FEATURE

THE SYSTEMS THINKER®
BUILDING SHARED UNDERSTANDING

VOL. 14 NO. 6 AUGUST 2003

MANAGING ORGANIZATIONS AS LEARNING PORTFOLIOS

BY ANTHONY J. DIBELLA

Metaphors and images are powerful tools that mirror and shape how we perceive and interact with the world. The presumptions we carry about people, places, and things guide our expectations and actions; and the words we use to characterize or describe our world reflect those presumptions. Even in the domain of organization studies, the labels we give our constructs carry with them meanings and assumptions that, although unstated, guide our actions.

During the past decade or so, many management experts and pundits have referred to the "learning organization" as the singular prototype of the successful organization. This terminology has been interpreted as suggesting that organizations must conform to a certain set of characteristics, abilities, or disciplines in order to be successful. In this article, I offer and advocate for a view of "organizations as learning portfolios" that I believe more accurately reflects what organizations are and the diversity within them. By making this shift, we can design interventions to promote organizational improvements that recognize existing strengths and capabilities, and that support a pluralistic way to promote learning in and by organizations.

LEARNING CHARACTERISTICS OF ORGANIZATIONS

All Organizations Learn

Since all organizations learn, the notion of the "learning organization" is as redundant as that of hot steam or a breathing mammal. Organizations don't have to be developed so they can learn; they already do.

Source of Learning

Learning occurs through the natural social interaction of people being and working together. Therefore, learning occurs through the very nature of organizational life.

Learning Is Rooted in Culture

All organizations have embedded learning processes, whether transparent or tacit. For example, acculturation, the means by which new employees become integrated into an organization, is an embedded learning process. As an organization's culture evolves, so too do the nature and process of learning within that enterprise. The learning styles or practices in a start-up firm will differ from those of an established one.

Organizations Are Differentiated Structures

Different departments and functions within an organization promote different behaviors and forms of interaction. Likewise, types and forms of learning vary between units. These differences can promote conflict or can be used for strategic advantage.

Learning Styles

Organizations learn in divergent ways. There is no one way that is best for all firms. An organization may house multiple styles in different organizational units.

Managerial Focal Point

Managers need to understand the nature of social interaction in their organizations and how existing behaviors and routines engender learning. Once they know how their organizations learn, they can direct those learning processes toward strategically desirable goals. For example, a management team can allocate resources to the most effective learning practices within a particular business unit, and a training unit can leverage existing practices to help a firm implement a new strategy or to help employees work with new technology.

Many Ways and Styles of Learning

In recent years, the work of Howard Gardner on multiple intelligences and Daniel Goleman on emotional intelligence has shown that understanding competence requires more than just testing for IQ. Competence, intelligence, and learning are multidimensional concepts that cannot be determined with a single measure. Reliance on one kind of assessment simplifies reality and devalues forms and characteristics that deviate from social norms.

For example, in his theory of multiple intelligences, Gardner identifies seven types of intelligence, including spatial intelligence, musical intelligence, and mathematical intelligence. Goleman measures EIQ (emotional intelligence quotient) by considering levels of emotional self-awareness, empathy, and self-control, among other indicators. More recently, in his book, *A Mind at a Time* (Touchstone Books, 2003), Mel Levine explains the functioning of eight different systems of learning, such as attention control, memory, and sequential ordering.

Much as individuals learn in different ways, so too do organizations (see "Learning Characteristics of Organizations"). To some extent these differences are a function of the diverse environments in which organizations operate. For example, what and how organizations in stable environments with established products like ketchup or cement learn will be very different from what happens in industries that are volatile and involve new products or evolving technologies, such as nuclear power or computer hardware. Companies in stable environments improve performance primarily through their own operating experience. In volatile environments, organizations must look outside their boundaries to learn about changes in customer needs or expectations and shifts in competitor capabilities.

Diverse learning styles also occur as a result of an organization's history, culture, size, and age. New, entrepreneurial firms are apt to learn differently from larger, established corporations. The former tend to gain knowledge about leading-edge products or technologies, while the latter focus on improving existing ones. These differences create opportunities for up-and-coming firms to take market share away from industry leaders, as Apple did from IBM in the 1970s and 1980s. Different learning styles do not reflect how well an organization is learning or how strategic, but they do shape *what* the organization is learning and *how* that learning is taking place.

Although an organization can have a dominant learning style, when we look closer, we often find some variation between departments and functions. As a whole, a complex organization is bound to support numerous learning practices that reflect different learning styles. These practices and styles constitute the raw elements of an organization's "learning portfolio."

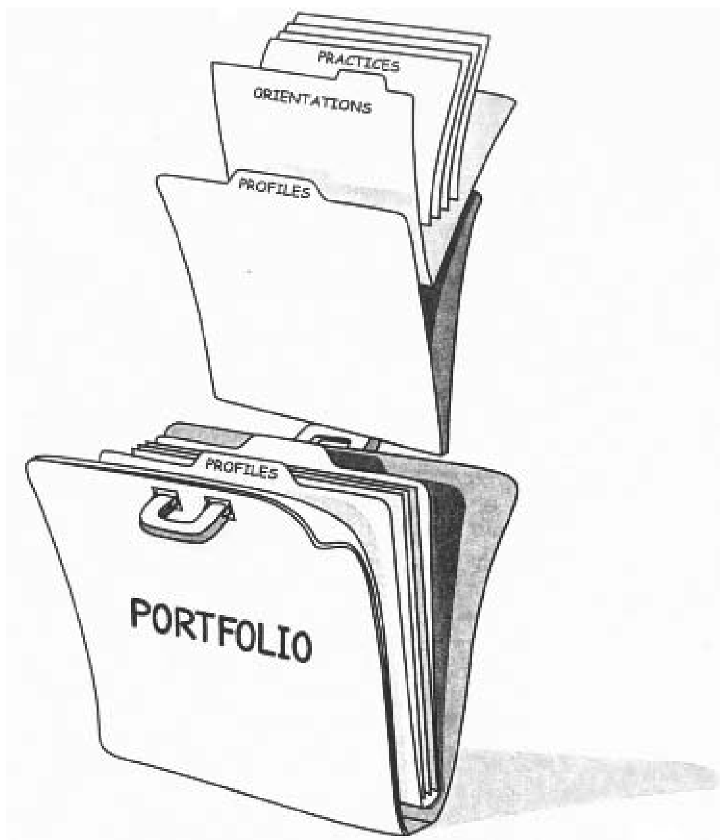
Learning Portfolios

I use the phrase "learning portfolio" to represent the notion that multiple learning activities take place concurrently within any organization. Each form of learning makes a unique contribution to the organization's knowledge base. The view of "organizations as learning portfolios" has significant implications for the design of interventions to promote learning and change. Instead of viewing organizations as monolithic and then prescribing singular learning practices that are universally viewed as optimal (that is, "best practices"), leaders can choose from a range of learning activities, each targeted at different objectives, and manage them to maximize impact. Some firms may make heavy investments in R&D (learning through knowledge generation), while others may prefer investing in benchmarking (learning through the acquisition of knowledge from others). Companies can also divide their resources and allocate them among several forms of learning.

An "organization as a learning portfolio" reflects a capability that has evolved and grown as the organization's culture has matured. To use that capability for competitive advantage, organizational members must first recognize the elements that shape and comprise it. Identifying current capabilities provides a starting point for strategic action to change, augment, or enhance a style or portfolio of styles. Rather than presume no existing competence and the need to build it from the bottom up, managers work with and from what already exists. By focusing on the positive, this approach is consistent with techniques of Appreciative Inquiry (for more information about AI, see Bernard Mohr and Jane Magruder Watkins, *The Essentials of Appreciative Inquiry: A Roadmap for Creating Positive Futures*, Pegasus Communications, 2002). It contrasts with prescriptive techniques in which organizations that do not have specific competencies are regarded as failing. "The

Continued on next page ➢

THE LEARNING PORTFOLIO



An organization's learning practices, orientations, and profiles comprise a complete organization-wide portfolio. By focusing on a company's learning portfolio in its entirety, learning advocates can reorient themselves from wondering whether the company has the *correct* learning practices to considering the practices' *complementarity*.

Source: DiBella, *Learning Practices: Assessment and Action for Organizational Improvement* (Prentice Hall, 2001)

➣ Continued from previous page
Learning Portfolio" shows how learning practices, orientations, and profiles comprise a complete organization-wide portfolio.

Companies with a large portfolio of learning practices are apt to have multiple competencies and a greater capacity to adapt to change than companies that rely on a single approach to learning. By focusing on a company's learning portfolio in its entirety, learning advocates can reorient themselves from wondering whether the company has the *correct* learning practices or styles to considering their *complementarity*. Also, instead of focusing on individual activities, they can take a systemic view to consider synergistic possibilities between different elements in the learning portfolio.

For example, many learning advocates suggest that double-loop or transformative learning is preferable to single or corrective, incremental learning. Yet in the control room of a nuclear power plant, a transformative learning style is apt to lead to disastrous consequences, as was the case with the nuclear accident at Chernobyl. In that specific context, corrective learning is the appropriate style. However, it would be entirely appropriate and strategically advantageous for a company that runs a nuclear power plant to operate an equipment R&D lab where employees practiced transformative learning. In the context of the entire firm, the styles are complementary.

Recognizing the presence of multiple styles within a company can also explain some intergroup conflicts and barriers to learning. If different parts of a company learn in different ways, then it is highly unlikely that knowledge will be efficiently transferred across functional or group boundaries. Once we recognize such barriers, we can manage them as a potential source of diversity and competitive advantage.

Analyzing Learning Portfolios

Analyzing an organization's learning portfolio requires creating an inventory of the learning practices and profiles that exist throughout the enterprise. There are several ways to conduct such an inventory. A simple approach is to list the resources that promote learning either directly or indirectly and to specify how such resources are used. Another approach is to interview staff members to identify those firm-sponsored activities or practices that promote both individual and collective learning. A more elaborate approach is to use a diagnostic instrument to profile learning styles and orientations (for an example of a diagnostic instrument, see DiBella, *Learning Practices: Assessment and Action for Organizational Improvement,* Prentice-Hall, 2001).

Despite the time lags or uncertainty about the return from investing in learning, managers must consider learning a long-term asset rather than a liability.

A second issue in analyzing a firm's learning portfolio pertains to the relatedness of the actual items in the inventory—to what extent are the learning practices and styles complementary, in conflict, or redundant? This question moves the analysis beyond the mere identification and enumeration of practices to examine how the learning activities and practices fit together across the organization in meaningful patterns. Such an analysis considers whether practices are similar or contribute in some unique way to the creation or acquisition of knowledge.

A third issue about learning portfolios is the extent to which current practices or styles align with or match learning needs and work demands. Consider a team or organization that is in a new industry where innovation is critical to success. If its learning style emphasizes practices that support incremental learning and formal dissemination of knowledge, then the content of what is being learned and the speed at which that learning is being applied are not apt to be as helpful to the firm's competitiveness as practices that support transformative learning and informal networks.

In another scenario, if a firm wants to emphasize teamwork, then it should give more support to learning practices that promote group rather than individual learning. For example, instead of sending individual employees out to professional development conferences or programs, managers could send teams of employees or they could allocate learning resources to team-building exercises that replicate current work conditions. So, in the airline industry, members of a cockpit flight crew could train together on a simulator. That learning practice would complement any formal training given to individual members who need to stay current in flight technology.

Managing Learning Portfolios

The idea that a firm's learning portfolio might be misaligned with its learning needs or competitive demands raises the question of portfolio management. How can a firm manage its portfolio for maximum advantage? What criteria should it follow in making portfolio management decisions? How would a managed learning portfolio differ from an unmanaged one? These questions suggest that instead of blindly supporting learning practices or not supporting them at all, companies should actively allocate the resources within their portfolio in such a way so as to maximize their impact. Even when resources are constrained, despite the time lags or uncertainty about the return from investing in learning, managers must consider learning a long-term asset rather than a liability.

As such, managing a learning portfolio requires a sensitivity and appreciation for the outcomes of resource allocation. In most business environments, outcomes or outputs are traditionally examined in light of inputs. Return on investment, or ROI, has been a key measure that reflects the ratio of outputs to inputs. As businesspeople attempt to maximize the return on their investments, they make management decisions using ROI as a guiding indicator.

However, using ROI as a singular criterion for making management or investment decisions, especially around learning, is a limiting approach. To determine the value of outputs and expected returns requires managers to make assumptions about the future, and these assumptions often turn out to be invalid. They also involve linear predictions that an investment (usually financial resources) will be converted into some measurable amount of inputs (material, labor, process technology), which will lead to an expected set of outputs (products, services, benefits). Over time, unanticipated events or circumstances can thwart this process, such as when the cost of material or labor increases or when competitors come out with a product that lowers the value of others on the market. Consequently, many management decisions are based on projections that turn out to be inaccurate.

This problem is especially prevalent with projecting the return from learning investments, because the period during which the outcomes from learning are realized can be quite lengthy. The longer the period of returns gained from an investment, the more tenuous our level of commitment to the process tends to be. The usefulness of learning also pertains to its timeliness. When employees learn something in a formal training program, such as how to use new software, it's often because they expect to use those skills right away. In that scenario, the benefits and outcomes from learning have immediate value. On the other hand, employees sometimes learn behaviors—such as how to deal with angry customers or aggressive competitors—that they hope they never have to use. If they never have to use such behaviors, does that mean those skills have no value and were not worth the initial learning investment? Of course not, but what criteria should we use to make decisions about investing in learning practices that lead to uncertain outcomes?

Another difficulty in using ROI as a criterion to manage learning investments is that it only takes into account tangible assets or returns. When an employee learns a new skill, a team learns how to work better together, or a firm develops a new process technology, nothing tangible is created, but obviously the learning has produced something of value. When managers take the customary route of basing investment decisions and allocating resources only to practices that generate immediate, tangible results—and hence promise a higher ROI—they neglect to account for several important characteristics—and benefits—of learning.

The idea of a firm as a learning portfolio produces a view of learning and organizations that is fundamentally different from the prescriptive vision of the "learning organization."

An alternative approach to managing learning investments is based on *value creation and analysis*. Rather than starting with the investment and determining the value of the outputs generated by that investment, the analyst starts downstream with the customers' perception of value and then traces the sources of that value. All firms and organizations create value for their customers or clients through their products or services. Our customers pay for what they value or appreciate. The essential question then is, What is the value we create or provide our customers? Then we work backward (or upstream) to ask, What skills, behaviors, and/or knowledge generate that value and then, most critically, how did we as individuals, teams, or an organization learn or acquire those skills, behaviors, or knowledge? Different learning activities create different value, so, using this technique, we can identify their contributions relative to one another and relative to their cost.

Once we know the relative contributions to value creation of different learning processes, we can reallocate resources to maximize the return from the learning portfolio as a whole. In fact, research has shown that many firms mismanage their portfolios (see "The Teaching Firm: Where Productive Work and Learning Converge," Education Development Center, 1998). Companies tend to allocate the majority of their learning resources to formal learning activities, like classroom training, not recognizing that people learn much of what they do to create value from informal learning activities. If that's the case with your organization, then it's past time to adjust your allocations to maximize value creation (see "Four Steps to Managing Learning Portfolios").

Learning Portfolios vs. Learning Organizations

The idea of a firm, company, school, or government agency as a learning portfolio produces a view of learning and organizations that is fundamentally different from the prescriptive vision of the "learning organization." Instead of focusing on some future state to be attained through managerial action and executive leadership, any desire to enhance an organization's learning must focus on understanding the organization as it exists *now*. Instead of perceiving an organization as some unified, homogeneous, or monolithic entity that does or does not learn, we view learning as innate to all organizations but allow for its

Continued on next page ➢

FOUR STEPS TO MANAGING LEARNING PORTFOLIOS

1. Create an inventory of learning practices and styles.
2. Identify resources allocated to different learning practices and styles.
3. Determine the value created from the current allocation of learning investments/resources.
4. Reallocate resources to maximize portfolio gain.

➢ Continued from previous page
different manifestations. Instead of focusing on the dilemmas "Why don't organizations learn?" or "How do we build 'learning organizations'?" the central questions become "What do organizations learn?" "In how many different ways do they do so?" and "How can they learn in the most effective manner?"

The learning portfolio concept also provides a bridge from the knowledge that is generated and used in our organizations to processes of learning. After all, if knowledge is in the notes, it's learning that makes the music. The result is different research questions and avenues and approaches for interventions than before. For example, What types of knowledge are valued across an organization's portfolio and how is that knowledge aligned with its strategic direction? What are the diverse ways in which knowledge is acquired, disseminated, and used? How do various forms or styles of learning across an organization conflict or complement one another? Finally, how are resources allocated within the portfolio and how might they be reallocated to increase a firm's return on its learning investments?

As theorists and practitioners struggle to make their organizations more adaptable and more competitive than before, the call to learning will endure. Until a proven formula for learning is found or generated, alternative paradigms will be needed to explore what does or does not help executives make their organizations learn. Thinking about organizations as learning portfolios broadens the view about how "learning" and "organizations" can best be glued together. ◘

Anthony DiBella (ajdibella@orgtransitions.com) is a consultant and thought leader in organizational learning and change management. This article is based on "Organizations As Learning Portfolios" by Anthony J. DiBella as published in *The Handbook of Organizational Learning and Knowledge Management*, Blackwell, 2003.

For Further Reading

Brown, J.S. and Duguid, P. *The Social Life of Information.* Harvard Business School Press, 2000.

DiBella, A.J. and Nevis, E.C. *How Organizations Learn: An Integrated Strategy for Building Learning Capability.* Jossey-Bass, 1998.

NEXT STEPS

To begin to understand your organization as a learning portfolio, consider the following questions:

- How has your organization and/or your work been changing?
- What did you/your organization have to learn in order for those changes to take place? To create value for your customers?
- How did that learning occur?
- Why did that learning take place?
- How does the nature of learning (what has been learned and how learning has occurred) differ across functional or operational units?

