



About Learning

A white paper

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Part 1: Learning versus Knowing Organizations

Contrasts and Comparisons

Knowing Organizations

Most organizations we have seen and read about over the past 40 years have focused more on knowing than on learning. Knowing is a state, learning is an action. Learning changes the state of knowing.

Knowing organizations promote and hire people mainly based on what they have done, on what they know. Less value is placed on the person's ability to learn. Training focuses on skills and processes with a direct impact on job performance. Little or no effort is put into training people to learn, encouraging learning, or rewarding learning.

Management effort in knowing organizations focuses on getting better and better at what the organization does, instead of what it could become. Effort is more likely to be put on careful measurement of results and comparing them with expectations than on encouraging learning. Knowing organizations put people in jobs to get results, to fix problems, to turn around failing organizations. If sales are not up to expectations, they will bring in a sales manager who knows how to fix that. If manufacturing is not meeting

expectations, they will bring in a new manager who knows how to fix it. If the company is not meeting investors' expectations, they will bring in a new CEO who knows how to fix that.

In knowing organizations, learning is seen as down time. It interferes with performing.

Learning Organizations

Learning organizations hire and promote people based more on their ability to learn than on what they already know, more on what they can do than what they have already done. Learning organizations realize that results are related to actions by probability. They realize that just because something worked in the past doesn't mean it will work in the future. They realize that just because something worked in another company or another organization doesn't mean it will work in your company or in your organization.

Knowing is not transferable across organizations or over time. The situation changes, but knowing is static. Learning **is** transferable. Learning is dynamic. Learning includes learning about changes in the situation.

Sun Tzu's quote is often misunderstood. The time at which you must know the enemy better than yourself is at the time of the battle. In war, what you knew yesterday, last week, last month, last year can get you killed. In business, it just means your customers buy from your competitors.

"If you know the enemy better than you know yourself, the outcome of the battle has already been decided."

Sun Tzu & Top Gun

Learning organizations see learning as a competitive sport. If they can learn more and learn faster than their competitors, they can outperform those competitors.

Innovation is a core business function. Innovation is the engine powering successful competition. Learning drives innovation. Without a stream of new learnings, innovation only happens by accident.

What your organization will learn outweighs what it already knows.

We see three fundamental reasons why what your organization will learn is more important than what it already knows:

- ▶ Knowledge and experience were gained in the past. There is no logical reason to believe the future will be like the past.
- ▶ A very high proportion of knowledge and experience is similar among competitors. It is too often a very weak differentiator.
- ▶ The belief that the organization already has the answers leads to arrogance and complacency, which leads to defeat.

Learning is the root of competition

Your organization is either learning and innovating better than your competitors, in the eyes of your customers, or you are a target for those who are. Learning leads to innovation, which leads to winning—if you innovate better than your competitors, in the opinion of the customers.

The most valuable learnings lie outside your organization

Getting good information first hand from good sources outside the organization, but within the system the organization serves, is a core behavior of learning organizations. Helping clients do that is one of DeltaNet's core strengths.

Learning only counts when it affects behavior

We do not advocate learning for learning's sake. Learning has no value to the organization unless it affects behavior. Not learning or learning the wrong things is bad enough, but we believe learning the right things and not acting on the learning is the worst possible outcome. It kills morale and motivation in the people who have learned something vital to the organization's success if they are prevented from acting by decision makers who have not. It's ludicrous! The people who have learned something vital are the people the decision makers should be motivating.

The purpose of learning is to win

We believe the most important purpose of learning is to create changes that will create wins. That is diametrically opposite to the purpose of hierarchical organizations: to develop and maintain order and control.

Learn What?

All businesses learn about their businesses. But the winners learn more about their customers and competitors than their competitors do. To win, most customers must prefer your products and services over your competitors. You cannot get customers to prefer your products and services by focusing your learning on your own organization—by looking in your mirrors. It requires learning about your customers. It requires understanding your customers well enough to know what your organization can do for them *in the future* that they will prefer over the offerings of your competitors.

Real Teams learn best—Real Teams win best

Cross-functional teams representing all the stakeholders in a change initiative provide the best vehicle for learning, uniting around a change initiative, and winning. Cross-functional teams do not replace functions in the hierarchy, or weaken the power base of people in the hierarchy. Teams do things the hierarchy cannot do, and vice versa.

In our view, deploying Real Teams committed to vital causes is the best way to learn about your customers and your competitors—and to take action based on the learnings to create new ways to defeat the competitors in the eyes of the customer.

Empowered cross-functional teams are the only way to create the kinds of significant change required to win consistently in a changing business environment. And which business is not facing a changing business environment today?

"Never doubt that a small group of thoughtful citizens can change the world: Indeed it is the only thing that ever has."

Margaret Meade

DeltaNet helps organizations shift their emphasis from looking in their mirrors to looking out their windows, through their telescopes, and through their microscopes.

We help organizations develop real teams to continuously develop new learnings and to create the changes needed capitalize on them. According to Peter Drucker¹, "It is the customer who determines what a business is." You cannot learn that by looking inward.

Your customers are people, your competitors are people, and your business is an organization

of people. To win, your people must distance themselves from your products and services, from the internal workings of your business, from the self-imposed boundaries around your business and learn how to shift the hearts and minds of the customers' people from your competitors to your organization. Your people must learn what's outside your organization to do that.

¹ Drucker, Peter F. Management. Harper & Row, 1973, 1974, Page 61

Part 2: Defining Learning Organizations

Characteristics and Functions

Common Misconceptions

Most managers and executives we have met claim to be proponents of learning organizations. Many have expressed the belief that their organizations are already learning organizations. Seeing no correlation whatsoever between these beliefs and the organizations' performance records, we were left with a dilemma: Either there was no correlation between learning and winning, or these were not learning organizations.

You probably already know the answer. By probing one step deeper, for example asking a question for the meaning of the term "learning organization" the dilemma was easily resolved. Ask 10 people to describe a learning organization and you may get 11 different answers! So it may be important for readers to know our position, especially those who may someday want to use our services.

The Process of Learning Produces a State of Knowing

Form a picture in your mind of the two contrasting organizations presented in the first part—"knowing" and "learning" organizations.

Knowing organizations value their knowledge, experience, track record, and traditions—in short, they value what they know. They see these things they know as barriers to their competitors. They hire mainly experienced people with a lot of knowledge, experience, and a solid track record. The sense of knowledge and competence are associated with power, which increases with the position in the hierarchy. Decisions are made at high levels. The more important the decision, the higher the level of the decision maker, usually specified in detail by company policy. The purpose of the hierarchy in knowing organizations is to institutionalize the organization's power structure to assure order and efficiency in a complex organization.

On the other hand, learning organizations realize that whatever success the organization enjoys today has been achieved by winning or losing past contests in the minds of the customers against the competitors. The organization knew enough at the time of each of those contests to win them, but future successes will be decided in different contests decided by customers with different needs against competitors trying different ways to win. Learning organizations realize that what they know today is important, but winning future contests will depend more on what they will learn in the future than on what they know today.

Learning organizations believe the primary barrier to competition is winning the next contest, and then the one after that, and then the one after that... They realize that competence is at best a temporary barrier to competitors. They realize that competence will be determined not by the organization but by its customers.

Any business organization's level of competence will be determined by testing it in real contests with real competitors in the minds of real customers. What won the last contest will probably not be what wins the next one. Learning organizations realize that competitors gaining competence in the minds of the customers is one of the biggest threats to their organization's future successes.

Learning organizations hire less experienced, but more talented people, than knowing organizations. The more they learn the more they realize how much more there is to learn. Important decisions that must be made quickly are made by the people closest to the issues.

The purpose of the hierarchy in learning organizations is to provide structure, order, and a working environment in which the working people can outperform the working people in the competitive organizations.

Learning: The foundation for winning

Learning organizations view learning as the basis for innovation and marketing—the two primary functions of a business according to Drucker². Learning is a vital element of the organization's competitive strategies—actions to be taken today with the expectation of winning against competitors in future contests.

We believe competing to win begins with competing to learn. It is brutally basic. Humans have risen to the top of the food chain not because of size or strength, but because of a superior ability to learn. In the business world, organizations rise to the top and stay there not because of their size or strength, but because of their superior ability to learn.

Learning organizations focus on opportunities and threats outside the organization. There can be no doubt that's where they are. Business failures are usually caused by a shortage of customers. Either the competitors lured them away, the customers' needs changed, or they were never there to begin with, e.g., the dotcom fiasco. Winners attract more customers than their opponents. That all happens outside the organization.

The *real* opportunities and threats are outside your organization, not inside.

Your organization is a component in a larger system

Learning organizations think of their organization as a component of a larger system. That system is the source of the organization's purpose. All organizations exist to serve some larger system. With that one change in attitude your suppliers and customers become ingroup members. They become much more interesting. You want to know more about them, just like you want to know more about all ingroup members.

² Drucker, Peter F. Management. Harper & Row, 1973, 1974, Page 61

Make learning a competitive strategy

Learning organizations make training a competitive strategy. We like the motto coined in the early days of Top Gun, the advanced combat training school for US Navy fighter pilots, "Train like you fight, fight like you train".

"Train like you fight,
fight like you train"

Top Gun

There is a lot more to Top Gun than these few words convey, but they do convey a core learning strategy. Train like you fight means the training closely resembles real combat. For example, rather than train against fellow pilots in their own squadrons flying the same kinds of airplanes, Top Gun pits students against highly skilled opponents who can use actual enemy tactics flying airplanes more similar to actual enemy aircraft. Fight like you train means the students are expected to use the skills and processes learned in Top Gun when they return to their squadrons, rather than reverting back to previously learned behavior—especially when their life is on the line.

Your organization wins revenues at the interface with the customers, against the opposition of competitors vying for the same revenues. If you train like you compete, you will train like you are winning customers and their revenues against your fiercest and most competent competitor. That probably rules out the lion's share of your training programs. If you compete like you train, you will directly apply the learnings to improving the proportion of contests you win, today and in the future. You will not revert back to previously learned behavior—especially when your business life is on the line.

DeltaNet helps organizations train like they compete,
compete like they train, the hallmark of learning organizations.

Part 3: Learning Traps

Every action has an opposite reaction

Based on decades of observation, and a huge body of research published on human behavior, we believe all organizations are drawn toward these four learning traps. The traps are associated with normal human behavior, things we do without thinking, so it should come as no surprised that all organizations are attracted to them. All four traps have a very important common element.

- ▶ **Intergroup Bias:** We have a natural bias to favor *us* over *them*.
- ▶ **Learning the Wrong Things:** It's often easier to learn the wrong things than the right things.
- ▶ **Perceptions of Competence:** Competence and the perception of confidence are inversely related.
- ▶ **Paradigm Shifts:** We too often get stuck in the current way of doing things, getting better and better at what we do, ignoring clear signals that its time to find a new way.
- ▶ **The Common Element:** All four traps can be avoided seeing our organization as a component in a bigger system.

Intergroup Bias

There are two basic social groups, ingroups and outgroups. Ingroups are groups we belong to. Outgroups are groups we do not belong to.

This trap is sprung by the natural human tendency to favor our own group. As they become established, organizations become ingroups. By nature, ingroups are self-centered. Our group is the most interesting group. Our group is superior to other groups. This ingroup bias drives members to want to know more and more about their organization. Our ingroups help to define us as individuals. We attach our personal success with the success of our organization. When our favorite sports team wins, we won! When the same team loses, they lost.

The consequence is that the members want to know less and less about other organizations. They are outgroups. They are not interesting. They are inferior to our group. Why would we want to know more about them?

Customers are not in our organization. Competitors are not in our organization. Regulators are not in our organization. Not wanting to learn more about them could be hazardous to our business health.

Learning the Wrong Things

Many things we learn through experience are not good for us. Learning to smoke is a topical example. Learning you can drive when you are sleepy or under the influence of alcohol are others. Through experience, people learn that it may not be right for some people, but they have learned to handle it. In a similar way, it's as easy to learn things that work against your organization as it is to learn things that work for it.

For example, it's easy to learn that costs can be controlled by executive decree. You are unlikely to be promoted into the executive ranks without learning that. The CEO can simply ask managers to cut specific expenses, and managers will do that. Some of the favorites are advertising, travel, contractors, and hiring freezes. The results are immediate and obvious to anyone reading the financial reports. But learning that lesson, that issuing an executive decree can always cut expenses quickly, has a down side that is often (read almost always) ignored.

Inside the organization, people can point back to those very important expense cuts as the reason their project failed to hit its targets, being sure to underscore the necessity and wisdom of the original decision. People look at each other in staff meetings and nod knowingly in agreement that the failure of Widget xyz999 is a pity. But what could we do? The expense cuts were needed to save the company, or keep the stock prices up, or to indicate to investors a propensity for decisive action. Maybe saving the company, keeping the stock prices up, and displaying decisive action would have been served even better if Widget xyz999 had hit its targets?

Assessing the consequences of sweeping expense control measures would require learning how the cuts alienated customers and suppliers and how the smell of blood spurred some competitors into action. Those things are outside your organization, where the outgroup members live, it's harder to learn about *them* than it is to learn about *us*. Maybe we really don't want to know the answers.

Montgomery Ward was busy closing stores and enforcing expense cuts until the day the company failed. Surely killing the company was not the intent of the store closings and the expense reductions. Why didn't the expense cuts save the business?

Over more than a century of highly successful business, Montgomery Ward management had learned the wrong things. They believed customers were a given, and that success depended on putting stores in the right places and meticulous management of the costs and expenses. They had lost too many customers to their much younger competitors, who believed they had to find new customers. Closing stores was not creating new customers for Montgomery Ward. Cutting expenses was not creating new customers. Declaring bankruptcy did not create new customers.

Perceptions of Competence

This trap is camouflaged in a common human attitude. Psychologists have discovered an inverse relationship between competence and the perception of competence. In simple terms, the more you know, the more you know you don't know. The reverse is the trap. The higher your perception of competence the lower your actual competence.

People with a high sense of competence know the answers. They are not as open to learning as people with a low sense of competence. Believing you are highly competent implies you have more answers than questions. Perceiving a need to improve competence implies you see more questions than answers. You see a need to learn.

The competence trap is the siren song for market leaders and for companies that have succeeded in business for a long time. It's easy to believe that your high market share or your successful longevity means you know that much more than the smaller or less experienced competitors. While that could be true of past performance, it has no predictive value. History may even say the predictive value is negative.

Success leads to arrogance which leads to failure. Have more leading companies failed as a result of overconfidence in their competence than have succeeded by learning and reacting quickly to new learnings? Think for a moment about Pan Am, Douglas Aircraft Corporation, Montgomery Ward. These companies were institutions. You can probably list more than 30 of these kinds of failures in less than a minute.

It is so tempting to believe your organization's market share or length of experience or industry know-how has more value than it actually has. Companies that failed because of an unrealistically high perception of competence all believed it would never happen to them. What does your organization believe?

Do you believe your organization already knows what it needs to know about customers and competitors? Do you believe your organization will lose by taking resources from productive endeavors to learn more about customers and competitors? Do you believe your customers can't get along without your highly competent organization? Then get in line behind Pan Am, Douglas Aircraft, and Montgomery Ward. Sooner or later, your organization will be joining them in that great club of highly competent businesses in the sky.

Paradigm Shifts

The corporate graveyards are full of dead companies that were blindsided by paradigm shifts. Most organizations devote tremendous effort to get better and better at what they do. In the early 1950s, Douglas Aircraft was busy perfecting their propeller-driven DC-7. It was by far the leading airliner when Boeing introduced the 707, powered by turbojet engines. Douglas was certainly aware of the new jet engine technology, but using it would have required a leap of faith. It would have required abandoning their established core technology in high flying,

speedy propeller driven aircraft that got them to their position of dominance in commercial airliners. On the strength of that paradigm shift, Boeing rocketed from an insignificant supplier of commercial airliners to number one.

This trap drives organizations to stick with what they know. They want to get better and better at what they do. They fear the downside risk of trying something new, unproven, disconnected from their "core competence". History shows clearly that the highest risk comes from NOT trying something new. If your organization sees an opportunity to shift to a new paradigm, you can rest assured others see it, too. The real risk is someone else will make the shift first and severely damage or even destroy your organization's business.

The Common Element

The common element of all four learning traps is the failure to learn enough about opportunities and threats outside the organization. There can be no doubt that's where they are. Business failures are usually caused by a shortage of customers. Either the organization alienated them, their opponents lured the customers away, the customers' needs changed, or they were never there to begin with, i.e., the dotcom fiasco.

Winners win more customers than their opponents do.

The real opportunities and threats your organization faces are outside, not inside.

DeltaNet helps clients learn about the real opportunities and threats outside their organization—and capitalize on them.

Part 4: Improving Learning Capacity

There is more to learn than your organization already knows

Curiosity

Reward curiosity. Learning organizations are curious. They see more questions than answers. That seems logical. In the real world there simply ARE more questions than answers.

Encourage wariness. People engaged in any sort of competition must be wary. The opponents are not there to help you. There are real threats and opportunities out there. If learning organizations have already surpassed their competitors, they are scanning the horizon for threats. If they have not yet surpassed their competitors, they are searching the horizon for opportunities to gain ground on their competitors.

Intergroup Bias

Make it work for you, not against you. If you are not consciously managing the factors that control intergroup bias, intergroup bias is subconsciously managing the attitudes and behaviors in your organization.

Think of your organization as a component of a larger system. Realize that your organization exists to serve that larger system. Make that system the source of your organization's purpose. With that one change in attitude your suppliers and customers become ingroup members. They become much more interesting. You want to know more about them, just like you want to know more about all your ingroup members.

But the real value in this attitude change may be not so obvious. Think about intergroup bias. If you establish an ingroup relationship with your customers, they will consequently see your organization in their ingroup. Where does that put your competitors? In the outgroup! They are inferior in the view of the customers!

Perceptions of Incompetence

Shift your organization's perception of competence. Learn enough to know where your organization is not competent. Instead of the perception that the answers lie within and they are already known to the organization, develop the realization that there is a lot to learn outside your organization. The systems your organization serves are constantly changing. There is no way to "know" them because whatever knowledge you have begins to decay toward obsolescence the instant you know it.

Paradigm Shifts

Establish the realization throughout your organization that paradigm shifts happen. The only questions are when, and whether the next shift will be made by your organization or another.

The problem is paradigm shifts are rarely initiated by the incumbents. Most paradigm shifts are initiated by neophytes, wreaking heavy damage on the incumbents. But it doesn't have to be that way. There is no law requiring incumbents to follow the current paradigm until the organization fails. Even very large learning organizations can make those paradigm shifts before a smaller competitor ambushes them.

We recommend Joel Arthur Barker's book, *Paradigms*, for those who would like to know more about paradigm shifts.

These are the attributes and behaviors that differentiate learning organizations from knowing organizations—the winners from the losers.

These are also the attributes and behaviors of cross-functional, empowered, Real Teams.

DeltaNet helps organizations learn, unite, and win with Real Teams