
2.1 Overview

This chapter describes the research-based model that is the focus of this book—*Strategic Leverage Through Learning*[©]—a comprehensive model of organizational learning and performance developed by Gephart and Marsick (1999).

2.1.1 Changes at the System Level

Strategic Leverage Through Learning[©] emphasizes the importance of internal and external alignment when leveraging learning as a resource for progress toward successful strategic goal achievement.

For learning and performance gains to be institutionalized, organizational changes are often required. The organizational system is a critical determinant of whether and how individual and group learning enhance innovation and organizational performance. Learning at the system level, in turn, affects whether and how innovation and performance can be institutionalized and sustained.

2.2 Foundations of Our Model: Strategic Leverage Through Learning[©]

Strategic Leverage Through Learning[©] has been used to assess and build system-level capabilities needed for learning and performance in uncertain and rapidly changing environments. Diagnostic instruments based on the model have been used

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to assess group and organizational learning that leverage innovation and strategic performance, and the organizational systems that support learning and performance. The model has also been used to assess and compare cases of system learning and performance, such as those included in this book.

Our model uses the system-level factors in the Burke-Litwin Model of Organizational Performance and Change (Burke and Litwin 1992) to define the key dimensions of an organizational system. Following Burke and Litwin, *Strategic Leverage Through Learning*[©] distinguishes between transformational and transactional dynamics. See Fig. 2.1 for a diagram of the model.

Transformational dynamics create enduring patterns of organizational behavior. External environment, mission/vision, strategy, leadership, and organizational culture are the transformational factors in the model. *Transactional* dynamics derive from the day-to-day interactions and behaviors of people in the setting. Changes in them are unlikely to persist unless the culture of the organization changes as well. The system-level transactional factors in the model are structure, management practices, systems (including policies and procedures), and climate.

Gephart and Marsick (1999) defined a set of learning and performance outcomes that represent critical capabilities needed for effective performance in a rapidly changing or uncertain environment: external alignment, internal alignment, commitment, innovation, group and organizational learning, and knowledge/expertise creation and sharing. They then redefined the constructs for each of the transformational and transactional factors to jointly optimize learning and performance.¹ Research that Gephart and Marsick have conducted shows that these learning and performance outcomes can predict the early indicators of the success of an organization's strategy—strategic drivers—that, in turn, affect its longer-term performance. These learning and performance outcomes are, in turn, influenced by the transformational and transactional dynamics through which learning leverages performance. See Fig. 2.2.

Once constructs were defined, measures were developed and validated to assess learning and performance outcomes, and the transformational and transactional dynamics in the model, for single organizations. This work was done in partnership

¹ We undertook several stages of work to identify and define these interim outcomes. First, we reviewed theory, research, and practice on models of organizations that are more successful in uncertain, rapidly changing, or highly competitive environments (Ashkenas et al. 1995; Daft and Weick 1984; Gephart 1995a, b; Gephart and Van Buren 1996; Lawler 1996). Because of the importance of organizational learning, knowledge creation and sharing, as well as innovation for our framework, we undertook more extensive reviews on those topics. Some of the most important influences on our thinking were Huber (1991), Leonard-Barton (1995), Nevis et al. (1995), Nonaka and Takeuchi (1995), Pedler et al. (1991), Redding and Catalanello (1994), Tushman and Nadler (1986), Watkins and Marsick (1993), and Wolfe (1994). We also conducted research on learning organization models and diagnostic instruments to identify the components and behavioral manifestations shared by different models (Gephart et al. 1997). A group of us (Gephart et al. 1995), working together, modified the assessment framework, developed earlier to conduct research on learning organization models and instruments, to integrate and synthesize new literature-based insights.

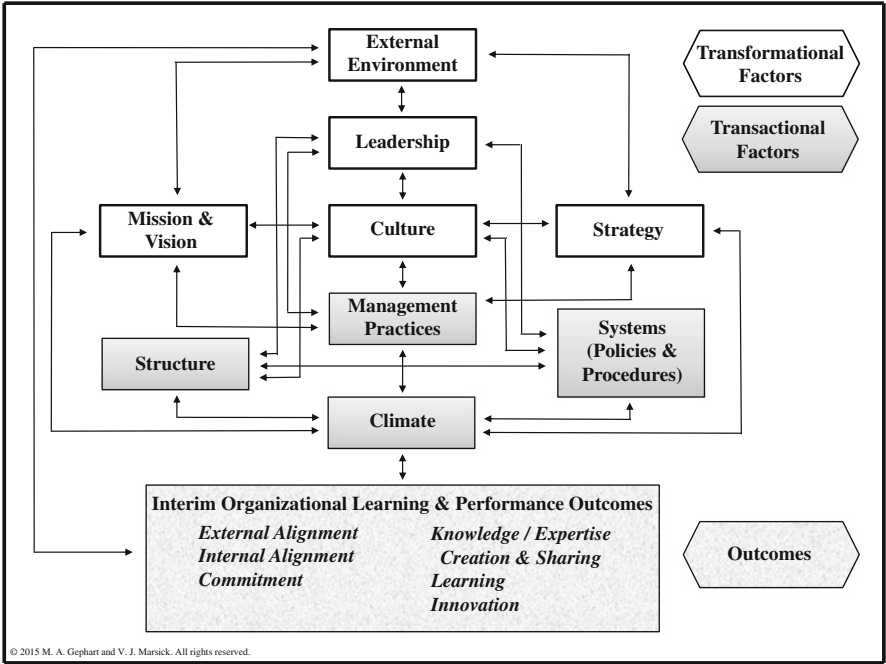


Fig. 2.1 System-level factors (Burke and Litwin 1992) and newly defined learning and performance outcomes in *Strategic Leverage through Learning*[©]

with four diverse organizations, each of which was planning, or had begun to implement, interventions to address current or anticipated performance challenges created by rapid changes in their market or regulatory environments. Constructs for single organizations were subsequently adapted for use in assessing community-based collaboratives (CASAWORKS) in an evaluation of organizational capacity and learning in a national Welfare-to-Work demonstration project.

Customized versions of the survey-based instruments have been used in partnerships with businesses, schools, government, and not-for-profit agencies to track ways that organizations have used learning most effectively to achieve strategic goals and improve bottom-line results. By tracking pathways to performance that involve strategic learning, the partnership research has assisted organizations in assessing, building, and institutionalizing organizational capacity for performance-based learning. We have also used the model to analyze and compare cases, including some of those in this book.

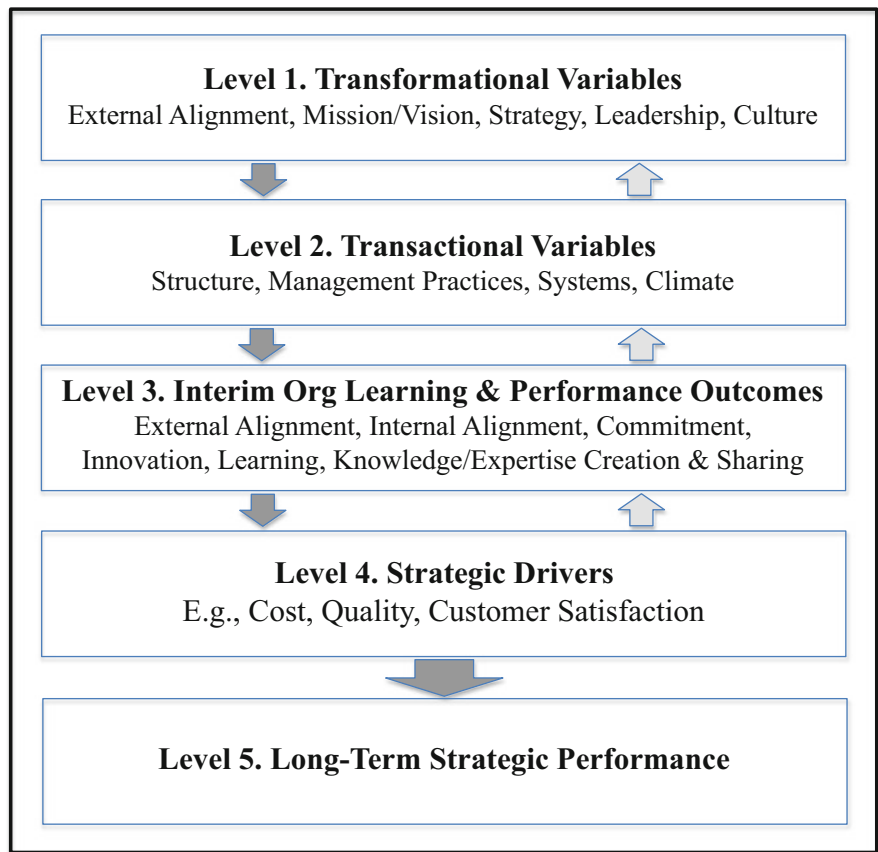


Fig. 2.2 Using *Strategic Leverage through Learning*[©] to predict strategic drivers and long-term performance

2.3 Use of Our Model in a Federal Judicial Agency

In this section, we demonstrate the use of our model to diagnose challenges and leverage change in a Federal Judicial Agency (a pseudonym). The Agency was experiencing challenges in using learning as a strategic resource.

2.3.1 Challenges Following Innovation

Performance declined following the implementation of electronic case filing. Subsequently, employee satisfaction also dropped, and interdepartmental conflict increased. A baseline assessment was conducted with *Strategic Leverage Through*

Learning® as part of a larger organizational intervention. With Gephart's help, the Judicial Agency used the baseline assessment to identify strengths and challenges in the Agency and to design interventions to improve results.

The Agency's greatest strength was its success in responding innovatively to changes in its external environment. This strength was supported by effective learning, innovation, and prioritizing goals on the part of work groups. Areas that needed improvement included the capacity of the organization to learn from its experience, the internal alignment of units and departments, and the motivation and commitment of employees in units and departments.

The Agency had successfully responded to customer demand for new services. It had improved the quality of its services by looking for new and better ways of doing things. These included seeking new ideas from within and outside the organization, developing new ways to improve work practices, and viewing new ideas as opportunities for learning. It had identified products and services to meet changing customer needs by listening to its customers, and had used knowledge about the changing environment to become more effective. Some work groups, but not all, were able to change focus and direction, and modify their processes and structures, when the organization changed its plans and goals. Work groups that were successful used diverse perspectives and unanticipated events to increase their learning.

However, learning from its experience remained a challenge for the Agency. The Agency was able to develop successful new services from things it had learned, but it could not respond quickly by changing its goals and practices when problems or crises indicated that the way things were being done no longer worked. When things went wrong, the Agency was able to solve problems, but not prevent them from recurring again.

2.3.1.1 Challenges in Outcomes

A key challenge was poor alignment. Work processes were not integrated across groups and departments. Work group and departmental goals did not help people work together. Relationships were characterized by conflict and suspicion. Another key area for improvement was low employee commitment and motivation.

2.3.1.2 Transformational Barriers

Leadership and culture were the most serious transformational barriers to innovation.

Senior managers did not model behavior that was required for learning and innovation. While senior managers actively championed new ideas in the organization, many employees reported they did not seek out input and opinions that were different from their own. Senior managers did not listen to employee input on organizational goals, and were not willing to be questioned about their decisions. Major decisions were often made final without the broad-based input that was needed.

Another key barrier to learning and performance was norms in the culture that did not support innovation, risk-taking or learning from experience. People did not

receive enough support for learning, nor did they get constructive feedback on their learning and work, or the help and advice they needed to work and learn together.

People were encouraged to try out new ways of doing their work but it was difficult to change practices and work routines. As a result, many employees believed that it was not good to be an independent thinker at the Agency. Most staff believed that it was important to talk about underlying values, but many staff did not trust each other enough to be honest about what they thought.

Data from the Agency's baseline assessment were consistent with the experience of many organizations—that the absence of trust and the tendency to blame when mistakes occur undermine staff's willingness to take risks, try new things, and openly discuss differences and mental models that are so critical for building the foundation for organizational learning.

2.3.1.3 Transactional Barriers

There were problems with systems and structures. Communication and information systems were not effective. Many staff believed that the reward systems at the Agency tended to undermine trust and unity. Staff also believed that reporting relationships often got in the way of coordinating with the right people.

The day-to-day practices of managers, and the messages they conveyed, were barriers. Managers did not take responsibility for problem solving. They were often unwilling to be questioned, and were themselves often unable to work together productively.

There were big differences within and across departments in staff's assessments of their manager's or supervisor's practices. Staff reported that they did not have the resources they needed, either for performance or for learning. Managers were not perceived to be consistent in what they rewarded. A hierarchical orientation got in the way of getting things done.

2.3.2 Assessment and Intervention

The baseline assessment was used to diagnose these outcomes, barriers, and supports. A key benefit of the diagnosis was the clarity it brought about intervention points and the way in which it catalyzed discussion and shared understanding of what needed to change.

Managers began to work together on projects they proposed, e.g., a new strategic planning process that benefited dialogue, coordination, and information flow. Managers created ways for staff, working with the Information Technology (IT) Department, to hold regular coordination meetings, analyze problems, and propose and implement solutions. Staff was helped to set, communicate, and work toward clear goals. The agency initiated practices to learn from experience such as After Action Reviews and the use of a suggestion box. The Agency introduced mentoring, coaching, and dialogue practices to improve commitment, motivation and trust.

2.3.3 Improved Results

A reassessment took place after 18 months using *Strategic Leverage Through Learning*®. The performance measure selected and tracked by managers—the rate of movement of cases through the court—stopped its decline and began to rise.

There were major improvements in interim outcomes. Work processes were better designed to integrate across departments. Goals helped units and departments work together more effectively. There were increases in opportunities for input, support for learning and performance, trust, and sharing of information.

2.4 Our Model: A Learning Approach to Change

Use of the *Strategic Leverage Through Learning*® model and instruments to diagnose gaps and guide change at the Federal Judicial Agency helped improve learning and performance that sustained innovation.

Over the years, Gephart and Marsick have used the model and instruments in many organizations, including: a global manufacturing and service company, a U.S. military organization, a health care organization, a Japanese subsidiary of a Dutch pharmaceutical firm, a nuclear power plant, the Federal Judicial Agency described in this chapter, and community-based collaboratives in a national welfare-to-work demonstration project (Chap. 8). Table 2.1 presents the definitions we use for the constructs in our model and instruments.

Change in organizations can be initiated at either the transformational or transactional level. If initiated at the transactional level, change is also needed at the transformational level to successfully transform an organization or system. If initiated at the transformational level, many changes are needed at the transactional level to get structure, management practices, and systems in place and aligned with the new vision and strategy.

2.4.1 A Learning Approach to Change

Approaches to implementing change fall along a continuum. On one end is the planned change model, starting with a clear vision of what the organization should look like at some future state or date. This view assumes that clear strategies have been identified, and hierarchies of goals can be derived from them. Gaps can then be identified between the present and future states of the organization, between current performance and future goals, and between current capabilities and those needed to reach future goals. Based on these gaps, an action plan can be used to build needed capabilities and a transition plan developed to move systematically toward the goals and the future state.

At the other end of the continuum is a learning model in which the process of implementing change involves trial and error, is often messy and lengthy, and depends on feedback and continual readjustment (Gephart 1998). According to

Table 2.1 Definition of constructs—*Strategic Leverage through Learning*[©]

Construct	Construct definition
<i>Interim outcomes: learning and performance</i>	
External alignment	Capacity to use knowledge about, adapt to, and shape changes in relevant environments to enhance effectiveness
Internal alignment	Capacity to enhance effectiveness by integrating or aligning goals, strategies, and processes of different units and by assessing effects of actions in one part of the system on other parts
Commitment	System-wide commitment to the vision, mission, goals, strategies; and to do what it takes for success
Learning	Capacity of groups and the system to learn from own and others' experience for both problem solving/incremental improvement and fundamental change
Knowledge/Expertise creation and sharing	Capacity to generate, seek, capture, share, and use tacit and explicit knowledge and expertise
Innovation	Capacity to recognize needs and opportunities for, and to get and use, new ideas and approaches to enhance effectiveness
<i>Transformational factors</i>	
External environment	Relevant environments: e.g., market forces, competitive forces, industry dynamics, regulatory environment
Mission/Vision	Organization's central purpose, that reflects core values, is clear, widely shared and believed in, and powerful enough to guide behavior
Strategy	Learning approach to strategy development and execution that involves: (1) strategic analysis of opportunities and constraints in environment, strategies and competence of other organizations, and own patterns of strategic behaviors and competence; (2) repeated testing of insights and choices while planning; (3) effective involvement of key stakeholders in operationalizing strategies
Leadership	Leaders: (1) develop, articulate, and inspire confidence in the mission, vision, and strategy; (2) model desired behavior, including willingness to learn; (3) seek input and listen; (4) help employees work together and understand how personal goals fit with organizational goals
Culture	Beliefs, values and norms that support organizational learning and performance
<i>Transactional factors</i>	
Structure	Division of work and organization of people in ways that facilitate decision making, problem solving, and learning across internal and external boundaries
Management practices	Day-to-day behaviors and practices of managers/supervisors, and the messages conveyed by them, about what is valued and supported that influences performance, collaboration, autonomy, learning, and innovation
Systems	(a) Policies and mechanisms that enable the organization to: access, capture and share knowledge; and support systems thinking and generative learning; and (b) systems, policies and practices that support other aspects of smooth functioning, including, technology, rewards, goal alignment, leadership development, talent management, performance management

(continued)

Table 2.1 (continued)

Construct	Construct definition
Climate	Shared perceptions of what is rewarded, supported and expected; norms about collaboration, learning, risk taking and trying out new things, including establishment of trust and openness, as well as willingness to share information and discuss differences

this view, successful organizational change involves considerable learning by organizational members and the organization itself. Formal training programs can begin the learning process, but beyond that, much of it takes place informally and through trial and error. Organizations traverse uncharted waters with little possibility of imitating existing models. In such cases, people learn their way through the implementation of change. The nature of change—as well as members’ understandings of it—is an ongoing process of transformation. Spontaneous, grass-roots initiatives are encouraged; successful experiments, learning from “intelligent failures,” and innovation are promoted. Frequent checkpoints are set for reviewing progress, adjusting course, and expanding change efforts as progress is made.

Most successful change processes fall between these two ends of the continuum. Typically, implementation efforts are guided by goals, and by action and transition plans. But, as those goals are approached, new ones are developed.

While a comprehensive, integrated approach to change is often preferred, many leaders interested in leveraging strategic learning to develop and sustain innovation are not in a position to launch a carefully planned, step-by-step effort. What can they do to improve the work processes they do control?

A first step is a careful diagnosis of the organizational factors described above vis-à-vis the challenges faced and the goals that are to be achieved. Diagnosis helps managers to decide on the nature of the interventions to put in place and guides choices about the key leverage and starting points in the specific context. Diagnosis also provides a model or framework that managers can use to make sense of change as they get started.

Even when managers begin with a planned change approach, much occurs that was not anticipated, so a learning approach is always needed as managers experiment and use metrics to assess results and work with key talent to collectively learn their way toward the goals they wish to achieve.

2.4.2 This Book

Organizational system models, and diagnostic tools and assessment instruments based on them, have focused on performance as the key system-level outcome, and have addressed system-level learning only incidentally, if at all.

Models and tools that have addressed this gap by focusing on learning as the key system-level outcome have typically ignored performance, and have not been

research-based. As a result, not enough progress has been made in demonstrating how measures of learning can be used to improve performance or in tracking pathways to performance that involve strategic learning.

We are writing this book to illustrate cases that have taken both performance and learning dynamics into account in the pursuit of innovation.

Cases in this book include the following:

- Cases in which we have used survey instruments based on our model to undertake organizational assessments and guide change (Federal Judicial Agency, Ericsson, CASAWORKS)
- Cases in which we have used the model to analyze and compare transformational change (Engineered Woods, Happy Land, South Side High School, AMP Model).

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