Leading Learning Organizations

The Bold, the Powerful, and the Invisible

by Peter M. Senge

Peter M. Senge is a faculty member at the Massachusetts Institute of Technology and director of the Center for Organizational Learning at MIT's Sloan School of Management, a consortium of corporations, including Ford Motor Company, Federal Express, Motorola, AT&T, GS Technologies, Intel, Electronic Data - Systems, Harley-Davidson, and Shell Oil, that work together to advance methods and knowledge for building learning organizations. He is the author of the widely acclaimed book The Fifth Discipline: The Art and Practice of the Learning Organization *and coauthor of* The Fifth Discipline Fieldbook: Strategies and Tools for Building a Learning Organization.

"No significant change will occur unless it is driven from the top." "There's no point in starting unless the CEO is on board." "Nothing will happen without top-management buy-in."

How many times have we all heard these familiar refrains and simply accepted them as "the way things are"? Yet there are good reasons to challenge these hoary truisms. The evidence of top-management impotence is abundant. Everywhere one hears CEOs and other top executives talking about the need to "transform" their organizations, to overthrow stodgy bureaucratic cultures, to "become learning organizations." Nevertheless, the evidence for successful corporate transformations is meager. Moreover, the basic assumption that only top management can cause significant change is deeply disempowering. Why, then, in the "age of empowerment," do we accept it so

unquestioningly? Isn't it odd that we should seek to bring about less hierarchical and authoritarian organizational cultures through recourse to hierarchical authority?

Two Views on Leadership

Why do we cling to the view that only the top can initiate significant change? Is it just our unwillingness to give up a familiar mental model? Is it the fear of stepping out of line without the imprimatur of the hierarchy? Perhaps, also, there is an element of self-protection—the comfort of being able to hold someone else, namely, top management, responsible for the lack of effective leadership. There is no doubt that a CEO opposed to fundamental change can make life difficult for internal innovators, but this hardly proves that only the CEO can bring about significant change. At the very least, shouldn't we be suspicious of the knee-jerk tendency of people in organizations to "look upward" and expect top management to fix things?

Consider a different view: "Little significant change can occur if it is driven from the top." "CEO proclamations and programs rolled out from corporate headquarters are a good way to undermine deeper changes." "Top-management 'buy-in' is a poor substitute for genuine commitment at many levels in an organization, and in fact, if management authority is used unwisely, it can make such commitment less rather than more likely."

"When I first came in as CEO," says Phil Carroll of Shell Oil, "everyone thought, 'Phil will tell us what he wants us to do.' But I didn't have a clue, and if I had, it would have been a disaster." "Anyone who thinks the CEO can drive this kind of change is wrong," says Harley-Davidson CEO Rich Teerlink. There are several reasons leaders like Carroll and Teerlink come to a more humble view of the power of top management. One is the cynicism that exists in most of our organizations following years of management fads. When the CEO preaches about "becoming a learning organization," people roll back their eyes and think to themselves, "Here we go again. I wonder what seminar he went to last weekend." Most corporations have had so many "flavor-of-the-month" initiatives from management that people immediately discount any new pronouncement as more "executive cheerleading" or, as they say at Harley-Davidson, "another fine program."

A second reason is the difference between compliance and commitment. When genuine commitment is needed, hierarchical authority becomes problematic. "It seemed that every year, someone pressured us to change our promotion review process to incorporate our values," reflects former Hanover Insurance CEO Bill O'Brien. "But we never caved in to this pressure. A value is only a value if it is voluntarily chosen. No reward system has ever been invented that the people in an organization haven't learned how to 'game.' We didn't just want new behaviors. We wanted new behaviors for the right reasons—because people genuinely believed that 'openness,' 'localness,' 'merit,' and our other guiding values would really lead to a healthier and more

productive work environment" ("Moral Formation for Managers: Closing the Gap Between Intention and Practice," in *Character and the Corporation,* MIT Center for Organizational Learning Research Monograph, 1994.) Hierarchical authority, as it has been used traditionally in Western management, tends to evoke compliance, not foster commitment. The more strongly hierarchical power is wielded, the more compliance results. Yet there is no substitute for commitment in bringing about deep change. No one can force another person to learn if the learning involves deep changes in beliefs and attitudes and fundamental new ways of thinking and acting.

A third reason is that top-management initiatives often backfire and end up moving organizations backward, not forward. This can occur in obvious ways; for example, top-management downsizings and reorganizations that have the side effect of increasing fear, distrust, and internal competitiveness reduce cooperation and collaboration, thereby further undermining economic performance. But it can also occur more subtly, even in changes explicitly designed to improve learning. For example, the "360-degree feedback" process with which all managers must comply not only reinforces a compliance mentality; it also lessens the likelihood of people surfacing what Harvard's Chris Argyris, in "Good Communication That Blocks Real Learning" (*Harvard Business Review,* July/Aug. 1994), calls the "potentially embarrassing information" that might "produce real change." This kind of information will only come into the open when people have genuine trust, curiosity, and shared responsibility, conditions not usually fostered by mandated programs. "Corporate communication programs" rolled out from the top can "actually inhibit learning and communication," according to Argyris. Organizational surveys and focus groups, for example, by focusing attention on "telling" top management what is wrong, can block learning because they do nothing to encourage individual accountability and tend to reinforce the mind-set that only top management has the power to fix problems.

The merit of these two alternative views regarding top management and change depends entirely on the nature of the change one is trying to bring about. By and large, reorganizations, downsizing, corporatewide cost reduction programs, or reengineering programs can only be implemented from top-management levels. But such changes do not change corporate cultures based on fear and defensiveness. They will not unleash the imagination and passions of people and enhance their ability to form genuinely shared visions. They do not change the quality of thinking in the organization and the ability of people to understand interdependency. They do not increase intelligence at the front lines as people confront increasingly complex and dynamic business environments. And they will do nothing to foster the trust and skills needed by teams at all levels if they are to reflect on hidden assumptions and to inquire into the flaws in reasoning lying behind their own actions.

For almost twenty years, I, and many colleagues, have been working with managers and teams in developing enhanced learning capabilities: systems thinking, improving

mental models, fostering dialogue, nurturing personal vision, and building shared visions. For the last four years, a group of us at MIT have begun to develop a consortium of corporations to advance the theory and method underlying this work and to demonstrate what is possible when organizations "get serious" and when people work together over years to integrate new learning capabilities into important work settings. This consortium, the MIT Center for Organizational Learning, now involves about twenty corporations, mostly Fortune 100 firms.

Within the Learning Center companies, we regularly confront the dilemmas posed by the conflicting views described above. The more we appreciate the inherent limitations of executive leadership in bringing about deep change, the more frustrated we are likely to feel, given the immense need for change. While top management can move some changes quickly, it can also slow down or undermine other types of change. While people often want the support of top management, they also don't want it telling them what to do. Resolving these dilemmas requires fundamental shifts in our traditional thinking about leadership. In brief, we are coming to believe that leaders are those people who "walk ahead," people who are genuinely committed to deep change in themselves and in their organizations. They lead through developing new skills, capabilities, and understandings. And they come from many places within an organization.

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

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

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

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

My purpose here is to briefly sketch what we are learning about these three types of leaders. Previously (in a 1990 *Sloan Management Review* article), I proposed thinking about "the leader's new work" in building learning organizations in terms of three

generic roles played by leaders at all levels, those of *designer*, *teacher*, and *steward*; the skills and capabilities required for these roles; and the tools and methods that can help in developing these skills and capabilities. Here, I want to begin to explore how these generic roles are distributed among real people who lead from different organizational positions.

Local Line Leaders

Nothing can start without committed local line leaders. Local line leaders are individuals with significant business responsibility and "bottom-line" focus. They head organizational units that are large enough to be meaningful microcosms of the larger organization, and yet they have enough autonomy to be able to undertake meaningful change independent of the larger organization. In effect, they create organizational subcultures that may differ significantly from the mainstream organizational culture. To be useful in creating experimental laboratories, they must also confront issues and business challenges that are seen as both important and recurring within the larger organization. For example, a unique cross-functional task force may be important but less useful for a learning experiment than a team that manages a process that is ongoing, generic, and vital for future competitiveness, such as a product development team, a sales team, or a business division.

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

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

learning organization principles and methods into work with customers, through the EDS Leading Learning Communities program.

In addition to playing a key role in the design and implementation of new learning processes, local line leaders often become *teachers* once these learning processes become established. We often find that the most effective facilitators in learning processes such as the FedEx Learning Laboratory are not professional trainers but the line managers themselves. Their substantive knowledge and practical experience give them unique credibility. They are role models with whom other front-line people can identify. Last, as the old saw goes, "There is no better way to learn than to teach." Facilitating others' learning becomes a uniquely powerful way for line leaders to continually deepen their own understanding and capabilities.

However, engaging local line leaders may be difficult. As pragmatists, they often find ideas like systems thinking, mental models, and dialogue intangible and "hard to get my hands around." "When I was first exposed to the MIT work," says Fred Simon, former head of the Lincoln Continental program at Ford Motor Company, "I was highly skeptical. I had heard so many 'academic' theories that made sense but never produced for us. But I also was not happy with our team's ability to work together. I knew there must be a better way, and my business planning manager was convinced this could make a difference." Simon's view is very typical of line leaders at the outset: he is skeptical, but he recognizes that he has problems that he cannot solve, and he has a trusted colleague who will engage with him. Again and again, we have found that healthy, open-minded skeptics can become the most effective leaders and, eventually, champions of this work. They keep the horse in front of the cart by focusing first and foremost on business results. If they can find new approaches to enhance results, they will commit time and energy to them. Such people invariably have more staying power than the "fans" who get excited about new ideas but whose excitement wanes once the newness wears off.

The limitations of local line leaders are natural counterparts to their strengths. Because their focus is primarily on their business unit, they may not think much about learning within the larger organization, and typically they have little time to devote to diffusion of their efforts. They may also be unaware of and relatively inept at dealing with antilearning forces in the larger organization. They can become impatient when the larger organization does not change to match their new ideas of what works and may start to feel misunderstood and unappreciated. They can easily develop an "us against the world" siege mentality, which will then make them especially ineffective in communicating their ideas to the "unwashed."

Innovative local line managers are often more at risk than they realize. They typically share a mental model that says, "My bosses will leave me alone as long as I produce results, regardless of the methods I use." But the better-mousetrap theory may not apply in large institutions. Improved results are often threatening to others, and the more

dramatic the improvement, the greater the threat. Complex organizations have complex forces that maintain the status quo and inhibit the spread of new ideas. Often, even the most effective local line leaders fail to understand these forces or know how to work with them.

Despite these limitations, committed local line leadership is essential. At least half of the Learning Center companies that have made significant strides in improving business results and developing internal learning capabilities and infrastructures have had little or no executive leadership. In some instances, hundreds and literally thousands of people are now involved in growing networks of internal practitioners with no active top-management leadership. On the other hand, we have seen *no* examples where significant progress has been made without leadership from local line managers, and many examples where sincerely committed CEOs have failed to generate any significant momentum.

Executive Leaders

Our fervor at the Learning Center with practical experiments led by local line managers has frequently made us blind to the necessary complementary roles played by executive leaders. We have gradually come to appreciate that local line leaders can benefit significantly from "executive champions" who can be protectors, mentors, and thinking partners. When dramatic improvements achieved in one line organization threaten others, executive partners can help in managing the threat. Alternatively, new innovative practices are often simply ignored because people are too busy to take the time to really understand what the innovators are doing. Working in concert with internal networkers, executives can help in connecting innovative local line leaders with other like-minded people. They also play a mentoring role in helping the local line leaders to mature, to understand complex political crosscurrents, and to communicate their ideas and accomplishments to those who have not been involved.

For example, in one organization where a local line organization had achieved what it regarded as dramatic improvements in the product development process, its process improvement efforts lacked credibility outside the team when judged by more traditional metrics. For instance, at critical checkpoints the team had record numbers of engineering change orders. The team interpreted this as evidence that people were more open, trusting, and willing to surface and fix problems early in the development process. But outside the team, these same orders were seen as evidence of "being out of control." Eventually, executives in the company commissioned an independent audit, which showed that the team was indeed highly effective. The executives also supported a "learning history" to help others understand how the team had accomplished its results.

Part of the problem in appreciating effective executive leadership in learning is that all of us are so used to the "captain of the ship" image of traditional hierarchical leaders.

We are used to thinking of top managers as *the* key decision makers, the most visible and powerful people in the organization. Although undoubtedly some key decisions will always have to be made at the top, cultures are not changed through singular decisions, and decision-making power does not produce new learning capabilities. When executives lead as teachers, stewards, and designers, they fill roles that are much more subtle, contextual, and long term than the traditional model of the power-wielding hierarchical leader suggests.

"We in top management are responsible for the operating environment that can allow continual learning," says Harley-Davidson's Teerlink. Although executive leadership has traditionally focused on structure and strategy, Teerlink and other executives with whom we at the Learning Center work are increasingly thinking about the operating environment in less tangible ways. For example, over the past three years, Teerlink and his colleagues have redesigned Harley-Davidson's traditional organizational structure into three core "circles of activity," each led by a leadership team. But according to Teerlink, "implementing the new organization was the easy part. Now we have to make it work, and that requires people learning from each other."

Effective executive leaders build an operating environment for learning in several ways. The first is through articulating *guiding ideas.* "I have always believed that good ideas will drive out bad ideas," said Hanover's Bill O'Brien in a speech. "One of the basic problems with business today is that our organizations are guided by too many mediocre ideas, ideas which do not foster aspirations worthy of people's commitment." Guiding ideas are different from slogans or the latest management buzzwords. They are arrived at gradually, often over many years, through reflection on an organization's history and traditions and on its long-term growth and opportunities.

The power of guiding ideas derives from the energy released when imagination and aspiration come together. Understanding this power has always been a hallmark of great leaders. The promise of learning organizations is, at least in part, the promise that this power will become deeply and widely embedded in a way that rarely, if ever, happens in traditional authoritarian organizations. "There are two fundamentally differing views of human nature and work," said O'Brien. "The 'objective view' sees work as a source of economic means. The 'subjective' view is concerned with the effects of work on the person. By the early twenty-first century, quality will become a commodity and companies will be distinguished by the wholeness of their people."

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

I have met many CEOs in recent years who have lamented that "we can't learn from ourselves," that significant innovations simply don't spread, or that "we are better at learning from competitors than from our own people." Yet those very same executives rarely recognize that they may be describing their own future job description. When we stop to think, certain questions arise: Why *should* successful new practices spread in organizations? Who studies these innovations to document why they worked? Where are the learning processes whereby others might follow in the footsteps of successful innovators? Who is responsible for these learning processes?

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

A third way to build operating environments for business is the executive's own "domain for taking action"—namely, the *executive team* itself. What is important, first, is that executives see that they, too, must change, and that many of the skills that have made them successful in the past can actively inhibit learning. They are forceful, articulate advocates, but they usually are not very good at inquiring into their own thinking or exposing the areas where their thinking is weak. Reflecting on a two-year process both to "rethink the corporate strategy and to develop new capacities to think strategically together," Herman Miller CEO Kerm Campbell said, "We started off as a collection of individuals with strong views, which we often kept under wraps lest we get into destructive battles with one another, and a set of assumptions we rarely questioned about the keys to success in our industry. As we have progressed, I think we have come to see that having an effective strategy and having the capacity to think together strategically are inseparable."

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

Achieving such shifts in thinking, values, and behavior among executives is not easy. "The name of the game is giving up power," says Carroll. Even among "enlightened" executives, giving up power is difficult. "It's not that I don't miss the old system sometimes," reflects Carroll. "Being the commander in chief was kind of fun."

Internal Networkers

The most unappreciated leadership role is that of the internal networkers, or what we often call internal community builders. Internal networkers are effective for the very reasons that top-management efforts to initiate change can backfire. One of the most interesting paradoxes in fostering deep change may be that "no power *is* power." Precisely because they have no positional authority, internal networkers are free to move about a large organization relatively unnoticed. When the CEO visits someone, everyone knows. When the CEO says, "We need to become a learning organization," everyone nods. But when someone with little or no positional authority begins inquiring to see which people are genuinely interested in changing the way they and their teams work, the only ones likely to respond are those who are genuinely interested. And if the internal networker finds one person who is interested and asks, "Who else do you think really cares about these things," he or she is likely to receive an honest response. The only authority possessed by internal networkers comes from the strength of their convictions and the clarity of their ideas. This, we find time and again, is the only legitimate authority when deep changes are required, regardless of one's organizational position. The internal networkers have the paradoxical advantage that this is their *only* source of authority.

It is very difficult to identify the internal networkers because they can be people from many different organizational positions. They might be internal consultants, trainers, or personnel staff in organization development or human resources. They might be front-line workers like engineers, sales representatives, or shop stewards. They might, under some circumstances, be in senior staff positions. What is important is that they are able to move around the organization freely, with high accessibility to many parts of the organization. They understand the informal networks, what researchers call the informal "communities of practice," whereby information and stories flow and innovative practices naturally diffuse within organizations (J. Seely Brown and P. Duguid, *Organization Science,* Feb. 1991, pp. 40–57).

Internal community builders work on different levels, commensurate with their different levels in the organization. Front-line workers are typically the most effective community builders within line organizations. Corporate staff people are often the most effective networkers within larger corporations because they usually have a broad perspective and extensive contacts. What matters is that effective internal networkers are seen as credible, knowledgeable, committed individuals who are not a particular threat to anyone. "The most effective community organizer is he who is invisible," says Saul

Alinsky in *Reveille for Radicals* (1969), and the same can be said of the best internal networkers.

The first vital function played by internal networkers is to identify local line managers who have the power to take action and who are predisposed to developing new learning capabilities. Much time and energy can be wasted working with the wrong people, especially in the early stages of a change process. Convincing people that they should be interested in systems thinking or learning is inherently a low-leverage strategy. Even if they are persuaded initially, they are unlikely to persevere. When the Liaison Officers from the Learning Center companies, a group that includes many of our most effective internal networkers, asked, "How did each of us get started in this work?" they responded, virtually unanimously, that they were "predisposed." All of them had something in their background— perhaps an especially influential college course, a particular work experience, or just a lifelong interest—that predisposed them to the systems perspective, to a deep curiosity about learning or mental models or the mystery of profound teamwork. In turn, they felt attuned to others they met who shared this predisposition.

In ongoing experiments within line organizations, internal networkers can help in many ways. In our own Learning Center projects, they serve as project managers, as cofacilitators, or as "learning historians," people trained to track a major change process and to help those who are involved to better reflect on what they are learning. As practical knowledge is built, internal networkers continue to serve as organizational "seed carriers," connecting people of like mind in diverse settings to each other's learning efforts. Gradually they may help in developing the more formal coordination and steering mechanisms needed to leverage from local experiments to broader, organizationwide learning. At Ford, for example, an informal Leaders of Learning group was formed of multiple local line leaders to share learnings and to serve as a strategic leadership body, supporting continuing experiments, connecting to the interests of top management, and wrestling with the challenges of broader, organizationwide capacity building and learning. Such groups, which gather together innovative line leaders, may eventually evolve into an important element of the learning infrastructure. The initiative to form this group came from Ford's internal networkers.

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

Conclusion

The leadership challenges in building learning organizations represent a microcosm of *the* leadership issue of our times: how human communities, be they multinational corporations or societies, productively confront complex, systemic issues where hierarchical authority is inadequate for change. None of today's most pressing societal issues—deterioration of our natural environment, the international arms race, erosion of the public education system, or the breakdown of the family and increasing social anomie and fragmentation—will be resolved through hierarchical authority. In all these issues, there are no simple causes, no simple "fixes." There is no one villain to blame. There will be no magic pill. Significant change will require imagination, perseverance, dialogue, deep caring, and a willingness to change on the part of millions of people. I believe it is also the challenge posed in building learning organizations.

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

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