

ESE Series: Learning Organizations and Strategy Execution

We look at the relationships between learning organizations and effective strategy execution.

Competitive Advantage and Strategy Execution

The word "effective" in the name Effective Strategy Execution® emphasizes that not all strategy executions are created equal. In many cases, an organization can gain a competitive advantage over another organization that has a more creative strategy by executing their own strategy more effectively than their competitor executes.¹ There are many keys to executing a strategy effectively but one of the most powerful concepts is the learning organization.

There is a common exercise used in many university classes on organization theory. The students are given a difficult quiz on some challenging topic (e.g., space exploration). Their individual answers are collected but not graded. The students are then the collected into groups of 5-7. (The size of the group should stay below Miller's Magic Number.) Each group then collectively takes the same quiz. Each member of the group keeps a copy of the group's answers. Then each student grades both his or her individual answers and his or her group's answers. Of course, this quickly drives home the fact that the smartest person in the room cannot surpass or even match the performance of a team of which he or she is a member.

Some might argue that this phenomenon is not relevant because any organization operates as a team. In fact, this is not the case. Many organizations operate as if they were a collection of individuals.

Standard Work Practices

Standard work practices are the norm in some parts of some businesses. For example, any business that includes an assembly-line includes standard work practices for the people on the assembly-line. It won't work any other way. This standard work practice is the basis for improving the performance of that

Authors

(Click on the link below to see the author(s) background information on Ashbec.com.)

[Vaughn Frick](#)

Issue Summary

What is the relationship between effective strategy execution and learning organizations?

Keywords

Learning Organizations
Effective Strategy Execution
Standard work practices

Predictions

Over the next five years, the list of the world's most successful corporations will continue to be dominated by learning organizations (certainty level 0.9).

By 2009, the top-performing company in 95% of the industries that exceeds \$10 billion in revenue will be managed as a learning organization (certainty level 0.8). Companies that have no organizational learning capability will not be able to compete effectively.

¹ Obviously there are limits. See research note "[ESE Series: Trial and Error vs. Innovation](#)".

business process. Using a trial and error process, improvements are made to the standards that are then shared across everyone using that work practice. Businesses such as Toyota that have incorporated these practices into their lean manufacturing methods (i.e., *kaizen*) have gained a substantial competitive advantage.

Effect of Standard Business Practices

A number of years ago, a Harvard Business School study of the performance levels of several plants within the same organization found surprising diversity. If the performance levels of the worst performing plants were brought up to the average performance level of the organization, profit levels would have improved by 20% (and that was using only information and practices that were already internal to the enterprise).

Organizations that not only standardize their business practices but also incorporate continuous improvement should expect even greater performance improvements. As experience is gained as a learning organization, the rate of performance improvement should increase.

Unfortunately, most "knowledge-based" activities do not use standard work practices. Management activities in particular tend to be limited to the best performance of individuals as opposed to groups. This also tends to be the case with support activities such as IT or human resources. (Because of its critical nature, accounting and its legally mandated standards appears to be the notable exception to this.)

As companies increasingly organize around business processes that cut across these functional silos, the impact of today's support organizations on the organization's overall performance will become more apparent. As a result, efforts will be made to integrate them into the learning organizations as well.

Standard work practices (sometimes referred to as methodologies) are a prerequisite for a learning organization. They represent the collective knowledge or "what has been learned" by the organization. Parts of the organization that do not have standard work practices are operating as collections of (learning) individuals with no shared knowledge base.

Mistakes: A Golden Opportunity

Key to taking this step from standardized work practices to a learning organization is the organization's attitude about mistakes. If the organization views all mistakes as something to be avoided, learning is not taking place. Mistakes that occur because standard work practices were not followed should be avoided. Undesirable outcomes from standard work practices represent an opportunity to improve the standard work practice and the performance of the organization. Since learning and performance improvement cannot happen without them, these undesirable outcomes should in fact be welcomed.

Necessary but Not Sufficient

Clearly the most effective organizations will be learning organizations. However, that still leaves the question of whether learning organizations will always be effective. The answer lies in the definition of "effective". Not all learning is a goal directed. If we use the analogy of the typical student's education, as the student moves from his or her earliest years through a

postgraduate education, the curriculum and the focus of study becomes more and more specific and goal oriented. In the students early years, they are building a foundation of knowledge that they will be used in their letter education but they are also "learning to learn". In other words, they are developing the skills that will allow them to be more effective students. An organization is no different.

Learning Organizations

The concept of a learning organization is not new. Peter Senge published a book called "[The Fifth Discipline: The Art & Practice of the Learning Organization](#)" in 1990. While many CEOs have stated the intention of creating learning organizations, few have had a resolve to follow through with the simple steps and organizational commitment necessary to achieve this level of performance until recently. Today, there has been enough success to force competitors to adopt a similar approach.

Organizations must "learn to learn". As they become more proficient, the education of the organization should also become more specific. This is accomplished by cascading strategic objectives throughout the organization to ensure that each part of the organization contributes what is needed to achieve the overall strategic goals. Without the integration of multilevel performance measurement into a learning process, learning will continue to occur but it will be comparatively unfocused. This will become most apparent when a learning organization attempts to change strategies and nothing changes.

Bottom Line

After many years (see the sidebar), leading organizations are beginning to get the message. While effective learning organizations cannot be built overnight, they will eventually be the rule rather than the exception. *By 2009, the top-performing company in 95% of the industries that exceed \$10 billion in revenue will be managed as a learning organization (certainty level 0.8). Companies that have no organizational learning capability will not be able to compete effectively.*