CHAPTER 2: A REVIEW OF RELATED LITERATURE

According to Linda Argote (1999), although the learning-curve pattern has been found in many organizations, organizations vary considerably in the rate at which they learn. Some organizations evidence extraordinary rates of productivity growth with experience; others fail to exhibit productivity gains from learning. Understanding the contrast between organizations that evidence little or no productivity growth with experience and those that show remarkable rates of learning is an important undertaking. For organizations to compete efficiently, a greater understanding of factors responsible for the variation observed in organizations' learning rate is needed.

What could be the possible underlying factors? Many researchers in the field of organization development would suggest that the difference lies in whether the organization concerned is a learning organization.

2.1 What is a Learning Organization?

Senge (1990) describes a learning organization as an organization where people continually expand their capacity to create the results they desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together.

Marquardt (1996) views a learning organization as an organization, which learns powerfully and collectively and is continually transforming itself to better collect, manage and use knowledge for corporate success. It empowers people within and outside the company to learn as they work. Technology is utilized to optimise both learning and productivity.
Garvin (1993) refers a learning organization as 'an organization skilled at creating, acquiring and transferring knowledge and at modifying its behaviour to reflect new knowledge and insights.'

Alan Mumford (1995) describes a learning organization as one that creates an environment where the behaviours and practices involved in continuous development are actively encouraged.

The definition provided by Mike Pedler, John Burgoyne, Tom Boydell is that, 'an organization which facilitates the learning of all its members and continually transform itself'.

Karen Watkins and Victoria Marsick (1993) see learning organization as 'one that learns continuously and transform itself; learning takes place in the individual, teams, organization and even the communities with which the organization interacts'.

2.2 Organizational Learning

Chris Argyris (1993) defines 'organisational learning' as the process of 'detection and correction of errors.' Learning is defined as occurring under two conditions. First, learning occurs when an organization achieve what it intended; that is, there is a match between its design for action and the actuality or outcome. Second, learning occurs when a mismatch between intention and outcomes is identified and it is corrected. Whenever an error is detected and corrected without questioning the underlying values of the system, the learning is single-loop. Double-loop learning occurs when mismatches are corrected by first examining, altering the governing variables and then the action.

Marquardt (1996) suggests that organization learning represents the enhanced intellectual and productive capability gained through corporate-wide commitment and opportunity for continuous improvement. It differs from individual and group
learning in two basic respects. First, organizational learning occurs through the shared insights, knowledge, and mental models of members of the organization. Second, organizational learning builds on the past knowledge and experience - that is, on organizational memory which depends on institutional mechanisms (e.g. policies, strategies, and explicit models) used to retain knowledge.

Learning, ultimately, is a social phenomenon – our ability to learn and what we can know is determined by the quality and openness of our relationships. Our mental models of the world and of ourselves grow out of our relationships with others. Dialogue with others, which involves continuous critical reappraisals of our views, increases the possibilities for learning.

2.3 What are the Characteristics of Learning Organizations?
Not all the learning organization looks the same. According to Watkins and Marsick (1993), they have the following features:

1) Leaders who model calculated risk taking and experimentation;
2) Decentralized decision making and employee empowerment;
3) Skill inventories and audits of learning capacity;
4) Systems for sharing learning and using it in the business;
5) Rewards and structures for employee initiative;
6) Consideration of long-term consequences and impact on the work of others;
7) Frequent use of cross-functional work teams;
8) Opportunities to learn from experience on a daily basis; and
9) A culture of feedback and disclosure.

Marquardt observes the important characteristics of a learning organization as follows:

1) Learning is accomplished by the organizational system as a whole, almost as if the organization were a single brain;
2) Organization members recognize the critical importance of ongoing organization-wide learning for the organization’s current as well as future success;

3) Learning is a continuous, strategically used process – integrated with and running parallel to work;

4) There is a focus on creativity and generative learning;

5) Systems thinking is fundamental;

6) People have continuous access to information and data resources that are important to the company’s success;

7) A corporate climate exists that encourages, rewards, and accelerates individual and group learning;

8) Workers network in an innovative, community-like manner inside and outside the organization;

9) Change is embraced, and unexpected surprises and even failures are viewed as opportunities to learn;

10) It is agile and flexible;

11) Everyone is driven by desire for quality and continuous improvement;

12) Activities are characterized by aspiration, reflection, and conceptualisation;

13) There are well-developed core competencies that serve as a taking-off point for new products and services; and

14) It possess the ability to continuously adapt, renew, and revitalize itself in response to the changing environment.

In the similar light, Bob Garratt (1987) has demonstrated a learning organization profile by providing comparative view between the traditional management and the strategic future management as follows: -
The Traditional Specialist View

The Strategic Future View –
Balancing the organizational qualities for competitiveness

Figure 1: Comparative Views on Traditional and Strategic Future Management
2.4 Why Learning Organization?
A learning organization has the capability to anticipate and adapt more readily to environmental impacts; to accelerate the development of new products, processes, and services; to become more proficient at learning from competitors and collaborators; to expedite the transfer of knowledge from one part of the organization to another; to learn more effectively from its mistakes; to make greater organizational use of employees at all levels of the organization; to shorten the time required to implement strategic changes; to stimulate continuous improvement in all areas of the organization.

To Rover Group Limited, a major car manufacturer based in the United Kingdom, there are two fundamental reasons why an organization should focus on learning. First, to support specific business performance objectives and measure results, second, to empower the individuals on the basis that everyone has a right to learn and that individuals that value learning will make a greater contribution to the longer-term success of the total enterprise.

Senge (1990) recognizes that many organizations suffer from “learning disabilities”. To cure the diseases and enhance the organization’s capacity to learn, he proposed the ‘learning organization’ as a practical model. He argued that the learning organization has the capacity for both generative learning (i.e. active) and adaptive learning (i.e. passive) as the sustainable sources of competitive advantage.

Wan Latifah (2000) believes that knowledge and learning are keys to successful sustenance of value, adding value or creating value in the entire economy. Similarly Klas Mellander (1993) also suggest that learning culture motivates people to take greater responsibility for their own development and for the success of their organization.
Mumford (1995) sees the main benefits of creating a learning environment as: ensuring the long-term success of the organization; making incremental improvements a reality; ensuring that successes and best practices are transferred and emulated; increase creativity, innovation and adaptability; attracting people who want to succeed and learn and retaining them; ensuring that people are equipped to meet the current and future needs of the organization.

Say Arthur Yeung, David Ulrich, Stephen Nason and Mary Ann Von Glinow (1999), becoming a learning organization is not a panacea for all business frailties. It does not mean a company can avoid every pitfall, but it does guarantee that the company will make a quicker comeback.

2.5 Models/Frameworks/Fundamental Constructs of a Learning Organization

There are no fixed approaches and methods to build a learning organization. To establish learning organization would simply means taking action to build an organization that can weather future storms. It is not sufficient to copy the approaches used by firms characterised as learning organizations. One should understand the characteristic and features of an organization before adopting strategies and action plans for the creation of a learning organization.

Even if most managers know that learning matters, it is extremely difficult to create a true learning organization (Yeung et al., 1999).

The literature review of this research provides a number of learning organization frameworks by different management thinkers like Ikujiro Nonaka and Hirotaka Takeuchi (1995), Watkins and Marsick (1993), Peter Senge (1990), Michael Marquardt (1996), Calhoun W. Wick and Lu Stanton Leon (1993), Gordon L.

According to Nonaka and Takeuchi (1995), the conventional vigorous training approach will not work when the intent is to create knowledge, not only at the individual level, but at the group as well as the organizational level. In their book entitled *The Knowledge-Creating Company* (1995), they offered seven guidelines for implementing an organizational knowledge-creation program. They are 1) create a knowledge vision; 2) develop a knowledge crew; 3) build a high-density field of interaction at the front line; 4) piggyback on the new-product development process; 5) adopt middle-up-down management; 6) switch to a hypertext organization; and 7) construct a knowledge network with the outside world.

According to Senge (1990), managers must have the following skills/disciplines in order to build a learning organization: (1) adopt 'systems thinking'; (2) encourage 'personal mastery' among the organization members; (3) bring prevailing 'mental models' to the surface and challenge them; (4) build 'a shared value'; and (5) facilitate 'team learning'.

According to Marquardt's (1996) 'Systems-Linked Organization Model', learning organization is made up of five closely interrelated subsystems/domains that interface and support one another. These five domains are Learning, Organization, People, Knowledge and Technology.

Wick and Leon (1993) had created a formula for creating a learning organization as follows:

\[
\text{LEARNING ORGANIZATION} = \text{leader with clear vision} \times \text{detailed and measurable action plan} \times \text{the rapid sharing of information} \times \text{inventiveness} \times \text{ability to implement the plan.}
\]
According to them, each element of the formula is absolutely mandatory. If one element is missing, the organization will either learn the wrong things or learn at a rate less than its full potential. How the leaders go about realizing each element is completely up to the leaders and the distinctive personality of their organization.

Lippitt (1982)'s 'System Renewal Model' suggests that critical skills are needed to maintain and increase organization effectiveness. They are: the ability to develop open communications; to provide competent leadership; and to manage the stress, conflict, and agreement that emerges in any renewal processes.

Merron (1994) proposes the following architecting process of an effective organization:

- Communicate the need and agree on the process
- Gather data and make diagnosis
- Feedback data and make decision
- Implement decision focusing on:
  - 1) Vision
  - 2) Corporate culture
  - 3) Strategic direction
  - 4) Strategic goals
  - 5) Structure
- Evaluate

Figure 2: An Organization Architecting Process
Watkins and Marsick (1993) assume that the group social mind is more than the sum of individuals. Their ‘Team Learning Model’ suggests six imperatives actions to move towards learning organization. They are 1) create continuous learning opportunities; 2) promote inquiry and dialogue; 3) encourage collaboration and team learning; 4) create systems to capture and share learning; 5) empower people towards a collective vision; and 6) connect the organization to its environment.

Shukla (1997) suggests that an effective learning organization requires the critical learning mechanisms to translate the corporate vision into a reality, and the appropriate organizational structure and processes to sustain and encourage the learning activities. Figure 3 shows the relationship.

![Strategic Intent to Learn](image)

<table>
<thead>
<tr>
<th>Strategic Intent to Learn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Vision</td>
</tr>
<tr>
<td>Stretch Targets</td>
</tr>
<tr>
<td>Cultivation of ‘Dynamic Equilibrium’</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Learning Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversity in Recruitment</td>
</tr>
<tr>
<td>Learning from Others</td>
</tr>
<tr>
<td>Customer Focus</td>
</tr>
<tr>
<td>Training and Capability Building</td>
</tr>
</tbody>
</table>

| Supporting Structures and Processes |

Figure 3: Shukla’s Learning Organization Framework
At McKinsey, the notion of the 7S framework identified seven variables, which must be considered when developing an enterprise. These are: Strategy, Structure, Skills, Systems, Styles, Staff, and Shared Values. This 7S model forces one to audit an organization from all perspectives, both 'hard' (strategy, structure, and systems) and 'soft' (style, staff, and shared values). Pascale (1990) suggests that learning as much as one can about each of the seven dimensions and assembling what one has collected invariably reveals a lot, the competitive advantage.

Goh (1998) suggests five core strategic building blocks of learning organization. They are: 1) employee-support mission and vision; 2) leadership that empowering employees; 3) strong culture of experimentation; 4) ability to transfer knowledge within and from outside the organization and to learn from failures; and 5) an emphasis on teamwork and use group-problem-solving as the mode of operation and for developing innovative ideas.

Based on the above, one may conclude that a true learning organization will happen only if the organization equips itself with the enabling infrastructures (refer to systems, organizational structure and human interactions) and employs the appropriate alignment skills.

2.6 The Basic Dimensions of Learning Organization

- Develop Leaders with Clear Vision

Significant change only occurs when it is driven from the top. Nothing will happen without the top management buy-in (Senge, 1990). Robert Aubrey and Paul M. Cohen (1995) stress that designing successful learning strategies means leaders must know enough about learning to make decisions about their goals for the organization. They must identify their key wisdom needs and resources. They must adjust learning to innovation and changes. They must know what activities to plan and invest in. Finally, leaders must know how to communicate a commitment to developing their people.
The formula popularised by Reg Revans, that for an organization to survive, its rate of learning must be equal to, or greater than, the rate of change in its external environment, is fundamental. Organizations can only become effective if the people selected to run them are capable of two key skills – learning continuously, and giving direction (Garratt, 1987).

**Develop Learning-enriched Culture**

Thomas Davenport (1998) says, ‘If the cultural soil is not fertile for a knowledge project, no amount of technology, knowledge content, or good project management practices will make the effort successful’.

The leaders of the organization should initiate a learning culture of which people have a positive orientation to knowledge – employees are intellectually curious, and willing and free to explore; and people are not inhibited in sharing knowledge. To encourage learning dynamics, the leaders have to create an environment in which it is perfectly safe for people to stick their necks out (Andy, 2001) and do not fear that sharing knowledge will cost them their jobs.

**Encourage Personal Mastery**

‘Personal Mastery’ is the discipline of an individual to continually clarifying and deepening his or her personal vision, of focusing energies, of developing patience, and of seeing reality objectively. An organization’s commitment to and capacity for learning can be no greater than that of its members, but it is positively correlated to personal learning.

People with high level of personal mastery hold deep values, making commitments to goals larger than themselves, being open, acutely aware of their ignorance, exercising free will, and continually striving for an accurate picture of reality. The total development of people is essential to achieving the goal of corporate excellence.
In Senge's *The Fifth Discipline* (1990), Bill O' Brien, the president of Hanover Insurance was quoted as saying, "People with high levels of personal mastery are more committed. They take more initiative. They have a broader and deeper sense of responsibility in their work. They learn faster." For all these reasons, a great many organizations espouse a commitment to fostering personal growth among their employees because they believe it will make the organization stronger.

**Clarify and Build Mental Models**

'Mental Models' refers to one's ingrained assumptions, beliefs, generalizations that influence how one understand the world and how one takes actions. Continuous adaptation and growth in a changing business environment depends on institutional learning, which is the process whereby management teams change their shared mental models of the company, their markets, and their competitors. According to Senge (1990), the discipline of working with mental models starts with turning the mirror inwards; learning to unearth our internal pictures of the world, to bring them to the surface and hold them rigorously to scrutiny.

Patrick J. Thurbin (1995) says mental models are like icebergs; the bit that sinks you is under the surface. 'It is your mental models that will influence how you approach the creation of the vision and how you then set out to persuade others to support your vision and work at developing strategies and actions that will move that vision towards action and outcomes'.

**Build Shared Vision**

This refers to the capacity to hold a shared or common picture of the future an organization seeks to create. Building shared vision could help foster genuine commitment and enrolment rather than compliance among the members of the organizations.
Without the vision, the transformation effort can easily dissolve into a list of confusing and incompatible projects that can take the organization in the wrong direction or nowhere at all.

A good vision is worth 1000 plans (Thurbin, 1995). A learning organization should have a clear purpose and a simple set of objectives. One of these objectives was to formulate a vision for the enterprise and identify the areas where opportunities for a focus on learning will arise. The vision must be one that has both intrinsic value to the leader and extrinsic values that others will recognise and want to subscribe to for the benefit of the enterprise. A realistic vision will increase the chance of success.

- Strengthen Systems Thinking

'Systems thinking' is a framework for seeing interrelationships rather than things. It is also a discipline for seeing the entire 'structure' of a complex situation. Insight into the causes and possible cures requires seeing the interrelationships, the action and consequence. Seeing the major interrelationships underlying a problem leads to new insight into what might be done. According to Senge, without system thinking, there is neither the incentive nor the means to integrate the learning disciplines once they have come into practice. The essence of the discipline of systems thinking lies in a shift of mind to seeing interrelationships rather than linear cause-effect chains, and a shift of mind to seeing processes of change rather than snapshots.

Systems thinking suggests that one should try to see the big picture, should reassemble the fragments in one's minds, to list and organize all the pieces (Marquardt, 1996).

- Empower People and Build Dynamic Workforce

Learning organization requires employees, vendors, customers and suppliers, community, and alliance partners to be empowered and enabled to learn.
Thurbin (1995) says if people are empowered but not enabled, they are very dangerous 'mad pilots', with lots of power but no direction. If they are enabled but not empowered, they are like 'caged eagles' with lots of ability that they are not allowed to use.

It is important for the organizations to provide enough exposures and opportunities to the related individuals (external and internal) to learn optimally so that organizations could leverage on each individual's unique capabilities.

Learning organizations strike a balance between the development needs of the individual and the organization so that both are properly addressed. There is concern not only for organizational productivity and profits but also for the quality of the working lives of employees. Leadership fully recognizes that better organizational results are built upon happy, productive individuals.

- **Strengthen Knowledge Management**

Knowledge Management refers to the management of acquired and generated knowledge of the organization. It comprises of the acquisition, creation, storage, transfer, and utilization of knowledge.

Where are the past experiences or knowledge embedded within an organization?

Most discussions of organizational memory cite individuals as a key repository of organizational knowledge. However, according to Levitt and March (1988), knowledge is embedded in an organization's routines and standard operating procedures, in its products and processes, in its technologies and equipment, in its layout and structures, and in its culture and norms about how things are generally done. It does not become organizational until it is captured in a repository that is not dependent on the vagaries of individual membership.
Nonaka and Takeuchi (1995), Thomas Stewart (1997), and Thomas H. Davenport and Laurence Prusak (1998) believe that intelligence becomes an asset when some useful order is created out of free-floating brainpower. A mailing list, a database, a process – even a meeting agenda – can become intellectual capital if someone inside the company decides to ‘describe, share and exploit’ what’s unique and powerful about the way your company thinks and acts.

Regardless where the knowledge is stored, the utmost important task of the organization is to find ways to retain the valuable experiences and knowledge to keep an organization alive and agile.

To ensure effective knowledge management, learning organization must ensure the following: 1) creates repositories by storing knowledge and making it easily available to users; 2) provides access to knowledge and facilitate its transfer; 3) establishes an environment that encourages the creation, transfer, and use of knowledge; and 4) manages knowledge as an asset on the balance sheet (Davenport et al., 1998).

According to Andy (2001), managing knowledge is a multidimensional process. It requires the effective concurrent management of four domains, which are: 1) content (management in the organization has to identify all the knowledge elements and understand the importance of each element to individuals, groups and its corporate objectives); 2) culture (knowledge management has to be inculcated as a discipline that applies to every level of an organization); 3) process (the process by which we manage knowledge – how we capture, evaluate, cleanse, store, provide and use it); and 4) infrastructure (this includes not only computer system, but also elements such as teaching, training and coaching).
The human factor plays an important role in knowledge management. Learning organizations need specialized people to organize and summarize the knowledge contributions of others. Selecting the best information requires a group that can look across the entire organization and identify who knows what (Wendi R. Bukowitz and Ruth L. Williams, 1999).

- **Enhance Dialogue/Interaction/Communication Skill**

Dialogue skill refers to a high level of listening and communication skill between people. It requires the free and creative exploration of subtle issues, a deep listening to one another, and suspension of one's own views (Marquardt, 1996).

Changing the way we interact means redesigning not just the formal structures of the organization, but also the hard-to-see patterns of interaction between people and processes. The disciplines of shared vision, systems thinking, and team learning are specifically aimed at changing interactions (Peter Senge, Art Kleiner, Charlotte Roberts, Richard Ross and Byran Smith, 1994).

Based on Stamp (1998)'s research, a communication plan is a much-needed piece in the learning organization journey. Aligning corporate message, bridging and linking implementation strategies to consistent operational activities is vital.

Generally, the leaders and supervisors who communicate well incorporate the vision into their daily activities. They replace old management methods with courses that focus on the new vision. They are capable of making themselves the living symbol of the new corporate culture and therefore able to proliferate lateral thinking ability in the organization and solicit commitment of the organization members towards building a true learning organization.

- **Capitalize Technology**

Systems and organizations of system interact dynamically (James Hite, 1999). The learning organization, conceptually, is shaped and controlled by people, who
extensively use electronic system and networks to achieve human-based goals. To ensure that information systems play an effective role in the building of a learning organization, Agyris (1993) suggested the following: 1) make Management Information System (MIS) more understandable to the executive; 2) more involvement by management so that they can persuade others to value and use MIS; 3) make MIS as foolproof as possible; 4) simplify the models and the data needed to make them work so that costs are reduced and usability may be increased; 5) better education of line and staff to make each more sensitive to the other’s problems; 6) design MIS to take into account the cognitive styles of line executives; and 7) the introduction of MIS should be seen as part of a total organizational development program.

2.7 Factors for Enhancing Learning Potentials of Organization
Organizational environments today are more uncertain than ever before. According to Middlemist and Hitt (1981), the greater the amount of uncommitted resources, the greater is the organization’s capacity to exercise effective self-control in an uncertain future. Maintaining a reserve of resources allowing organizational flexibility to deal with future threats and opportunities. ‘slack’ can be obtained by increasing the skills, coordination, motivation, and other behaviours of employees. Bourgeois companies do not always fully employ their resources, but may accumulate excess, spare, or slack resources, to provide a cushion that allows them to adapt to change, providing the means for aligning to the external environment. As resources are available through slack for deploying and developing alignment skill, slack provides the means for achieving a strategic fit. Clark et al. (1994) postulate that slack is a major, positive determinant of successful adaptation to the external environment. Managers are able to use these resources to consider and experiment with innovative alternative decision and strategies for tackling environmental change.

To elicit new ideas and fresh thinking is to introduce innovative systems. John Adair (1990) emphasizes on the suggestion schemes and quality circles. Unlike
suggestion schemes that may be deemed individualistic, quality circles employ team creativity. These innovative system could help organizations to 'gather the wisdom of the people' and energies learning.

DiBella and Nevis (1998) provides the ten factors that facilitate learning potential, 1) scanning imperative; 2) performance gap; 3) concern for measurement; 4) organizational curiosity; 5) climate of openness; 6) continuous education; 7) operational variety; 8) multiple advocates; 9) involved leadership; and 10) systems perspective.

Marquardt (1996) has suggested the following to flourish learning and to ensure successful transformation to a learning organization: -

1) **Establish a strong sense of urgency about becoming a learning organization.** Until the urgency rate is pumped high enough, the transformation process cannot succeed. Over 50% of companies never get their transformation effort off the ground because they fail at this first phase.

2) **Form a powerful coalition pushing for the learning organization.** Marquardt has quoted that extensive research revealed that a successful transformation needs the chairman or division general manager, plus another 5 or 15 or 50 people, come together and develop a shared commitment.

3) **Remove obstacles that prevent others from acting on the new vision of a learning organization.** Action on removal of obstacles is important, both to empower others and to maintain the credibility of the change effort as a whole.

4) **Create short-term wins.** Most people would not stay on the long march unless the journey has some short-term successes. The learning coalition
should actively look for ways to obtain clear performance improvements and to reward the people involved in the efforts with recognition, promotions, and even money.

5) **Consolidate progress achieved and push for continued movement.** After the short-term wins, the management should go after systems and structures that are not consistent with the new vision. They should be paying greater attention to who is promoted, who is hired, and how people are being developed.

6) **Anchor changes in the corporation’s culture.** Until the new behaviours are rooted in social norms and shared values, the subsystems of the learning organization will be subject to retrogression as soon as the pressure for change is removed. The reality of learning organization will only stick if it becomes institutionalised.

2.8 **How to Sustain a Learning Organization?**
Most often than not, improvements do not last. Many change strategies were not effectively carried through simply because people stick to the habitual ways of doing things. People in the organization cannot make deep change because they are operating out of compliance, rather than out of commitment. Commitment only comes when people feel that they are doing something they truly want and care about. Deep change comes only through real personal growth through learning and unlearning throughout the organization.

A fascinating aspect about knowledge workers is that they own the means of production and they can take it out of the door with them at any moment. Therefore, managers have to attract and motivate; reward, recognise, and retain; train, educate, and improve; and in the most remarkable reversal of all, serve and satisfy knowledge workers (Marquardt, 1996).
2.9 Factors for Causing Failures in Organizational Learning

Futurist Joel Barker likes to tell the story of how Swiss watch manufacturers, once dominant in time-telling industry, first discovered the technological breakthrough allowing quartz precision to replace mainsprings. The only problem says Barker, is that Seiko in Japan and Texas Instruments in the United States were the ones that capitalized on the Swiss breakthrough and made quartz watches universally available. Intellectual capital, undeployed, is like any other asset undeployed: It will take away the good future of the organization.

Annie Brooking, reported in her book, Intellectual Capital (Thomson Business Press, 1996) (Brown, 1998) that, a survey of 80 organizations by the Dutch Management Network in 1994, disclosed, among others, the following results:

- 52% said they had a hard time capturing valuable knowledge inside their organizations;
- 57% reported "costly mistakes" because critical information was not accessible when it was desperately needed to run the business; and
- 80% said there were "critical business processes" understood by only one or two individuals inside the entire organization.

Brookings asserted that many managers do not realize that the true wealth of their enterprises is to be found in the accrued knowledge within the corporate body. In terms of managing knowledge or intellectual capital, they always commit the following sins:

- Not taking the time to identify the organization's intellectual capital;
- Not having policies in place that automatically recognise new knowledge;
- Not putting a value on the intelligence the organization now uses to get ahead and stay there;
- Not creating a "capital knowledge base" so that intellectual capital is documented and stored;
- Allowing knowledge to get stale, keeping it from growing and renewing;
- Guarding organizational knowledge to the point that employees and managers fear discovering how the business is run to competitive advantage;
- Sitting on intellectual capital and not disseminating it to a critical mass of workers so that it can be leveraged to the max.

The source of problem is in our most basic way of thinking. If our thinking does not change, the new programs and processes will ultimately end up unproductive. Learning organizations seek change by looking at organizations as living systems. Cultivating change is important but it requires a willingness to change, it requires a sense of openness, and it requires a sense of reciprocity among the organization members.

Another common problem found in the building of learning organization is the mentality to avoid "reinventing the wheel" and to avoid "upsetting the boat". Hite (1999) points out that, in so doing, creativity, innovation, and potential breakthroughs are stifled in favour of maintaining the system and tweaking it from time to time.

The managerial ideal is stability, and most organizational systems are measured by their ability to make incremental, transparent changes that do not disrupt service or product delivery. As Argyris (1993) suggested, one of the most powerful ways people deal with potential embarrassment is to create organizational defensive routines. Organizational defensive routines are anti-learning and overprotective.
At departmental/group level, 'territory mentality' is also staked out in many organizational settings. The tendency for groups to establish and defend their territory is one cause of inter-group conflict (Middlemist & Hitt, 1981). People become committed to their own goals and overly competitive with other units. In order to establish a competitive edge, they may seek ways to undermine the activities of other groups. This competitive behaviour will destroy the learning dynamics of the organization.

Aubrey and Cohen (1995) suggest that old boy networks, bureaucratic networks, and information-retention networks have to be eliminated for the learning organization to take hold.

At the Individual level, organization members may believe that their knowledge is critical to maintaining their value as employees and may be reluctant to share their knowledge with others. They are reluctant to share any information about mistakes or failures even though this knowledge was valuable to the company and could prevent others from making the same errors. Apart from the mistakes and failures, Davenport (1998) observes that organization members do not want to share positive knowledge, believing their value and therefore, their job security was inextricably tied to their personal expertise.

Based on Garvin's (2000) latest research, even though many corporations have realized the importance of learning and devoted as much as 5-6% of payroll on education and training, yet most managers remain surprisingly ambivalent about learning. Many give lip service to its importance, voicing strong public support for efforts to broaden employee's knowledge and skills. But when pressed, they usually express very different feelings. For all too many managers, learning is of questionable value because it diverts employees' attention from 'real work'. Executives are action-oriented, and their goal is to get things done. Any activity that does not produce immediate, tangible results is therefore viewed with a certain degree of suspicion.
2.10 Empirical Studies in Malaysia

Empirical studies on the practice of organizational learning in Malaysia are limited. A research carried out by Suhail bin Haji Azahari (1997) to find out whether FELCRA is a learning organization from the point of views of its employees showed that majority of the respondents agreed that FELCRA is a learning organization of the highest level. The study also revealed that there were significant differences in opinions by gender, and academic qualification. However, there was no significant difference by different jobs group and different length of service in the organization.

In 1988, a research done by Amadu Daramy on the learning organization capabilities of SKF Bearing Industries (Malaysia) Sdn. Bhd. and the results showed that the practice of organizational learning in that company was at moderate level. Liew Siew Fah carried out a similar study on S.E.H (Malaysia) Sdn. Bhd. in 1999 and found organizational learning in that company was also at moderate level.

According to Abd. Rahman’s (2000) research entitled “The introduction of learning organization in selected Malaysian organizations: A comparative case study”, the understanding and implementation of learning organization was at the beginning stage in each of the three organizations surveyed.

Low Soh Ping (2002) studied the relationship between business culture and organizational learning in Malaysian manufacturing companies. The results showed that organizations with ‘adhocracy culture’ and ‘market cultures’ retain higher organizational learning capability whereas ‘clan-based organizations’ possess moderate organizational learning capability and ‘hierarchical organizations’ were the least capable in terms of organizational learning.