ORGANIZING *for* LEARNING

Strategies for Knowledge Creation and Enduring Change

by Daniel H. Kim



SUSTAINABILITY
INSTITUTE

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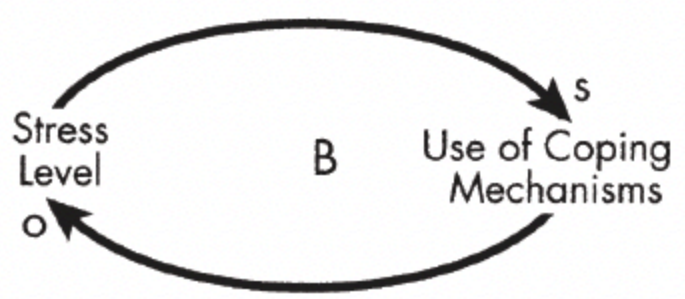
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Acknowledgments

The work contained in this book builds on the prior work of many individuals, including Jay Forrester, founder of the field of system dynamics; W. Edwards Deming, statistician and quality pioneer; Peter Senge, author of The Fifth Discipline; and many other leaders and practitioners who are developing systems thinking ideas and concepts into a growing body of theory and practice. The chapters in this anthology originally appeared in The Systems Thinker Newsletter, and were edited by Kellie Wardman O'Reilly, Janice Molloy, Lauren Keller Johnson, and Colleen P. Lannon.

HOW TO READ CAUSAL LOOP DIAGRAMS

As you read the chapters in this book, you'll notice that many of them contain diagrams featuring circular arrows and labels such as "R," "s," and so forth. These causal loop diagrams (CLD) consist of variables connected by arrows that show the movement of feedback through the system. Each arrow is labeled with a sign ("s" or "o") that indicates how one variable influences another. Here's an example of a simple CLD:



In this diagram, stress level and use of coping mechanisms are the two variables connected by feedback arrows. The "s" on the upper arrow means that when the stress level changes, the use of coping mechanisms changes in the same direction. For example, if the stress level increases, the use of coping mechanisms also increases. The "o" on the lower arrow means that when use of coping mechanisms changes, then the level of stress changes in the opposite direction. For instance, as use of coping mechanisms increases, the stress level decreases.

Causal loop diagrams are made up of a combination of balancing and reinforcing loops. The CLD we just "walked through" is an example of a balancing loop, as indicated by the "B" in the center. A balancing process tends to keep the system behavior relatively steady overall. In our example, for instance, the two variables balance each other and keep each other under control.

A reinforcing process, by contrast, drives change in one direction with even more change. Reinforcing processes are recognizable by the uncontrolled or exponential changes that they create. The figure below, labeled "R," is a simple example of this kind of dynamic.



In this reinforcing loop, each arrow is labeled with an "s" for same direction of change. To read this diagram, you would say that "as marketing increases, so do sales, which leads to more funds available for marketing, which leads to even more marketing."

Balancing and reinforcing processes occur in infinite combinations in the systems we see all around us, including behavior within organizations.

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Preface

Organizing for Learning Second Edition

In 2001, I opened my introduction to this very book with the following thoughts:

> As the rules of competition change at an increasing pace, the very foundations on which business has rested for so long are shifting. New technologies such as the Web are transforming the way firms do business, the forces of globalization continue to change the very definition of markets, and knowledge has superseded capital as the core asset of any company.
>
> In the face of such challenges, the current buzz in management circles deals with the topic of knowledge management. This current focus on managing knowledge is fueled in part by the relentless pace of technological progress and the rapid speed at which innovations in one part of the world spread to the rest of the globe in an ever-shrinking marketplace. The irony is that many organizations are fixated on the *management* of knowledge rather than its *creation*, even as the rapid pace of change is making existing knowledge obsolete at an ever-increasing rate.

As I reflect on the same issue 25 years later, much has certainly changed, and yet much of the challenge remains the same. That is to say, the form and content of the changes are indeed quite different—the rapid advancement of artificial general intelligence (AGI), the growing role of the gig economy, the impending integration of humanoid robots, the ever-expanding reach of digitalization, the fracturing of the global economic order. What seems to remain constant is the fact that the pace of change

continues to accelerate as is our tendency to pursue the next "silver bullet" answer to the growing challenges. In the face of the ever-widening impact of AGI in recent years, there is a tendency to overfocus on all the ways in which the new technology will change things, which can lead us to underappreciate, and perhaps neglect, the things that will remain the same.

What is Changed vs. What is Conserved

I am reminded of one of the most insightful observations I have ever heard in a lecture by Chilean biologist, Humberto Maturana, where he said, "The *most important thing about change is not what is changed, but what is conserved.*" Whenever I share that insight with people, they instantly see the same wisdom I saw when I first heard it. Before people can become comfortable with change, what they need to have assurances about is what will not change — i.e., be conserved. Once they know the ground on which they can stand, they become much more able to embrace whatever change may be required of them.

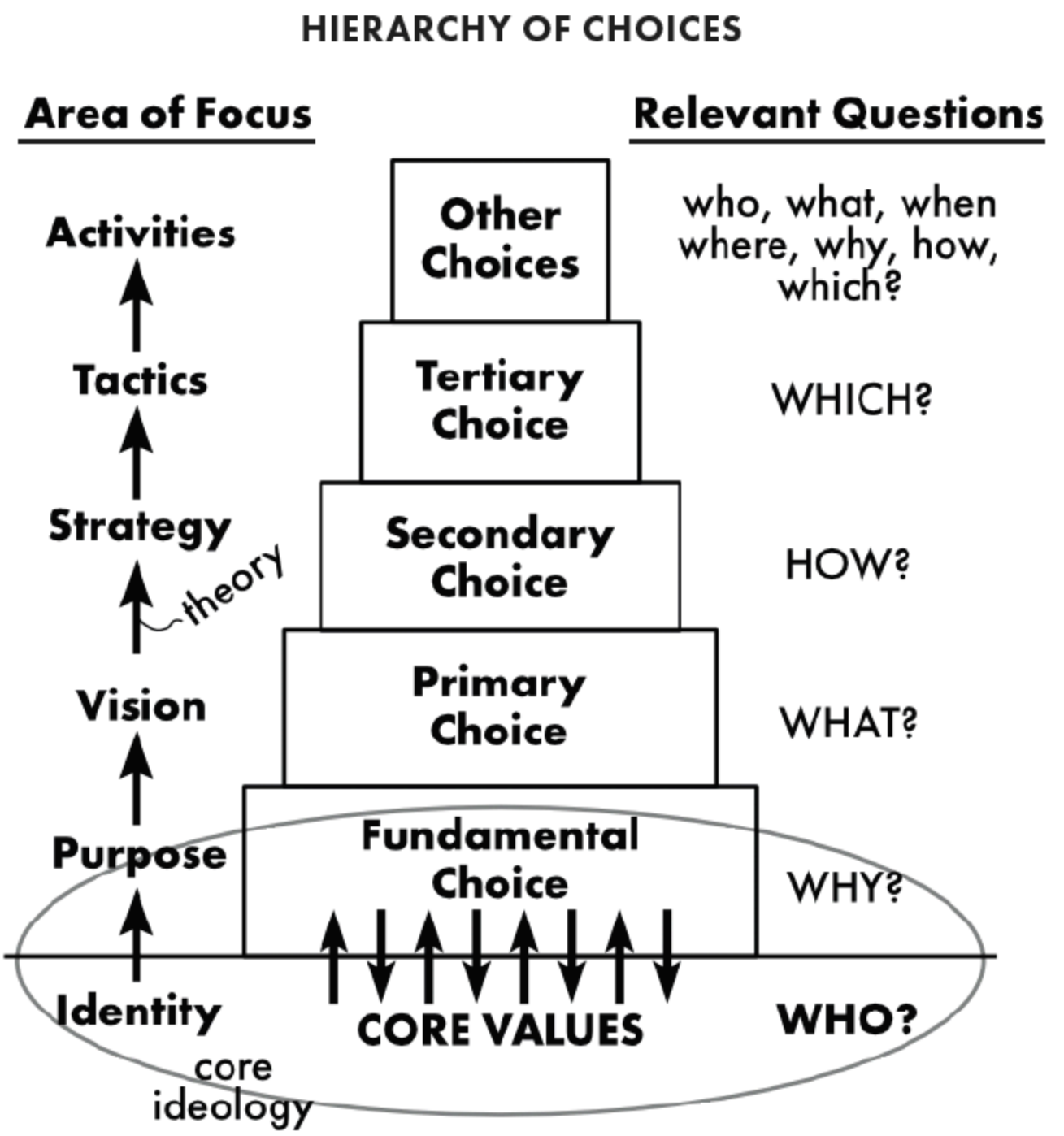
Ever since that moment, in every instance I have been asked to help with an organization's change efforts, my first step has been to guide them to step back and establish what will or should not change *before* embarking on the change itself. This work often involved clarifying or reaffirming the unchanging foundation and ground on which their organization stands, namely, their Purpose and Core Values, respectively. I then help them see the content of their change through the lens of another framework I developed which I refer to as the Hierarchy of Choices (HOC).

Hierarchy of Choices

I created this framework to provide an integrated, more holistic way to help guide any organizational change effort. This graphical representation is meant to convey the natural hierarchy of having certain choices established firmly† before building anything else on top of it. Purpose precedes Vision

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† *The distinction of Fundamental, Primary, and Secondary choices is drawn from the work of Robert Fritz in his book,* The Path of Least Resistance.



Source: Daniel H. Kim, Foresight as a Central Ethic of Leadership, Robert K Greenleaf Center for Servant Leadership

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and Vision should precede Strategy, and so on. However, the exception to this order is that the Purpose also precedes Core Values, at least in an organizational context. This means the Purpose (or Mission) of an organization is the firm foundation on which the whole organization is built, while the Core Values is like the ground that *supports* the foundation (not *determines* it). To determine the Core Values, one must answer the question "What values must we live by in order to pursue our Purpose most effectively?" Purpose and Core Values form the core ideology of the organization, and that is something that should be *conserved*, no matter how many or how big the change efforts are.

So, in the midst of all that is changing, we must shift our focus and ask ourselves what will not change, or more emphatically, what

must not change? This will require traveling down the Hierarchy of Choices to firmly establish one's own foundation and ground of Purpose and Core Values (core ideology). As an organization, we must be clear to our people about our core ideology and demonstrate our enduring commitment to it. This is an important part of what we refer to as the "container building" phase that creates the necessary conditions for any change effort to begin to take root.

The Role of Theory in Vision and Strategy

In this book, I emphasized the critical role that theory plays in our ability to learn. In the HOC, I highlight another important role that theory plays. As you can see, theory is inserted between Vision and Strategy in the HOC to indicate the instrumental role theory plays in translating visions into strategies. If Vision is the answer to the WHAT question, as in "What results do we truly care about creating?", and Strategy is the answer to the HOW question, as in "How do we achieve the Vision we set to create?", then Theory is about providing the Know-why answer to formulating the best strategy for achieving our desired vision. This places theory in the critically important role of helping us to realize our vision through the formulation of robust strategies.

Learning, But for What Purpose?

But what guides the formulation of a Vision and what makes it worth achieving? I share the Hierarchy of Choices framework because there is something absent in the first edition of this book that I feel is important to address. And that is the question of "What purpose does the learning serve?" The answer is largely implicit in that it is assumed that the learning is in service of something good and desirable. But, like all tools, we know that they can be used for good or evil. What determines their use is largely determined by the underlying purpose and core values of the wielder. Hence, the learning capabilities that is the focus of this book can be put to use in service of whatever the purpose is for the organization or the individual.

So, back to Maturana about the importance of what is conserved. When change is flying at us at unprecedented speed and from all

directions, it is hard to think of anything else other than to address what is being demanded of us in the immediate moment. However, if that is all we spend our time doing—dealing with the change—what can easily get lost are the things that MUST NOT change. For an individual, it may be their own personal sense of purpose and their own moral values that were instilled in them from an early age. For organizations, it is their core ideology that can and must provide the foundation and ground on which they can take a stand and enable them to navigate the change in a way they will be proud of.

The Rise of Artificial Generative Intelligence

The breakneck speed of AGI's progress in just the last five years has caught even the experts by surprise. People are grappling with the challenges and opportunities it poses for so many aspects of our lives. Like all major innovations, it comes with the promise of many new benefits as well as the threats that can cause major disruptions to the way things currently work.

When I was an undergraduate at the Massachusetts Institute of Technology in 1982, I majored in Electrical Engineering for practical reasons, but I chose Artificial Intelligence as a focal point and was successful in getting the director of the MIT AI Lab as my advisor. However, after taking several courses at the institution that was at the leading edge of AI research, I realized that the field was more *artificial* than *intelligent*. I concluded that the promises of AI were not going to happen in my lifetime, so shifted my focus to the field of *system dynamics* at the MIT Sloan School of Management, in which I earned my Ph.D. I felt I had been right for almost 40 years, but alas, AGI is here and beginning to deliver on its promises first made in the 1980s. I stand corrected!

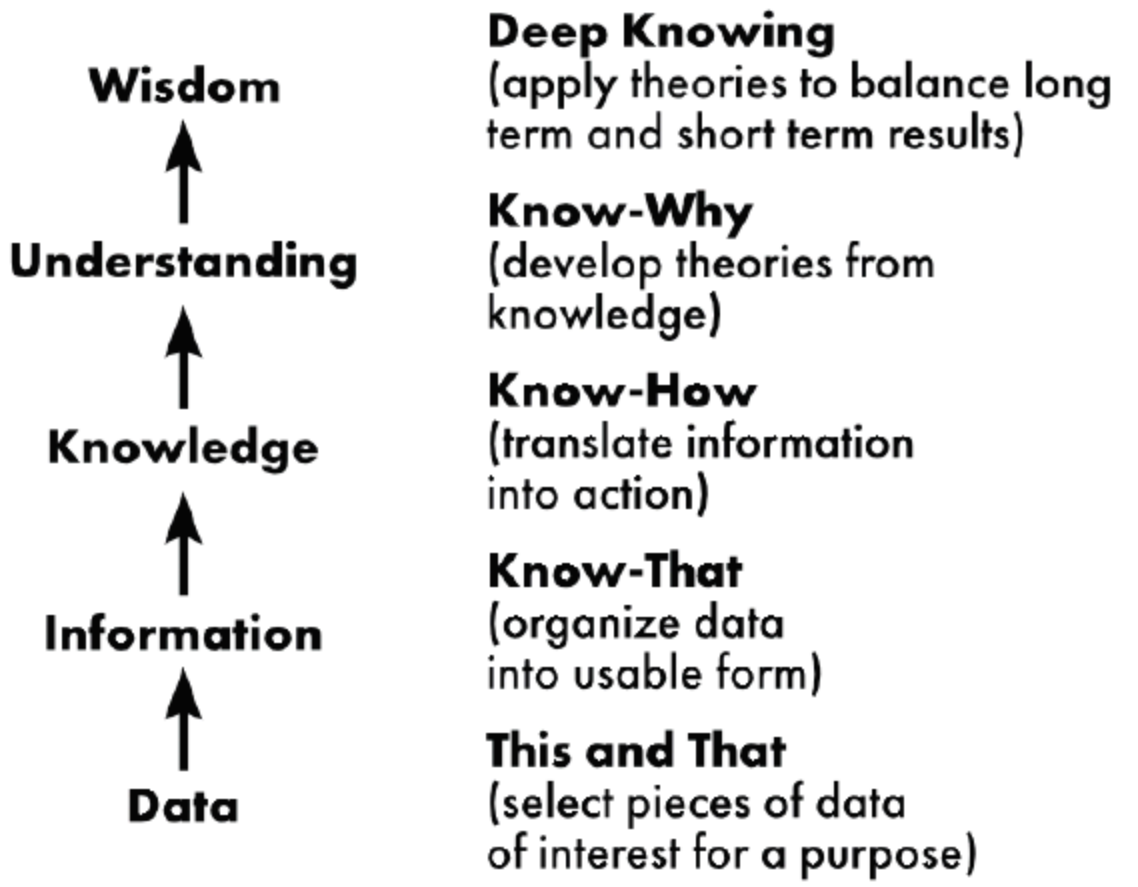
AGI is forcing us to ask some fundamental questions about ourselves, as humans individually and as a civilization collectively. If people are our most important assets, why do we keep treating them like expenses? What does it mean to be fully human? What makes something artificial versus real? What does it mean to be truly free? What is the purpose of a business, really? What is the responsibility of each country to the rest of the world? What is

the larger purpose to which every country should align its own purpose? What are the things that are worth pursuing and vital to let go of or contain? Why does it matter that we continue to exist as a species?

Levels of Knowing

I certainly do not have all the answers, but sometimes the question is the answer. That is one of the things we are learning in working with AGI systems, which is that our ability to tap all the knowledge they have access to depends on the quality of the questions we are able ask it. So, what guides our question-formulating process? In answering *that* question, another framework comes to mind which I learned from one of the giants in the field of systems thinking, Russell Ackoff. He distinguished between different levels of knowing to which I added my own interpretations. The levels range from Data (this and that) to Information (know-that) to Knowledge (know-how) to Understanding (know-why) to Wisdom (deep knowing). If we overlay the historical development of computing power, you can see that they have systematically been migrating upwards from helping us handle massive amounts of data to help-

THE LEVELS OF KNOWING



Based on the work of Russell Ackoff, Turning Learning Right Side Up, adapted by Daniel H. Kim

ing organize them into usable information. The development of expert systems represents its movement up to the level of Knowledge.

At each level, we can see how the computers freed us from being mired at the lower levels of knowing and enabled us to devote more time and attention to the higher levels. We did not totally relinquish our responsibility for the lower level, but our role shifted from doing to managing/supervising. The current AGI systems are moving towards helping us advance our own level of Understanding (know-why). For Ackoff, wisdom involves the ability to apply deep insight, judgment, and ethical considerations to make sound decisions and navigate complex situations. I translated that to mean a level of "deep knowing" and being able to apply theories that balance the long-term and short-term results (which requires deep insight, judgment, and ethical considerations).

In Service of Wisdom

So, what does it mean to be fully human? What is it that organizational learning should be in service of? And what are the things that must not change — i.e., must be conserved? Perhaps we must always remember that we build businesses, governments, organizations to be in service of our highest human ideals, and not the other way around. Perhaps what it means to be fully human is to be free, to do what we are innately born to do best—to learn. Nobody has to teach us to learn (if that were true, we may have gone extinct ages ago!). Left to our own devices, we are natural learners who learn what interests us most, and we have the ability to keep learning until the day we die. To be human is to learn. To put it another way, the minute we stop learning, we start dying and stop being human.

So, the existential threat of AGI is not that it will replace us, but rather that we allow it to stop us from doing what we do best—learning—because we believe somehow it has become better, faster, and more intelligent than us. That will be true only *if* we let it. However, we have seen at every progression up the Levels of Knowing, the advances in computing have enabled humans to focus more of our attention on the higher levels. In that view,

AGI can help us to shift more of our focus on the attainment and accumulation of wisdom, which may very well be a uniquely human capability.

My hope is that this second edition of *Organizing for Learning* can help you advance your own organizational learning aspirations, and may they be in service of advancing wisdom that will serve us all.

Daniel H. Kim

A Note About the Book Cover Design

The cover depicts a flock of birds flying in a V formation. By flying in this formation, with each bird flying slightly behind and to the side of the bird ahead, it takes advantage of the updraft created by the wingtip vortices of the bird in front, which reduces drag and saves energy. Research has shown that some birds even time their wingbeats to sync with these air currents. In addition to the extra lift, flying in a V lets each bird keep the ones ahead in view without the turbulence of a bird directly in front blocking their sightline, which helps the flock communicate and stay coordinated. It also allows the lead position to be rotated easily since that bird works hardest and tires fastest with the birds often swapping the front spot many times during long flights.

One could view their flying in V formation as an analogous strategy of "organizing for flying" in which the V provides a stable structure within which they are dynamically reorganizing as needed (depending on wind conditions, flight duration, and individual bird stamina) throughout their long journey. Titling this book "Organizing for Learning" conveys the importance of staying fluid and dynamic in contrast to the static structures that organization tends to connote. The goal of any entity should be to meet any challenge or pursue new opportunities relevant to it. Figuring out how best to dynamically organize should serve that goal. So, instead of thinking in terms of a learning organization, we should be in a continual state of organizing for learning.

Comments About the Japanese Translation Notes

A Japanese translation of Organizing for Learning was recently published by Toyo Keizai Inc publishers. They had signed on Professor Tsutomu Harada of Kobe University as the translator. I was so impressed by what he wrote in his commentaries for each of the three parts of the book as well as the Afterword that I obtained permission to include them in this second edition.

I believe he adds valuable new insights to what I wrote by providing his own take on why my book is still relevant today 25 years after its initial publication. I found his exposition on the differences and continuities between Peter Senge's approach and my approach particularly illuminating. He helped me see my own work more clearly by juxtaposing Senge's approach as "capability building" and "a *practical system* for transforming the organizational constitution of learning" next to my approach as "theory building" and "a *theoretical system* for transforming the structure of learning plus practical tools" in dealing with the same theme of a learning organization. I also believe that his comments about applying my ideas to Japanese firms is relevant to all firms in general as he highlights the need to shift from an "implicit learning culture" to a "designed learning culture."

Tsutomu Harada is a professor at the Graduate School of Business Administration, Kobe University. He holds a Ph.D. in Economics from Stanford University and a Ph.D. in Business Administration from Kobe University. His areas of specialization include business strategy, innovation economics, and innovation management.