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The role of leadership in facilitating Organisational Learning and collective capacity building

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Abstract

The paper examines the role of leadership in facilitating collective learning and capacity building by utilising ideas from the fields of evolutionary learning, operations strategy, quality, project and risk management. Two contrasting cases are chosen to show how success and failure can depend upon collective capacity building through participative leadership and Organisational Learning (OL). The bulk of the literature surveyed concerns evolutionary OL in particular those that involve leadership which is rather a new development in this field. The paper welcomes the new trend but warns against the overenthusiastic views that ignore the reservations of the mainstream evolutionary/complexity perspective.

1 Introduction

The paper examines the relevant features of Organisational Learning (OL) as distinct from Learning Organisations (LO). To distinguish the two, it is sufficed to refer to Easterby-Smith quoted in Stacy (2007): 'OL has concentrated on the detached observation and analysis of the processes involved in individual and collective learning inside organisations'. On the other hand, LO is concerned with methodological tools which can help to identify, promote and evaluate the quality of learning processes inside organisations. Accordingly, OL is interested in mechanism and processes of learning, whereas LO is keen on normative methods of changing the organisation to achieve better learning capabilities. Rapid change is probably the reason why evolutionary thinkers value OL more. With a rapid change, the label LO does not last long, whereas OL lasts forever by being able to respond to the environmental change and self-renewal (autopoiesis). However, the pace of change these days is a challenge for the adaptive OL too. This is simply because the rapid change forces the organisations to improvise without learning, i.e. without being able to use the material developed in a further phase. Shooting while running or sailing on a boat that is under construction are allegories for modern day learning: Hence, the importance of mimetic (quick) learning and attractors (relative stability or broad equilibrium) in complexity/evolutionary literature. The modern evolutionary literature

gives the attractors the pride of the place as they provide simple patterns for the leaders to act upon. However, the traditional evolutionary OL has largely bypassed the role of leadership. Therefore, the paper begins with the concepts of leadership to highlight the importance of leadership as an evolving issue that moves from emphasising personality traits to a facilitative role (Section 2). Section 3 looks at the relevant aspects of evolutionary OL including co-evolutionary and communal evolutionary learning. It also introduces the new thinking in these fields that embrace leadership. Section 4 highlights the role of operations strategy as an ally to modern evolutionary OL and as an aid to leadership in facilitating collective or communal learning. Section 5 presents two cases that highlight the value of learning and leadership to create successful organisations. Section 6, the discussion, endeavours to bridge the gap between the old and The new-school evolutionary OL in terms of leadership. Section 7 concludes.

2 Concepts of leadership: personality traits to facilitative leadership

Interest in leadership predates OL and is still more popular than learning. This is probably because we have been told since the school days that leaders are born with special traits, which presumably cannot be acquired through learning. Such views are still deeply entrenched despite a veritable growth in OL. The following sketches the different leadership styles from the most individualistic to the most participative or communal leadership.

Born-leader theory or great-man theories assume that the capacity for leadership is inherent and not developed. These theories often portray great leaders as heroic, mythic, and destined to rise to leadership (Rowe, 2006). Such terms were used in old days because leadership was thought of primarily as a male quality, especially in terms of military leadership ignoring women as a whole. Theories of trait belong to the same family of ideologies as the born-leader theory but are a little more adaptive. McCall and Lombardo (1983), provide the following four traits: emotional stability and composure, admitting errors, good interpersonal skills, and intellectual breadth. Here, the main stumbling block is that the people may possess these traits but never rise to leadership. There are also problems in cross-cultural context (Casimir and Waldman, 2007). Contingency theories focus on particular variables related to the environment that might determine which particular style of leadership is best suited for the situation. In contingency theories, no leadership style is best in all situations. Success depends upon a number of variables, including the leadership style, qualities of the followers and aspects of the situation. Situational theories are similar

(Hersey, Blanchard and Johnson, 2007). The importance of situation is best illustrated by Rowe's (2006) warning about heroic leaders who may apply the right ideas but in wrong circumstances (Cognitive Resource Theories also belong to this category, see Fiedler, 1995).

Behavioural or evolutionary leadership theories are based on the belief that the leaders are made, not born. Rooted in behaviourism, these leadership theories focus on the actions of leaders, not on the mental qualities or internal states. According to this theory, people can learn to become leaders through teaching and observation (de Jong and Deanne, 2007). Participative leadership theories encourage participation and contributions from members of the organisation and help them feel more relevant and committed to the decision-making process. However, in participative theories, the leader retains the right to allow the input of others. Participative leadership can take different forms, including consultation, joint decision making and delegation (Yukl, 2002).

Transactional or management theories focus on the role of supervision, organisation and group performance. These theories base leadership on a system of reward and punishment, which are often used in business (See Bass, 1990 for contrast with Transformational leadership and Green, 2007, for both combining and contrasting transactional and transformational leadership). Transformational (relationship) theories focus on the connections formed between the leaders and the followers. These leaders motivate and inspire people by helping the group members to see the importance and higher good of the task. Transformational leaders are focused on the performance of group members, but also want each person to fulfil his or her potential. These leaders often have high ethical and moral standards (for a critique of transformational leadership in terms of ethics, see Currie and Lockett, 2007).

3 Evolutionary learning

3.1 Learning and evolutionary dilemmas

The connection between natural selection and learning is nearly a century old. It was rediscovered by Hinton and Nowlan (1987), and was given a more organisational context by Belew (1990) who added 'culture' to their findings. For biotic evolution, not all traits are genetically fixed; some are fixed but others are unspecified and must be learned during an organism's lifetime. The existence of this natural capacity for learning encourages organisation thinkers such as Levinthal (1991) to argue that

learning and selection are fundamentally interdependent processes. Levinthal is one of the few old school evolutionary thinkers who grant a more organised role to adaptive learning and leadership (Piranfar, 2006). In contrast, many selectionists believe in random learning (Nonaka, 1991). Nonaka claims that a random chat over a can of beer led Cannon to develop the mini-copier. Random learning is central to self-organisation which minimises the role of leadership. However, self-organisation, is not the exclusive territory of the selectionists, as adaptationists too are interested in self-organisation. According to Hinton and Nowlan, (1987) an evolutionary process is more effective if new *organisational forms* inherit only some fixed routines from previously successful organisations, while letting others remain open to OL. Learning makes the search for fitness or success easier. They note that learning is not just a matter of survival; it guides and leads the search through alleles (Sequences that code for a gene) or routines in organisational terms. The learned routines (variant alleles) that contribute to a high fitness level (success routines) in an organisational form spread rapidly through a population (Holland, 1992). But learning is not without a cost. Levinthal and March (1981) see cost in conventional terms such as research expenses. The *Red Queen* effect that the competitors may benefit from our learning is another cost (Barnett and Hansen, 1996, point out that many Illinois banks failed because of this effect). But the more intriguing view of cost is the loss of complexity or, let's say, wholeness that comes with randomness. In a non-technical language this means the loss of diversity and hence the ability to evolve. For Mayley (1996) learning is phenotypal (local and physical) and contrasts with the genotypal change (global and population evolution). The contrast is also discussed in Artificial Life (See Anderson, 1995) Holland's (1992) Classifier Systems take a similar approach by emphasising the local rules within a system rather than a population of systems.

Evolutionary dilemmas are not limited to the contradictory states of global vs. local. Performance measures and quick learning vs. in-depth learning pose another dilemma. For Levinthal and March (1981), efficiency and performance are short-term and represent first-order learning. In the second order, the environment is ambiguous, the goal posts begin to move and behaviour is constantly adapted to changing goals which result from success, failure, and the managers' *aspiration* levels.

Success and failure which will be revisited in relation to Karl Weick below is a major dilemma. March (1988) takes up the success history of organisations discussed in the above paper to highlight history-dependence and the dialectics of decay and

renewal: accumulated success and reputation in comparison to failure reduce risk taking and make efficiency seeking based on the old knowledge a prominent concern. On the other hand, failure enhances risk taking and the chance of renewal. Lant (1992) studies four industries and concludes that as learning evolves the discrepancy between leaders' aspirations and attainment begins to decline.

3.2 Cooperative forms of evolutionary learning

In these forms, two or more populations cooperate to evolve together. Reliant on common resources they can influence each other directly or indirectly through resources. The example is often cited of acacia trees and the bees. They evolve together. Bees need the numerous holes in acacia to house themselves and acacias need bees to fight off the pernicious insects who feast on acacias. Complementary businesses incarnated in strategic alliances do the same. Similarly, managers and the people need each other in a democratic evolution. To extrapolate, one could argue the same for the co-evolution of trade unions and capitalism in a developed country. Baum and Singh (1994) contain several interesting research works on co-evolution. Co-evolution may involve more than two populations and include some sub-populations, becoming nearly a community. Barnett (1994) defines communities as 'collectivities of organisations united through the bond of commensalism or symbiosis'. Britain (1994) has studied the semi-conductor populations using an extended version of Lotka-Volterra model of density. Britain's main finding is that when the constraint of resources (carrying capacity) is relaxed both entry and exit rates tend to increase inviting the wider influence of the environment. Barnett's (1994) study of independent telephone companies vs. the monopoly power of Bell, displays a similar outlook. The study could be regarded as a co-evolution between the community of independents on the one hand, and the giant Bell on the other. He prefers the work community probably because the symbiosis lessens the vulnerability to the exogenous environment. As in other evolutionary issues, there is a dilemma. How can an organisation risk playing with its communal identity without facing the legitimacy sanctions imposed by the community? Dobrev and Ozdemir (2006) have provided interesting insights into the community evolution of financial institutions in Singapore.

3.3 Is there a role for leadership from complexity/evolutionary perspective?

As it was pointed out earlier, evolutionary thinkers are rarely conversant with leadership; those who do often emphasise the complexity aspect of evolutionary thinking. Schneider and Somers (2006) find difficulties in linking leadership and

learning. Boal and Schultz (2007) are aware of such feelings: 'seemingly, there is no role for strategic leadership in complex adaptive systems because the system self-organises'. The problem arises because the evolutionary/complexity world is beginning to split into two groups: those who rely on management science and control and those who seek normative approach by sacrificing individual choice. Those who stress participative leadership advocate leadership as distinct from managerial control. They simplify complexity by offering 'simple rules'. They do so by resorting to a great deal of mysticism typical of Senge et al. (2004). Wheatley (1999) is a good example of passionate immersion in participative communal leadership and self-organisation. Those like Schneider and Somers (2006) who approach the fire of self-organisation and 'collective spirit' with caution end up with inconsistencies, for instance, warning against the 'dark side' of self-organisation.

The old school evolutionary theorists tended to work out the learning dilemmas by finding an optimal route using simulation, which left the execution to the managers. For example, in dealing with OL, they tackle the dilemma of exploitation vs. exploration to find a balanced combination upon which the manager acts (March, 1991; Levinthal and March, 1993; Warglen, 1995). In discussing convergence and reorientation, a parallel dilemma, Tushman and Romanelli (1985) are a bit more generous; they elevate some aspects of management to executive leadership. Further, Tushman, Newman and Romanelli (1986), push the importance of executive leadership even further, assigning causality for successful performance and adaptation to visionary leadership. Lant and Mezias (1992) distinguish themselves from Tushman and Romanelli in concluding controversially that: learning and innovation are the outcome of routines and there is little scope for leaders or the top management. However, to compensate they emphasise the management role. Quoting March (1981) who sees the top management position as random and faceless, they distinguish themselves from this 'nihilistic' view and assert that 'it is important to make clear that our view of the role of leadership is quite distinct from the nihilistic conclusion that managers do not matter'. Managers seem to matter but 'system dynamics limit the frontiers of individual efficacy and the possibilities for managerial leadership'. Managerial leaders are only assigned a short-term copying and learning role (Mezias and Lant, 1994), which is known as mimetic learning. Some still frown upon this but it is more acceptable now. People with industrial experience like Burgelman et al. (2004) believe that mimetic learning is a huge technological achievement. It requires a great deal of recombination and absorptive capacity. Among the examples of successful quick learning and imitation are: IBM

(personal computer), Matsushita (VHS video recorders), Seiko (quartz watch) and more prominently Boeing who copied the British De Havilland successfully for a long time. Copying is easy but utilising the technology is hard. Putting somebody else's technology and routines to work requires absorptive capacity as proposed by Levinthal. This requires spotting and training the gate keepers (information leaders) and skilled workers collectively. In addition, the leaders must be able to spot the existing complementary competence or create it. The Burgelman collection highlights the role of Intel's directors who allow the middle managers to enjoy autonomy needed for innovation.

The new school evolutionary/complexity thinkers often resort to Kauffman and Oliva's (1995) complex adaptive system, which is more adaptive than selective. Wheatley (1999) focused on complexity issues such as autopoietic systems, paradoxical perspectives, non-linearity, field theory (attractors) and fractal organisation patterns. The term autopoietic refers to systems that maintain and regenerate their components in the course of their operation (self-organisation). Organisationally, this means that leaders will try to maintain organisations as identifiable entities over time, while changing and adapting to meet future demands. She applies this principle to social communities rather than just business firms. In a recent interview she gives examples of how people in South Africa, Zimbabwe and Bangladesh organise their own affairs. For her Muhammad Yunus, the founder of Grameen Bank exemplifies such leadership (Madsen and Hammond, 2005).

In Wheatley, paradoxical perspectives involve destruction – creation, innovation – continuity and certainty – uncertainty. Leaders can push the boundaries to allow for innovation and offer confidence amid uncertainty and ambiguity. However, Luscher, Lewis and Ingram (2006) find that unravelling paradoxes lead to more ambiguities and paradoxes. Smith and Graetz's (2006), give the same view a more leader-friendly look: leaders can tackle paradoxes as long as they create the right conditions in which the paradoxes can lead to a self-organisation. Accordingly, the leaders do not kill dualities and ambiguities. They rather allow them to manoeuvre the system towards equilibrium or the state of strange attractors.

Fields, attractors and fractals are all complexity (chaos) terms that imply some sort of recognisable patterns. Most of these belong to the realm of chaos but the ones that are more recognisable are called strange attractors that tend to happen at the edge of chaos. By changing the parameters, chaos mathematicians can move from chaos

to the edge of chaos to locate strange attractors which are akin to economists' equilibrium. In classical economics, oversupply reduces the price. With low price the demand goes up pulling up the prices to equilibrium. In marketing, a similar mechanism (negative feedback) can push back the two major competitors to their relative positions. It is the positive feedback that makes complexity complex by exaggerating the initial impulse. In financial markets, it is easier to see how positive feedbacks operate to exaggerate responses through, for example, herd mentality, denying a clear attractor. It is thought that the institutional investors (oligopolists) who deal in oil futures act as the leaders to pull the masses of trading herds towards equilibrium prices that can be regarded as strange attractors (Piranfar, forthcoming). Fields and attractors in Wheatley (1992, 1999) are the place and purpose of vision and values and Fractals are recognisable and simple patterns that help leaders with decision-making. Non-linearity of the complex world is one of the reasons that she invites leaders to follow simple rules. Simple rules are extracted from complexity science which accordingly suits the participant leaders. She says participation is healthy and non-participation isolates leaders. Griffin (2002) is critical of Wheatley's vision which reminds him of oriental mysticism. Her 'living organisations' is criticised by Griffin because they dissolve the leadership denying individual autonomy.

Lewin and Regine (2000) drawing on Stuart Kauffman also see organisations as living systems. Individuals are autonomous and have options to participate in the 'collective soul' of the living organisation which is healthy or can be selfish which then could damage the organisation. Leaders must undergo the painful change of personality to leave the illusion of control. At the same time, the leaders must change the culture, which of course goes against relaxing control. Like Wheatley, they support the concept of simple rules by resorting to the simulation of flocking birds. However, the simulation they refer to considers homogenous birds which are not the same as the heterogeneous individuals that populate human organisations. Pascale, Milleman and Gioja (2000) use leadership vision to drive the organisation similar to Wheatley. They understand the science of complex adaptive systems but use vision in a metaphorical sense to identify strange attractors (equilibrium). The operational leadership applies in conditions of relative equilibrium. Adaptive leadership is strategic. The individual leader must choose the appropriate form of leadership. Unlike Wheatley but a bit similar to Lewin and Regine, they appreciate conflict as an important part in relationships within this living organisation. Adaptive leaders do not stifle tension and conflict; they keep up the tension until people find solutions. This situation at the edge of chaos is conducive to self-organisation but is rather difficult to

sell. This is the sort of situation that Schneider and Somers (2006) see as the dark side warning against the type of anarchy that ruined Yugoslavia.

Schneider and Somers (2006) spouse Kauffman's Complex adaptive systems. Drawing on his NK model and Gell-Man's ideas they specify four variables: N (number of elements), K (inter-relatedness within a system), C (inter-relatedness across systems), and P (common schemata shared by sub-units). It is the latter that they translate into organisational identity using it as a medium for the leadership to influence the variables. For example, leadership might increase the number of organisational sub-units, to add new and varied sources of identity (increase variable N).

While Schneider and Somers (2006) are worried about the implications of self-organisation, Boal and Schultz (2007) embrace the concept: 'strategic leaders play a crucial role in moving organisations to the 'edge of chaos' and aid in OL and adaptation by influencing the tags that produce the structure of interactions among organisational agents'. In Boal and Schultz memes (tags) replace genes, long-term learning replaces short-term learning and story telling is the thread that connects the leaders and the people. For more features of evolutionary leadership see Fairholm (2004).

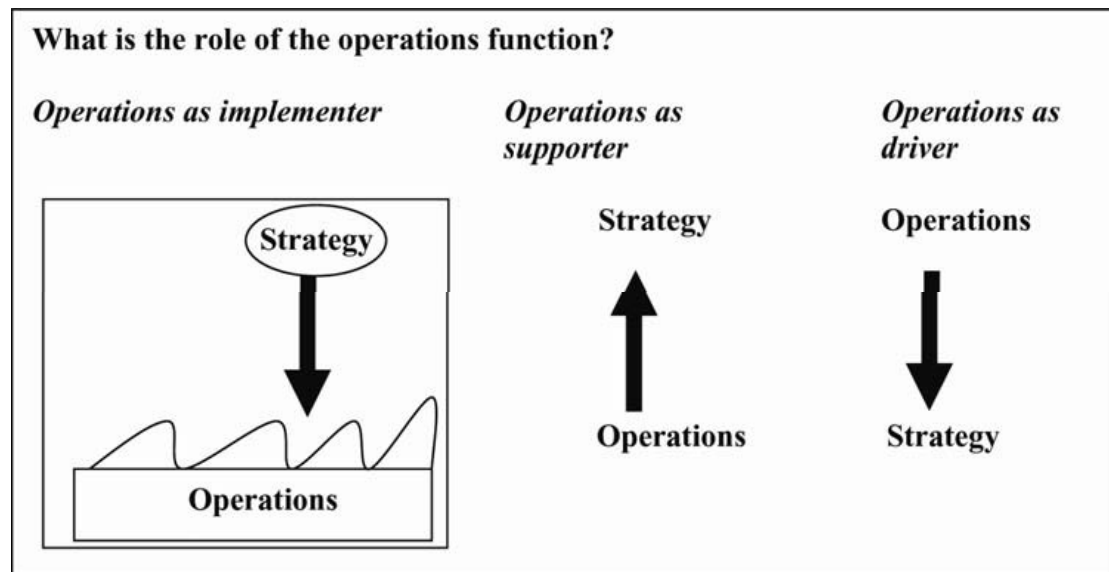
4 Operations strategy

Traditionally, the operations textbooks with more emphasis on production had little to do with strategy and leadership. Operations meant implementation. Gradually, these texts are evolving to establish links with strategy and even giving prominence to operations. The influence of evolutionary thinking is hard to deny. One of the earlier versions of Slack is shown in Figure 1.

These are formally presented as options that the leadership of an organisation can choose to place operations in relation to strategy. However as time goes by, the options turn into an evolutionary route or history of development. In their operations strategy, Slack and Lewis (2002) and in their operations management Slack, Chambers and Johnston (2004) argue that acquiring strategic content is one of the two greatest developments in operations management. Hayes and Wheelwright describe the evolutionary movement as the aspiration of operations management (Hayes, Pisano and Upton, 2005). It is likely that this evolving role is somehow related to the domination of service sectors in the economy and the increasing role of

operations in services. Since, its production-oriented days operations textbooks have gone a long way to accommodate Quality Management (QM), technology and now risk management. Basel II, the international agreement for transparency and risk has given a prominent role to what is called 'operational risks' which is now at the heart of banking operations. Issues of disruptions and the need for business continuity have given another lift to the operations strategic role in current business. These developments allied to QM have put a great emphasis on grass root activities as a starting point for leading organisations in a customer-oriented manner.

Figure 1 Alternative roles of operations



Source: Based on Slack (2001).

These three options are explained in Slack (2001) as shown in Table 1.

Table 1 The relationship between Operations and strategy

The three key attributes of operations	Operations contribution
Implementing	Be dependable, operationalise strategy and explain practicalities
Supporting	Be appropriate, understand strategy and contribute to decisions
Driving	Be innovative, provide foundation of strategy develop long-term capabilities

Source: Slack (2001).

Karl Weick, no admirer of QM(a big part of operations management), has nonetheless developed a set of principles for organisational leadership that heavily emphasises operations. Attention to operations in Weick becomes an issue for leadership and people involvement. Here, it must be clarified that Weick's five principles that distinguish 'high reliability' companies are not intended to supporting operations leadership against strategic leadership. They go beyond such interdepartmental squabbles as will be explained. These principles discussed in Weick and Suttcliffe (2001) are as follows:

- 1 preoccupation with failure
- 2 reluctance to simplify interpretations
- 3 sensitivity to operations
- 4 commitment to resilience
- 5 deference to expertise.

Sensitivity to operations in this context is part and parcel of 'failure tolerance' which means that the top managers must allow people at lower levels to experiment, succeed and fail. Activity-based thinking has a long root in Weick. In his sense-making, Weick (1995) emphasises enactment and the role of story telling in communities of practice as processes of sense-making. Sense-making for Weick is both an individual and social activity. It is rooted in identity construction where identities are constructed in the process of interaction among people. People create and enact their reality together. As a result, he puts a great emphasis on talk or conversation and narratives. From these interactions, people catch a cue to what the future holds.

So far, it was shown that the evolutionary/complexity thinking has evolved to embrace the role of leadership in particular participative leadership. This development follows systems thinking in particular complex adaptive systems with an emphasis on communications. Storytelling, narratives and identity building are fundamental to collective capacity building. However, the content of stories tends to be ambiguous verging on mysticism. To give it a pragmatic sense, the new developments in operations management was brought in to show that people can talk about their feelings as well as their work. The following two abridged cases support these theoretical findings. Case 1 is all about operations. It shows how channels of communications between leaders and operators are blocked. Case 2 is

an example of participative leadership where the leader seeks strength from listening to people, interacting with them and changing his view without losing control.

5 The cases

5.1 Case 1: The Union Pacific (UP)/Southern Pacific (SP) merger

During October 1997, Business week signalled the failure of UP manager Davidson to manage the merged company. UP had approved the merger in August 1996 hoping that its experts could help the declining SP. Not long after the formal acquisition in September 1996 the vaunted expertise began to unravel. The responses made things worse. The expectation that safe operation would continue on the merged system, proved to be unfounded. During the first eight months of 1997, four employees were killed in rail-yard accidents. Between June 22 and September 11, 1997, railroad experienced six major collisions that resulted in the deaths of another five employees and two trespassers. Sixty federal regulators started riding the trains and watching dispatchers as a result of these accidents. Among other findings, they found that the crews were on duty longer than allowed by law, equipment had not been maintained, and dispatchers were unfamiliar with regions to which they had been assigned. These conditions were due in a large part to swift cuts in personnel shortly after the merger. As a result of these cuts, fatigue, poor maintenance and slow dispatching had become issues because management underestimated the number of people needed to run the merged railroad. For example, on October 29, in Navasota, a southbound freight from North Platte, smashed into the rear of a stopped unit rock train. Evidence suggested that the engineer and conductor on the North Platte train had gone on duty after only eight hours of rest and had fallen asleep. Shippers were also unhappy due to delays, shipment loss and the slowdown despite growing numbers of trains. Trains were stuck in sidings without locomotives, which amounted to 161 in one case. Trains that did have locomotives still could not move due to manpower shortage or lack of parking facilities. Since all the sidings were full, movement on the single track mainline was possible in only one direction. The system was gridlocked as far away as Chicago.

Much of this meltdown could be traced to one spot, the Englewood classification yard in Houston. When SP ran this facility, they kept it moving by workarounds that involved moving some of the classification to satellite yards, and by sorting some cars down line, away from yards, by a technique called block-swapping. This tactic

involved sending trains with cars for mixed destinations and swapping on route according to destination.

When UP took over the operation of Englewood, they moved all this satellite classification back to the Englewood yard, where it could be centralised, which led to massive congestion. UP sent more managers and more engines to break the logjam, but all this did was plug up the system even more. What makes all this so puzzling is that it occurred on the watch of a self-proclaimed 'operations guy'. Davidson had been a railroader all his life. He had been vice president of operations for UP in 1982 when it merged with the Missouri Pacific Railroad. Davidson had been courted by the Burlington Northern in 1994 to straighten out its operations problems. □ And yet here is Davidson, finally, the top person at the railroad, and he cannot get the trains to run on time. Why not? The problems were variously attributed to blizzards, flash floods, derailments, surge in plastics traffic, Hurricane Danny, poorly maintained SP equipment, and so on. In the eyes of top management, the UP and its system were the victims, not the culprits....

The UP clearly had a growth strategy in place. Just two years before formalising the SP merger, it had acquired the 5,000 mile-long Chicago and North Western Railroad (CNW). Even though that earlier consolidation had big problems, top management ignored the early warning signs that the strategy was flawed, and used that same strategy to fold in the SP operations. The fact of poor implementation was not that hard to see. An observer described the UP-CNW merger as an 'ugly operational situation' a pattern to be repeated with the SP merger. UP did not listen to the locals when those people described what had worked for them. For example, CNW had used barges in harvest time to keep operations moving. When UP took over the CNW, management abandoned this practice, used rail to move the grain, and promptly congested the rail lines. Shipments throughout the system were delayed and complaints soared. Ironically, in support of their application to acquire SP, UP executives argued that they had 'learned a lot' from their experience with CNW. In an even stranger twist of logic, they also argued that their problems with CNW would be solved if they were allowed to merge with SP. This reasoning fairly reeks of potential for trouble to escalate (positive feedback in complexity). Hence, there were early and ample signs that the UP did not understand either itself or its environment. And with less understanding, there should be more surprises and less adequate coping with any of them (Weick, 2001).

5.2 Case 2 merging two divisions in a large service company

The divisions were called National and International. One thousand and five hundred people and 40 regional sales offices were involved. They had a history of sharing their sales departments but then the International division decided to have their own sales units which resulted in the employees choosing between the two. Despite sharing facilities, a chasm developed: the 'International elite' with better pay and the 'workers' who were envious. At this stage, the author took over the sales units of the National. Although the pay difference was not much the National people gossiped about the International as 'ladies with the pearl necklace'. With the author in the Board of Directors, the company decided to cut costs through cooperation between the two divisions. The director of the International was not present. This was not a worked out plan. Gerard, at the head of the commercial division ran the sales and marketing strategy even though the author was responsible for the national sales. Gerald and the author informed the International about their decision to establish cooperation but they were not pleased. Meantime the author informed their Staff Council (similar to trade unions in the UK). Genevieve called the author in the mid-January to tell him that Robert the Head of International Division is not interested in cooperation and wants to improve his department by selling mostly through the internet and reducing the work force. The people in the International got wind of this and stopped sales that afternoon. In his division, the National, they had 100 plus sales and information people who got worried as a result: 'today it is their turn tomorrow ours'. The plan to increase the internet sales from 6 to 60% was distressful which resulted in staff Council to withdraw cooperation. Robert as the new head of his department moved to the Executive Board which opened up conversation with the author but he was still his own man.

In October, 12 months later, the author had lunch with Robert and explained the reason he kept his distance from him. He gave his reasons for being aloof: his predecessor had warned him not to trust them and not to give away any plans in advance to their division. In the end, the internet sales did not move up more than 8% which necessitated the cooperation to integrate the two separate sales groups. More conversations with Robert led to new dialogue with the Council. With no redundancies in horizon the International offered a quick integration in three places where work was needed. His Staff Council agreed given that the returnees from the International would be at the bottom of seniority. The National staff, somewhat feeding on the old jealousy began to call the new comers 'second class citizens' and

'rubbish'. The power relations were shifting. When the International began to close offices, the operations people protested. The Nationals would refuse to accept the International employees and there were arguments that the clients would be disadvantaged. In January after 15 months, they started talking to the Councils and other directors. When some people aired mistrust in the author, he reminded them of the plan for redundancies of at least 150 people. There was agreement to participate in presentations and discussions. After some lacklustre small group meetings here and there I attended an 80-strong meeting in the kitchen where things could be more friendly. Perhaps as a result, the discussion had shifted to the Internationals strategy which at the time did not exist. The Nationals had a formal meeting seething with hostility. We collected the arguments to study and contact them. Later the author was informed by Brent that unlike his perceptions, they had in fact enjoyed the meeting where the Managing Director participated and had actually talked with the members of the International.

On this basis the author decided to organise meetings in 10 different locations between the two groups. He consulted Robert and agreed to invite the Staff Councils. But to his surprise, the Councils disagreed as they felt the whole country would be involved undermining their position. As a result, they had to make a management decision to carry on. The author thought the top management involvement and interaction with the middle managers would be beneficial. Our role would only be facilitating the operators and sorting out conflicts. Even so we had to hire an expert to facilitate meetings and feedbacks. It was surprising to see the members of the erstwhile hostile groups were presenting together and having lively exchange of views. Listening to these, it was clear that some trust in leadership was emerging. Although the presentations were arranged in a way that each group would absorb the presentations of six other groups it was decided that the local groups should have relative independence as the markets for them were different. Eight generic subjects were chosen by the facilitator to be discussed in mixed meetings during the afternoon. Despite some protests that a few of the topics included were not covered during the morning sessions public agreement was reached that they should now proceed with the legal documents to complete the merger. Abridged by this author from Nol Groot: 'Strategic Development of a Merger', in Stacey (2007).

6 Discussion

The traditional evolutionary thinkers are concerned only with how biotic forms emerge, learn, grow and die, and not how they die under a bad leadership.

Leadership is assumed to be managerial in nature and is only capable of short-term learning. It was argued in this paper that the short-term learning by the leaders could have paved the way towards the emergence of the new school evolutionary thinking that put leadership on the agenda. A selection of their views was presented. The main issue for them is to harmonise the interaction among people but mostly between leaders and the followers. Conversation, story-telling, or dialogue seems to be the only method to achieve this. There is a great deal of mathematics, mysticism and plain wishful thinking. They speak of collective soul in a path dependent business environment that does not easily yield to idealism. Encouraged by the concepts of action learning and Sidney Winters dialogue with QM the paper suggests that collective capacity building can be achieved in a pragmatic fashion by using frameworks of QM, project management and risk management where a great deal of group learning methods have already been developed. Instead of importing oriental mysticism, we can learn from Quality Circles (QCs) in Japan where QCs and cross-departmental teams have always involved people and the leadership on a formal basis. QCs do not exclude storytelling; rather, they stimulate them. Winter (1994), a pioneer in complexity, took a great initiative by discussing 'how quality can meet evolution'. The relationship is based on continuous improvement common to both QM and evolution. They both desire to remove the stagnant routines and promote the successful ones: 'A systematic scrutiny of the prevailing routines (by QM) might very well turn up major opportunities for improvement'.

However, the point he misses out is the role of leadership in smelling out the stagnant routines. QM emphasises leadership by insisting on a strategic role for it. However, the power does not isolate the quality manager. QM has a tested and proven method to establish communications: QCs that are often cross-departmental create the success stories that percolate upwards to the top management which can then flow company-wide through QM. QCs as practiced in Japan would in a way be at home with Wheatley's idealistic communities of practice. Juran, a quality guru, sees QCs as craft which essentially means multi-skilling. They improvise solutions in teams that are frequently adopted as new routines. The reason lies with the fact that their experiments are systematic, disciplined and well-organised (see Miner, Bassoff and Moorman, 2001 on improvisation). Clearly, to guide systematic experiments, we need leadership that can mediate between the operators and the strategy-makers.

Project management is another way that can direct learning and leadership with long term company wide benefits. One of the few benefits of wild or chaotic improvisations

is that the people are involved in different projects and are able to carry their short-term skills in improvisation from one project to another. If a routine succeeds in more than one project it will have a better chance to gain in retention and be company wide. In Kauffman's rugged landscapes (Levinthal, 1994), this may still mean moving from one locality to another (locality trap) without climbing to the global heights (of generalised knowledge). Learning in projects can be temporal or spread between the projects as in Virkkunen and Ahonen's (2004) 'competence laboratories' and 'learning by expanding'. The main features of this learning are collective learning, intervention by managers and adaptive learning as phases of activities evolve. Like QCs, projects bring people from different departments together and are a source of interaction advocated by complexity as part of self-organisation. The tensions with the main organisation can also satisfy the innovation criteria advocated by some complexity theories (Bourne, L. and Walker, D.H.T, 2005). Of course, this is risky and tact should be exercised.

Unlike project management, risk management is becoming a permanent feature of organisations. It is a source of long-term learning. As in QM, risk management in particular integrated risk management, requires cross-departmental cooperation and a top position for the Risk Officer. The recent calamities whether environmental (floods), political or financial have led to the Basel II accord and call for transparency and risk management. This is costly for companies and society but at the same time, it is a great opportunity to learn. Tackling risk and uncertainty is a great source for developing learning culture and can only succeed if risk awareness becomes organisation-wide. The rapid growth of integrated risk management has become a valuable source of lifting knowledge and learning from local to global. Pulling risks from different departments and activity centres not only makes risk less costly (economy of scale), but also creates a sense of responsibility and openness across the enterprise. It translates the risk concerns that occur at operations level to the level of strategic enterprise risk management. Preparing people to appreciate risk and uncertainty and responding to it is collective capacity building.

Case 1 is a story of failure. Leaders of case 1 do not learn even though they claim to have learned from the problems with CNW. Learning from failure would always require a plan B. There is hardly any evidence of plan B among the top managers' statements for instance regarding the merger with SP. They set goals but do not speak of the possibility of failure, big mistakes to avoid, detection of these mistakes, or the safeguards. Clearly, an organisation that is too confident can ignore possible

mistakes. This overconfidence also shows in their attitude towards the merged partner. Clearly, the case shows that SP had a good idea how to avoid congestion using a technique called 'block-swapping' and in general by localising their activities. Instead of learning from the partner's good operational skills, the UP leadership fell into the trap of treating the weaker partner more or less like a victim.

Case study 2 shows how people at operating level can be involved in strategy making. Training does take place but the need for a big change turns the two divisions into a learning school both for the leaders and the operators. The collective nature of this learning is also clear. Meetings involved people with common interests and outlooks who express their interests collectively. The collegiality becomes all-embracing formally during the last meeting when generic issues are pulled out by the management. Generalisation or globalisation had also informal manifestations when redundancies were argued to be connected to the level of customer (client) services. The lengthy process had also an evolutionary flavour. The role of leaders as facilitators, are clear from Mr Groot's own statement that he facilitated discussions and arguments. The case also fits in well with Weick (1995, 2001). There is a clear sense of 'sensitivity to operations' as recommended by Weick (2001). In fact, the leader describes the 'round 4' of the merger negotiations as 'involving people on operational levels in strategy development'. Failure is tolerated à la Weick (2001). This tolerance is clear from the leader's behaviour of keeping calm resilience when things go wrong. He commits to resilience. As soon as he gets good news, he acts rapidly and with thorough boldness. He also values the experts. Not only he seeks expert advice from inside the organisation, but also employs a facilitator to run the company-wide meeting.

In Case 2, there are hints of emergent strategy common to complexity view. Emergence is not as much due to new technology as to patterns of shifting behaviour in both divisions. This shifting behavioural patterns leads to a more complex form of emergence which may or may not land in knowable attractors. The case also shows attention to feedback systems, which is a basic principle in complexity. The leader points out in one occasion that he had collected feedbacks to study and respond. To some extent, the case fits in well with Stacey's (2007) Complex Responsive Processes: 'This is a perspective that provides a way of thinking about what people in organisations are already doing in their ordinary everyday local interactions and includes the activities of strategising'.

7 Conclusions

This multidisciplinary paper has looked at the literature on evolutionary OL, leadership styles, QM, project management, risk management and examined two case studies. These were all gelled together in a discursive section under discussion which helps with the clarification of the conclusions:

- 1 Evolutionary OL is undergoing an important transformation. The old school that recognised leadership only in the context of the company's vital statistics is now giving way to a new generation who pays tribute to the role of leaders in facilitating collective learning.
- 2 The transformation is happening in two ways:
 - by recognising the value of short-term or mimetic learning conducted by a well connected leader
 - by establishing channels of communication that elevates operations level improvisations to strategic level decision-making.
- 3 The old style leadership based on Great Man leadership traits along with old style simplistic biotic approach to learning is rejected in favour of collective learning based on cooperative groups that enhance group competence and facilitative leadership.
- 4 Collective capacity building is attributed by the new look complexity/evolutionary thinkers to trust, cooperation and good communication based on story telling, interaction with stakeholders, and the role of leaders in teasing out the intentions of the participants.
- 5 This paper offers pragmatic frameworks such as QCs, project and integrated risk management for leaders to influence the behaviour.

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