Abstract

The purpose of this paper is to examine contemporary management theory in light of Catholic Social Teaching (CST). Specifically, we focus on the concept of the ‘learning organization’ and on current thinking in the field of industrial relations as they relate to CST. Our intent is to identify and describe the points of agreement and convergence among the two seemingly divergent perspectives, and to analyze the differences. We begin by first defining a learning organization and describing its characteristics. Next, contemporary themes in industrial relations are identified. Finally, we examine CST, comparing and contrasting it with the management perspectives.

The concept of a learning organization has been popularized by several recent authors, most notably Peter Senge, author of *The Fifth Discipline* (1990). Since the early 1990s, research on the learning organization has proliferated (Easterby-Smith, 1997). Indeed, a bibliographic review by Crossan and Guatto (1996) found as many academic papers on organizational learning in 1993 as in the entire decade of the 1980s.

According to David Garvin (1993), a learning organization is "an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights" (p 80). Learning organizations are adept at five main activities: systematic problem-solving, experimentation with new approaches, learning from their own history and experience, learning from the experience and best practice of others, and transferring knowledge quickly throughout the organization (Garvin, 1993, p 81): Similarly, Easterby-Smith (1997) describes the learning organization as an ideal type of action- and change-oriented enterprise in which learning is maximized.

One reason for the growing interest in the learning organization model (L-O model) is its suitability for today’s fast-paced, global, and "hypercompetitive" business environments. Anderson (1997) argues that from a strategic perspective, the learning organization is
especially important in highly competitive situations because it builds the capacity to change strategies, to be creative, and to avoid a narrow and rigid dependence on the status quo (p 28). Baldwin, Danielson and Wiggenhorn (1997) likewise claim that "the dynamics of rapid change, heightened global competition and advancing technology mean that organizational success will be increasingly dependent on learning" (p 47).

Traditional models of strategy, such as the SWOT approach, have been very heavy on analysis and relatively light on the importance of creativity and innovation (Hamel & Prahalad, 1989). Perhaps there was a time when this relative emphasis was acceptable, even appropriate. But competition in most industries is more dynamic now than it has ever been, and competitive advantage more fleeting. Especially in mature industries, successful new products are quickly imitated by competitors and advantage is temporary. Competitive industries are characterized by "the cycle of innovation - imitation - equilibrium" (Werther & Kerr, 1995), as shown in Figure 1.

**Figure 1: The Cycle of Competitive Imitation**

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innovation

imitation

equilibrium
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Under these circumstances, characterized by accelerated rates of industry change and rapid diffusion of innovation, Liedtka (1996) argues that "today’s product is no more than a temporary solution to today’s customer problem -- it offers no hope for sustaining an advantage." Rather, the ability "to continuously build new capabilities is at the heart of competitive advantage" (p 21). In this case, the essence of competitive advantage focuses on the identification and development of organizational processes rather than on particular products or markets, processes that produce meaningful and continuous learning and strategic innovation in the organization. In short, the ability to develop an ongoing flow of innovation provides a path to competitive advantage in fast-paced environments. This capacity to innovate is sustained by organizational learning.

**Characteristics of a Learning Organization**
Thus, change and innovation are the hallmarks of a learning organization. But change and innovation are outcomes, the result of various processes and characteristics that are embedded in the organization. What are these characteristics and processes that foster the change and innovation that distinguish the learning organization?

A review of the literature suggests that different authors stress different aspects of the learning organization. Indeed, Easterby-Smith (1997) did an extensive search of the organizational learning concept and found six disciplinary perspectives on the topic, each with its own distinct contributions and viewpoints. Stepping back from the differing perspectives, however, and accounting for differences in terminology but similarities of meaning, at least three characteristics of a learning organization consistently emerge. They are human development within the organization, information-sharing, and collaboration and community-building.

**Employee Development and Continuous Learning**

One of the six disciplinary perspectives described by Easterby-Smith (1997) is the psychology and organizational development (OD) view. The central theme of this perspective is "human development within the organizational context" (p 1087). This theme focuses on topics such as how individuals learn, stages of the learning process, cognitive styles, and obstacles to learning. Implicit in the theme is the understanding that organizational learning depends on employees who are growing and developing on the job.

**Information-Sharing and Collaboration**

A second perspective on organizational learning described by Easterby-Smith (1997) emphasizes the theme of information processing and sharing. This theme is also one of the "principles of learning" identified by Baldwin et al (1997). These authors stress that organizational change is a shared responsibility and that innovation and change require employee participation and involvement. "Innovation is much more likely to occur when people participate in the solution rather than having it handed to them" (p 50).

The information is not only made available but it is expected to be disseminated efficiently within the organization. As Garvin (1993) states, employees learn from the experience and best practice of other organizations, and are expected to transfer knowledge quickly throughout the organization. These activities are built into the systems, processes and culture of the organization.

This inclusive approach to decision-making and planning brings new voices, new perspectives and new energy to the process. It allows the organization to tap into the knowledge of its people. Gaining this input may be a key to competitive advantage, according to Bartlett Ghoshal (1995):

> In the emerging information age, the critical scarce resource is knowledge... (not capital). The implications for top-level managers are
profound. If front-line employees are vital strategic resources instead of mere factors of production, corporate executives can no longer afford to be isolated from the people in their organizations (p 142).

Information sharing and collaboration is important for still another reason. The learning organization thrives on change, as we have discussed. But managing change can be a distinct challenge for organizations. Open, honest communication and ongoing participation of employees are two guidelines for overcoming resistance to change (Kanter, 1992).

**Team-Building and Shared Purpose**

Anderson (1997) represents the views of many contributors to the organizational learning research stream when he claims that a strong organizational community, that is, team building is fundamental to the learning organization. "When there is no community, trust and respect are hard to maintain and performance is even more difficult to reinforce" (p 39).

To "unleash the human spirit" in organizations, Bartlett & Ghoshal (1995) contend that top management needs to establish a sense of community within the organization. Creating a sense of shared purpose, an esprit de corps, is a view aptly stated in *The Fifth Discipline Fieldbook* (1994):

Thus, at the heart of building shared vision is the task of designing and evolving ongoing processes in which people at every level of the organization, in every role, can speak from the heart about what really matters to them and be heard - by senior management and each other. The quality of this process, especially the amount of openness and genuine caring, determines the quality and the power of the results... a true shared vision cannot be dictated; it can only emerge from a coherent process of reflection and conversation (p 299).

These changes call for a planning process where employees can come together as a team and contribute "through a constant interactive process aimed at consensus" (Bartlett Ghoshal, 1995, p 142).

**The Learning Organization and Employment Policies**

The L-O Model emphasizes that employees are a crucial source for achieving competitive advantage. In today's marketplace, sustained competitive advantage must come not from easily imitable new products but from internal business processes that encourage creativity, constant innovation and flexibility. The L-O Model stresses the need for employees to embody, collectively, state of the art knowledge, commitment to the firm, collaborative and cross-functional work, entrepreneurial spirit, and self-directed initiative. In particular, the learning organization emphasizes three inter-related elements: First, employees should commit to continuous learning and skill development rather than
remain locked in jobs that are defined by narrow and static competencies. Second, the internal dynamics of the firm should be organized so that these employees will share in information and participate in a continuous process of organizational change and innovation. Third, the workplace should be structured not in a top-down fashion but in a decentralized way that reinforces teamwork and community.

This emphasis on employees, however, raises questions about whether there are specific corollary employment policies that are necessary for, or at least increase the probability of, successful introduction of the learning organization approach. In particular, questions arise about: the scope of team authority (is it merely consultative or is it substantive decision-making); the range of employees with the opportunity for direct participation; the degree of employment security possessed by employees; and the shape of compensation programs. Happily, there is both theoretical and broadly empirical evidence (case studies, surveys, and performance-related data sets) that helps answer these questions.

**Theoretical Evidence**

Standard neo-classical economics might question the wisdom of a model that decentralizes decision making and that delegates powers to employee teams. Neo-classical accounts of labor relations often emphasize the agency problems that arise from the inherent conflicts of interest between owners, management and employees. As a result, they often also emphasize, as does the Taylorist tradition of management, the need to have elaborate mechanisms of monitoring and control.

As both Levine and Tyson (1990) and Ichniowski (1992) note, there are multiple responses to the concern about agency problems. First, in many organizations, the costs of careful and direct monitoring of employees can be high. In fact, appropriately socialized employees with direct access to information about team members' behavior may be able to monitor and control with less cost. Second, certain specific economic conditions may increase the efficiency of delegation, for example, when processes are complex and when quick changes in response to changing market demand are necessary.

Third, cross functional training and cooperation among team members may produce insights and generate ideas from employees. Group interactions may produce ideas that might not arise from individuals working in traditional jobs. Finally, team delegation may aid in socializing employees into norms that mandate levels of effort, initiative and commitment. Team structures may thus facilitate the loyalty and identification with the firm that the L-O approach depends upon.

However, human resource theorists increasingly see the potential benefits of the team concept as requiring an inter-related set of employment policies. They argue further that these employment policies are unlikely to produce the desired effect if introduced piecemeal. (See, for example, Kochan and Osterman, 1995) Rather, recent scholarship suggests that successful implementation may demand a fundamental restructuring of
workplace rules. Job security and pay are just two of the areas where theoretical speculations have significant implications for the L-O approach.

**Job Security** The L-O team model poses risks for the employees who work under it. Clearly, employee suggestions that increase productivity may also raise the possibility that the demand for labor will decrease and that employees will be laid off. There are similar risks present in peer monitoring and in the efforts employees make in acquiring cross-functional but potentially firm specific skills. As many scholars argue, accepting such risks and expending such efforts is probable only if employees can expect something in return. Rational agents cannot be expected to assume these risks unless there is some conditional promise by the firm to avoid layoffs and to soften the impact of any layoffs that prove unavoidable (perhaps by promising severance packages). (For arguments to this effect, see Butler and Walwei, 1993; Gerhart, Milkovich and Murray, 1992; Marshall 1992; Kochan and Osterman 1995).

Employees also face risks as individuals if they offer ideas that are critical of past management practice. As Levine and Tyson (1990) suggest, the free flow of ideas and information will be chilled by fear of reprisals unless there is an additional guarantee that employees will be dismissed only for cause. The key in both the for-cause dismissal policy and the promise to avoid layoffs is that the corporation and its management provide credible expressions of commitment to and respect for employees. Osterman (1992) argues that this mutuality seems a necessary condition for the emergence of trust and loyalty among employees.

**Pay** The success of the L-O Model depends on the development of group cooperation and cohesiveness. Mitchell, Lewin and Lawler (1992) claim that since substantial differences in pay scales are likely to produce frictions among teams, one could theorize that team cohesiveness might dictate small differentials in base wages among team members, perhaps with variation in compensation coming from seniority or learning additional skills (pay for knowledge). The latter also provides incentive for employees to engage in the process of continuous skill improvement.

Moreover, the demand for mutuality would argue for a sharing of any gains produced by the team concept. Gainsharing based on measurable performance outcomes might also provide a powerful incentive for improving productivity, as might profit sharing (although profits are contingent upon many variables and hence provide a less certain incentive mechanism than bonuses based on outcomes that employees can influence more directly).

(Note that basing compensation in part on performance makes pay variable and hence exposes employees to risk. This argues, as above, in favor of promising long-term employment as the exchange for accepting greater risks. This relation between pay systems and job security issues is an example of why much human resource research finds that personnel policies are inextricably intertwined.)

**Empirical Evidence**
The theoretical arguments on job security and compensation certainly provoke some thought about what employment practices are likely to increase the chances that the L-O Model achieves its promise. Assessing the practical wisdom of those arguments, however, requires that we have empirical evidence of what seems to work in organizations structured along the lines of the L-O Model. In the past decade, there has been quite a bit of empirical study on this question. Case studies, surveys and data sets on performance and work organization have by and large corroborated the theoretical speculations about the specific employment practices that best "fit" the L-O approach.

Case Studies Case data show that not all attempts at reorganizing workplaces succeed. Some experiments with introducing team processes or employee participation have failed. There have also been notable successes, however. And the success stories reflect a common pattern.

Ichniowski (1991) provides a thorough analysis of a paper mill that made the transition from a strife torn labor system to a "team concept" contract. In the years following the change in HR practices, a previously unproductive and unprofitable mill became one of the most productive and profitable in North America. While there was no real change in the capital or technology of the mill over this period, the HR practices changed drastically and, according to Ichniowski, provide the best explanation of the changed performance. Those new practices included a reduction in job classifications, new flexibility in job assignment, a compression of pay rates in job clusters, extensive time for employee training and a conditional promise of no layoffs due to the new team concept.

The more commonly cited Saturn, NUMMI, Xerox, and Corning Glass examples (see Osterman, 1993 and 1992; Kochan and Osterman, 1995) of successful team production and flexible job assignments reveal that all had a set of employment practices characterized by employment security pledges, some element of contingent pay tied to performance measures, and opportunities for training and development. Besser's (1996) extensive case study of the Toyota Camry plant in Georgetown, Kentucky identifies many of the same elements. Perhaps the most telling aspect of these case studies is that some of these same firms lost the benefits associated with team production and committed employees when they abandoned some of the corollary employment practices, especially the avoidance of layoffs (Kochan and Osterman, 1995). Recent events at Saturn are a topical case in point.

Broader Empirical Evidence Some authors try to go beyond the obvious limitations of individual case studies for drawing conclusions. Levine and Tyson (1990) review 47 different empirical studies (ranging from case studies to econometric analysis to field experiments) in an attempt to clarify the relationship between employee participation and productivity. Their assessment of the evidence is that employee participation is more likely to have significant positive impact on productivity when it is substantive (as in direct team based decision making), when it extends to "shop-floor" issues and when it is combined with profit or gain sharing, employment security pledges, measures to build group cohesiveness and guaranteed individual rights (such as a just cause dismissal policy).
Eaton and Voss (1992) review an extensive empirical literature on workplace innovations (such as ESOP's, Employee Involvement Programs, Team Production, Gainsharing, Profit sharing, Job Rotation, Job Enrichment, Information Sharing, etc.). They classify the innovations as high, intermediate or low potential for improving productivity. They conclude that

(team production systems and gainsharing are particularly potent programs...Although very different in some respects, teams and gainsharing similarly incorporate major changes in both work organization and compensation, along with an emphasis on moving decisions downward through employee participation...)(p. 178)

Interestingly, Eaton and Voss also find that the incidence of high potential innovation is greatest in the unionized sector, a fact they explain by reference to the institutional protections and job security possessed by workers in the union settings.

Kochan and Osterman (1995) also review a wide variety of performance assessments for firms that have experimented with innovations such as self-directing teams, cross-functional work, and flexible job assignment. They argue that to sustain such innovations, which they see as necessary for the competitive success of the American economy, three specific human resource practices are required: a conditional commitment to employment security, investment in extensive training opportunities for employees and a fair compensation scheme that includes a sizeable share of any corporate gains.

Finally, MacDuffie and Krafcik (1992) assess the performance of a large number of auto assembly plants from across the globe. The strongest competitors, they find, have multi-skilling, job rotation, work teams, and extensive training but also employment security, employee participation in production decisions, and compensation partly tied to performance measures.

The overall lesson derived from both the theoretical and empirical literature is that firms that wish to transform their workplaces by introducing team production, multi-skilling and employee participation must recognize that successful introduction of these practices will require changes in human resource policies as well. In particular, the levels of employee commitment and trust that the L-O Model depends upon are unlikely unless employees are provided job security, a share of the economic benefits that accrue to the firm, significant opportunities for on the job skill development and substantive participation in decisions.

**Catholic Social Theory and Contemporary Management**

The Learning Organization Model's emphasis on employee development, collaboration and team building has some affinities with the principles of Catholic Social Thought (CST). Moreover, the particular employment practices recommended by some as practical necessities for the success of the L-O approach are also found in the specific prescriptions of CST. This convergence of views may be somewhat surprising, given that...
the two perspectives are motivated by different concerns. Nonetheless, both appear to wholeheartedly reject the merely economic, control oriented, and Taylorist understanding of employment.

**Catholic Social Teaching on Work**

CST's prescriptions about employment derive from its perennial emphasis on the dignity of the human person. Traditionally, Catholic teaching defines moral rights and duties through its understanding of human nature. Persons are seen as created in the image of God because they have souls and the capacities of free will and reason. It is those capacities which provide for the essential dignity of the person and which give persons their special moral status. Respect for the dignity of the person requires respect for those goods which are essential to a flourishing human life. The tradition typically identifies family life, communal social relations and the development of human talents as such goods, along, of course, with the material necessities of life.

CST would be empty and would provide little guidance if it did not make these general exhortations about dignity and respect more concrete. A tradition of papal encyclicals and episcopal letters provides the modern substance to CST on work. Beginning with Leo XIII's *Rerum Novarum (On the Condition of Workers)* and running through to John Paul II's *Laborem Exercens (On Human Work)* and *Centesimus Annus (In the Hundredth Year [Anniversary of Rerum Novarum])*, papal teaching has echoed the same themes. Consistently present among them are the social dimension of work, the importance of labor as co-creative activity, and the primacy of persons over things. These principles reflect CST's perspective that employees are co-equal partners in the productive process and should be seen as common stakeholders.

These principles have led popes to specific prescriptions such as these:

- "It is shameful and inhuman to use men as things for gain" (*Rerum Novarum*, 31).

- "Work is a good for man - a good thing for his humanity - because through work man not only transforms nature, adapting it to his own needs, but he also achieves fulfillment as a human being and indeed in a sense becomes 'more a human being'" (*Laborem Exercens*, 9).

- "The Christian tradition has never upheld [the right to private property] as absolute and untouchable...The right to private property is subordinated to the right to common use, to the fact that goods are meant for everyone" (*Laborem Exercens*, 14).

- "...proposals put forward by...the highest magisterium of the Church take on special significance: proposals for joint ownership of the means of work, sharing by employees in the management and/or profits of businesses, so-called shareholding by labor, etc. Whether
these various proposals can or cannot be applied concretely, it is clear that the recognition of the proper position of labor and the worker in the production process demands various adaptations in the sphere of the right to ownership of the means of production" (*Laborem Exercens*, 14).

- "Capital should be at the service of labor and not labor at the service of capital" (*Laborem Exercens*, 23).

- "Whereas at one time the decisive factor of production was the land, and later capital - understood as the total complex of the instruments of production - today the decisive factor is increasingly the person, that is, one's knowledge, especially one's scientific knowledge, one's capacity for interrelated and compact organization, as well as one's ability to perceive the needs of others and to satisfy them" (*Centesimus Annus*, 32).

- "Alienation is found also at work, when it is organized so as to ensure maximum returns and profits with no concern whether the worker, through his own labor, grows or diminishes as a person, either through increased sharing in a genuinely supportive community or through increased isolation in a maze of relationships marked by destructive competitiveness and estrangement, in which he is considered only a means and not an end" (*Centesimus Annus*, 41).

- "(The Church's) teaching also recognizes the legitimacy of workers' efforts to obtain full respect for their dignity and to gain broader areas of participation in the life of industrial enterprises so that, while cooperating with others and under the direction of others, they can in a certain sense 'work for themselves' through the exercise of their intelligence and freedom" (*Centesimus Annus*, 43).

- "The integral development of the human person through work does not impede but rather promotes the greater productivity and efficiency of work itself, even though it may weaken consolidated power structures" (*Centesimus Annus*, 43).

The U.S. National Conference of Catholic Bishops has also issued statements about work and the economy:

- "Men and women who hold positions of responsibility in private corporations or government find their duties exacting a heavy price in terms of leisure and family life" (*U. S. Bishops' Pastoral Letter on the Economy*, 27).

- "All work has three-fold moral significance. First, it embodies the distinctive human capacity for self-expression and self-realization.
Second, it is the ordinary way for individuals to fulfill their material needs. Finally, work enables people to contribute to the well being of the larger community. Work is not only for oneself. It is for one's family, for the nation, and indeed for the benefit of the entire human family" (U. S. Bishops' Pastoral, 97).

- "Owners and managers are accountable to workers and communities when making decisions" (U. S. Bishops' Pastoral, 102).

- "At a minimum, workers have a right to be informed in advance when such decisions [layoffs and plant closures] are under consideration, a right to negotiate about possible alternatives and a right to fair compensation and assistance with retraining and relocation expenses should these be necessary" (U. S. Bishops' Pastoral, 291).

- "New forms of partnership between workers and managers are one means of developing greater participation and accountability within firms" (U. S. Bishops' Pastoral, 4).

Common Ground

These teachings on work show that CST and the L-O Model have common interests in providing opportunities for full development of human talents in the workplace. They also have a common emphasis on teamwork and substantive participation. And the specific employment practices recommended as essential for sustaining transformed workplaces (e.g., job security and sharing in corporate gains) have echoes in CST's insistence on fair distribution of the burdens and benefits of work and on placing the human needs of employees before the interests of capital.

Differences

While there are striking parallels between CST and some contemporary management theories, especially in their insistence on paying attention to the whole person, those similarities should not obscure the significant differences that remain. Chief among these is that the advice of management theories is meant as a contingent, strategically instrumental tool for competitive markets. It depends on a belief that the recommended practices will be micro-economically beneficial. CST's prescriptions, on the other hand, are closer to categorical moral imperatives dictated by its understanding of human dignity. They derive from a belief that basic human goods are integrally involved in the world of work and that these need to be respected, perhaps even if respect for them produces less profit.

A second potential area of disagreement might derive from the emphasis on a flourishing family life that is a consistent theme in CST. Many contemporary commentators have expressed concern about the impact of workplace practices, especially the increasing demands on employees' time, on family life. The L-O mandate of continuous skill
improvement might have the consequence of even greater amounts of time and energy being diverted from family to the workplace.

Perhaps a more significant practical difference involves the range of employees and workplaces that the respective prescriptions of CST and the L-O Model cover. CST intends to speak to the morality of workplace practices generally. The L-O Model, at least under its usual interpretation, is offered for businesses whose environment is the hypercompetitive international market or whose production process is high-tech. As Kochan and Osterman (1995) note, their "mutual gains" principles are not necessarily appropriate for all firms. In fact they suggest that it might be more efficient for some firms to adopt low-skill, narrowly defined, Taylorist principles of work organization.

It is certainly true that the paradigm for much advice of contemporary management theory is a well educated workforce employed in high-tech enterprises that are competing in hyper-competitive markets. Nonetheless, we believe that there is the possibility of expanding the scope of management theories beyond those paradigm contexts. There is a substantial benefit to be gained from a loyal and committed workforce even in the lower-tech service industries. In those industries, success depends on satisfying customers. It is unlikely that a dispirited, uncommitted, unengaged and untrained staff of employees will generate customer satisfaction. That is precisely the staff a firm might expect to have unless it shows reciprocal loyalty and respect to its employees. (See Duska, 1985 for a reductio of the belief that firms can expect loyalty without reciprocal behavior towards employees.)

We all possess anecdotal evidence of experiences with businesses in the service industry where employees are unhelpful, surly, or even rude. We also possess experience with businesses where employees with the opposite characteristics. Of course, our response to the former experience is, generally, to take our transactions elsewhere. These experiences are not merely the result of individual employee personalities; they have much to do with the levels of training and the degree of respect accorded the workforce.

It would appear then that a significant portion of the employment practices recommended above could be useful for sectors beyond the paradigm case. In fact, one might argue that respect for employees and the specific practices necessary for expressing that respect are advisable not merely as devices for achieving competitive advantage. They can be useful even where they may be imitated (and hence not a source of sustainable advantage) because they help to avoid competitive disadvantage.

If these speculations are reasonable, there might be reason to believe that the respective advice of CST and theories such as the L-O Model converge even further than it seems at first glance. The management theories might have elements that are generalizable. Their scope might thus approximate the universal moral prescriptions of CST. It may be that contemporary management thought gives new credibility to the old saw that "good ethics is good business." Nonetheless, that old saw has its dangers, too often being interpreted to mean that anything that is profitable is therefore morally acceptable. Those dangers
should caution us not to minimize the potential conflicts between CST and contemporary management theory.

References


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