehensive than that offered by the model. It should also be remembered that the model is itself an outgrowth of an empirical

research tradition, as opposed to the more purely theoretical--and less realistic--concepts of organizational action and decision making that have grown out of the more quantitative and rationalistic approaches.

Although this study presents only a single, very limited test of its empirical validity--and in fact avoids the most crucial question, causality--there is reason to trust its empirical basis. Not only does it grow out of empirical studies of decision making, but it seems to be broadly applicable--much more so than this single case study can indicate. Analysis of published cases provides some additional support. (See Appendix B.) Finally, there is some convergence with the results of descriptive studies. In the broadest analysis to date of long-term effective companies, McKinsey and Co. (1980) has outlined six basic similarities between the companies surveyed:

- a) a clear guiding philosophy, often identified with a single, well-known individual or small directing group;
- b) a strong orientation to meet customer needs and maintain customer satisfaction;
- c) an emphasis on smallness and flexibility in internal organization;
- d) strong internal accountability systems, even as rapid changes take place;
- e) attention to the development of people within the organization; and,
- f) careful, thorough integration of various subsystems.

Berkshire Life appears to share many of these same characteristics, some of which pertain directly to the model and some of which do not.



Importantly, the McKinsey report stresses the uniqueness of each company's approach to, and evolution in relations to, these issues; what it does not offer is any explanatory theory. The model provides such a basis for explanation, and hence for prediction. If the model is empirically valid, it will provide the basis for predictions; an example might be: "long-term effective companies will have a clear, stable dominant coalition over long periods of time." More emphasis on the importance of predictive accuracy will be given in the next subsection, but suffice it to say that the model is at least congruent with the best descriptive studies available on long-term effective organizations.

The McKinsey study also points up a gap in the model. As originally proposed, the model does not distinguish between different areas of organizational knowledge. Yet, all knowledge is not of equal significance. The model at this point offers only one qualitative distinction, that being an emphasis on the importance of knowledge relating to organizational learning processes; the model implicitly stresses the significance of knowledge of those processes.

At the same time, empirical evidence in the McKinsey data, other research, and the data from Berkshire Life--indicates that other types of knowledge are similarly vital. Marketing knowledge, including the orientation toward customer needs, would be one example; this includes an implicit definition of who the customer is, a validation of the importance of knowing the organizational purpose or mission. Similarly, the McKinsey data, with its stress on a guiding philosophy, and the Berkshire Life data as well, indicate the central importance of an explicit paradigm. The idea of the paradigm is sort of tacked onto the

original model, and is not well connected to it theoretically. What is needed is a comprehensive statement of what the most important areas of organizational inquiry are; the descriptive data gathered to date offers some powerful indications, and even some good conceptualizations. More specificity in this aspect of the model would be a substantive addition to it.

There are other, less significant ideas which might benefit the model as well, and heighten its empirical reliability. Although the present indications are mostly anecdotal and sketchy, an example might focus on the types of events that characteristically present learning opportunities and what types of conditions must be in place for a dominant coalition to benefit. At Berkshire Life, the crisis in cost control in 1968-9 might be considered such an event, similar in kind to the inventory crises at General Motors in 1920 or at Texas Instruments in the early 1960's. All three seem to have had a precipitating effect.

Attempting to include such relatively "micro" explanations in the overall model, however, represents one of the dangers of attempting too much empirical specificity. Unless clearly separated from the organizing constructs of the model, such specificity could undermine the extensivity and economy of the model. By the same token, however, it is important that the model is capable of providing guidance to research into such limited phenomena and to possibly be congruent with micro-level theories which explain them.

An example of a specific hypothesis that the model might call into question is drawn from Pettigrew (1973), who in turn drew on other decision theorists. His contention is that "innovative" decisions lead

to more political activity than "routine" ones, which can be systematized. His study, conducted in an organization where little or no organizational learning took place at the highest levels, confirms this hypothesis. The results from Berkshire Life and those of Jelinek (1979) would indicate that learning organizations handle innovative decisions in much the same way they handle routine ones, except that the innovative ones obviously receive more top management attention. The model might suggest then, that the handling of innovative decisions would be a point of differentiation between learning and non-learning organizations.

Empirical validity has been a stumbling block in the behavioral sciences generally where the object of investigation was too complex for laboratory replication or even for control of variables. This theoretical model, dealing as it does with a very broad range of exceedingly complex phenomena, is particularly susceptible to criticism in terms of its adherence to reality.

Of necessity, it is divorced from the data to a level of abstraction where the complexity and richness of the subject can be selectively screened; and naturally, no firm link of causality can be established between the presence of organizational learning and long-term effectiveness. As was stated at the outset, there is no consensus even about the meaning of "effectiveness." For the purposes of this study, effectiveness has been accepted as the capacity to meet long-term objectives as established by the dominant coalition. Given that starting point, and the present impossibility of establishing causal relationships, this

study makes a first positive step in establishing a correlational relationship between organizational learning and organizational effectiveness. In the current state of behavioral science, that is a significant first step in the direction of establishing empirical validity.

Internal Consistency. The organizational learning model is so simple at this stage of development that any logical inconsistency would likely be apparent. As various postulates and sub-theories are added, however, this will become more of a problem.

The logical consistency in the model itself is best illustrated by the cyclical nature of organizational learning as described by the model (see Figure 2, pg. 63). As the dominant coalition investigates performance gaps or generates new knowledge through other means, it is correspondingly able to define clearer roles and responsibilities in the organization. This increased accountability leads to a firmer definition of the dominant coalition and the cycle is reinforced. The assumptions on which the model is based, such as the assumption that the improvement of organizational knowledge will lead to improved performance, are subject to individual scrutiny, but none of them is in conflict with another.

Testability. Whereas the other conclusions discussed to this point are essentially by-products and indications which grew out of the theory building or the research, the issue of testability represents the heart of the project. The purpose of this study was to find out if the elements of the model could be investigated--and therefore tested--



simple methodology and a single organization as a sample case, each element of the model--the dominant coalition, the organizational knowledge base, and the organizational learning processes--was successfully uncovered. This means that the groundwork is there for future research, research that can be designed to test discreet and specific hypotheses.

Dominant coalitions can be more fully examined in terms of the importance of stability of membership, of breadth of membership, or other factors. Similarly, as has already been suggested, the various components of an organizational knowledge base could be identified and attributed different degrees of importance. Various different approaches to organizational learning could also be identified, categorized, and evaluated. These various suggestions should not be viewed lightly--they are undertakings of immense complexity; but this project has shown that the core elements of the organizational learning model are discoverable, and the strong contention has been made that they are worth investigating. Furthermore, the testability of the organizational learning model can be enhanced through the use of operational definitions for organizational phenomena, such as the definitions pertaining to political activity provided by MacMillan (1978).

Usefulness. The primary reason for undertaking a study with the underlying complexity and methodological problems of this one was the perceived usefulness of the theory. The project has offered a preliminary affirmation of that perception, but the ultimate usefulness of the model

remains to be validated. On the face of it, the model offers a very significant theoretical and practical contribution.

Theoretically, as has been pointed out repeatedly, this model provides a basis for integration of various important but previously disconnected ideas in the literature. In the professional ranks of organizational and management academicians, just as in most organizations, most people are specialists. The decision theorists do not necessarily interact with the planning theorists or with the information systems specialists. This model could potentially provide a means of integrating the products of these disparate interests.

The practical benefits of the model are easier to see. The description of a learning organization provided by the model gives active managers a picture of a desirable outcome without necessarily making demands for specific changes of personal style or of organizational structure. Furthermore, because the propositions of the model are testable, a manager can determine whether or not organizational learning is happening. Finally, it is performance oriented rather than value based; it is less concerned with individual behavior than it is with the basis for informed action at the top of the organization. It does not replace other models, except perhaps those that insist that human behavior be more rational not as a result of organizational action but as a precursor to it. It permits the managers to use approaches that fit their own styles to answer the central question posed by the model to practitioners, "Are we developing a progressively more valid shared knowledge base to inform our long-term decision making?" If the answer is "no," the model gives some indications as to why that might be.

Summary. As with any new theory, where little supporting research has been conducted, there are gaps and unanswered questions about the value of the model. The most critical of these is, "Does it really focus on the internal determinants of organizational performance?" It is far too soon to venture a definitive answer to that question, but there are indications--theoretical, anecdotal, and logical--that it does. Given the relative absence of other convincing models to explain organizational effectiveness, this is a very hopeful contribution.

This study has shown the model to be: broad enough to account for a wide range of phenomena; simple and direct enough to offer clear explanations; rooted enough to the behavioral reality of organizations to have both analytic and heuristic value; internally consistent; operational enough in its conceptualizations to be testable; and promising enough to be worth further investigation. There are questions to be answered, refinements and specifications to be made, in each of these areas, however. This study was conducted to see whether further research would be productive or worthwhile. It is definitely merited on the basis of the results.

#### Recommendations for Further Research

In the case of a model so recently developed, there is no end to the various research efforts which are needed to test, refine, and add to this bare theoretical base. In general there are two general directions in which the research should proceed. The first direction might be loosely modeled on the case study described herein or on similar projects, such as those conducted by Gabarro (1979), Jelinek

(1979), Murray (1976), or Pettigrew (1973). These studies would be efforts to investigate specific elements of the model in more detail. The second productive avenue for research would be very different, modeled more on the Pierce and Delberg (1977) study where a number of organizations were surveyed for both outcomes and factors viewed as contributing to those outcomes. Comparative survey research could go far in establishing both the generalizability of the model and also the correlation between organizational learning and certain standard measures of effectiveness, such as return on assets in business organizations.

Detailed analysis of specific factors could be designed to answer a host of relevant questions. Gabarro (1979) charted through interviews over three years the interpersonal relationships developed between new chief executive officers and their immediate subordinates. Jelinek (1979) and Murray (1976) traced the process of institutionalization of an innovative idea from the point of introduction to the point of general, systematic enactment of that core idea through routine administrative and control systems. Similar efforts could be made to test specific hypotheses concerning the nature of the formation and development processes for a dominant coalition, the patterns and sequences of organizational learning processes, and the relative importance of different aspects of organizational knowledge. For example, an attempt could be made to test certain hypotheses related to dominant coalition characteristics as "necessary but not sufficient" conditions for organizational learning. As Figure 8 indicates, coalitions might be



## DOMINANT COALITION CHARACTERISTICS

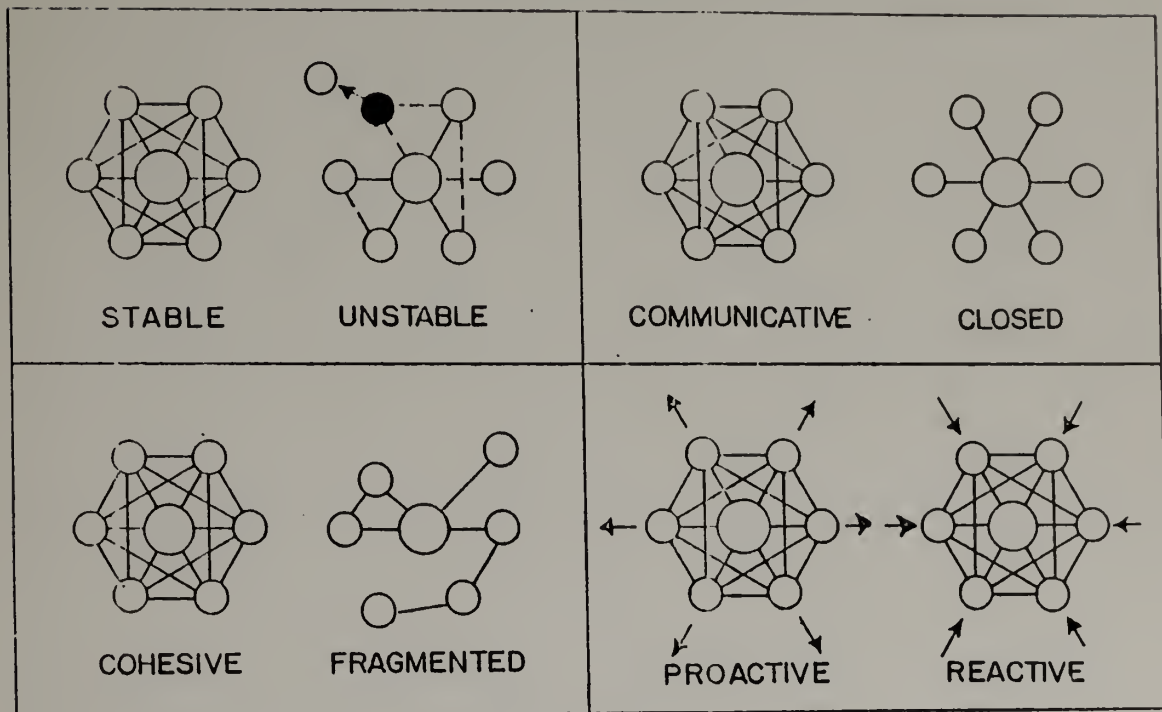


Fig. 8. Inquiry into the link between these and other characteristics and organizational learning could serve as one subject of continued, intensive research.

tested for stability, cohesion, communication, and productivity. Such research could test and yield subtheories, many of which have already been developed with a body of research to support them, which could be now integrated into the organizational learning model. The interview schedule developed for this project would provide a methodological starting point for such inquiry.

The more pressing direction for research of the model, and for organizational research in general, is in the survey, comparative area. Once a model, such as the organizational learning model, has been developed, only this approach to research offers the possibility of truly establishing the correlation between organizational learning and effectiveness. It also offers, when samples are sufficiently large, the chance to correlate the existence of organizational learning with certain industries, certain organizational structures, or certain types of educational background for dominant coalition members. Such research would provide broad new questions and issues to be the subjects of intensive, case study style projects. More importantly, only this type of research offers hope of settling any of the theoretical issues which make management theory the confusing tangle of conflicting theories, assumptions, and definitions that it is.

Examples of such a research design will give an indication of the substantial benefits that might result. The farm equipment industry is the domain of fairly few firms, a few giants such as Allis-Chalmers, John Deere, Massey Ferguson, International Harvester, and a range of much smaller, more specialized companies. It is also an industry where

the performance results are largely a matter of the public record. Historical information on the companies could be gathered easily--given the research resources, which would have to be substantial--and then a survey could be conducted, necessitating of course the cooperation of the chief executive officers of each company. Such a survey could probe the composition of the dominant coalition in each company, the areas of organizational knowledge which are defined clearly or vaguely, and the processes through which performance is monitored and improved. The comparative results from a number of large organizations facing essentially the same environment could go a long way in verifying the usefulness of organizational learning as a contributing element toward organizational effectiveness. Analysis of corporate histories, such as those provided by Chandler (1962), give preliminary substantiation to the link between organizational learning and effectiveness, but much more is needed. Ideas about the importance of specific components of the model, such as a clearly defined and consciously promoted paradigm or a well established dominant coalition, could also be tested in a more substantive way.

Similarly, a survey could be conducted for a number of urban elementary schools in the same system. A number of performance indices could be collected at the same time as information about coalitions, political activity, and organizational learning processes; anonymity of individual schools could be protected to insure cooperation. Such an extensive body of data, once gathered, could be used to answer a number of questions related to the model, such as: "Does formal planning or

any other specific structural factor or combination of factors correlate with organizational performance indices?"; "Does the presence of a well established and stable dominant coalition correlate with decreased political activity, increased organizational learning, or increased performance?"

There is one aspect of research into the model which is vital. The model is a long-term one, and hence, some historical or longitudinal component is a necessity of meaningful tests of the model.

In summary, there are myriad options for productive research as a sequel to the study described here. The more desirable route, large scale, comparative designs, also require extensive resources and access. For this reason alone, intensive methodologies such as this project's, may be the more likely avenue for gradual strengthening of the model. Regardless of the specific methodology, however, more research is needed to verify the encouraging results of this preliminary step.



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APPENDICES

## APPENDIX A

### Interview Schedules

This appendix contains the two interview schedules used as the primary data gathering tools of the project. The first schedule, the "Initial Interview Schedule," was used for six interviews which required about two hours to complete. These interviews were subsequently followed up with a few specific questions that, after the tapes were transcribed, needed to be clarified or elaborated.

#### Initial Interview Schedule

INTRODUCTION: This interview format is to be unstructured, free flowing with a premium placed on getting the information in the language and points of emphasis of the interviewee. The specific questions are designed to answer three fundamental questions.

- 1) Who is the dominant coalition?
- 2) What is the present state of organizational knowledge?
- 3) How is this knowledge base developed by members of the dominant coalition?

#### ORIENTATION:

- What are the most critical things you do in your role?
- With whom do you communicate most often to do your job?
- What would you say your major contribution to this organization is or has been?

#### DOMINANT COALITION:

- Who are the people that determine the future of this company?
- Is this a clear cut and stable group in the organization or does it vary?
- If it changes, how and under what circumstances does it change?

- Who are the most powerful members of this group in terms of shaping future directions? Who are the less powerful members who nonetheless still have a voice?
- What is the basis for different degrees of power among the members of this directing group?
- Who makes the decisions concerning long-term strategies? interim objectives? resource allocation?
- How are these decisions and plans developed and finalized?
- Who participates in monitoring, changing, or developing these plans over time?
- What criteria are applied in this process?

#### ORGANIZATIONAL KNOWLEDGE:

Questions in each area beyond would follow what Kerlinger (1973) calls a funnel pattern--beginning with very general, open-ended questions and then getting more specific. The distinction between private perceptions and public knowledge is key here.

- Standard prompts:
- What is the basis for your response?
  - Do you think other managers would agree with your statement?
  - Has this perception been openly discussed? actively developed? Who participates in such discussions?

#### A. Planning and Strategy:

- Where is this organization headed in the next 5-10 years?
- How has this set of goals been developed? Were you included?
- What are the major goals and objectives for this year? What specific strategies are you using or planning to use to accomplish them?
- Do you have specific responsibilities in terms of these long-term strategies? Do you know how your functions fit with those of others?
- What major changes have affected this organization in the last 3 years? What was their impact?

- In the next five years, what major changes and trends in social, technological, economic, and political conditions do you expect to have the most impact on your organization? What will this impact be?
  - How would you describe the basic purpose of this organization?
  - Evaluating planning process. Changes? specific strengths and weaknesses of plan produced by this process?
- B. Performance:
- How would you describe the performance of this organization over the past few years?
  - How does this performance get measured? Is it accurately measured?
  - What does this organization do particularly well?
  - What does this organization do particularly poorly?
- C. Management Philosophy, Orientation toward Organization Members:
- What is the general style of management in this organization?
  - How does individual performance get appraised? rewarded?
  - Is there an "official" management philosophy? Does it function in practice?
  - Are there organizational systems designed to support this philosophy, e.g., training and development programs?
- D. Communication and Information Flow:
- How would describe the flow of information in this organization?
  - Are there specific subjects you feel must not be discussed? What subjects? What would happen if they were discussed?
  - Do you know about problems/projects other people are dealing with?
  - Is there an "official" policy or philosophy about communication in this organization? How does it work in practice?
  - How do you get information on the performance of this organization?
  - How do you get information on your own performance?



- E. Customer Orientation:
- What is the general attitude among managers here toward the consumers of your products?
  - Do you think customers are satisfied with your product and services?
  - Is there an official policy or set of guidelines for dealing with customers?
  - What kinds of feedback, if any, do you get from customers? How do you get it? Is it used?
- F. Financial Orientation:
- What are the general attitudes of top managers in relation to profitability? cost effectiveness? cost control?
  - Are these issues openly discussed?
  - Is information on performance in these terms available to everyone? On every project?
- G. Orientation of Individuals toward the Organization:
- How do you feel about this organization as a place to work?
  - Have certain events in the last few years had a major impact on your view of and understanding of this organization?
  - Do you think your feelings are typical or unusual?
  - Are such perceptions openly discussed?
  - What specific aspects of organizational life make you feel this way?
  - How would you characterize the overall atmosphere or climate around this organization?
  - How would you assess the general level of morale? job satisfaction?

#### ORGANIZATIONAL LEARNING PROCESSES

"We've talked about many aspects of life in this organization. You've mentioned X, Y, and Z statements which you think are generally agreed upon by members of the top management team. Is there anything else you can tell me about how this agreement is built?"

- Are specific ideas recognized as crucial and publicly promoted?
- How are these central ideas developed? changed?
- Who participates in this process? How does it happen?
- When you were new to the organization, how did you learn them?
- When or if you find a contradiction in some area (e.g., management reward systems not reinforcing these ideas), what do you do?

The second interview schedule was used in a second round of interviews which included four other participants in addition to the original six. This round included ten of the eleven original members of the task force convened by President Strattner in 1972 to develop the first formal long-range plan for Berkshire Life. This task force was chosen as the critical historical incident for investigation as part of the study.

Historical Incident Interview Schedule: The Initiation of  
Long-range Planning

- Background:           What were the significant events leading up to the institution of a formal planning process?
- The Event:            Describe any events or moments you remember in that process as being particularly important or revealing to you?
- Who were (and have been) the "prime movers" behind the planning process?
- Retrospective  
Analysis:              Has anything happened since the beginning of formal planning process to alter your perception of it?
- How, if at all did top management behavior change as a result of the planning process? Their effectiveness?

What have been the most important results of the formal planning process?

What have been the most important results of the formal planning process?

How would you evaluate the planning process today?  
What significant changes in it would you make? Why?

The general approach to this format was very similar to that of the first round of interviews. Respondents were encouraged to elaborate and draw connections which were important to them.

APPENDIX B  
ANALYSIS OF PUBLISHED CASES

There are many tests of a theory: consistency, both internal and within the broader framework of accepted scientific truth; parsimony or economy; extensivity; specificity; and empirical validity. Of these, Chapter II concentrated on the first in the list above, on demonstrating that this model of organizational learning is both internally coherent and in substantial harmony with a large body of the prior theorizing on organizations. It was also shown how this theory brings together diverse themes in the literature--political behavior within organizations; organization decision-making and information utilization; organizational learning; and individual learning--in useful and economical and relevant ways. Each component of the model--organizational knowledge, paradigm, and the dominant coalition--has been independently addressed as well as integrated into the larger model, each one a necessary but insufficient aspect of organizational life, when considered in isolation, to account for organizational learning. This Appendix is based on a body of literature quite separate from the ones reviewed to this point, the literature of case histories and illustrative examples. These cases have often been prepared to demonstrate very different theories than the one proposed here. Yet, the writer has not discovered a single case, either in the literature or in direct experience of many organizations, which could not be usefully analyzed in terms of this



model of organizational learning. This addition to the main body of the study is a review of several of such cases drawn from various sources and analyzed in terms of the organizational learning model. This type of comprehensive validation, where all aspects of the theory are tested against real situations, was a meaningful prelude to field research. Unless the model held up when applied in such a sample, unless the abstract concepts brought order to the relatively tame world of written cases, there was little hope for it in the jarring world of direct experience.

A first example is the history of Texas Instruments, a corporation recognized in diverse sources as a remarkably innovative and adaptive organization (Dowling, 1979; McClellan, 1978; McKinsey and Co., 1980). In an interview (Dowling, 1979), Patrick Haggerty, the retiring chairman, credited the consistent record of organization and product innovation to comprehensive planning. Long-range planning has been a regular procedure since 1952, formally institutionalized after the economic crunch of 1961-62 created unprecedented problems for the company following the exponential growth of the 1950s. Today, a five-day "strategic planning conference" attended by four hundred top managers produces a thirty page document with quantifiable and monitorable return on asset goals as well as an update on company philosophy including: attitudes toward customers, suppliers, and employees; ethics; stress on technology and innovation; and the "three basic functions--create, make, and market," any of which can be the seat of innovation. Within these broad outlines specific objectives and strategies are mapped out with a

manager assigned to each (p. 43). In a separate but related planning process, every "product center" manager must submit a ten-year plan with each year's budget request, which is the only way proposed innovations get funded. It is hard to imagine a clearer example of the generation of organizational knowledge within the context of a consciously held and promoted organizational paradigm. Haggerty stresses planning again and again, saying it is so important that there is no separate planning department; every manager participates and performance in planning is a crucial aspect of evaluation and reward systems.

As for the dominant coalition, it must be intuitively obvious that this organization is directed by a group that shares an orientation as well as a knowledge base and that they clearly direct the organization toward "intended future domains." Haggerty describes those men who founded TI, two others and himself, of whom he is the last to retire. There is a stable board of directors which reviews all requests for innovation funds--"strategic funding" in the terms of the TI budgeting system--and they allocate funding and other resources to a balanced group of projects considering such factors as prospective pay-off time, integration of the three basic functions, etc.

In this company, there is a crystal clear example of the whole organizational learning model. A dominant coalition, until very recently guided by the founders of the organization, shared a commitment to technological innovation and a philosophy of organizing. From the outset they concerned themselves with the development of consensual,

communicable, and integrated understandings of action-outcome relationships in every aspect of the business from employee relations to marketing processes. To serve the development of this knowledge, they instituted planning and budgeting processes which directly involve every manager. This learning is truly organizational, conscious and deliberate within a guiding paradigm.

The Levi-Strauss Company, although in a more mundane business, provides a similarly clear example. Here, the dominant coalition is even more obvious, four members of the Haas family and a brother-in-law who have managed the company continuously since it was an essentially local concern in the San Francisco area at the end of World War I. Over that period the company has doubled its output approximately every five years and grown to multinational size. Grether (1978) points to the principles, both business and organizational, that have guided the company over all those years. Within these paradigmatic guidelines, such as an emphasis on quality and maintenance of direct contact with retailers (resulting in independence from chains and control over pricing), the company has flexibly developed new applications of its basic business and adapted successfully to many environmental shifts. A single example is the shift from work clothes to leisure-casual wear that accompanied the cultural shift first from manufacturing and agricultural work to greater service employment and then toward greater informality in clothing. There is no evidence at hand that Levi-Strauss management has been innovative internally in the same sense that Texas Instruments

has, creating unique budgeting or planning systems. They have, however, consistently responded to new information about trends in the environment culled from close ties with retailers; they have consistently emphasized executive recruitment and development as crucial components of an overall plan; they have maintained extraordinarily peaceful labor relations through employee stock purchase and profit sharing plans and through careful attention and responsible commitment to relationships with communities in which the company is located. In short, there is and has been a paradigm that has provided a basis for the continual development of an action-outcome knowledge base that served as the basis for growth and entry into new domains.

In a very different approach to a case, Guest, Hersey, and Blanchard (1977) describe and analyze a situation in which a new plant manager was introduced into a manufacturing plant that was plagued by problems and ranked worst along several dimensions relative to a group of six very similar plants in a very large corporation. The replacement of the manager with the new man, called Cooley in the case, was the only significant shift in personnel within intra-organizational and extra-organizational environments that remained essentially unchanged. In three years, the performance and the culture of the plant were substantially improved; Cooley's actions and success can be viewed quite simply as an example of organizational learning according to the model, even though the authors' emphasis is on Cooley's special role.



Cooley's first steps were essentially political and paradigmatic. At the dinner he was introduced to all the managers from the foreman level up, seating patterns were arranged to disperse established coalitions that had sustained an intraplant atmosphere characterized by blaming, suspicion and continual crisis. Cooley himself made a point of mingling informally with all the managers, not staying close to his superior or the top plant personnel. In a series of formal and informal meetings immediately following his arrival he continued to lay the basis for both a dominant coalition and for the development of organizational knowledge within the context of a very different managerial philosophy than that of his predecessor. Quoting Cooley:

I saw that the organization needed a long range program spelled out in writing and reviewed with the department heads, the staff, and the superintendents. They needed to be in agreement on something that was realizable and tangible and practical. It had to come from the whole organization and be explained to the whole organization. . . . Then we had to start moving on it (emphasis added, p. 85).

Although less remarkable than the Texas Instruments "strategic planning conference," it is hard to imagine a more direct and simple statement confirming the commitment to the development of action-outcome relationships ("tangible and practical") which are consensual ("They needed to be in agreement"), communicable ("explained to the whole organization"), and integrated ("it had to come from the whole organization").

There is no need here to detail all the changes that Cooley instituted that slowly reverberated through the behaviors and attitudes of almost everyone in the system. It is, however, worth quoting a single staff member to show how it appears to a single individual to be

included in the organizational learning process as a member of the dominant coalition. Quoting the comptroller:

. . . Cooley told me right off that he felt that our department could be a lot more helpful to the operating people and the service departments. In fact, . . . Matt would frequently come up and grab me and tell me we were going to take a walk through the plant. . . . I spent a lot of time talking not only to the department heads and the superintendents, but with the general foremen and all other foremen as well . . . it became apparent that, although they got to understand how the information on efficiency and costs and other things was constructed, they were not necessarily the type of information which would be useful to them in their day-to-day work . . . when you really got the foremen to open up, they thought that some of our figures were lying. The figures in themselves were not wrong, but they certainly weren't useful to them, which amounts to about the same thing . . . some of these factors were beyond [the foreman's] control. Yet he was being punished for them. . . . We worked for a long time figuring up a formula which the foremen and general foremen and superintendent could use to analyze figures quickly. . . . Next, we got all of supervision in and presented the idea to them, showing that the idea had basically come from our talks with them . . .

We would observe the operations themselves to see why the changes needed to be made. Even though I didn't know much about the operations themselves, I was always asked my opinion. My job, of course, was to work up the information to be submitted to the division for money outlays. It meant a lot more to us in writing up the request for appropriations, when we had actual experience of seeing the problem itself and in having a part in making suggestions. In other words, we again got away from the business of sitting in an office by ourselves. We were cut in on the deal (pp. 143-145).

Such an extensive quote shows first hand how organizational learning can take place, with the dual process of building a dominant coalition and developing organizational knowledge taking place in a complementary way.

Alfred Chandler wrote something of a landmark work in business history in which he details the development of the divisional

organizational structure in American corporations (1962). He devotes a lengthy chapter to each of four large corporations--DuPont, Sears, Standard Oil of New Jersey, and General Motors--which independently arrived at a divisional structure uniquely evolved to the special demands they faced. Although Chandler's focus is on the relationship between strategy and structure and on the role of innovative individuals, it was in reading these four historical cases that this writer was first struck by how clearly the organizational learning model explained differences in the rate and apparent effectiveness of organizational adaptation.

DuPont, where throughout the period considered there was a stable coalition of five or six individuals who emphasized specific directions and objectives within a guiding framework, was much quicker to adapt to environmental change and to innovate internally with new budgeting, control, or information systems. Sears and Standard Oil had nationally prominent CEOs, but underneath them in the hierarchy there was less stability or unity, with conflicting ideas about strategies, organization, and philosophy. Chandler details how for more than ten years at Standard Oil there was a conflict between older refinery directors and newer, more managerially oriented men. The former maintained that refining was more an art than an exact science and they were politically entrenched, with the result that during that time Standard Oil went without a uniform system of grading or quality control in its refinery operations even though the younger men recommended it and documented the need for it.

All of the brief descriptions to this point are positive examples of organizational learning, cases which may be expected to uphold the model. It is also worthwhile to examine examples of organizations that seem not to fit the model, but there are some general themes that are worth mentioning that do not pertain directly to the model but which shed light on organizational learning as it appears to happen in the real world. First, as has been mentioned repeatedly, once a dominant coalition is engaged in the process of developing organizational knowledge, quality of information on which to base decisions is not a problem. At Texas Instruments, General Motors, DuPont, and the Cooley plant, information systems were developed as the gaps in information were made apparent in the learning process. This did not happen spontaneously, however, which is the second key point. A crisis or serious performance gap usually precipitated a large scale innovation internally. At DuPont it was the major threat of overcapacity following World War I; at GM and TI and Sears, serious inventory control problems at a time of economic recession made obvious the need for change; in Cooley's plant, the obvious performance problems were responsible for the change in leadership.

The whole model and these additional themes are borne out as well by a general review of large corporate efforts to incorporate data processing systems into overall corporate systems (Finch and Nolan, 1980). The authors detail a developmental process which they have observed in numerous settings. Data processing is introduced but not fully



understood by the dominant coalition. This lack of integrative understanding on the part of either senior management or users within the organization leads to the development of political coalitions. The dominant coalition reasserts control over the data processing unit, often with a resulting loss of DP leadership. As the control process takes place, knowledge of DP and its possible contributions to the organization is integrated after this knowledge is made accessible and communicable either by the DP leadership itself or through the use of outside consultants. Oftentimes, the initial conflict resulting in the assertion of control by the dominant coalition is the result of serious performance gaps, such as DP cost overruns, etc. As the interdependencies and action-outcome knowledge are clarified through the organizational learning process, DP is integrated into the overall organizational knowledge base and its relationship to long-term goal achievement is established.

A theory which explains why successful organizations succeed, based on the idea of organizational learning, should also provide explanation for organizations that fail to learn. Sheldon (1980) provides an excellent example of just such an organization, although his theory of organizational change is focused primarily on "paradigm" change. He describes an innovative psychiatric hospital which was founded by four psychiatrists committed to a newly developed, long-term treatment for patients who had failed in other treatment settings. The hospital was clinically and financially very successful for several years and

developed a "culture" in which administrative functions were very decentralized. Traditional managerial and clinical roles were often blurred by multiple functions, informality, and the fact that newcomers usually required more than a year to learn the special therapeutic approach employed, regardless of prior training. Because of the unique environmental "fit" based on the type of patient, there was little apparent need for organizational learning. Internal transition in the form of departing leadership and external change, due to seriously reduced referrals because of insurance reluctance to fund long-term treatment, coincided, however, and it looked as if the hospital was going to collapse. The response of the new leadership, which was not as politically or philosophically rooted in the organization as the founders had been, was to bring in a managerially oriented administrator and a nursing director trained in a different therapeutic approach. The result was a new short-term ward, and also high staff turnover, low morale and serious conflict between coalitions representing different paradigms. The new medical director was undercut in his efforts to institute programmatic change.

Apparently with outside assistance, the members of the organization were helped to see the incompatible norms which lay at the root of the conflicts which were previously defined as interpersonal and theoretical. The solution was to create two separate divisions, one on the old model with its own orientation, staff, and director, and one organized separately along fairly traditional lines. Sheldon glosses over

this solution and it is difficult to determine its long run effect beyond the immediate positive effects of reduced turnover and higher morale.

This single major change is an excellent example of what Argyris and Schon (1978) would term "double loop learning" based on inquiry into organizational norms. There is, however, no reason to believe that organizational learning will continue without further outside assistance although there is really too little information provided on which to base a prediction. It is clear that no organizational learning was taking place prior to the change; a widening performance gap was evident to almost everyone in the organization but no effective adaptation was taking place, only deterioration. The dominant coalition was not established. A new medical director made decisions which were obviously not based in a consensual, communicable, integrated knowledge base of action-outcome relationships. The external environment was adjusted to, with the shift of one ward to a different patient population, but the conditions under which that adjustment might be successful were neither understood nor clearly sought. Without this base knowledge, there was no hope of resolution of the destructive infighting between coalitions.

Olsen (March and Olsen, 1976) offers another, much more carefully documented case in which an organization acted without learning or an organizational knowledge base and thus failed to achieve its goal. An innovative professional school in an American public university was faced with the need to hire a dean when its charismatic founder and

present dean announced his intention to resign. The resignation was announced in September to be effective in the following August. Olsen points out that the dean had been the central figure in directing the school both philosophically and practically. In the first faculty meeting following the announcement, there was general agreement that a strong leader from outside the school should be sought and that s/he should be capable of continuing the school's progress toward national prominence. A search committee, not including the dean, was formed with this mission.

The outcome of the process was that through a rather helter-skelter approach, the position was eventually offered to and refused by ten outside people of varying reputation. The latter stage of this debacle was marked by the generation and invitation of candidates in a closed meeting between the dean and the chair of the search committee. At that point, political accusations began to fly within the school and a candidate was proposed by one of the three semi-autonomous programs. The search committee began to fall apart via the departure of the student member and the highly charged and well publicized resignation of one member. In the end, the Vice-Chancellor chose the chairman of the search committee as the new dean with the assumed but covert support of the resigning dean; a majority vote by the faculty for another candidate from inside the school was overruled.

Olsen breaks the subsequent events into three phases, "the search committee-centered phase," "the dean-centered phase," and the



"Vice-Chancellor-centered phase." He analyzes these with a general emphasis on the impact various types of ambiguity seemed to have on the decision process and he applies three models of decision making--the rational, the bargaining, and the artifactual wherein the decision just happens, usually due to a deadline, and is rationalized after the fact. Olsen's contention is that each of these models is most often descriptive of decision processes characterized by certain degrees of ambiguity, e.g., since the members of the search committee were not clear about either their specific criteria or goals for candidates and since they were not sure their decision would actually be enacted, this ambiguity led to a paralysis and eventual failure to make a clear recommendation to the Vice-Chancellor prior to the dean's intervention. Olsen's analysis is interesting, but is more descriptive than explanatory.

The decisions did not fail to be made effectively because the various elements of the situation were ambiguous. The ambiguous elements remained ambiguous because: (a) no dominant coalition was able to clearly establish itself independent of the old dean, and his dominant coalition never ceased to function but was not part of the formal decision process; (b) no action-outcome relationships concerning any aspect of the decision process or its intended outcome were ever established and shared; there was not even a hint of a communicable, integrated, and consensual knowledge base--at least publicly (a questionnaire sent to the faculty showed that most of them assumed the dean would pick his successor after soliciting whatever input he desired);

and, finally, (c) with the possible exception of the dean's influence, which was largely concealed, there was no political base within the faculty and no clearly established coalitions, except within the three loosely knit programs, which could have served as the basis for a dominant coalition and the subsequent development of organizational knowledge; hence, it might have taken some period of time for organizational learning to begin and the Vice-Chancellor's deadline did not accommodate that lengthy political process of waiting for a coalition or coalition of coalitions to emerge.

An alternative interpretation neither disconfirmed nor substantiated by Olsen's extensive data is that the dominant coalition, represented by the dean and the chair of the search committee, did in fact engage in organizational learning and at the very least exercised sufficient political clout to have their final decision accepted by the Vice-Chancellor in spite of a majority vote by the faculty for another candidate. This interpretation is still in line with the conclusion drawn from the model; namely that organizational learning did not take place without the necessary components of a dominant coalition and publicly generated organizational knowledge.

The final, and in many ways the most complex, case is drawn from Pettigrew's booklength study of a major innovative decision, the purchase of a new and considerably larger computer system, in a large retail firm (1973). Beyond the case itself, this work is of particular interest because it is the product of a research project which, while more extensive, is very similar to the one described in this paper.

Pettigrew's focus is not on the director level of the firm but on the computer operations and implementation unit, called the "Management Services Department." Still the decision he studied was made at the director level and therefore clearly involved organizational learning within both the overall dominant coalition and also the single Management Services Department. He is also not concerned with organizational learning but rather with the patterns of specialization and interdependence that lead to disparity of goals within an organization and with the social processes that are used to acquire and maintain power to achieve those personal or subgroup goals.

Specifically, Pettigrew describes the rise of specialization in the area of computer operations at Brian Michales. Because of the relatively primitive state of technology, the lack of organized knowledge about its commercial application, and the great market demand for programmers in the mid-to-late 1950s, the programmers established a subunit within the organization that defied efforts to control or integrate it either behaviorally or philosophically. Even after this technological expertise was generally available to the firm, the programmers maintained their power base through secrecy, denial of the competence of others--especially the newly hired and particularly threatening systems analysts, control over training and recruitment policies, and "protective myths" such as their alleged inability to predict the time certain functions would require.

The special power of this subunit was eventually overcome by Kenny, a manager who served as liaison to the board for computer operations. His particular techniques for achieving this control were to: (a) reorganize the programming section and separate geographically the system development and operator functions so that knowledge previously kept secret had to be publicly systematized; (b) to make programming one equal subunit of a larger unit called "Management Services" which he directed, a move which utilized his power with board members to make him the formal head of all computer related functions and made him the conduit for all regular communication between top management and the programmers; and, (c) he enlisted programming assistance, from the computer manufacturer, which demonstrated to both management and the programmers that their technical expertise was no longer quite so special as it had been at an earlier stage in technological development. Following these changes, Kenny was able to prevail over the technical staff in the choice of manufacturers for the next computer whereas the technicians had always swayed the managing board before. Although the programmers still maintained a significantly greater level of organizational power than was typical of programming units in Britain at that time, Kenny had cemented his control over the future direction of the computer operations and applications in the firm.

This very detailed account is useful because it illustrates both learning and failure to learn within a specific organizational setting. The limitations are perhaps most apparent. The programmers' collective



effort to maintain their independence in the firm led them to withhold information and to retard the integration of their expertise into overall organizational knowledge and resource bases. Similarly, because Kenny felt he had to assert and maintain control over the programmers in order to maintain influence, he emphasized the importance of a working relationship with the manufacturer of the present computer system--a source of power for him in the past--over technical factors which might have led to the selection of a new manufacturer. His control of information clearly constrained the range of options considered by the board and the technical information the programmers might have been able to contribute to the decision.

At the same time, the example shows very clearly that the dominant coalition--true to the form proposed by Nolan and Finch (1980)--asserted control over the data processing coalition through the imposition and support of "their man," Kenny. Furthermore, despite the limitations that Kenny felt he had to enact in order to "win" against the programmers, he also clearly assisted the board in developing a more complete organizational knowledge base as regarded the DP functions and applications. His requirements within the Management Services Department also resulted in public exchanges and systematized knowledge that was instrumental in freeing the company from unnecessary and unwarranted dependence on the clique among the programmers.

Finally, to the extent that Pettigrew attained information about the functioning of the managing board, his findings clearly illustrate

the usefulness of the model. The programmers were originally so distinct because they were not sharing an otherwise thoroughly founded organizational paradigm. Part of that paradigm involved competition between the furniture and clothing divisions, even to the point of intra-company "spies" between divisions, so that integration of new knowledge concerning computer applications was slow to be integrated. The managing directors were not considered a group by either Kenny or the programming director, so that their individual knowledge was often not shared and tended to be based as much on personal, individual contacts with Kenny or the programmers as on clearly formulated inquiry into questions or decisions bearing on the issue. This tended to make them even more dependent on Kenny's decision about what was relevant information than they might have been had they been unified and proactive in their search for valid knowledge.

This case is perhaps the most useful one in that it demonstrates both the learning process and the limitations on the learning process predicted by the model. Further, it gives through its richness a real sense of the political and technological contexts which shape a given situation and the learning process within that situation.

APPENDIX C

ORGANIZATIONAL LEARNING: A KEY TO  
LONG-TERM EFFECTIVENESS

A description of a model of organizational learning and a proposal for funding and participation in a research project.

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## Introduction

In recent years there have been numerous efforts to account for organizational effectiveness, both in research work and in more practically oriented literature. Theorists have made useful contributions, such as the evolving emphasis on "fit" between organization design and the environment, on contingency approaches to management, and on the interrelatedness of strategy and structure. Much of the progress of this search has been blocked, however, by an inability to reach any meaningful agreement on what constitutes effectiveness. Questions arise as to what criteria should be used to compare results that are in themselves very difficult to measure or compare.

On a more practical level, these theoretical concerns are not so troubling. Many business leaders and consultants have stressed the characteristics of "healthy" and consistently successful companies. In a particularly comprehensive project, McKinsey & Company surveyed those firms which sustained above-average levels of profitability and innovation over long periods of time. The research showed areas of remarkable similarity in these firms:

- 1) a clear guiding philosophy, often identified with a single, well-known individual or small, directing group;
- 2) a strong orientation to meet customer needs and maintain customer satisfaction;
- 3) an emphasis on smallness and flexibility in internal organization;



- 4) strong internal accountability systems, even as rapid changes take place;
- 5) careful attention to the development of people within the organization; and,
- 6) thorough integration of various subsystems and subprocesses.

Similarly, other research has shown that planning is a vital element in organizational success over long periods of time. Thus, there is an emerging picture of factors which lead to sustained high-level performance.

The problem facing top managers, however, is how to combine and refine these factors to meet the unique needs of a given organization. Strategy theorists have stressed the need for this unique plan but have offered only rational, flow-chart style formulas for achieving it. There has been comparatively little attention to the actual processes through which the leaders of an organization shape its future directions. There is consensus that this is a top management function, but there is little guidance as to how to perform that function.

There is the unmistakable fact, however, that some organizations--some top management teams--do consistently improve their performance over time; in short, these organizations learn. The project proposed herein offers a top management team an opportunity to study its own learning processes and hence to improve its effectiveness. In accord with the research to date, the focus is on planning processes, on the means by which top managers incorporate what they know of the past and present into a direction for the future.

### What is Organizational Learning?

Organizational learning is the conscious and deliberate effort on the part of top managers to extend their shared knowledge of the organization, of its unique environmental demands, and of the future directions which will insure its continued prosperity. Individuals may extend their private knowledge; learning is only organizational, however, to the degree that those who shape the future of the organization construct a vision of the company and its future that they consensually accept and that is expressed in terms that are understandable and based on information that is accessible to the entire planning team.

Preliminary research indicates the forum for such learning is most often the strategic planning process, both formal and informal. These efforts to grasp the effects of past organizational actions, to remedy performance gaps, and to adapt to and benefit from environmental changes create a knowledge base. This knowledge base includes understanding of the ways various subsystems within the whole affect each other and of the distinctive strengths or competitive advantages of the organization. Finally, this process both shapes and is shaped by the culture or paradigm of the firm. This paradigm is that framework of shared values and assumptions which make every organization a unique entity, almost like an individual's unique personality. An effective planning process includes an awareness of this paradigm and the many ways it can either reinforce or undermine the implementation of new plans.

### The Learning-Planning Cycle

Effectiveness over long periods of time is a function of executive leadership; a single product or a growing market may lead to a spurt of growth or profitability, but over long periods success is the result of deliberate choices made by managers. Uncertainty and risk are factors in every such decision or strategic choice, and the increasing pace of technological, economic, and social change only accentuates this uncertainty. These shifting circumstances make each day's events more difficult to manage effectively even as they make long-range planning more important. Only a top management team capable of learning and extending its own knowledge base can hope to balance these conflicting demands.

The beauty of a planning cycle is that the development of the management team and the refinement of their plans for the firm become reciprocal processes. As the planning team examines performance gaps, solves problems, considers new projects, sets goals and monitors movement toward them, a clearer understanding of the distinctive competencies of the company is slowly built; at the same time, increasingly specific knowledge of the market demands, threats, and emerging opportunities is also built. In an interacting way, this more valid and extensive knowledge base permits clearer role definition and accountability within the management team and, subsequently, at lower organizational levels.

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Top Management Team

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Clearer roles, responsibilities.  
More unified membership and  
shared vision of the  
future.

Examination of performance  
gaps, use of new knowledge,  
monitoring of progress  
toward goals and objectives,  
etc.

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Organizational Knowledge

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Clearer roles, responsibilities, and accountability serve as a basis for a more effective and unified group at the top of the organization, and one more capable in turn of increasing organizational knowledge and implementing corporate strategy.

Brief Examples

Texas Instruments has compiled a remarkable record of consistent and successful innovation. Patrick Haggerty attributes this record to the extraordinarily well-developed strategic planning process undertaken at TI every year. Four hundred managers are called together for four or five days and produce a thirty-page document outlining the overall philosophy of the company, long-term goals and intermediate steps to attain them, specific project groups, assignment of direct manager responsibility for each objective, etc. Projects do not get funded unless they are approved by the top management team at the conclusion of this process. This is perhaps the picture-perfect example of large scale organizational learning. The origins of this process, however,



are a more typical example. In the mid-1950's, Haggerty and the two founders of TI would regularly set aside time not only to develop goals, but also to establish a basis for organizational action in every aspect of the internal and external environment. They emphasized innovation in marketing and production as well as in product development, and as a result the entire company has been transformed--and is remarkably successful. As the business grew, and outgrew the capacity of any individual or small group to manage and direct, Haggerty developed the present planning process as a way to duplicate and extend in an institutional way the innovative approaches which had been only informally structured originally; by meshing this new planning process with the resource allocation process, he made it not simply desirable, but necessary for project managers to plan.

Another striking example of the central role of coordinated planning is the present effort being made to shift A.T.&T. from a service oriented monopoly to a marketing oriented competitor in many of its product areas. This is a redirection effort of mind-boggling proportions, involving many of A.T.T.'s one million employees. In the initial phase of this process, large numbers of managers were simply retrained in a special program emphasizing marketing and the necessity of new approaches in the organization; most of these retrained personnel left the company, however, when their efforts to reorient subunits were contradicted by an interlocking network of other factors, such as compensation and incentive systems, organizational traditions, and a lack of product flexibility. Now more comprehensively planned attempts

are being made where new people and new skills are being combined with new products, new incentives, and new organizational roles and structures; there is also the realization that effecting this massive shift will require years, if not decades. Only as planning cycles are passed through repeatedly--like the circular tightening of lug nuts on a tire--does a sound knowledge base get developed by an ever more effective planning team.

A final example is Levi Strauss Co., a clothing manufacturer which through horizontal expansion alone has managed to double its volume about every five years since World War I. Across all those years, the company has had stable leadership built around the members of the Haas family. It has had a guiding strategy built around strong ties to independent retailers, trademark protection, internal commitment to the development of managerial and human resources, and of course, a reputation for product quality. The management team of this company has consistently adapted to upheavals and rapid environmental change and the effects of rapid growth internally; their own explanation of that record is a combination of flexibility in addressing specific problems within the context of firm commitment to the essential principles of the strategy, and of always working as a team, even over the generations. Again, all the elements of the organizational learning model are here.

#### Why Host and Fund This Research Project?

There a number of concrete ways in which a subject organization might benefit from hosting and funding this project. First and most

obviously, at the end of the project there will be a comprehensive report describing the organization in terms of the model of organizational learning. This would include an analysis of planning procedures, a description of the organizational knowledge base, and a description of the presently employed means of increasing organizational knowledge. Such a report could be a valuable foundation for efforts to improve organizational learning. The researcher would be available to help in the interpretation of the data and in use of the information to guide action planning for increased effectiveness. This model can provide an on-going frame of reference for the top management team in its attempts to deal effectively with rapid technological or environmental change, and hence to improve the entire cyclical process of strategy formulation, implementation, evaluation, and reformulation. Organizational learning provides the support and context for effective strategic planning.

A focus on the final product of the research, however, is a limited view of the possible organizational rewards. Before the report is ever written, the research will have required top executives to reflect in rigorous ways on the fundamental aspects of the organization. In this process of disciplined inquiry, stimulated by the presence of an outsider with fresh perspective, participants will be asked to examine:

- 1) the actual processes, and people, that determine the future of the organization;
- 2) strategic planning, long-term goals, and interim objectives;

- 3) management style;
- 4) patterns of innovation within the organization;
- 5) communication and information flow; and, of course,
- 6) the processes through which organizational knowledge in each of these areas is developed.

Such a process of in-depth inquiry will in and of itself provide new and valuable ideas to improve organizational functioning. Clearly, the research project would be an opportunity to improve the functioning of the subject organization, an outcome congruent with the research goals. The information generated will be available to the members of the organization for any productive use.

#### What Will the Research Entail?

The initial phase of the research will consist entirely of in-depth interviews, probably an hour or more in length, with all the members of the planning team. At least the highest two organizational levels would be included here. In order to clarify certain issues, brief follow-up interviews might also be included in the initial stage.

The next stage in the research process would include a wider variety of research activities, generally designed to substantiate and enrich the results of the initial interviews. One technique at this stage would be observation of meetings.



Another approach will be the investigation of one or more historical incidents, probably ones that are mentioned spontaneously in the course of the interviewing. This type of investigation is advantageous in that consequences or results of a decision or event are already known and hence a fuller picture can be attained. The final technique applied in this study will be documentary analysis. This will involve a review of company and departmental reports, agenda from meetings, formal statements of goals, and evaluation reports of special projects or committees. At this point, the organization will obviously have to provide access to documentary data.

Before the preparation of the final report, the research data will also be presented for review to those who have contributed to the data collection. The form of this review, either individually or in small groups, will be determined later. This feedback procedure will be an opportunity to check the accuracy and the validity of the earlier findings, as well as to begin the effort to use the information to the firm's benefit.

Every effort will be made to limit disruptions caused by the research project, but of course it will require some flexibility within the organization. In order to facilitate the research process and minimize inconveniences and disruptions to both parties, a liaison person within the organization should be assigned to assist in orienting the researcher and in scheduling data gathering events.

Interviews will be taped to insure accuracy and to permit improvement of the methods through retrospective analysis, but individual

responses will be held in strict confidence unless permission to share the responses is given by the interviewee.

Naturally, no one outside the organization except the researcher's doctoral committee will have access to any information and the organization's identity can be withheld entirely from the dissertation if so desired. In general, the highest professional ethical standards will be maintained. These standards can be explicitly discussed as part of a contracting process.

Altogether, the project should require three to four months to complete from the date of agreement to participate in the study to the presentation of the final findings. The specific amount of researcher or executive time needed, beyond that required for the initial round of interviews, is very difficult to predict at this time due to the dependence of later stages on the outcome of the first. Many of the later techniques, e.g., observation, documentary analysis, will require no time at all from organization executives, however.

Summarizing the last two sections, this research project would:

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| <p>Offer to the host organization:</p> <ul style="list-style-type: none"> <li>a) a final report describing           <ul style="list-style-type: none"> <li>- the membership and functioning of the planning team;</li> <li>- the state of organizational knowledge and strategic planning; and,</li> <li>- the organizational learning processes presently in use.</li> </ul> </li> <li>b) a structured process of inquiry for all top executives into the fundamental aspects of organizational functioning; and,</li> <li>c) instruction in a model that the planning team can use to guide and improve its own functioning.</li> </ul> | <p>Require of the host organization:</p> <ul style="list-style-type: none"> <li>a) executive time;</li> <li>b) a research project liaison person within the organization;</li> <li>c) a research grant; and,</li> <li>d) access to documents and records.</li> </ul> |
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FINAL REPORT:  
PLANNING AT  
BERKSHIRE LIFE  
INSURANCE COMPANY

Will Ratliff  
Doctoral Candidate  
University of Massachusetts

June 15, 1981

## Introduction

This report is the product of a research project conducted at Berkshire Life Insurance Company. The project was based on a theoretical model of organizational learning, and a full description of the model and of the research findings can be found in "An Inquiry into Organizational Learning," a doctoral thesis written for the School of Education at the University of Massachusetts.

The organizational learning model focuses on the ways in which the top managers of an organization develop and improve the knowledge which serves as the basis for their decision making. For the academic purposes of the dissertation, the research included extensive documentation of who constitutes the "dominant coalition" at Berkshire Life, the state of their shared knowledge base on a range of topics, and their methods of refining that knowledge base. For the more practical concerns of the company, the study focused primarily on the planning process and the structures which support it. The results of the study are presented here in four sections--one assessing the plan itself as presented in "Corporate Philosophy-Objectives-Policy-Strategy: January 1, 1978"; one assessing the implementation of that plan; one assessing the planning process as it has performed since the long-range planning task force convened in 1972; and, one addressing two larger, "contextual" factors that are important to planning, and the company as a whole, in the not too distant future.



### The Plan

A critically important aspect of the long-range plan is that it is very clear in its delineation of policies and strategies in the two "line" functions of the company--marketing and investments. Not only are these performance areas spelled out in sufficient detail to provide broad guidelines for organizational action but they have also remained remarkably stable over the eight year life of the plan, except for the ongoing revisions of numerical goals. Since marketing and investments are the two functions which most directly determine the economic performance of the company, it is fitting that they should also be the most carefully spelled out.

Other performance areas of the company are not presented so thoroughly. I have in mind such broad management concerns as general management philosophy, goals and strategies for productivity improvement, or explicit commitments in the area of corporate citizenship. Although there was general agreement in the interviews about the actual policies in some of these areas, there were other issues which were addressed either not at all or only in vague terms. It is perhaps worthwhile stressing again that these areas of management are not likely to have as direct an impact on company performance, at least in the short run, as do the line functions discussed above.

Several respondents also noted a certain level of abstraction in the numerical goals expressed in the plan, calling them "incidental" or "arbitrary." Whereas the market definitions included in the plan

provide clear operating priorities, the numbers were reported to have only limited meaning or significance to those involved in departmental planning. This lack of relevance was emphasized by the fact that little apparent attention is given to forecasts or goals which are missed, either above or below.

### Implementation of the Plan

Overall, the implementation of the original plan has been excellent and seems to be steadily improving. The recent economic performance of the company speaks for itself, and the benefits of this performance are being spread throughout the company. One result is that the management areas described in the preceding section as only vaguely elaborated are receiving additional attention.

The committee system provides an extremely effective method of continuously monitoring and revising the specific tactics through which the plan is implemented. This is especially true in the marketing area. One very useful and important function which the committees and task forces serve is the integration of diverse technical specialties.

Although the turbulent economic environment has made frequent adjustments necessary in the investment area, the clarity of the investment goals has made performance in that area easy to monitor. Several interviewees outside the investment area spoke in considerable detail about performance in Investments.

Employee relations, productivity improvement, and issues of corporate citizenship have been effectively addressed. They do not seem

to be as thoroughly integrated, at least conceptually, as is the operational management of the line divisions. These are more difficult areas of management in which to establish integrating ideas, but the search for some larger integration might be informative and useful.

### The Planning Process

The planning process has proven itself effective to this point. One supportive structural component of the planning process is, again, the use of committees which build planning into ongoing operational decision making.

Since the original task force, planning beyond operational or tactical issues has been increasingly centralized as a function of the four senior officers. Other interview subjects expressed a feeling of decreased involvement in overall corporate development. The discussion of numerical goals was related to this issue, where some subjects said that corporate numbers gave them little sense of what they should be emphasizing more in their own work.

More importantly, those below the senior officer level almost always mentioned contributions of the original task force over and above the definition of a corporate direction. They usually described one or more of a range of individual benefits they gained from participating. Frequently mentioned learnings were:

- a new awareness of the "big picture" of the company;
- new knowledge about other company functions;
- new knowledge about the views and values of senior officers; and,
- insight into the considerable capacities of their colleagues.

These learnings came largely as by-products of the planning process but as by-products which have had a significant impact on the job performance of the individuals involved.

### Important Larger Issues

First, not a single respondent expressed any indication that the company needs to alter its basic strategy, in spite of a general recognition of environmental threats. Two competitive threats mentioned by almost everyone were new types of investment oriented products, which both offer competition at present and may undermine the distribution system long-term, and increasing numbers of new types of competitors. Thus, while no change is viewed as necessary now, continued watchfulness is necessary. It is evident that that watchfulness is present.

Second, most people mentioned Larry Strattner's approaching retirement even though this was not a subject of questions in the interviews. Any type of leadership change causes uncertainty. This could be especially true in this case because Larry's personal style of leadership was frequently described as the basis for the planning approach and as the basis for and exemplification of corporate commitments to concern for people and to communication of important company information.

### Conclusions and Recommendations

No significant need for immediate change is indicated by the results of this project. The company is obviously performing very well, ongoing improvements are taking place, and morale seems very high. The



usefulness of planning as a communication and management development tool has perhaps been underestimated in the past few years, but these are long-term concerns which can be addressed in a gradual, evolutionary way. I would recommend that more people be included in the long-range planning process in the future. The next five year review might be such an opportunity to formally expand discussion beyond the four senior officers. Other approaches might be to convene task forces, not on the long-range marketing or investment strategies, which seem to be clearly understood, well accepted, and regularly reviewed, but on other issues of corporate-wide concern. Examples might be some of those topics mentioned earlier--general management philosophy, productivity improvement, and corporate citizenship.

Unquestionably, Berkshire Life meets my criteria for a learning organization. Please let me know if I can be of further assistance to you in any way.

Will Ratliff  
Doctoral Candidate  
University of Massachusetts



