THE GROWING ROLE OF INFORMAL CONTROLS:  
DOES ORGANIZATION LEARNING  
EMPOWER OR SUBJUGATE WORKERS?

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Abstract

Several management theorists have called for organizations to incorporate organization learning, empowerment, open book management, and similar initiatives to generate better value from an important strategic resource: employees. Normalizing lies at the heart of these initiatives and suggests a shift function increase in the organization's control over individual's behavior. What does this mean for the controlled? Do extensions of the management control system's ability to implement the strategy of the firm offer workers a more central role in creating their future? Or is this "progress" just another means to extract more effort from workers for the benefit of owners? This paper argues first, that the focus on better value from workers is here to stay, and management control system relevance bears consideration. The five disciplines of Senge's (1990) Organization Learning are used to illustrate an increasing focus on internal controls. Then the impact on employees is described as a tension between a struggle for power/knowledge (Foucault 1979 and 1980, Giddens 1984) and the evolving dialogue of communicative action (Habermas 1984, Wilson 1998). Finally, some research questions are raised to explore firm-specific resolutions of the tensions inherent in ever-tighter forms of control.
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As competitors become increasingly adept at replicating, reshaping, or eliminating the need for traditional ways of conducting business, firms seek ever new ways to turn resources to competitive advantage (Hamel and Prahalad 1994, Barney 1991). The strategy literature views the individual and collective efforts of a knowledgeable workforce as a critical competitive resource (see for example, Wernerfelt 1984). In fact, deGuess (1988) argues that learning is the only sustainable competitive advantage. Recent business authors (e.g., Petzinger 1999, Brown and Eisenhart 1998, Hamel and Prahlad 1994) suggest that in response to competitive challenges organizational hierarchies with their command and control management styles are giving way to self-organizing teams and employee autonomy. Management consultants (e.g., Goleman 1998, Handy 1994, Senge 1990) have suggested several initiatives organizations might implement to enhance employee knowledge, consequently improving competitiveness.

Terms like organization learning, empowerment, and open book management share a common objective of increasing the decision making and strategic participation of employees. Senge (1990) argues such initiatives are attempts to create “generative learning”, that extra effort of a collection of individuals to adjust to far-reaching and unprecedented business changes.

This view of employees as sources of knowledge central to an organization’s ability to survive and flourish under uncertainty has implications for management control system (MCS) design. The MCS is the major vehicle for communicating and coordinating both processes and perspective (Horngren et al, 1994). The objective of this
paper is to examine some implications of building the organizational infrastructure to support initiatives that enhance generative organization learning. Two social theory perspectives are used as frames to suggest outcomes of one specific example of organization learning. Outcomes are classified as intrinsic and extrinsic. Intrinsic outcomes are achieved when individual workers become socialized in the group's expectations, and organization learning proponents speak of shared vision in which all members commit achieving the outcomes that together they want to create (Senge 1990, Habermas 1984). In contrast, the more cynical suggest the group effort is hijacked for the extrinsic outcomes of a few by capitalizing on a sinister socialization process of disciplining minds (Foucault 1979, Kojeve [see Drury 1994] for the extrinsic rewards of power, fame and wealth of senior managers. Finally, the resolution between these two perspectives is suggested to be firm-specific.

The remainder of this paper is organized as follows. First, arguments for knowledgeable workers as a source of organizational competitiveness and the permanency of learning initiatives are reviewed. Next, the relevance for MCS is presented and one management initiative, Organization Learning (Senge, 1990) is introduced as a clarifying example of a comprehensive MCS set of informal controls. The next section examines the potential organizational consequences of this extended control, first from the view of the intrinsic benefits to the individual and the whole, and again from the argument that the MCS is an ever-refined tool to achieve senior management objectives at the expense of employees. The final section proposes that a tension between both results goes with the territory, and that we can study how the success of Organization Learning's ideal outcomes is determined by a given firm's organizational context and individual participant characteristics.
Workers as Competitive Resources

The purpose of this section is to confirm the significance of the trend to harness worker insights. Recent theory and evidence suggest organizations depend more heavily than ever on individuals' extra initiative. The strategy literature implicitly assumes the collective effort of employees is a function of their knowledge, and assets that this employee knowledge is a critical resource in an organization’s competitive advantage (Barney 1991, 1986; Prahalad and Hamel 1990). In fact, healthy firms increasingly rely on developing and maintaining knowledge as a necessary condition of survival in their competitive marketplaces (Nonaka 1994, Huber 1991). Shifting and evolving customer demands and competitor replication potential mean firms must both absorb external knowledge, and encourage internal inventiveness (Leonard-Barton 1995, Hamel and Prahalad 1994). This employee knowledge is seen as a key element of survival.

Chester Bernard (1938) provides some insight about why in his seminal lectures on organizations and the role of executives. Noting that history reveals the failure of essentially all organizations sooner or later, he concludes that the ultimate purpose of organizations is survival, and that the key to survival lies in the cooperative systems that result from workers’ personal commitment and intense attachment to the organizational cause. Current evidence suggests that tenuous organizational survival continues to be a problem. DeGuess (1988) reported that at the time, 30 percent of companies listed among the 1970 Fortune 500 firms had disappeared. More recently, The Economist (1996) noted that the average life expectancy of these “500 firms” is less than 40 years.

The renewal and turnaround literature offers some evidence for employees' critical role. Several examples are provided of drawing on human talent to find a solution when times are difficult (see for example, Bibeault 1980, Stack, 1992; and Case, 1995). Hofer's (1980) strategic turnaround prescription for corporate renewal entails investment in substantial non-financial strategic resources. These include the expansion of employee
capabilities as a prescription for substantive turnaround. Open-Book Management (Case 1995, and Stack 1992) suggests enlisting extra employee effort by using financial statement items as targets determining group bonuses. Case's (1995) anecdotal example tells of the positive impact from employee's focus on profitability. Holiday Inn chain employees were uninvolved in overall organizational concerns until they were told of precarious financial shortfalls. When management shared targets and asked for their commitment, individuals responded enthusiastically and ambitious financial goals were met.

Lancaster, in the Wall Street Journal (1998) confirms a growing dependence on individual initiative in a summary of surveys about middle-manager responsibilities reported by sources including Price Waterhouse and the Association of Executive Search Consultants.

Middle managers who formerly performed administrative tasks associated with communication, control, and coordination are set loose to attack projects the company hasn’t been able to crack previously. They have the freedom to act, to promote change and to work across administrative and geographic boundaries…. (and are viewed) as shapers and drivers of corporate strategy… skilled at organizing complex subjects, solving problems, communicating ideas, and making swift decisions. (B1)

Other evidence indicates that ignoring the effect on surviving employees of cost cutting/downsizing initiatives has had just the reverse effect of hurting profits. Hammer and Champy (1993) argued for accomplishing profit enhancement through downsizing and reengineering. These efforts focus on streamlining or eliminating company processes, dismissing “excess” personnel and demanding greater efficiency of the survivors to shrink costs and increase organizational profitability. When resources are tight, or the company is under siege, individual employee well-being will have to suffer in the interests of overall company survival. However, recent articles in the popular financial press indicate that ignoring remaining employee needs can lead to decreased
profitability. Wysocki (1995) describes in the _Wall Street Journal_ the unintended consequences of downsizing including survivor syndrome (overburdened and exhausted remaining staff suffer low morale and compensate by avoiding risk-taking). _The Economist_ in at least two articles (1995, 1996) suggests other profit-costly consequences of downsizing. The institutional memory and informal networks necessary for getting things done disappear under reengineering and downsizing (1995). Another casualty of downsizing is employee loyalty, translated as willingness to sacrifice personal effort or time for the company. Employees whose morale is most impacted by these cuts are “the sort of people who work in the evening and take special trouble with new recruits” (49:1995). The talented of these workers are more willing to change companies; the job tenure in the US is three years, less than half that in Germany and Japan (1996). Consequently, companies are leaner but not noticeably more competitive or profitable (Dougherty and Bowman, 1995). In summary, for the foreseeable future, maximizing the contribution of employee knowhow can be expected to remain an important objective. This emphasis has MCS implications.

**MCS Implications**

Merchant (1997) describes a control system as the use of administrative devices (e.g., strategic planning, management accounting, standard operating procedures, and informal controls) to motivate, monitor, and reward managers and employees. The traditional MCS operates most successfully under certainty. When the system components of inputs, processes, outputs, feedback, and environment are stable, the MCS is structured to highlight variances in pursuit of normalization. In these situations existing information-harnessing activities in accounting gather data for standard reporting and ongoing management tasks.
However, recent developments in MCS have shown us where the old certainty assumptions in a changing world have become the cause of misinformation and "miscontrol". Activity Based Costing, (Cooper, et al. 1992), Strategic Cost Management (Shank and Govindarajan 1989), Total Quality Management (Walton 1990, Johnson 1992), and Target Costing (Hiromoto 1988) are examples of significant competitive solutions to problems where gaps in traditional MCS processes provided competitors with hitherto unseen cost or product differentiation opportunities. At least one accounting researcher (Johnson, 1992) has gone so far as to dismiss the utility of existing MCS.

Some people may dispute, of course, the claim I make that information affects business behavior. They might say, "There's nothing wrong with the management accounting information companies use. Problems are caused by the people who misuse that information." I could accept that idea if I saw any evidence that customer satisfaction resulted from improved financial results. In fact, the connection I believe that business performance would improve dramatically if top managers eliminated all existing management accounting control systems and, instead, started people talking about 'customer satisfaction being everyone's job' and about 'new ideas for customer satisfaction being everyone's responsibility.' (p13-4)

The uncertain and increasingly competitive environment offers an opportunity to examine what role MCS might more effectively play (Schendel 1994, Stewart 1994). Thompson (1967) and Ouchi (19??) agree that when system elements cannot be specified, informal controls such as group norms become especially important. Under uncertainty, when the goals and means of accomplishing goals may be unknown, MCS assessments shift to outcomes (did we achieve the objective?) or to judgements (is there a consensus that things are being done right?). To enhance these informal controls, management consultants, organizational theorists, corporate executives and systems designers have already turned to management perspectives that can be internalized by workers individually and collectively towards creating superior value. Proposed business
practices such as empowerment (Johnson 1992), open book management (Case 1995), and total quality management (Walton 1990) have already been mentioned as encouraging workers to initiate ideas and activities that improve organizational competitiveness. These management philosophies share the assumption that knowledge, decisions, and accountability will shift downward in a more flattened organization structure. The more process-oriented nature of these approaches requires different characteristics of control systems including encouraging more worker initiative, and placing less emphasis on bureaucratic hierarchies, rules, and variances.

Changes to MCS design can even be an opportunity to make the MCS a strategic resource (Pant and Yuthas 1999). Traditional thinking assumes the MCS role is to coordinate existing resources. A restructuring of MCS to incorporate informal controls is one way to help create fresh knowledge in that initiatives to enhance employee learning and participation are types of informal controls. The ability of MCS to support the firm’s strategy is significantly enhanced by more explicitly incorporating a developmental dimension through informal controls.

This greater emphasis on internal knowledge creation and utilization can come about with or without an organized organization learning initiative. An articulated initiative has an overarching vision and a framework detailing a set of objectives. This coherence allows for specifying implementation processes with guidelines, feedback, and modifications. In the alternative, it appears firms adopt a less conscious and a more random approach that might be titled "More, Better, Faster". Employees somehow individually cope with increasing competitive demands (Petzinger 1999). This response
tends to be more reactive, less conscious, and less organized in adjusting to increasing marketplace demands.

The more systematic informal controls such as Organization Learning typically elicit new knowledge creation from two sources: extra individual and collective worker initiative and insights (available in both coherent and adhoc formats), and the reflexive process by which the system generates feedback about the system. The claim (yet to be validated) is that articulated initiatives can have competitive advantages by institutionalizing ways to elicit better market position or margins from the firm’s unique, inimitable, and valuable combination of human talents (Barney 1991, Prahalad and Hamel 1990).

**Organization Learning and MCS**

This section elaborates on characteristics of this renewed emphasis on informal control by introducing Organization Learning (Senge, 1990) as one coherent initiative linked to the MCS. Organization Learning focuses on the developmental dimension of employees by encouraging individual mastery, seeking the additional insights that open interaction with colleagues can produce, and promoting further understanding of the interrelationships of events and actions over time. These objectives encompass an enterprise's ability to learn at three feedback levels. To survive, firms incorporate a first level continual feedback and adaptation process necessary to keep ongoing activities functioning smoothly and successfully (such activities include production, marketing, research and development and strategic planning efforts). This is the traditional domain of systems generally (see for example, Orlikowski and Baroudi 1991) and of MCS specifically (Merchant 1997). The second form of feedback builds on Argyris’ (1977) double loop learning by providing mechanisms to make explicit multiple interpretations of realities and to reduce defensiveness in interpersonal relationships. This feedback loop
moves individuals to a meta-level to examine not only what they do but how they do it. The third feedback loop is at the systems level. It suggests that MCS can be designed not only to narrow variance in participants’ behavior, but can also incorporate the abilities to see recurring patterns and determine leverage points for change. William O’Brien, formerly CEO of Hanover Insurance Company (1994) suggests that Organization Learning exhibits four characteristics that encourage generative learning. These include dispersing power in an orderly way, developing an understanding of the system or structural interrelationships of issues, becoming good at conversation, and eliciting voluntary and committed effort from employees.

Organization Learning serves as a reverse kind of goal congruence. The traditional perspective describes the theory of congruence as an objective of management control systems. Aware of man's inherently self-serving nature, management attempts to design control systems to elicit employee behavior that simultaneously serves the interests of both the employee and the organization (McGregor, 1960). In other words, humans are selfish. Expect and manipulate this selfishness to serve the company's ends as well. In contrast, Organization Learning assumes individuals are eager to improve themselves. Organization Learning argues that companies should first unleash this desire by encouraging individual mastery. Second, the firm's control system should harness this into a cooperative effort that makes both individuals and the organization excel. Third, the control system should include as standard practice the testing of assumptions and anticipating the consequences of employees’ activities.

In The Fifth Discipline (1990) Senge describes five components or disciplines of Organization Learning. These are grounded in the work of a number of psychological theorists including Argyris (e.g., 1977). The five disciplines incorporate the internalizing character of informal controls. Individual excellence relates to one's progress within a practice. Working with others and systems thinking focus on interrelationships in
organizations to create and sustain efficiency and effectiveness. Collectively the disciplines enhance the developmental aspects of control systems by recognizing organizational improvements, and by providing processes for accomplishing these.

**Personal Mastery** is the discipline of personal growth and learning that provides control systems with a more specific framework for individual accomplishment. This discipline requires approaching one's life as a creative work where mastery means proficiency. There are two underlying elements: continually clarifying what is important to us (our vision) and striving to see where we actually are (our current reality). The difference between the vision (desired condition) and the reality (actual condition) is a gap. Personal mastery is the art of working to reduce that gap\(^2\). Senge calls this learning more than simply acquiring additional knowledge; rather a generative learning occurs expanding our ability to produce the results (vision) we want.

On a control system level, one of the earliest examples of encouraging employee personal mastery is Josiah Wedgwood’s effort to develop his people to help his pottery firm survive the 1772 European depression (Macintosh, 1994). He built upon the words of John Wesley whose powerful preaching encouraged Wedgwood’s workers to live more sober and respectable lives. Wedgwood himself developed a set of shop floor controls that, in addition to codifying potter’s instructions and instituting cost accounting, included descriptions of proper work decorum. He also paid close notice of the quality of employees’ home life and spirituality. He is reported to have considered all this attention a major competitive advantage, helping his firm survive the depression and surpass his competitors. While today this enforced paternalism appears somewhat archaic, Wedgwood’ devotion to his workers’ personal development does foreshadow designing a control system to foster the individual’s continual growth.

The next three Organization Learning disciplines capture dimensions of group and interpersonal behavior. **Shared Vision** deals with the concept of community. It answers
the question, "What do we together want to create?" This discipline assumes the good of an individual is bound up with the good of the others in the organization and gives coherence to the diverse activities of individuals. Shared vision describes the unifying commitment of the many individuals who accept that they are fully responsible for making the organization's vision happen. In contrast to compliance, each employee doesn't just play by the rules of the game; each is responsible for the game. Within this framework, the role of managers changes from our usual conception of a decision-making leader who knows and implements the right answer. Rather, the metaphor of a coach is more accurate. The manager helps motivate and guide the collective choice of, and commitment to, the shared vision. This extends and amplifies the role of the charismatic leader when the effort to achieve goals is demanding and ambiguous (Oucci 19??).

One well-known example of shared vision in the U.S. national memory is its efforts to get a man on the moon (Zuckerman and Hatala, 1992). When the Russians launched Sputnik in 1957, the American underdog space program coalesced around a focused and widely embraced target, and Neil Armstrong walked on the moon in July 1969. The profit increases described in the Holiday Inn anecdote noted earlier illustrates these synergies. Another company, Tandem Computers (Macintosh, 1994), grew from a medium sized company to be a Fortune 1000 company in less than a decade by producing high quality, fault-proof computers. This success is attributed to employees being treated as equals who were expected to understand and take responsibility for the financial results of the business and who were expected to share equally with managers and owners in success. Petzinger (1999) details several stories of leaders who evoke extraordinary follower efforts.

**Team Learning** hones the pursuit of shared practice by addressing two dimensions of working in groups: the ability to think insightfully about complex issues, and the need
for innovative and coordinated action. Examples of thinking insightfully about complex issues might mean sharpening the corporate mission and strategy, or reflecting on better ways for the control system to implement strategy. Searching for innovative and coordinated action could include helping individuals understand how functional groups can minimize their “over the transom” tendency. The manager’s role has shifted to facilitator and resource provider. Control emanates from nurturing rather than mandating.

The team’s coordinated action was the secret for the financial survival and then success of AT&T’s “Copper Shop” (Zuckerman and Hatala, 1992). After AT&T’s 1984 divestiture, the resulting competition and the decline of copper cable demand in favor of fiber optic materials, began a death spiral for the facility that would have put 1000 people out of work. A year into the eighteen month struggle to survive, management pulled out all stops in empowering employees to improve financial results and improve quality by working as a company-wide team. Almost immediately, workers generated ways to cut costs, to think and act creatively to improve quality. Not only did the facility succeed, its story became the subject of an AT&T motivational video.

Mental Models draws from the work of Argyris (1977). We have deeply held internal images of the way the world works (theories in use). When these theories are unexamined, they often lead to counterproductive actions. First, at the organizational level, collective perceptions of the way the world works often ossify into beliefs that what exists is both what will be and what is right (Pascale, 1990). Second, dealing with interpersonal issues frequently complicates employees’ ability to do the right thing. Some of the basic diseases of hierarchies include game playing (rather than openness) and decisions based on bureaucratic politics (rather than merit). To counteract these problems, we can test our leaps of abstraction (jumping to assumptions without testing their reality), expose the “left hand column” (surfacing the undiscussable in conversations
as the first step in dealing with difficult interpersonal problems), and balancing inquiry and advocacy in discussions. Advocacy makes one's own reasoning explicit and actively encourages and reflects on challenges to one's own ideas. Inquiry includes stating data-supported personal assumptions about others' views, and asking real questions to explore those views. The link between mental models and the other disciplines of Organization Learning appears to be through the process. Personal Mastery, Shared Vision, and Team Learning provides some process for becoming better. Mental models help by honing the process of becoming better. We can step back and observe our view of reality and from this move to corrections or adjustments that allow for more excellent shared efforts. Control serves to sharpen thinking by eliminating the confusions of poor communication.

For example, management accounting control coordinates activities in the service of the organization’s goals. In explaining the benefits of using mental maps to help coordinating activities, Senge describes the experience of Royal Dutch Shell, considered during the early 1970s as the weakest of the seven largest oil companies. Through an extended and radical group planning process Shell managers practiced intensive communications involving aspects of mental modeling about likely future oil industry scenarios. Consequently, of the seven firms, Shell was the most prepared for and responsive to the mid seventies’ OPEC oil embargo, becoming by 1979 the strongest or one of the strongest of this class of oil companies (Senge, 1990:178-181).

The fifth and last discipline focuses one's analytical skills. The underlying metaphor is a web of relationships (see for example, Capra 1996.) Systems Thinking argues that behaviors and events are interrelated in basic patterns or structures. Different people in the same structure will essentially produce the same behaviors; moreover these behaviors are caused by the structure. "In human systems, structure includes how people make decisions - the 'operating policies' whereby we translate perceptions, goals, rules, and norms into actions" (Senge, 1990, p. 40). Systems Thinking draws upon feedback
theory, organization theory, behavioral decision-making, and process consulting. This discipline provides an analytical advance for management accounting. Accounting attempts to capture the financial elements of transactions; Systems Thinking offers a means to understand the causes and consequences of these transactions and even the absence of transactions. The role of control is to enhance all employees' conceptual tools, thus providing for a more informed behavior. (Note, Systems Thinking is both a theory and a methodology. Refer to Senge [1990] or to the Systems Dynamics Journal for more complete explanations.)

One recent research effort uses Systems Thinking to examine the unexpected consequences of accounting measurement issues on TQM programs intended to increase corporate profitability. Sterman et al. (1994) revisited Analog Devices, Inc. after the company implemented an apparently extremely successful TQM initiative only to see both its profits and stock price drop by two-thirds. Following an extensive investigation including interviewing corporate actors, reviewing operational reports and public financial data, the authors built, validated, and simulated a dynamic systems model of the firm. It appears that for Analog Devices, TQM led to improved manufacturing quality that reduced direct costs fairly quickly. Prices were then reduced to reflect these. However, product development and other overhead activities required a longer time horizon for improvement. The accounting problem was that the still large overhead cost was being allocated to product using the historical and now too small percentage basis. As a result, margins shrank. The authors’ systems model demonstrates that profit and stock price declines were the inevitable but predictable consequences.

In summary, for control systems, the additional feedback loops embedded in these five disciplines are meant to facilitate the generative learning by which humans recognize permanent changes in the structure of the way things are, and construct adaptation.
strategies for succeeding in this new order. The next section turns to potential impact of this additional individual involvement on the employees.

**Possible Human Consequences**

We now raise some human consequences of the organizational shift from a command and control style of management to an emphasis on individual vision and creativity. Two schools of social thought are briefly contrasted to highlight issues and suggest questions about the tension inherent in installing a more egalitarian set of responsibilities in an existing hierarchical tradition. The radical humanist perspective underpinning Organization Learning is reflected first, followed by a less optimistic radical structuralist interpretation (Burrel and Morgan 1979).

Aristotle (MacIntyre 1984) discusses outcomes in relation to purpose. He reflects on the function of the community as providing help for individuals to bring about a shared vision for the good of man. Business organizations are communities that have typically interpreted this shared vision as increasing owners’ profits (Collins and Porras 1994). Aristotle, in contrast, argued "the overall social order the activity of politics provides for the inhabitants of the polis [sic community] ways of understanding and pursuing those goods in an integrated way, so that the good and the best may be achieved" (p. 298)⁵.

An individual in the community conducts the search for the good within the context of activities or practices (the organization). A practice is a coherent and complex socially established cooperative human activity (the work of the organization). The goods (outcomes) individuals seek are external and internal. External goods include fame, wealth, and power, and are familiar business objectives. Internal goods are related
to the practice: those of 1) the practice itself (e.g., a product design), and 2) the personal
excellence of progress in the practice (e.g., enhanced personal accomplishment or
understanding). For example, management accountants would pursue these goods by 1)
producing better control systems, and 2) striving to reach new levels of personal
experience and expertise.

The explicit goals of Organization Learning reflect this idealistic perspective.
Knowledge, a competitive resource, is enhanced through a synthesis resulting from the
reflexive dialogue between equal minds. Sociologists (e.g., Habermas 1984, Giddens
1984) and sociobiologists (e.g., Wilson 1998) argue that we both create and discover our
world. Maturana and Varela (1987) classify all living beings as self-making systems,
emerging, sustaining, and adapting to change through the processes of interrelationships.
With the environment and others, we engage in action and discourse. These recurrent
interactions and their resultant congruence is a "natural drift". Living things do not adapt
to a mutating environment; rather the two co-evolve. We and others self-make, thus
creating our own history. And the objective of all this self-making is to adapt in order to
go on well -- an internal good.

Habermas suggests business' forces of production are an endogenous growth of
human knowledge, and business' progress depends on participants' expanded possibilities
for learning (Pusey, 1987). Furthermore, the role of the MCS is to create opportunities
for the mutual expansion of learning. Macintosh (1994) argues this radical humanist
view of control systems acknowledges the power of senior officers over others, and that
this condition is a product of our "self-laid traps". Habermas' response to the limitations
of static bureaucratized systems is the evolution of shared meanings evolved in dialogue.
For employees, the intrinsic benefits are having done a better job and personal growth -- in both knowledge and interpersonal skills.

Internal and external outcomes can be in conflict. Giddens (1984) models social interaction to demonstrate that when power holders (those with superior knowledge or resource allocation ability, seek personal external rewards) the cost may be inordinately borne by the controlled. Critics have argued that business initiatives like Organization Learning are just another, albeit insidious means of achieving self-normalizing controls first attributed by Foucault (1979,1980) to prisons, schools, hospitals, mental institutions, and even to society’s policing of itself (Hoskin and Macve 1986, Hopwood 1987). This radical structuralist perspective maintains the self-interested objectives of an elite (in this case, top management) will be accomplished through the coerced efforts of the masses (Kojeve [see Drury 1994]). In other words, workers will be ordered or enticed to do more, and to bear the additional costs (e.g., being downsized or suffering survivors’ extra effort and stress), but these workers will not share in the resulting benefits. As a recent anecdotal example, during the mid 1990’s Digital Equipment Corporation adopted open book management, downsized its employees by half, and doubled the base salary of its president, Robert Palmer.

**Which Is It? Can Organization Learning Ideals Prevail?**

Whether initiatives like Organization Learning are sustainable and benefit employees are yet-to-be addressed empirical questions. Royal Dutch Shell's Texas locations "walk the talk". Ford was successful in organizing its Power Train Division using Organization Learning principles to save the division, but has encountered tremendous resistance in its Taurus unit. Lucent Technologies continues to practice the
TQM principles that helped win the 1994 Baldridge Award. But several companies have laid off thousands of workers as their CEOs reap astonishing levels of compensation.

The resource-based view of workers suggests one weapon for organizational survival lies in the value-added potential of worker knowledge. However, it is entirely logical that workers may be unwilling to voluntarily develop or reveal work they produce. The problem lies in the current power asymmetries between management and workers (Adler and Borys 1996). The need to have a coordinating function has resulted in managers’ control over the rules and resources, (Dillard and Yuthas 1996) and hence, an inordinate share of rewards (Macintosh 1994). A shift in this equilibrium towards a collegial style of control suggests one solution to this dilemma. If workers have a strong voice in the organization whose success is a function of the work they produce, they may be able to negotiate an acceptable share of both the costs and benefits of these efforts. The intense costs of survival will not disappear. But the business practices designed to elicit more worker effort and commitment would have to include the insurance of a greater worker participation in rewards.

The disciplines of team learning and mental maps include the rights and obligations of a 360° review of management actions and views. If management defensively ignores inconsistencies and inequities, then we expect workers to assume the organization has returned to the old status quo and will ratchet down behavior accordingly. A second reason for cautious further exploration into initiatives like Organization Learning is that provisions for feedback are designed to surface participants' set of guiding values. Dialogue, openness in testing assumptions, and methods for dealing with difficult issues are some of the built-in processes for revealing finer-grained truths including management motives for and commitment to the altruistic elements in pursuit of the organization's long term viability.
Future studies are needed to examine the basic premise of employee knowledge as a source of competitive advantage. We can intuitively appreciate the contributions of computer engineers and entrepreneurial managers; can we empirically determine that the benefits from hotel front desk clerks and housekeeping staff's knowledge creation and management initiatives is worth the cost of informal control enhancement? Studies could also address whether the MCS can ever reduce the net sum of counterproductive behaviors. Macintosh (1995) argues these behaviors are the inevitable natural political response within the power struggle between central headquarters and local managers. Proponents of Organization Learning suggest otherwise; the firm can be a cooperative community that survives and flourishes for the well-being of all employees.

Does incorporating some form of organization learning have advantage for profitable sustainability or for employee well-being? And why are some firms more successful at implementing some form of organization learning? This appears partially dependent on firm-specific culture and leader characteristics. For example, the anonymity and variance inherent in larger organizations means the task of internalizing the optimistic expectations of learning initiatives is challenging. Understandably, middle managers and organized labor are cynical about the new "flavor of the month" initiative. Leader reputation and commitment also appear to be important determinants of success.

This paper’s title is implicitly normative: Organization Learning is here to stay. The intent of the paper is more tentative – hopefully in keeping with Organization Learning. Dialogue suggests clarifying one’s position and asking for helpful critique. This purpose in this paper has been to review the case for why using informal controls to enhance knowledge creation is likely to be a continuing goal of MCS, and to suggest how one management perspective, Organization Learning illustrates this effort. Equifinality suggests other designs for control systems can also enhance worker enrichment. One
important advantage of Organization Learning is its built-in mechanism for inquiry: being able to raise and examine potential flaws and inconsistencies in thinking and behavior. Inquiry offers some protection from the hijacking of Organization Learning for one subgroup’s self-interest. But turn-about is fair play. The proper way to end this paper is to include the same confrontability. Perhaps others interested in MCS would be interested in extending, redirecting or refuting the ideas presented here.
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FOOTNOTES

1 This concept shares something in common with the shifting role of control systems in discussions about Total Quality Management. Whereas bad quality used to be thought of as the fault of the worker, management control systems are now generally recognized as responsible for 80 percent or so of product and employee quality (see, for example, Kaplan and Atkinson, 1989). The system's responsibility is to provide the structure and process that allow workers to produce excellent quality. So too, Organization Learning is a system allowing the employee to bring his/her best effort to the activity.

2 Athletes and musicians strive for personal mastery. Larry Bird was reputed to shoot baskets for hours outside of scheduled team practice. Senge cites another Boston Celtic, Bill Russell's rating scale for evaluating his personal nightly game performance. On a hundred point scale, Russell is said to have never scored himself above a sixty-five (p154). Not-for-profit enterprises provide excellent prototypes of individuals and organizations that embody this concept. Delivering education or health care, for example, are goals at least equal to the financial goals for today's schools and medical institutions. However, profit-seeking need not conflict with this idealistic thinking. Bose Systems has a reputation as an organization dedicated to producing the highest quality sound systems.

3 Actually, some recent efforts at examining mental maps in accounting control systems have surfaced. Activity Based Costing/Management (Cooper et al., 1992) surfaces and tests assumptions about the existence and allocation of overhead costs. The Balanced Scorecard (Kaplan and Norton, 1992) recognizes the potential misleading signals of financial measurements and adds operational measures of customer satisfaction, organizational processes and continual improvement efforts that the authors believe are the sources of future financial success. Strategic Cost Management (Shank and Govindarajan, 1989) makes explicit and formal the strategic issues related to cost analysis, including whether the current market structure is changing or whether and how decisions made by one company in a vertical supply chain which affect the profitability of others can be managed to enhance overall competitiveness and individual profitability. New Product Development Time (Stalk and Hout, 1990) proposes that reducing the "time to market" of a new product can shrink costs and capture higher market share. Target costing (Hiromoto, 1988) comes close to recognizing the insights of the discipline of personal mastery. Based on desired profit margins, we can calculate the desired costs (the vision). The difference between desired and actual cost (current reality) is the gap, which, in turn, becomes the basis of management performance targets. All of these initiatives represent examples of stepping outside usual management accounting practices to examine whether the traditional assumptions (e.g., about quality, overhead, costing) are still appropriate.

4 Systems Thinking recognizes a hierarchy of events, patterns and structural causes. Events appear to randomly happen including stock market runs, real estate crises, and inventory overproduction. Patterns recognize the universality of certain events, e.g., the boom or bust cycle of real estate market swings, animal and human population fluctuations, toy sales, network television programming, and overeating. Structural thinking looks to find the causes of such patterns and the leverage points for change. A few basic structural patterns or archetypes capture many of the interrelated behavior patterns of business, sociopolitics, and physical processes.

5 Thus for organizations, Aristotle’s perspective implies that creating profit, rather than being an end in itself, becomes a means serving the ends of employee well-being. A frequent analogy is the air we breathe. The relationship for mankind is one of breathing to live; not living to breathe (Collins and Porras 1994).