The role of structure in the failure of organizations to learn and transform

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Introduction:

Dramatic changes in the global business environment, brought about by advances in technology and politico-economic competitive pressures over recent decades, are foregrounding the need for organizational transformation. However, structural inhibition of change in organizations seems to persist, in spite of the well-documented role of structure in culture creation and thus mission accomplishment. Almost thirty years ago Mintzberg (1979: xii) stated that 'structure seems to be at the root of many questions we raise about organizations'. Similarly, over the past decade, other authors have targeted organizational structure as *the* critical factor in organizational performance in the digital era (Dell, 1999; Foster & Kaplan, 2001; Miles *et al*, 1997; Peters, 2003). The role of structure has been highlighted in such areas as the capacity of an organization to innovate (Dougherty, 1999; Leonard-Barton, 1995; Barley, 1986); enact strategy (Davies, 1993); become more entrepreneurial (Miles *et al*, 2000); construct new knowledge (Lave & Wenger, 1991; Wenger & Snyder, 2000; Dovey & White, 2005); and meet customers' needs more effectively (Zuboff & Maxmin, 2002).

At the same time, there has been growing recognition in the literature that success in the new era of knowledge capitalism depends upon the creativity of knowledge workers, their passionate identification with the purpose and goals of the organization and their full commitment to enacting its core strategies (see, for example, Boyett & Conn, 1991; Gee *et al*, 1996; Peters, 2003). The capacity of organizations to innovate is increasingly seen to result from collaborative learning and knowledge construction practices that grow out of and fuel the development of intangible capital assets such as *social capital* (resources such as trust and voluntary cooperation between all those who hold a stake in the mission of the organization – see Nahapiet & Ghoshal, 1998) and *morale capital* (resources such as the passionate identification with, and commitment to, the purpose of the organization – see Dovey & Singhota, 2005). The mobilization of these resources, however, requires specific structural and cultural forms - especially with respect to power relations and opportunities for enterprise-wide inter-subjective communication, collaboration and learning (see Dovey & White, 2005).

While leaders in organizations are increasingly realizing that survival in the era of knowledge capitalism requires radical change, their articulation of change often remains at the rhetorical level and seldom addresses the kind of structural change that is necessary for the transformation of everyday work practices. As a consequence, attempts to implement change are often carried out on an *ad hoc* basis within the existing organizational arrangements. Through the case of an Australian financial services company, we explore such an attempt to introduce a set of innovative work practices without transforming the existing organizational structure and culture. The case provides an illustration of how the prevailing functional hierarchical structure inhibits cultural transformation, perpetuates old practices, and thereby undermines the successful introduction of new, mission-pertinent, work practices. Drawing on Weber's (1970 ed.) analysis of the functional hierarchy (or classic bureaucracy), we show how this structural form - that is still a characteristic of most large organizations – has embedded in it the strategic intention of *control*. We argue that the rational-legal culture perpetuated by this structural form effectively *prevents* the development of the passionate commitment to creative, learning-rich, work practices required of workers for organizational success in the era of knowledge capitalism.

The key implication of our findings is the need for the re-conceptualization of leadership in organizations. We argue that an important role of leaders in today's dynamic business context is that of structural architect. This requires an understanding of the relationship of structure to mission accomplishment, and the ability to transform an organization accordingly. This means addressing the cultural legacy of previous structures, and making explicit and transforming inappropriate mental models and cultural practices in the interests of mission accomplishment. Thus, the most important strategic task for this new leadership is the envisioning and development of a new form of enterprise logic – the 'overall logic shaping a firm's strategy, structure, and management processes into an effective whole' (Miles *et al*, 1997: 7) whereby the focus of the organization shifts from *control* to *results* and power is managed in the interests of mission-pertinent innovation.

Learning and Knowing in the Era of Knowledge Capitalism

It is widely recognized that, in the global knowledge economy of the 21st century, organizational performance depends increasingly upon the capacity of organizations to learn and to innovate. This, as Gee *et al* (1996: 19) argue, requires new collaborative forms of working and the passionate involvement of workers,

> who can learn and adapt quickly, think for themselves, take responsibility, make decisions, and communicate what they need and know to leaders who coach, supply, and inspire them. ... Workers must now take responsibility, usually in teams, for whole and meaningful tasks which they understand and seek to improve ... (and) throw themselves heart and soul into the work of the company in very risky times.

The distributed nature of knowledge in organizations requires that collaborative learning and knowledge construction activities be facilitated, cherished and celebrated. Making this point, Gee *et al* (1996: 58), state that,

> in the new capitalism it is not really important what individuals know on their own, but rather what they can do with others in a collaborative way to effectively add 'value' to the enterprise.

Of particular importance in this respect are intangible forms of capital that are generated and leveraged 'in community' – in particular, *social* and *morale* capital. *Social capital* is a form of capital that is collectively owned by members of a 'network' characterized by strong relationship bonds and multiplex connections to other 'networks' (Nahapiet & Ghoshal, 1998).

This 'capital' consists of social resources that are constructed and leveraged through network relationships and without which the network would not be able to function at an optimal level. The most critical of these resources is *trust* as it underpins the capacity to leverage many of the other resources potentially available to the network either through its members or through its partner networks (connections). Learning and knowing are social capital resources because they are developed and leveraged through specific kinds of relationships (Leonard-Barton, 1995; Choo, 1998; Wenger, 1999; Lave & Wenger, 1991). Once trust, and the social norms of reciprocity and voluntary cooperation that go with it, is established, network members have access to vital *human capital* (knowledge and other resources that are embodied in individual members) and *morale capital* (resources such as passion, commitment, motivation, courage and resilience that are rooted in, what Nahapiet & Ghoshal (1998) call, 'identity resources'). From our perspective, the processes of learning and knowing depend heavily upon the availability of these intangible forms of capital within a network and upon the capacity of network members to leverage them. The unique aspect of these forms of capital is that they are not depleted but re-generated through their exploitation.

The Role of Structure in Organizational Performance

The development of these intangible but essential capital assets requires an organizational structure that facilitates a culture (organizational discourse) characterized by a strong sense of ownership among all stakeholders of the organization. Such ownership is underpinned by a passionate commitment to the mission of the organization; the shared values of its stakeholders; and to creative participation in its everyday activities. Fundamental to such a structure, are lateral, as opposed to hierarchical, power relations [what Gee *et al* (1996: 58) refer to as 'non-authoritarian' distributed power bases]. In such an environment of decentralized authority, risk is managed through the socialization of all members to cultural norms that dictate the framing of all decision-making by the mission and values of the collective and that ensure that learning is viewed as an obligation to the collective. As learning involves personal risk and potential vulnerability, it is highly sensitive to power management practices and flourishes under the supportive nature of the lateral power relations structurally embedded in 'co-owned' organizations.

Recent global political events have highlighted, in a dramatic way, the effectiveness of such an organizational structure. As Friedman (1999) points out, we are currently witnessing a new form of military/political competition in which a 'super-empowered' individual/group, using a decentralized, virtual, organizational form that effectively leverages exceptional levels of social and morale capital, and the new information and communication technologies, in the service of a passionately owned mission, has consistently trumped a global superpower, hamstrung by its hierarchically-structured military and government organizations. The effectiveness of *Al-Qaeda* in surviving the best efforts of the USA to defeat it over the past decade, has led Tom Peters (2003) to claim that this new global military conflict is not one that will be decided by weaponry but by organizational form.

Functional Hierarchical Structures

After several centuries of dominance, the functional hierarchical (bureaucratic) structure remains the most common organizational form (Jacques, 2003). Over a century ago, Weber (1970 ed.) showed that this form was designed for *control*, not *results*, and was intended to denude the organization of individual passions in the interests of rational-legal administration. He states that, within a bureaucracy,

> the 'objective' discharge of business primarily means a discharge of business according to *calculable rules* and 'without regard for persons'. ... When fully developed, bureaucracy also stands in a specific sense, under the principle of *sine ira ac studio* (*without anger or passion*). Its specific nature ... develops the more perfectly the more the bureaucracy is 'dehumanized'; the more completely it succeeds in eliminating from official business love, hatred, and all purely personal, irrational, and emotional elements that escape calculation. This is the specific nature of bureaucracy and it is appraised as its special virtue (Weber, 1970 ed.: 215-216 – translation of the Latin phrase inserted by the authors)

Weber (1970 ed.: 216) goes on to say that the bureaucratic structure thus requires personally detached and strictly objective *experts* – functionaries who are unmoved by human passion and who perform their function without emotion, gratitude or favour.

The functional hierarchical form was well suited to organizational needs during the industrial capitalist era of previous centuries. Created to transform traditional forms of administration, such as honorary and avocational services performed by members of ruling elites, into specialized administrative functions operating according to purely objective considerations, the functional hierarchical structure enabled the first wave of globalization and the era of industrial capitalism that underpinned it. In that era, when results were more-or-less guaranteed for Western organizations who had easy access to the world's resources (through their colonies) and who could rely on growing, prosperous home markets to absorb whatever they produced, control was of paramount importance and thus the functional hierarchical structure was appropriate to their purpose. In discussing the mass-production model of the industrial capitalist era, Zuboff and Maxmin (2003: 20) make the point that

> it required a new managerial hierarchy with a relentless internal focus on the control and measurement of production and distribution. Managers and engineers inherited the task of planning and overseeing a minute division of labour to accomplish the standardization, increased throughput, and reduced unit costs necessary to meet the new demands of mass consumption.

However, fuelled by advances in technology and new competitive pressures, profound political and economic change has occurred globally over the past three decades and radically different criteria for organizational success have emerged. As Boyett & Conn (1991: 109) point out (supported by Gee *et al*, 1996: 19-21; 58-61), workers in the current era of knowledge capitalism are required to have a different psychological and emotional orientation to their work organization where the goal is to,

> attach people mentally and emotionally to the workplace – to make them feel intimately connected to the corporation even if in reality that connection is transitory.

While this kind of intimate connection is a necessary condition for learning, creativity and innovation in the current era, it is seriously inhibited by the authoritarian power relations, rooted in positional power bases and serving functional and individual purposes, that characterize organizations structured as functional hierarchies.

Case Study of a Failed Attempt at Organizational Transformation

In order to explore these issues against the backdrop of everyday practices in an organization, we present a study of a failed change initiative at a large Australasian financial services company (hereafter "the Company"). The case consists of a brief 'strategic story', in which the Company's attempt to transform itself is outlined, followed by an interpretative analysis in which we apply our argument to explain how structurally-induced defensive behaviour by the Company's leadership undermined the learning and innovation required to transform the Company.

The Company

Like many organizations operating in today's dynamic business context (see Fenech & Dovey, 2005), the Company has adopted a 'management by projects' approach whereby much of its work is organized as a series of simultaneously executed projects. This approach has facilitated the Company's aggressive new product development program that is focused on information products delivered through communications technologies. A key challenge in such a multi-project management environment is the fact that the demand for projects usually exceeds the resource capabilities of the organization.

Historical Context

The Company came into existence as the result of a merger driven by the threat of entry into the Company's market of a much larger, better resourced, global business. While the parties to the merger possessed distinct histories, cultures, processes and systems, both found themselves in a similar predicament. After computerizing their operations during the 1980s, custom-building at great expense the core business applications that enabled them to leverage economies of scope and scale that their local competitors could not match, it became possible, post Y2K, to replicate these core business applications relatively cheaply. Thus, while technology initially gave each of the parties the means to create the barriers to entry that made their markets secure and profitable, soon thereafter technology razed those barriers leaving both parties vulnerable to attack from larger players.

Six months after the merger, fears of a much larger and resource-rich overseas competitor entering the market were realized and the Company's share price lost more than 40% of its value as investors anticipated market share to come under increasing pressure. At this time, the Company announced a bold new mission to become the 'leading provider of choice' in Australasia. The Company's strategy outlined a vision of operational excellence (with statements such as 'achieving lowest cost best practice'; 'world class IT enablement'; and 'building organizational capability') and signalled intentions of cultural transformation (with slogans such as 'passion, values and recognition'; 'performance-based rewards'; and the 'encouragement of innovation').

Organizational Structure

The Company restructured itself into five strategic business units focusing on different market segments, and five functional silos (Group Finance, Group IT, Human Resources, Legal and Administration, and Group Sales). Group IT was sub-divided further into four functional silos (Client Services, Infrastructure Services, Product Services and Practices). Product Services, the area primarily responsible for project management and the undertaking of project-based work (predominantly of a cross-functional nature), was also structured as a traditional functional hierarchy consisting four sub-departments (Solution Delivery, Solution Design, Solution Development and Solution Assurance).

History of Failure to Execute Innovative Strategies

Driven by the need to accelerate the integration of the two merged businesses and to engage its new competitor by rapidly developing new products and services, the Company extended itself well beyond its organizational capacity, by over-committing to projects. The Company failed to complete a series of projects that aimed to accelerate the integration process – known as the *Quick Win Projects*– within their scheduled six-month time-frame (some of these projects were still active eighteen months later). With most projects experiencing slippage against plan, the 'hump' of project work that needed to be surmounted was pushed back month after month as new projects were approved and initiated. Estimates for key projects were reported as 'highly at risk' due to an inability to secure the human resources required to undertake critical project tasks. Several of these key projects failed to meet their delivery dates with the result that their anticipated contribution to the Company's EBITDA for that financial year was not realized, and the Company was criticized, with respect to its profit predictions, in the financial press after twice lowering its earnings forecast.

A Bold Strategic Initiative and its Collapse

At this point, the Company responded by undertaking a program (the Program), initiated by the manager of its Program Management Office (PMO), aimed at extending the function of the PMO to include a more proactive and strategic role in the Company's project selection decisions. Specifically, the PMO would manage the legislative framework created by a Program Governance Board (Steering Group) comprised of senior executive managers and the manager of the PMO, with the purpose of ensuring an explicit and transparent basis for project selection and investment decisions. The framework was based on a project portfolio selection methodology (PSM) whereby a portfolio of projects would be selected 'from available project proposals and projects currently underway, that meets the organization's stated objectives in a desirable manner without exceeding available resources or violating other constraints' (Archer and Ghasemzadeh, 1999: 208);

This methodology, recognized globally as *best practice* with respect to managing investment decisions in a multi-project environment, produced significant business benefits over the six months that it was in operation. These included:

- increased project throughput compared to the previous twelve months;
- increased return on investment in projects compared to the previous twelve months;
- stopping several projects that were of dubious value resulting in cost savings and the freeing up of resources to work on more valuable projects;
- establishing an overall plan that sequenced projects over a six-month period according to relative value, subject to organizational and environmental constraints;
- reducing the Company's portfolio of major projects to a more manageable number – from fifty down to twelve;
- building project management competency in project teams.

Despite this success, after six months of operation the Company announced the retrenchment of the PMO Manager and the disbanding of the PMO on the grounds of 'reducing a management overhead'. Without the PMO there to drive it, the project portfolio selection methodology was from that point no longer followed and the Senior Executive Managers ceased meeting as a Steering Group.

Subsequently, over an eighteen-month period, the Company failed to deliver a $15M program of work aimed at re-engineering its core business applications and processes (the largest it had ever attempted), spending most of its capital budget in the process, and the CEO was replaced by the Board. Thereafter, the Company re-established the PMO function, expending significant effort and cost on hiring new personnel, retrieving and reviewing the disused project portfolio selection and related process documentation, and attempting to re-introduce the abandoned work practices.

Resistance to the Program

At the outset of the Program, project owners and project managers viewed the new requirements to provide information about their projects to the PMO as 'more red tape' and as 'preventing them from doing their real job'. In the past, such requirements were spoken of as 'snake oil' and exhortations to 'just do it' would be made, even in the case of large international development projects, with the consequence that contracts were signed that committed the Company to delivery dates without prior feasibility planning. This attitude was reflected in extremely poor reporting, both in quality and timeliness. However, within three months of the introduction of the Program this resistance had dissipated. A training session provided by the PMO was well received by project owners and project managers and one particularly ardent and vocal critic, who had previously refused to comply with the project portfolio selection methodology, became a champion of the process. By the fifth month of the Program's operation, the standard of reporting by project owners and project managers was excellent and, without exception, they had become passionate supporters of the project portfolio selection methodology and the expanded role of the PMO.

In contrast, resistance from functional managers was much slower to arise; however, when it did arise it effectively led to the termination of the Program. Initially, functional managers accepted the Program, following the lead of the CEO who endorsed it at a rhetorical level as 'the way we now do things here'. However, as they became aware of its implications for power management practices within the organization, the new work practices and the mandate of the PMO were challenged, with some managers encouraging their staff to refuse to cooperate. Ironically, the project portfolio selection methodology began to be criticized as being 'bureaucratic' and 'prescriptive' by those who had helped define it and the PMO labelled a 'roadblock' by those who had participated in setting its Charter. Over time, human resources were unilaterally re-allocated from projects by their line managers contrary to project selection decisions made by the Steering Group. Line managers began ignoring meeting requests, telephone calls and emails from project owners and project managers seeking information about human resource availability. In one particular conflict between a project manager and a line manager, the latter asserted 'the right to pull [the resource] off any project, regardless of the project impact'. Personal attacks were made on the PMO Manager and, in contrast to the training sessions delivered to project owners and project managers, training sessions delivered by the PMO to functional and line managers were openly sabotaged.

Reassertion of Positional Authority.

During the operation of the Program, the functional managers of the Product Services Department released new project management and systems development methodologies that contradicted those introduced through the Program. At the expense of best practice in project management and systems development, these methodologies sought to embed into process standards – by enshrining rational legal processes governing the conduct of all project activities and decision making – power relations that favoured functional and line managers over project managers. A 'waterfall' model was imposed in which project activities were organized into phases that corresponded to the functional boundaries of the Product Services Department, and, rather than entrust projects to autonomous cross-functional teams led by project managers, a serial assembly line process was imposed which required each department to perform its 'phase' of project activities in isolation before handing over to the next department. Under this model, authority for prioritizing activities, allocating specific human resources and approving deliverables lay with functional and line managers, with project managers stripped of the decision-making authority delegated to them by the Program.

Retreat from Transparency.

As functional managers began to understand the implications of the Program for their personal and functional power bases, they increasingly reverted to covert and sectarian strategies - recreating an atmosphere of secrecy and mistrust in the process. An example of this is provided by an excerpt from the *Observations Journal* of the PMO Manager that relates to his request to obtain a copy of the new project management and systems development methodologies shortly before their release:

> I then requested a copy of the document from the Group IT Manager (Product Services) explaining that the CIO had given me his approval. He directed me to the Solutions Assurance Manager who was in possession of the master documents. I then sent an email to the Solutions Assurance Manager. He replied by email directing me to a Consultant who was coordinating the process definition activities, with the suggestion that it was not appropriate for the document to be released outside of IT while it was in draft form. This reply was copied to the Consultant. I then emailed both the Consultant and the Solutions Assurance Manager and explained that I had been given authority to access the document by both the CIO and the Group IT Manager (Product Services). The Consultant then called me to discuss how I would use the document and to extract an assurance from me that I would not let the document be seen by anyone either inside or outside the IT function; specifically asking me not to let the document be seen by any of the project managers. To this I agreed. A copy of the document was then sent to me by email by the Solutions Assurance Manager with a covering note emphasizing 'FOR YOUR EYES ONLY' and 'ONLY A DRAFT'.

To Learn or Not to Learn

Shortly before the disbanding of the Program, semi-structured interviews conducted with senior functional managers, project owners and project managers revealed significant differences in attitudes toward the Program and the learning gained from it. Despite the business results obtained through the new work practices, senior functional managers expressed a preference for the traditional approaches to managing projects (approaches that had been proven inadequate in the Company). For example, there was a strong preference for the traditional functional organizational form and its sequential assembly line approach to managing projects, over the autonomous cross-functional team approach supported by the Program and generally recommended within a multi-project environment. Preference was also expressed for curtailing the autonomy of project teams and integrating them back into the functional operational structure. Significantly, a number of responses by executive managers reflected an apparent lack of understanding of basic procedural aspects of the project portfolio selection methodology that they had been participating in over the previous six months.

In contrast, at the project team level, project owners and project managers questioned the need for strong functional line management – such as that imposed by the Product Services Department through its project management and systems development methodologies – in an enterprise where most work is organized as projects and where these projects are prioritized, scheduled and coordinated by a Steering Group. Consistent with best practice, they favoured greater autonomy for tightly-knit cross-functional teams, and resented intrusions by functional and line management. They exhibited a sound understanding of the project portfolio selection methodology, the roles of the PMO and the Project Governance Board, and possessed strong opinions about these approaches being superior to what had previously been in place in the Company.

Analysis of the Failure of the Company to Introduce an Innovative Management Practice

The case of the Company illustrates how, rather than foster lateral power relations and engage in enterprise-wide mission-pertinent learning, functional managers were able to undermine the innovative practices introduced by the Program. Initially, while still unsure of the Steering Committee's commitment to the Program, they operated on an *ad hoc* basis, making arbitrary decisions to reallocate resources assigned by the Program to project teams. However, as the reluctance of executive managers to face the political consequences of the Program became apparent, functional managers more aggressively re-claimed authority with respect to project decisions. They did this via two specific methods of power management:

- Managing power 'downwards' by re-asserting bureaucratic protocols and procedures that have been taken-for-granted in the Company for decades. The 'logic' of these practices appears to be so embedded in the cultural life of the Company that few employees protested the actions of line managers in arresting the change process at the expense of superior business performance and recognised best practice. Similarly, there was no protest from staff at the destruction of the nascent culture of trust and enthusiasm that the Program was beginning to foster, by the re-introduction of these protocols and procedures. By leveraging the structurally-induced mental models of staff with respect to *power* and its sources of legitimacy in organizations, functional managers were able to sabotage the new work practices in open defiance of the new democratic decision-making processes that had been introduced through the Program.

- Managing power 'upwards' through the threat of political disharmony. The re-instatement of traditional strategies-in-action (bureaucratic protocols and procedures and traditional project management methodologies) by functional managers exploited prevailing cultural values regarding competitive individualism, short-term thinking, and the pre-eminence of individual and sectarian interests. At the same time, it effected a revival of the cultural phenomenon of *false consensus* in functional hierarchies. In this 'game', all members of the enterprise (wittingly or unwittingly) participate in the charade of strategic planning while tacitly knowing that the prevailing strategies-in-action are the way 'the world really works'. In functional hierarchies, the process of formulating 'espoused strategies', which cannot be executed, is as much an accepted part of management routine as are the 'strategies-in-action', which are usually not made explicit, but which are easily executed courtesy of the enterprise logic. This results in a situation of strategy-contradiction. When faced with an open rebellion from functional managers, the executive management of the Company very quickly chose political harmony over business transformation and superior results. As salaried leaders, they appear to have viewed such a strategy to be in their own interests. Interestingly, this reversion of the entire executive management contingent to the traditional order occurred without questions about the legitimacy of their strategic turn-around from anyone in the Company other than the PMO manager[2].

The constraints imposed upon strategy execution by the taken-for-granted structure and culture of the organization are invisible because of the socialization of staff within a functional hierarchy. The socialization process reifies structural and cultural conditions, so that they are perceived as 'natural'. On this point, Zuboff and Maxmin (2003: 21) argue that,

> the standard enterprise logic has become so deeply taken for granted that it is no longer visible. People do not question assumptions that they no longer see. ... Change management would not be the industry it is if organizations were changing. Change management is huge precisely because organizations are *not* fundamentally changing. ... the standard enterprise logic is organized to reproduce itself at all costs, even when it is commercially irrational to do so. It is through these processes, so often undiscussable, that organizations defy change, even when they say they are changing.

As the explicit logic of the Program contradicted the tacit enterprise logic of the Company, its validity in the minds of all staff was tenuous at best. A consequence, therefore, of the functional hierarchical structure is an organizational culture wherein the link between espoused strategy/values and strategy/values-in-action has been mystified, enabling leadership failure to be easily rationalized (see Sarason, 1972; Gardner, 1965). In this kind of organizational culture, salaried executive managers are able to protect their self-interest through risk-averse and conservative practices.

Functional managers, at first guided by assumptions that the change initiative would fail as many previous change programs in the Company had failed, tolerated the new order until it became clear that this change was being driven by someone (the PMO manager) who was resolute about its implementation. From our observations, once measured business benefits began to be explicitly documented and tabled at the Steering Group meetings, the moment for open rebellion by functional managers had arrived. At that point they realized that unless stopped immediately, the Program would permanently transform the old order of the Company. Through veiled threats by some, and less subtle forms of aggressive confrontation by others, line managers initially attempted to persuade the PMO manager to allow 'greater flexibility' in the operation of the new practices – a tactic that would have undermined the integrity of the Program and thus destabilized the new order. When this failed to stop the progress of the transformation, the only remaining action left was to sabotage the Program and ensure that the PMO manager was retrenched. Thus, because the logic of the Program could not be resisted on rational business grounds by the executive management of the Company, it brought into play the full range of insidious defensive mechanisms available to those who have a vested interest in undermining change in organizations structured as a functional hierarchy.

Transforming Structural Form in the Interests of Learning

In spite of the increasing signs that functional hierarchical structures are inhibiting mission-pertinent learning in organizations, this organizational form persists and functional 'experts' – who Sullivan (quoted by Peters, 2003) describes as 'very expensive microchips' – continue to dominate decision-making in organizations. Statements, such as that of Deprez & Tissen (2002: 1) that 'the organizations we created have become tyrants. They have taken control, holding us fettered, creating barriers that hinder rather than help our businesses' have had little effect, and the prediction of Boyett & Conn (1991: 109) that 'in *Workplace 2000*, rigid hierarchies will be dismantled, as will ceremonial trappings of power', seems naïvely optimistic in retrospect. As Jacques (2003: 137) points out, over 85% of the workforce in economically developed nations is still employed in hierarchically structured organizations.

The transformation of the 'deep structure' of organizations - change that 'alters the basic structures and therefore affects every premise, assumption and activity that derives from or depends upon those structures' (Zuboff and Maxmin, 2003: 19) is clearly a difficult task. The relatively recent introduction of the so-called matrix structure with the claim that it offers 'the best of both worlds' by preserving 'the benefits, such as information sharing and continuity, of the functional department structure, while enabling cross-functional coordination on a project basis' (Payne, 1993: 240) seemed for a while to offer organizations a way to 'have their cake and eat it'. By combining functional specialization with cross-functional business product or project specialization, and superimposing a product or project structure on an existing function-based structure (with resources assigned from vertical units to horizontal units - see Alsène, 1999 and Van Der Merwe, 2001), it was hoped that the constraints of the functional hierarchical structure could be overcome. However, as the case study demonstrates, functional silos continue to dominate decision-making and power management practices in such hybrid structures (Alsene, 1999; Bishop, 1999; Miles *et al*, 1997; Payne, 1993). As Bishop (1999: 9) argues, 'it is the functional departments (that often control the resources and information vital to the success of the cross-functional team) that can and often do sabotage the efforts of the cross-functional team'. Thus the emergence of the matrix structure can be seen as an example of 'adaptive' rather than 'deep' change, enabling leaders of functional hierarchies to successfully accommodate pressure for structural transformation without fundamental change to the political *status quo*.

With suitable frames of reference regarding the relationship between structure and mission accomplishment, leaders need to explore the range of organizational forms that are emerging as appropriate alternatives to the functional hierarchy. Such forms include *cellular* (Miles *et al*, 1997); *federal* (Handy, 1994); *hypertext* (Nonaka & Takeuchi, 1995); *communities of practice* (Wenger, 1999) and *network* (Lipnack *et al*, 1994) structures. At the core of each of these alternative structures is the concept of stakeholder co-ownership and an emphasis upon lateral power relations between them. These principles, however, may constitute the biggest challenge for leaders groomed in hierarchically structured organizations as they require them to sponsor the process of their own disempowerment – to empower others by transforming the structure of the organization in ways that facilitate the development and liberation of the entrepreneurial capabilities of all staff (Foster & Kaplan, 2001; Boyett & Conn, 1991). The political culture embedded in organizations historically structured as functional hierarchies, makes most business leaders deeply *suspicious* of such a strategy. In a study of the introduction of cross-functional project teams in functionally and hierarchically structured organizations, Bishop (1999: 7) argues,

> ... in many cases, the culture of the firm encompasses decades of established business practices and formal functional reporting structures and ... going to a team culture could be personally counterproductive for [it's] leaders, who are the very people who need to sponsor the activity to change the organizational culture!

We have argued that in functional hierarchical organizations control is a more powerful need and entrenched mental model than the need for business results. Thus, it may take dramatic events and crises in organizational performance, such as those predicted by Peters (2003), before such mental models are re-visited. In addition, it may require the same level of publicity and transparency of the results of business organizations as is the case with elite sports teams, for business leaders to elevate the need for results above that for control. Even with the (cognitive) support of the leader, structural transformation is difficult, in that, at the first sign of a crisis, the leader's old mental models about structure, authority and control are likely to be re-asserted and the inappropriate power management practices that emanate from them, to be re-enacted (Kim, 1993; Kets de Vries, 1993). In this respect, drawing on Sarason's (1972) concept of an 'external critic', Dovey & White (2005) argue the need for a extra-organizational role through which the power of those with formal authority in business organizations can be mediated effectively in the interests of relevant organizational transformation.

Conclusion

In this paper we have argued that the role of structure in mission realization needs greater scrutiny in organizations attempting to survive in the challenging global business contexts of the 21st century. In particular, our argument has focused upon the irony that the factors that made the functional hierarchy so successful as a structural form in the industrial capitalist era – namely the 'de-humanization' of the workplace through the principle of *sine ira ac studio*; the functional division of work; and the establishment of hierarchical power relations – are at the heart of its inhibition of the creativity and learning required for success in the era of knowledge capitalism.

Transforming this legacy structure (and the control-focused culture that it creates) will require new forms of leadership – leadership capable of structuring the organization in ways that facilitate the development of a social environment in which passionate commitment to the goals of the organization is the norm; and in which workers are empowered in ways that enable them to participate effectively and creatively in collectively-reflexive strategic leadership practices aimed at the production and delivery of innovative products and services.

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Endnotes

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Ken Dovey, Director: Information Technology Management Program (ITMP), University of Technology, Sydney, Australia

2 In the Australian context, the pervasive assumption of hierarchical structures as 'the way the world works' is an unfortunate consequence of the colonial history of the country and the fact that most large organizations in Australia are still externally owned (see Mintzberg, 1983).

E1	2005003344	El-Kiki	Towards a better understanding of efficiency in mGovernment services	Proceedings of the 4th WSEAS International Conference on Information security,communications and computers	Need proof of publishing
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E1	2005003097	Fenech	The role of structure in the failure of organisations to learn and transform	Proceedings of the 6th International conference on organisational learning and knowledge	Req: peer review; affiliation of Fenech
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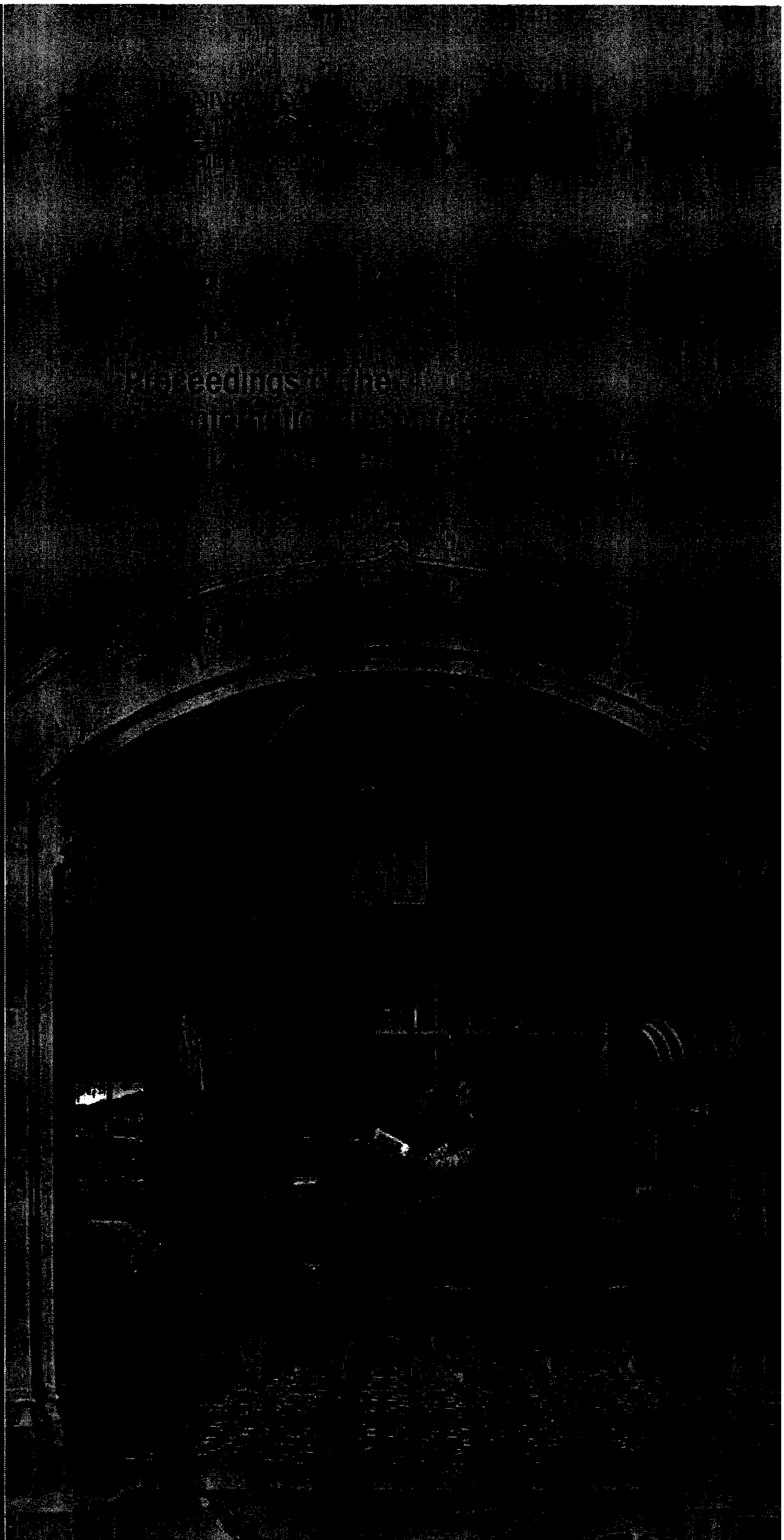

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THE PASSION FOR LEARNING AND KNOWING

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institutionalised as truth and valid knowledge, are aspects of non-instrumental knowledge that contain an element of Utopia, of creativity and of self-generating innovativeness.

The verb 'to know' suggests active engagement with the world and intentionality. But knowing is passivity as well. As Polanyi wrote, learning in a passive mode is like learning to surrender to works of art: "this is neither to observe nor to handle them, but to live in them. Thus the satisfaction of gaining intellectual control over the external world is linked to a satisfaction of gaining control over ourselves". As in the arts, which are the best examples of human non-instrumental activity, we commit ourselves to knowledge for its own sake. We engage in art and in knowing for the love of creation; both forms of activity may be seen as endeavours without a specific purpose. The Greek term for this 'doing' as an end in itself is *poiesis*.

Art is a form of non-discursive knowledge which privileges the visual and the imagination over the textual and remind us that we also know with the body and through the senses: sight, but also smell, hearing, and taste. Aesthetic understanding of organizational life is a form of passionate knowledge.

Passion is also a source of energy and a source for action because it connects us with others: it is the energy which nourishes our decisions. Hegel wrote that passion is what allows us to realise ourselves in the world, since the will is not pure spirit, nor disembodied freedom, and passion is not simply confined to the body. The term 'passion' derives from the Greek *paskein*, 'to suffer', and its etymology harks back to passivity, acceptance of the action of the world upon ourselves, being like porous soil

The theme of this conference was thus an open invitation to consider the dark side of knowledge and to explore the non-cognitive side of organizational learning and knowing.

The proceedings

The present proceedings are a collection of all the papers accepted for presentation at the conference. Authors responded to a call for papers that invited them to focus on the relation between passion, learning and knowledge/knowing, in view of expanding the current debate on knowing and learning and exploring a less intentional, less instrumental, more reflexive aspect of learning and knowing in organizations.

More than two hundred scholars responded to the call and submitted contributions. The papers were selected through a blind review process carried out by external reviewers; the present collection represents largely the result of this selection process.

In the call for paper we asked contributors to focus on seven main themes: the social creation and destruction of knowledge; the issue of knowledge management (passion or possession?); the multivoicedness of learning, development and knowing; the role of artifacts of knowing; the passion for measuring (and how to measure the passion); the tacit and aesthetic nature of knowing; and the role of feelings and emotions in face-to-face and distant teaching and learning.

These themes were then used for organizing the conference sessions and they are echoed in the contributions collected here.

Volume one brings together the papers that addressed the first theme of the conference, that is, how to conceptualize the social creation and destruction of organizational knowledge. Essays in this volume discuss topics such as the role of discourse dialogue, storytelling, and emotions in the social creation and destruction of knowledge, the conceptualization of organizational knowing as activity and practice, the relationship between educational and

This two-volume set contains the papers presented at the 6th International Conference on Organizational Learning and Knowledge held in Trento on June 9-11 2006.

The conference was the latest in a series which has been held at Lancaster, George Washington University, and the Ivey School, University of Western Ontario (see this site for previous OLK Conferences), and aimed to explore the different aspects of the relationship between learning, knowing and the organizing process from the perspective of the passion for knowledge.

The conference theme

> *In April, when I was in Paris and went to see an exhibition on Matisse and his later life, I came across a picture accompanied by an extract from a letter that Matisse had written to his friend André Rouveyre:*
>
> *"You want to know the origin of this sentimental study of a tree, which could be entitled 'Birth of a Tree in the Head of an Artist'.*
> *There are two ways of drawing a tree:*
> - *with the imitative technique taught in the art schools of Europe*
> - *with the feelings that its closeness and contemplation suggest, as in the East".*
>
> *Looking at the picture and on reading this comment I was struck by the analogy that one can draw with other fields of knowledge, for example organization studies: our knowledge may either imitate the life of the organization studied or resonate with it. And of course I thought of the theme of this conference and felt the desire to translate Matisse's thought into the organizational scholars' community since the tension between reason and passion will be at the heart of conference.*
>
> From Silvia Gherardi's conference opening speech[2]

For this conference we proposed a theme of close interest to our Research Unit: passionate knowledge, the non-cognitive and non instrumental aspects of learning and knowing.

This is a very broad theme in philosophy, in the humanities and in Western thought in general, but it has a special symbolic meaning in organization studies: it is the OTHER of our discipline, especially when we take Weber, as we do in a faculty of sociology, as the starting point for organization studies. Together with the bureaucratic model we have inherited the motto 'sine ira ac studio', distanced ourselves from the object studied, and forgotten about love and empathy.

In particular, knowledge, in organizational learning and knowing, has been studied mainly as an object, a substance, in relation to problem-solving. Knowing as a situated activity (knowing-in practice) is a complementary view, or in Derrida's terms it stands in a relation of supplementarity to the rationality of the first term. Knowledge in the face of mystery may convey the idea of an intimate relation between the knower and the known, of the closeness between the subject who manufactures knowledge and his/her object of study.

Knowledge for the sake of knowledge, the pursuit of knowledge as an end in itself, the pleasure of venturing into the unknown and transgressing the boundaries of what has been organizational learning processes, the social circulation and distribution of knowledge, the issues of leadership, management, power, and control in the creation and destruction of knowledge.

Volume two collects the essays dealing with the other important themes addressed during the conference, that is, the multivoicedness of learning in novel and challenging conditions, the issue of passionate learning and innovation, the topic of learning across boundaries and in distance settings, the reflective practices of learning, the tacit and aesthetic nature of knowing, the issue of measurement, and the central role of objects, artifacts, and new technologies as objects and enablers of learning and knowing.

Overall, the two volumes constitute a good cross section of the state of the debate on the different aspects of the relationship between learning, knowing and the organizing process from the perspective of the passion for knowledge.

The future

This was the sixth conference of the OLK network and the last one. The first conference was held in 1994, in Lancaster, thanks to the generosity and the enthusiasm of Mark Easterby-Smith. The Trento group – Rucola – has been present in OLK from the outset, and on two occasions we have had the honour of editing its journal's special issues on conferences (Management Learning 1998, Journal of Management Studies, 2000).

Were therefore extremely pleased to host the last conference and to announce the successful academic merger of this network with the OCLK conferences that, for years, have constituted another important forum for scholars and practitioners interested in the topics of knowing and learning. Starting from 2006 in Warwick, the conference will be in fact held yearly under the OKLC banner and will continue together the conversation.

Acknowledgments

We would like to acknowledge the contribution of Francesca Gennai in the organization of the conference and the editing of these proceedings. We are also grateful to Antonio Strati for his constant support and energizing contribution. Prof. Strati was in particular instrumental in organizing a number of artistic events that constituted inputs to the conference. Reports of these artistic events are available at http://www.unitn.it/events/olk6/-/keynote_speakers_events.htm

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