RETHINKING LEADERSHIP IN THE LEARNING ORGANIZATION

BY PETER M. SENGE

"No significant change will occur unless it is driven from the top."

"There's no point in starting a change process unless the CEO is on board."

"Nothing will happen without top management buy-in."

How many times have we heard statements like these and simply accepted them as "the way things are?" CEOs and other top executives talk about the need to "transform" their organizations, to overthrow stodgy bureaucratic cultures, and to "become learning organizations." But evidence of successful corporate transformations is meager. Moreover, the basic assumption that only top management can cause significant change is deeply disempowering. Why, then, do we accept it so unquestioningly? Isn't it odd that we should seek to bring about less authoritarian cultures by resorting to hierarchical authority?

Perhaps there is an element of self-protection at work—the comfort of being able to hold someone else (namely, top management) responsible for the lack of effective leadership. There is no doubt that a CEO who is opposed to fundamental change can make life difficult for internal innovators, but this hardly proves that only


WHO'S RESPONSIBLE FOR MAKING CHANGES AROUND HERE?

the CEO can bring about significant change.

Two Views on Leadership

Let's consider some *different* statements about leadership and change: "Little significant change can occur if it is driven from the top." "CEO proclamations and programs rolled out from corporate headquarters are a good way to undermine deeper changes." "Top-management 'buy-in' is a poor substitute for genuine commitment at many levels in an organization."

These statements are supported by the experiences of two innovative leaders, Phil Carroll of Shell Oil and Rich Teerlink of Harley-Davidson.

Phil Carroll recalls, "When I first came in as CEO, everyone thought, 'Phil will tell us what he wants us to do.' But I didn't have a clue, and if I had, it would have been a disaster." Likewise, Rich Teerlink says,
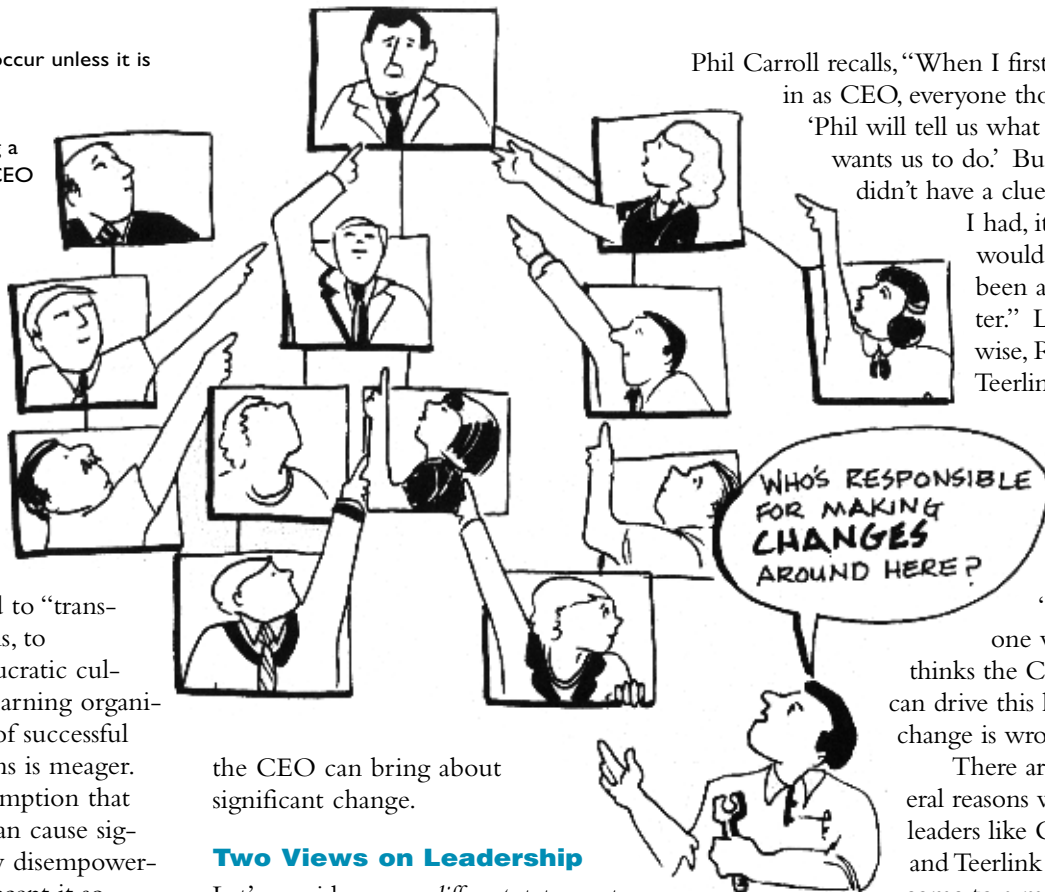
"Anyone who thinks the CEO can drive this kind of change is wrong."

There are several reasons why leaders like Carroll and Teerlink have come to a more

humble view of the power of top management. First is the cynicism that exists in most organizations after years of management fads. When the CEO preaches about "becoming a learning organization," people roll their eyes and think to themselves, "Here we go again. I wonder what seminar s/he went to last weekend." Most corporations have had so many "flavor-of-the-month" initiatives from management that people immediately discount any new pronouncement as more "executive cheer-leading" or, as they say at Harley-Davidson, "another fine program."

A second reason has to do with the difference between compliance and commitment. Hierarchical authority is much more effective at securing compliance than it is in fostering genuine commitment. "It seemed that every year someone pressured us to change our promotion review process to incorporate our values," reflects former Hanover Insurance CEO Bill O'Brien. "But we never caved in to this pressure. A value is only a value if it is voluntarily chosen. No reward system has ever been invented that people in an organization haven't learned how to 'game.' We didn't want just new behaviors. We wanted new behaviors for the right reasons" ("Moral Formation for Managers: Closing the Gap Between Intention and Practice," in *Character and the Corporation*, MIT Center for Organizational Learning Research Monograph, 1994). There is simply no substitute for commitment in bringing about deep change. No one can force another person to learn, especially if that learning involves deep changes in beliefs and attitudes or fundamentally new ways of thinking and acting.

A third reason a different type of leadership is needed is that top-management initiatives often end up moving organizations backward, not forward. This can occur in obvious ways, such as top-management downsizings and reorganizations that have the side-effect of increasing internal competitiveness, which ends up undermining collaboration and, ultimately, economic performance. But it can also occur more subtly, even in changes explicitly designed to improve learning. For example, a mandated "360-degree feedback" process not only reinforces a compliance mentality, but it also lessens the likelihood of people surfacing what Harvard's Chris Argyris calls the "potentially embarrassing information" that might "produce real change" ("Good Communication That Blocks Real Learning," *Harvard Business Review,* July/August 1994). This kind of information will come into the open only when people have genuine trust, curiosity, and shared responsibility—conditions not usually fostered by mandated programs.

Even so, it must be acknowledged that many large-scale change programs—reorganizations, downsizing, corporate-wide cost reduction programs, or re-engineering programs—can be implemented only from top-management levels. But such changes will not affect the corporate culture if it is based on fear and defensiveness. Nor will they unleash people's imagination and passions and enhance their ability to form genuinely shared visions. They will not change the quality of thinking in the organization, or increase intelligence at the front lines, where people confront increasingly complex and dynamic business environments. And they will do nothing to foster the trust and skills needed by teams at all levels if they are to reflect on hidden assumptions and to inquire into the reasoning behind their own actions.

Types of Leadership

For the past 20 years, many colleagues and I have been working with managers and teams to develop enhanced learning capabilities that center around five related disciplines: systems thinking, surfacing and improving mental models, fostering dialogue, nurturing personal vision, and building shared visions. Four years ago, a group of us at MIT began to form a consortium of corporations with two main objectives: to advance the theory and method underlying this work; and to demonstrate what is possible when organizations begin working together toward integrating new learning capabilities into important work settings. The MIT Center for Organizational Learning currently involves about 20 corporations, mostly Fortune 100 firms.

Within these companies, we regularly confront the dilemmas posed by the conflicting views of leadership described above. Resolving these dilemmas requires fundamental shifts in our traditional thinking about leadership.

These shifts start with the simple view of leaders as those people who "walk ahead," people who are genuinely committed to deep change in themselves and in their organizations and who demonstrate their commitment through their actions. They lead through developing new understandings, new skills, and new capabilities for individual and collective learning. And they come from many places within an organization.

In particular, we have identified three essential types of leaders in building learning organizations, roughly corresponding to three different organizational positions:

1. *Local line leaders*, who can undertake meaningful experiments to test whether new learning capabilities actually lead to improved business results.

2. *Executive leaders*, who provide support for line leaders, develop learning infrastructures, and lead by example in the gradual process of evolving the norms and behaviors of a learning culture.

3. *Internal networkers*, or *community builders,* who can move freely about the organization to find those who are predisposed to bringing about change, to help out in organizational experiments, and to aid in the diffusion of new learning.

Local Line Leaders

Nothing can start without committed local line leaders: individuals with significant business responsibility and "bottom-line" focus. They head organizational units that are microcosms of the larger organization, and yet have enough autonomy to be able to undertake meaningful change independent of the larger organization. To create useful experiments, they must confront the same issues and business challenges that are occurring within the larger organization. For example, a unique cross-functional task force may be less useful for a learning experiment than a team that manages a process that is ongoing, generic, and vital for future competitiveness, such as a product development team, a sales team, or a business division.

The key role played by local line leaders is to sanction significant practical experiments and to lead through active participation in those experiments. Without serious experiments aimed at connecting new learning capabilities to business results, there is no way to assess whether enhancing learning capabilities is just an intellectually appealing idea or if it can really make a difference. Typically, a Learning Center project will begin with a core team composed of line leaders who might initially work together for six to twelve months. During this time, they work on developing their own skills in systems thinking, collaborative inquiry, and building shared vision, and then begin applying those skills to their own issues. Only then will they be able to begin designing learning processes that might spread such skills throughout their organization and become embedded in how work is done.

For example, a team of sales managers and sales representatives at Federal Express worked together for over a year before they began to develop what eventually became the Global Customer Learning Laboratory. "We felt we needed new tools for working with our key corporate customers as learning partners," says Cathy Stopcynski of Federal Express. "That's why the Global Customer Learning Laboratory is important. It gives us a whole new way to work together with customers to improve our collective thinking and come up with completely new solutions to complex logistics problems." At Electronic Data Systems (EDS), a growing network of local line leaders is bringing learning organization principles and methods into work with customers through EDS's "Leading Learning Communities" program.

> Most corporations have had so many "flavor-of-the-month" initiatives from management that people immediately discount any new pronouncement as more "executive cheerleading" or, as they say at Harley-Davidson, "another fine program."

In addition to playing a key role in the design and implementation of new learning processes, local line leaders often become teachers once these learning processes become established. In fact, the most effective facilitators in learning processes such as the Global Customer Learning Laboratory are usually not professional trainers but the line managers themselves. Their substantive knowledge and practical experience give them unique credibility. Facilitating others' learning also becomes a powerful, ongoing way for line leaders to deepen their own understanding and capabilities.

However, engaging local line leaders may be difficult. As pragmatists, they often find ideas like systems thinking, mental models, and dialogue intangible and "hard to get their hands around." "When I was first exposed to the MIT work," says Fred Simon, former head of the Lincoln Continental program at Ford Motor Company, "I was highly skeptical. I had heard so many 'academic' theories that made sense but never produced for us. But I was also not happy with our team's ability to work together. I knew there must be a better way, and my business planning manager was convinced this could make a difference."

Simon's view is typical of many line leaders at the outset: he was skeptical, but he recognized that he had problems that he could not solve. He also had a trusted colleague who was willing to engage with him. Again and again, we have found that healthy, open-minded skeptics can become the most effective leaders and, eventually, champions of this work. They keep the horse in front of the cart by focusing first and foremost on business results. Such people invariably have more staying power than the "fans" who get excited about new ideas but whose excitement wanes once the newness wears off.

Because line leaders are focused primarily on their business unit, however, they may not think much about learning within the larger organization, and typically they have little time to devote to diffusion of their efforts. They may also be unaware of—and relatively inept at dealing with—the anti-learning forces in the larger organization. They become impatient when the larger organization does not change to match their new ideas, and may start to feel misunderstood and unappreciated. They can easily develop an "us against the world" mentality, which will make them especially ineffective in communicating their ideas to others.

Innovative local line managers are often more at risk than they realize. They typically believe, "My bosses will leave me alone as long as I produce results, regardless of the methods I use." But the "better mousetrap" theory may not apply in large institutions. Improved results are often threatening to others, and the more dramatic the improvement, the greater the threat. Large organizations have complex forces that maintain the status quo and inhibit the spread of new ideas. Often, even the most effective local line leaders fail to understand these forces or know how to work with them.

Despite these limitations, commit-

ted local line leadership is essential. At least half of the Learning Center companies that have made significant strides in improving business results and developing internal learning capabilities have had little or no executive leadership. But we have seen no examples where significant progress has been made in an organization without leadership from local line managers, and many examples where sincerely committed CEOs have failed to generate any significant momentum.

Executive Leaders

At the Learning Center, our excitement around the practical experiments led by local line managers has frequently made us blind to the necessary and complementary roles played by executive leaders. Local line leaders can benefit significantly from "executive champions" who can be protectors, mentors, and thinking partners. When dramatic improvements achieved in one line organization threaten others, executive partners can help manage the threat. Alternatively, executive partners can make sure that new innovative practices are not ignored because people are too busy to take the time to understand what the innovators are doing. By working in concert with internal networkers, executives can help connect innovative local line leaders with other like-minded people. They also play a mentoring role in helping the local line leaders understand complex political cross-currents and communicate their ideas and accomplishments to those who have not been involved.

In one company, a local line organization had achieved what it regarded as dramatic improvements in the product development process, but its efforts lacked credibility when judged by more traditional metrics. For instance, at critical checkpoints the team had record numbers of engineering change orders. The team interpreted this as evidence that people were more willing to surface and fix problems early in the development process. But outside the team, these same orders were seen as evidence that the group was "out of control."

Eventually, executives in the company commissioned an independent audit, which showed that the team was indeed highly effective. The executives also supported the development of a "learning history" to help others understand how the team had accomplished its results.

> But the "better mousetrap" theory may not apply in large institutions. Improved results are often threatening to others, and the more dramatic the improvement, the greater the threat.

Part of our difficulty with appreciating the role that effective executive leadership can play in learning is that all of us are used to the "captain of the ship" image of traditional hierarchical leaders. However, when executives act as teachers, stewards, and designers, they fill roles that are much more subtle, contextual, and long term than the traditional model of the power-wielding hierarchical leader.

"We in top management are responsible for creating an operating environment that can allow continual learning," says Harley-Davidson's Teerlink. Although executive leadership has traditionally focused on structure and strategy, Teerlink and other executives are increasingly thinking about the operating environment in less tangible ways.

Effective executive leaders can build an environment that is conducive to learning in several ways. The first is by articulating *guiding ideas*. "I have always believed that good ideas will drive out bad ideas," says Hanover's O'Brien. "One of the basic problems with business today is that our organizations are guided by too many mediocre ideas—ideas which do not foster aspirations worthy of people's commitment." Guiding ideas are different from slogans or management

buzzwords. They are developed gradually, often over many years, through reflection on an organization's history and traditions and on its long-term growth and opportunities.

A second way to build operating environments for learning is through conscious attention to *learning infrastructure*. In a world of rapid change and increasing interdependence, learning is too important to be left to chance. "We have plenty of infrastructure for decision making within AT&T," says Chairman Bob Allen. "What we lack is infrastructure for learning" (Peter M. Senge, et al., *The Fifth Discipline Fieldbook*, 1994, p. 34).

I have met many CEOs in recent years who have lamented that "we can't learn from ourselves" or "we are better at learning from competitors than from our own people." But with little or no infrastructure to support ongoing learning, one might ask, "Why *should* successful new practices spread in organizations?" Who studies these innovations to document why they worked? Where are the learning processes that will enable others to follow in the footsteps of successful innovators? Who is responsible for creating these learning processes?

There can be little doubt of the long-term business impact of executive leadership in developing learning infrastructure. When the Royal Dutch/Shell Group's central group planning leaders became convinced that "scenario thinking" was a vital survival skill in turbulent, unpredictable world oil markets, they didn't initiate a set of scenario-planning courses for Shell's management. Instead, they redesigned the planning infrastructure so that management teams regularly were asked not just for their budget and their "plan," but for several plans describing how they would manage under multiple possible futures. "Planning as learning" has gradually become a way of life within Shell—a change to which many attribute Shell's rise to preeminence in the world oil business.

A third way to build operating environments for learning lies within the executive's own domain for taking action—namely, the *executive team*

itself. It is important that executives recognize that they, too, must change, and that many of the skills that have made them successful in the past can actually inhibit learning.

I think these ideas will eventually lead to a very different mind-set and, ultimately, a different skill-set among executives. "Gradually, I have come to see a whole new model for my role as a CEO," says Shell Oil's Carroll. "Perhaps my real job is to be the *ecologist for the organization*. We must learn how to see the company as a living system and to see it as a system within the context of the larger systems of which it is a part. Only then will our vision reliably include return for our shareholders, a productive environment for our employees, and a social vision for the company as a whole."

Internal Networkers

The most unappreciated leadership role is that of the internal networkers, or what we often call internal community builders. Internal networkers are effective for the very reasons that top-management efforts to initiate change can backfire—oftentimes, no power is power. Precisely because they have no positional authority, internal networkers are free to move about a large organization relatively unnoticed.

When the CEO visits someone, everyone knows. When the CEO says, "We need to become a learning organization," everyone nods. But when someone with little or no positional authority begins asking which people are genuinely interested in changing the way they and their teams work, the only ones likely to respond are those who are genuinely interested. And if the internal networker finds one person who is interested and asks, "Who else do you think really cares about these things?" he or she is likely to receive an honest response. The only authority possessed by internal networkers comes from the strength of their convictions and the clarity of their ideas.

It is very difficult to identify the internal networkers because they can be people in many different organiza-tional positions. They might be internal consultants, trainers, or personnel staff in organization development or human resources. They might be front-line workers like engineers, sales representatives, or shop stewards. They might, under some circumstances, be in senior staff positions. What is important is that they are able to move around the organization freely, with high accessibility to many parts of the organization. They understand the informal networks through which information and stories flow and how innovative practices naturally diffuse within organizations.

> Internal networkers are effective for the very reasons that top-management efforts to initiate change can backfire—oftentimes, no power is power.... The only authority possessed by internal networkers comes from the strength of their convictions and the clarity of their ideas.

The first vital function played by internal networkers is to identify local line managers who have the power to take action and who are predisposed to developing new learning capabilities. Much time and energy can be wasted by working with the wrong people, especially in the early stages of a change process. Convincing people that they should be interested in systems thinking or learning is inherently a low-leverage strategy. Even if they are persuaded initially, they are unlikely to persevere.

When the Liaison Officers from the Learning Center companies were asked how they each got started in this work, they responded, virtually unanimously, that they were "predis-posed." All of them had something in their backgrounds—perhaps an especially influential college course, a particular work experience, or just lifelong interest—that made them more open to the systems perspective. They each had a deep curiosity about learning, or mental models, or the mystery of profound teamwork. In turn, they felt attuned to others they met who shared this predisposition.

In ongoing experiments within line organizations, we have found that internal networkers can help in many ways. In our own Learning Center projects, they serve as project managers, as co-facilitators, or as "learning historians"—people trained to track a major change process and to help those who are involved to better reflect on what they are learning (see "Learning Histories: 'Assessing' the Learning Organization," May 1995). As practical knowledge is built, internal networkers continue to serve as organizational "seed carriers," connecting like-minded people from diverse settings and making them aware of each other's learning efforts. Gradually, they may help in developing the more formal coordination and steering mechanisms needed to move from local experiments to broader, organization-wide learning. At Ford, for example, an informal "Leaders of Learning" group was formed by local line leaders and internal networkers who wanted to share learnings and serve as a strategic leadership body. They saw their work as supporting continuing experiments, connecting those experiments with the interests of top management, and wrestling with organization-wide capacity building and learning.

As with local line managers and executive leaders, the limitations of internal networkers are likewise counterparts to their strengths. Because they do not have a great deal of formal authority, they can do little to counter hierarchical authority directly. If a local line leader becomes a threat to peers or supervisors, they may be powerless to help him or her. Internal networkers have no authority to institute changes in organizational structures or processes. So, even though they are essential, internal networkers are most effective when working in concert with local line

leaders and executive leaders.

The Leadership Challenges

The leadership challenges inherent in building learning organizations are a microcosm of *the* leadership issue of our times: how human communities can productively confront complex issues where hierarchical authority is inadequate to bring about change. None of today's most pressing issues—deterioration of the natural environment, the international arms race, erosion of the public education system, or the breakdown of the family and increasing social fragmentation—will be resolved through hierarchical authority.

In all these issues, there are no single causes, no simple "fixes." There is no one villain to blame. There will be no magic pill. Significant change will require imagination, perseverance, dialogue, deep caring, and a willingness to change on the part of millions of people. I believe these same challenges exist in the work of building learning organizations.

Recently, a group of CEOs from the Learning Center companies spent a half-day with Karl-Henrik Robèrt, the founder of Sweden's path-breaking Natural Step process for helping societies become ecologically sustainable. The next day, Rich Teerlink of Harley-Davidson came in and said, "I don't know why I stay awake at night trying to figure out how to transform a six-thousand person company. Yesterday, we talked with someone who is transforming a country of four million people."

The necessity of creating systemic change where hierarchy is inadequate will, I believe, push us to new views of leadership based on new principles. These challenges cannot be met by isolated heroic leaders. They will require a unique mix of different people, in different positions, who lead in different ways. Although the picture sketched above is tentative and will certainly evolve over time, I doubt that it understates the changes that will be required in our traditional leadership models. ◘

Peter M. Senge is director of the Center for Organizational Learning at MIT's Sloan School of Management. He is the author of *The Fifth Discipline: The Art and Practice of the Learning Organization* and co-author of *The Fifth Discipline Fieldbook: Strategies and Tools for Building a Learning Organization.*