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A practitioner's guide to turning SMEs into learning organizations. What is a learning organization?

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A PRACTITIONER'S GUIDE TO TURNING SMES INTO LEARNING ORGANIZATIONS

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Abstract: The purpose of this article is to provide practitioners with an understanding of the concept of the learning organization and how it can be of benefit to small and medium-sized enterprises (SMEs). Also, the paper describes a six-step framework that highlights observable actions that can be taken to build a learning organization within an SME.

Résumé: Le but de cet article est de fournir aux gestionnaires et entrepreneurs une définition du concept de l'organisation apprenante et de présenter ses avantages pour les petites et moyennes entreprises. En outre, l'article décrit un processus de six étapes qui met en évidence les actions concrètes qui peuvent être prises pour bâtir une organisation apprenante au sein d'une PME.

WHAT IS A LEARNING ORGANIZATION?

In today's contemporary society the one constant factor is the exponential increase in the rate of change. To respond successfully to rapidly changing environments and markets, organizations need to learn at least as quickly as the prevailing rate of change. During the past several years, many scholars have suggested that learning may be the only source of competitive advantage for organizations and that the hallmark of effective organizations will become their capacity to learn¹. The notion of the learning organization has generated tremendous debate. Proponents of the learning organization concept suggest that it may provide the catalyst which is needed to push forward, in a holistic way, the many strands, ideas, and values with which organizations must now concern themselves².

While it has been suggested that the antecedents of what one means when one talks about the learning organization date back to the 1920's, there is general consensus that its emergence as a topic for consideration has predominantly grown out of writings which have appeared since the late 1980's. As may be expected, given the upsurge of interest in the concept and the proliferation of literature, numerous attempts have been made to define the learning organization. For the purpose of this article, the following definition is being adopted³: "A learning organization is an organization skilled at creating, acquiring and transferring knowledge and modifying its behavior to reflect new knowledge and insights." By sub-dividing this definition into its three component parts, one can see clearly the characteristics of a learning organization. First, new ideas are a prerequisite for learning. Learning organizations actively try to infuse their organizations with new ideas and information. They do this by constantly scanning their external environments, hiring new talent and expertise when needed and by devoting significant resources to train and develop their employees³. Second, new knowledge must be transferred throughout the organization. Learning organizations strive to reduce structural, process and interpersonal barriers to the sharing of information, ideas and knowledge among organizational members⁴. Third behavior must change as a result of new knowledge. Learning organizations are results oriented. They foster an environment in which employees are encouraged to use new behaviors and operational processes to achieve corporate goals⁴.

The proposed framework of a learning organization, which is discussed later on in this article, incorporates stages and phases that assist in the aforementioned characteristics to be 'built-in' an SME. For example, phase 1 of step 4 and

5 of the framework proposes the development of a communications strategy that enables communication with internal and external stakeholders, which results in the environment being scanned for information. Step two of the proposed framework proposes a strategy that enables knowledge to be transferred throughout the organization. This is achieved by having a constant feedback loop between management and staff. The outcome of the framework proposes an organization that enables behaviors to change, which is the third component part of the learning organization as discussed above, through the development of a philosophy of lifelong learning being embedded in the workplace, the business being flexible, responsive and adaptive to change and a culture being created which leads to novel solutions to problems and new ideas emerging.

The learning organization, however, is just another means to a business goal. It is not an end in itself, but a route to improved performance, productivity and profit. According to Senge⁵, it is one of the current 'big things'. In effect, the concept represents a methodology for management of change. It does, however, pay particular attention to valuing employees and to the implementation of structures and mechanisms which allow employees to recognize the value placed on them and to contribute to the development of their own work area and of the organization. If an organization can establish a workforce that genuinely uses team work and uses a process of reflective, aggressive, self-transformation to become an adaptive flexible force for delivery, it could claim to be a learning organization⁵.

FRAMEWORK OF THE LEARNING ORGANIZATION ADOPTED FOR THIS STUDY

Several different models of the learning organization have been proposed in the literature. However, by far the most significant and influential piece of writing from within the learning organization literature is Senge's. He stated:

"Real learning gets to the heart of what it means to be human. Through learning we re-create ourselves. Through learning we become able to do something we never were able to do. Through learning we extend our capacity to create, to be part of the generative process of life. There is within each of us a deep hunger for this type of learning⁵".

In this manner, Senge spells out the ideal of the learning organization. As such, the learning organization should not be considered to constitute a model of 'best practice', but rather, as a set of ideal organizational characteristics to which practitioners should progressively aspire. Thus, it is important to note, Senge is pointing towards the need for all organizations to embark upon a journey of continuous improvement which, by definition, will have no real 'ending point'. The framework (in Figure 1), which identifies observable actions that can be taken to build a learning organization within the framework of an SME, is based on research conducted by Birdthistle⁶. Birdthistle's⁶ research, which was influenced by theorists like Watkins and Marsick⁴, Senge⁵, and Pedler et al.⁷, involved the examination of the learning orientation of 121 family SMEs. The resulting framework shares characteristics with that of leading researchers like Watkins and Marsick⁴ and Redding and Catalanello⁸. Furthermore, Birdthistle⁶ evaluated the literature to ensure that the actionable steps within the framework covered adequate content area for the construct of the learning organization.

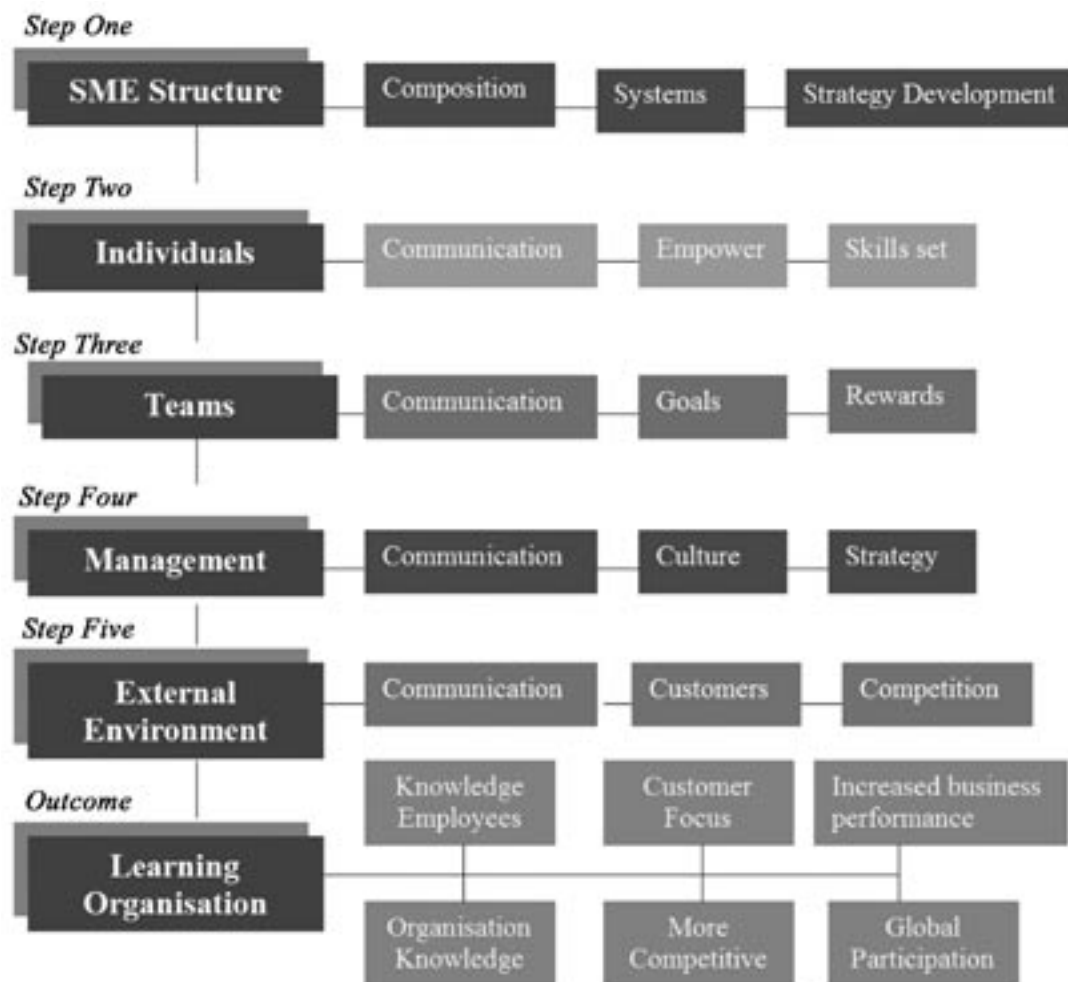
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STEP ONE: SME STRUCTURE

SMEs need to be structured so as to enable the adoption of learning organization characteristics. This first step entails three phases. The first phase requires an SME that is composed of a structure that is adaptive to change. This is where an SME has the ability to adapt, evolve or change its behavior in response to its environment and this can be accomplished through having multi-disciplinary teams, a management board with outside advisors, and the implementation of a learning culture where the organization accepts a set of attitudes, values and practices (such as enabling people to continuously challenge the ways of doing things in the SME) that support the process of continuous learning within the organization. Thus a learning culture empowers the organization to achieve dramatically improved results compared to more traditional organizations, as it enables the business to: easily adapt to change; actually anticipate change; be more responsive to the market place; generate more energetic, loyal and goal oriented

employees; and grow through innovation. The second phase requires the SME to implement systems that enable the characteristics of the learning organization to be adopted within. Birdthistle⁶ suggests that the business develops a system where the gaps between actual and desired results are identified. Furthermore, she recommends that a budgeting system be developed for the provision of learning and training. Additionally, as the business grows the founders' time should be devoted to strategic planning and the determination of future goals and objectives; therefore, it is suggested that a delegation system be planned and implemented. The third phase of Step One is the strategy development phase. Birdthistle⁶ suggests that the SME devise plans for the future of the business. These plans should identify the training goals of all employees. The SME needs to plan for the integration of learning within the working environment and this is done through analyzing the skills set of the individuals and the goals of the business, which leads into Step Two.

Figure 1: Framework of the Learning Organization



STEP TWO: INDIVIDUALS

In this step, Birdthistle⁶ recommends that the SME should ensure that there is constant communication between management and staff and there is a continuous feedback loop between the two. Communication and feedback can be achieved on a formal (e.g., scheduled meetings) or informal (e.g., email, billboards) basis and the cost is typically insignificant. So as to enable a learning organization to be 'built' within the SME, one must ensure that employees are empowered. By giving employees responsibility for decision-making, the SME is empowering employees, thus giving them authority within the business. Birdthistle⁶ suggests that owner-managers should identify and plan for the necessary skills of their staff. By implementing a skills-set database through an IT system, the business will be aware of the employees' skills and skills gaps. Furthermore, the SME can use the identification of employees' skills for appraisal purposes and to be adaptive to the needs of their employees.

STEP THREE: TEAMS

The first phase of Step Three is ensuring that there is communication and feedback between the team in the organization and the management of the business. This can be done through regular meetings with management and/or enabling team members to have 'upward' communication with management. The second phase of Step Three is the development of team goals and systems devised to enable them to implement their recommendations – unhindered by management. The third phase of Step Three is ensuring that the team is rewarded for its actions. This phase of the model of the learning organization for SMEs recommends a reward system be implemented for the team, which can take the form of financial and non-financial rewards.

STEP FOUR: MANAGEMENT

As with Step Three, management has to develop a communications strategy so as to communicate with its internal stakeholders (i.e., employees). By communicating with their internal stakeholders, management is 'opening' the business to its stakeholders and creating a more 'professional' atmosphere. The second phase of Step Four is the creation of a learning culture within the managers of the business. Birdthistle⁶ recommends that the SME managers should consider their cultural orientation concerning learning; for example, what is their attitude towards the mentoring of lower levels of managers, or upskilling themselves? By implementing this phase, management should be open to all learning possibilities and should allocate funds to a learning budget. The final phase of Step Four is the implementation of strategy. This phase suggests that in order to implement strategy, the management of the SME should implement a mentoring system in order to enable informal learning practices to be adopted. Furthermore, management should ensure that the organization maintains a simple structure and that a clear strategy is devised, with the help of employees, for the creation of a unified vision. Furthermore, this phase suggests that management should identify leaders so as to assist in the implementation of the characteristics of the learning organization.

STEP FIVE: EXTERNAL ENVIRONMENT

The first phase of Step Five is to ensure that the business communicates with the external environment. It is suggested that the management of the business should join networks and/or associations that are beneficial to the individual and the business. The business should ensure that it can identify and disseminate information from the outside environment and that management can actively deal with the information as it comes in. The second phase of Step Five is being customer orientated, which can be accomplished through the identification of customer needs. Having customer panels can provide insights into customer needs that might not have been received in the past. Ensuring open lines of communication are available to customers is pertinent to the business and to the customer. This can be done through the introduction of a hotline number that is managed and dealt with by a member of staff. The final phase of Step Five is competition. This phase involves having a system whereby the work and activities of competitors are monitored, and the information is then disseminated within the organization.

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OUTCOME – LEARNING ORGANIZATION

Through the implementation of Steps One to Five, a number of outcomes evolve. Firstly, the development of the characteristics of the learning organization in the SME leads to knowledgeable employees. This evolves due to employees being empowered to make decisions, systems being implemented so that they can avail of learning, and the culture of the business is learning focused. Secondly, the organization is knowledgeable through interacting with the environment and having systems that garner information and disseminate and distribute it internally. Thirdly, due to the SME displaying the characteristics of the learning organization, this leads to being closer to the external environment. By adopting this approach, the business is customer focused and driven and is proactive to their needs, wants and desires. Fourthly, by having knowledgeable employees, being a learning driven business, and being customer focused, this leads to the SME being more competitive. The business has adaptive employees, it can anticipate and monitor changes in the external environment, and will have systems internally that can deal with those changes. Fifthly, through improved communications internally, more motivated employees, improved internal systems, being aware of changes in the external environment, and being adaptive to those changes leads to an SME that has increased business performance. Finally, the sixth outcome of the SME displaying the characteristics of the learning organization is that it becomes a global participator. This results from the implementation of IT systems and through the interaction with the external environment. Therefore, the final outcome of the implementation of Steps One to Five is an SME that has the potential to be a learning organization.

CONCLUSION

Through the adaptation of the above model within an SME, a number of benefits arise for the owner-manager and his/her employees. Firstly, there is the creation of an inspiring philosophy of lifelong learning and living, which is embedded in the workplace. This results in employees releasing their potential and finding fulfillment, and the replacement of the traditional 'train-and-transfer' practices with a holistic approach to employee development. Next is the resuscitation of workplace organizations through change and the dismantling of

static hierarchies to become a more flexible, responsive, and adaptive business. An additional benefit is that employees are encouraged to improve their personal skills and qualities so that they can learn and develop. This results in the employees being more motivated and appreciated for their own skills, values and work. This culture results in a creative and freethinking environment, which can lead to novel solutions to problems and new ideas emerging. The customer will also benefit. A learning organization cuts the excess bureaucracy normally involved with customer relations, allowing greater contact between the two. If the customers' requirements change, the 'newly formed SME' can adapt faster and cope more efficiently with this change. Over time, the owner-manager builds up a pool of learning, in the form of libraries and human experience, resulting in problems and challenges being met faster using this increased resource. As more people in every level of the business engage in continual learning, a valid contribution can come from any member and from any part of the business. Being innovative and creative is the responsibility of the whole workforce and allows learning organizations to adapt to changes in the state of the market, technology and competition efficiently. This results in a more successful and responsive SME.

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