The Learning Organization, Sensegiving and Psychological Contracts: A Hong Kong Case*

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Abstract

I discuss a qualitative case study of the development of a Hong Kong-based utility company towards the ideals of 'Learning Organization' (LO). The case illuminates the irony of promoting greater openness and creativity through top-down sensegiving, as many managers and professionals participated in the collective development towards LO ideals, but nearly fell into a propaganda trap. The case also highlights the importance of honouring psychological contracts, as a covenant with the workforce, leveraged the company's dominant industry position, and restored an atmosphere of mutuality with a marginalized rump. Noting that the focal company may have been blessed with relatively munificent circumstances, I identify four viability tasks that aspiring LOs may need to perform continually in order to forestall disillusionment.

Descriptors: organizational learning, BPR, TQM, leadership, ideology

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Introduction

The focus here is on a qualitative case study of a Hong Kong company, hereafter called 'Tiger', whose senior management adopted the 'Learning Organization' (LO) concept as a strategic principle and retrospective legitimizing device for change-oriented programmes and policies throughout the 1990s. After declaring my position on LO ideology and ontology, I outline five ideal characteristics of the LO and assess Tiger's development against these ideals, noting apparent shortfalls and truncations, and raising issues about the company's longer-term sustainability as an LO. Next, I examine the role of top-down sensegiving in Tiger's progress as an LO, and identify how, while helpful in moving towards some LO ideals, it may have led to psychic imprisonment. After examining the complementary role of a covenant between Tiger and its workforce, I argue that preventing psychological contract violation is a major challenge for LOs. In conclusion, I identify financial resourcefulness, buffering against stress, fostering critical enquiry and preventing dependency as four viability tasks for developing LOs.

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The Learning Organization Defined

A LO is an organisation that expresses normative commitment to organizational learning (OL), and is good at it (Tsang 1997: 75). If that means being good at *all* types of OL, then, given the many varieties of OL (Huber 1991; Dodgson 1993; Jones and Hendry 1994; Easterby-Smith 1997; Easterby-Smith et al. 1998), attaining and sustaining 'actual' LO status would be a superhuman collective achievement. Indeed, advocates, such as Senge (1990a: 22), Pedler et al. (1991) and Marsick and Watkins (1999), regard LO as a guiding vision for reaching out to, rather than as an attainable end state. I shall assume that while no organization is a pure LO, organizations differ in the extent to which they embrace particular LO ideals.

Learning Organization Ideology and Ontology

The five LO ideals set out below subsume multiple levels of organizational analysis, detectable as a nexus of socially and culturally negotiated meanings and perceptions rather than through objective measurement. Ideals are the ingredients of ideology, a shared pattern of individual and collective meaning that has moral and motivational force (Coopey 1996: 381). Thus I regard the LO as a politically and ethically 'loaded' concept. I see the LO ideals *in themselves* as broadly desirable, and use the Tiger case to show how progress may be made towards them, but I heed Coopey's (1996) warning that LO ideology can consolidate managerial power under the guise of symbolic unity, and become an instrument of domination. Therefore, in analyzing the Tiger case, I also note how LO ideals may be truncated while allowing ideological seductions to persist.

Ideals of the Learning Organization

I have aggregated LO attributes from diverging literatures (Easterby-Smith et al. 1998) into five broad ideals described below. I refer also to more general phenomena, such as communities of practice and psychological contracts.

Ideal 1: Organization-wide free flows of ideas, know-how, identity and spirit

Communities of practice may be seen as the building blocks of LOs (Brown and Duguid 1996: 14). Within communities of practice, meanings, capabilities and work practices co-evolve through storytelling (Orr 1996), improvization (Brown and Duguid 1991: 41–44) and informal dialogue among peers (Liedtka 1999: 7). Communities of practice deliver a situated curriculum (Lave and Wenger 1991), covering cognitive, psychomotor and affective domains (Bloom et al. 1971). In LOs, construed as communities of communities of practice (Brown and Duguid 1991: 53), business culture is communal, characterized by solidarity and sociability (Goffee and Jones 1996: 145–146). Barriers to cross-functional teamwork, innovation and

sharing dissolve. 'Hypertext' infrastructure supports flows of ideas, know-how and co-operation between communities of practice (Nonaka and Konno 1998), inspiring creativity and multiple reinterpretations, not deference to the fixed truth of expert dictat (Huber 1991: 89–90).

Ideal 2: Ongoing collective transformation and self-improvement

In LOs, shared destiny connects collective-level double-loop organizational learning, marked by changes in market position, organization structures, business processes or work practices, with transformative learning by individual employees. A LO thus 'facilitates the development of all its members, *and* continuously transforms itself' (Pedler et al. 1989: 2). There is a similar connection between collective and individual incremental improvement or single-loop learning. As the standard of what the LO collectively produces and delivers rises with the expectations of outside stakeholders, employees' capabilities and performance progressively improve (Lessem 1991).

Ideal 3: Dispersed learning leadership, climate creation and facilitation

Learning leadership takes place at all levels in LOs (Senge 1990b: 13; Tichy 1997). For example, strategy-making leaders expose and gently confront implicit assumptions and mental models (Senge 1990b: 12–15). Leaders in line management and supervisory positions build climates conducive to experimentation and experience sharing (Senge 1997), and are instructors, coaches, co-learners and learning models (Marquardt 1996: 106–108; Megginson 1988; Ellinger and Bostrom 1999).

Ideal 4: Open dialogue engaging multiple perspectives

Dialogue in LOs ranges from deeply contemplative self-questioning (Bohm 1990: 11; Cayer 1997) to the 'hallways', where people share insights, experiences and observations, and consider ideas on merit rather than on the basis of seniority or affiliation (Dixon 1997). LOs entertain multiple stories and perspectives (Boje 1994), house conversation and debate, and aim for creative problem solving, rather than a passive acceptance of solutions (Isaacs 1993; Schein 1993). Members may criticize policies without fear of reprisal (Barrett 1995). If 'shared mental models' (Senge 1990a) emerge, they do so naturally, rather than being imposed.

Ideal 5: Protean career contracts

Psychological contracts are implied expectations and obligations in exchange relationships between employees and employing organizations, both at individual and at collective levels (Anderson and Schalk 1998: 638–639). For individuals, a psychological contract is 'a person's beliefs regarding the terms of his or her exchange relationship with another'

(Rousseau 1998: 668). At collective levels, psychological contracts represent norms about bilateral employment relationships, which, since the mid-1980s, have emphasized employability, instrumentality and transactional exchange between 'free agents', rather than security, continuity, loyalty and dependency (Hiltrop 1995; Anderson and Schalk 1998: 642). LOs seek to establish long-term relational partnerships or 'protean' career contracts as a third-way alternative, supporting continuous personal growth and competence enhancement, in exchange for employees' acceptance of the need to be flexible and adaptable (Hall and Moss 1998).

Methodology and Company Background

Finding and Focusing on Tiger

My aims were to understand how the development of LOs may be guided and facilitated, and to identify potential hazards such as the truncation and distortion of LO ideals during practical application. Therefore, rather than using OL measurement instruments (e.g. Bontis and Crossan 1999), I sought multiple accounts of the historical unfolding of meanings, intentions, experiences and events. Letters were sent to more than 800 Hong Kong companies, inviting them to host at least half a dozen qualitative interviews. I anticipated that cultural emphasis on collectivism and Confucian dynamism (Hofstede and Bond 1988) might favour the development of LOs, but only three companies agreed to join the study, and among these only Tiger matched the original aim of finding Chinese-run companies that had attempted development towards LO ideals. The study therefore focused on Tiger, and more interviews were conducted there than were originally envisaged.

Company Background

Tiger is a utility company quoted on the Hong Kong stock exchange. Tiger's British colonial history dates back to 1862, but interviewees regarded the company as Chinese, albeit less 'traditionally' so than some other locally run Hong Kong companies. At the time of the research, there were just over 2,200 employees, all Hong Kong Chinese. The last expatriate left in May 1997, after ten years as managing director. His successor, Mr. X, joined Tiger in 1992 initially as general manager of marketing and customer service. Programmes of total quality management (TQM) and business process re-engineering (BPR) were introduced in 1992 and 1996, respectively. These were largely run by Tiger itself rather than by external consultants. TQM featured quality circles, creativity and problem-solving training, and cross-functional team projects commissioned by top management. BPR entailed the redesign of 95 percent of Tiger's activities into 12 business processes. On taking over as managing director, Mr. X re-emphasized the need for Tiger to innovate, diversify, reduce costs, add value, raise pro-

ductivity, improve market responsiveness and strengthen customer service. Impressed by Senge's (1990a) ideas, he hired a LO consultant to guide meetings of the top 30 managers, held over five weekends in mid-1997 to formulate a five-year corporate strategy. They formally adopted the aim of becoming a LO as a thematic link between TQM, BPR, and the adoption of SAP, a total information systems integration package.

Research Questions

The emerging research questions included the following: To what extent did Tiger have the characteristics of a LO? How was movement, if any, towards LO ideals manifest in company culture and employees' behaviour? How had leaders, and others, facilitated movement? What stories and images were there of becoming a LO, and what role did they play? What HRM policies were adopted in connection with LO ideals, and how were these 'sold'? How did employees construe the collective psychological contract between themselves and the organization? What was the role of Chinese cultural norms in supporting or hindering movement towards LO ideals?

Data Gathering and Checking

Between April 1998 and April 1999, 34 audiotaped structured interviews were conducted with 25 members of Tiger — 20 male and 5 female — representing various positions and levels of management, professional grades, supervisors and officers. Most interviewees had over 6 years of service with Tiger. A Hong Kong Chinese MBA graduate, with several years of business experience, and trained in qualitative interviewing skills (Weiss 1994; Kvale 1996), conducted the interviews, occasionally helped by the author. Interviews lasted between 45 and 120 minutes. A colleague checked some early transcripts and confirmed that they were full and accurate. Interviewees checked all quotations included in this paper. One semi-structured interview with each respondent was loosely guided by Marquardt and Reynold's (1994) broad conception of the LO. Towards the end, some were asked whether they thought Tiger was a LO, others rated on a scale of 1–10 the extent to which Tiger was a LO. Respondents were encouraged to use, and explain, their own criteria of what a LO was, but about a quarter asked to see researcher definitions of a LO (see Appendix). No differences between their assessments and those of other respondents were noticed. Nine middle and senior managers, all male, were re-interviewed a year later about how change programmes were continuing, and about a critical incident that had tested Tiger's crisis management capabilities. Additional data sources included documentary material about Tiger's TQM and BPR programme, informal discussions with Tiger's training and development manager, and observation of a half-day TQM team presentation contest attended by around 300 employees. Working papers about the findings were circulated to respondents, the only challenge coming from Mr. X, the managing director, on a specific point concerning workloads.

Findings

Summative Assessments

Five of the eight managers who were asked whether or not Tiger was a LO stated firmly (i.e. 'sure', 'definitely', 'absolutely') that it was a LO, while the other three were tentative (i.e. 'believing' or 'thinking') when stating that Tiger was one. Among 14 senior officers, officers and supervisors who rated Tiger as a LO on a single scale of 1–10, scores ranged from 5.5 to 9.5, with a mean rating of 7.8 (see Table 1). These rough summative assessments suggest that, while there was room for further development, the label LO was not seen as inappropriate for Tiger.

Table 1
Summative Ratings of Tiger as a LO

Score Given	Frequency (n = 14)
9.0 +	2
8.0 - 8.9	8
7.0 - 7.9	2
6.0 - 6.9	1
5.0 - 5.9	1
below 5.0	0

Qualitative Impressions of Progress Towards LO Ideals

Correspondence between definitions provided by interviewees, and the ideal criteria portrayed above was sometimes loose. For example, a LO was said to be:

'...(one that) tries to learn and to catch up with the market place and the competition to be the no. 1 in the shortest period of time.' (Ms. T)

Notwithstanding looseness and diversity in interviewees' LO definitions, interview content, comprising qualitative descriptions and illustrations, indicated that features matching elements of the five LO ideals emerged in the 1990s. I consider them next.

Ideal 1: Organization-wide free flows of ideas, know-how, identity and spirit
There were signs of turning towards, perhaps even movement towards, Ideal 1. New information technology appeared to have removed systemic barriers to this ideal. E-mail and Intranet became the norm in 1998, and a key phase of SAP was successfully implemented just before. In January 1999, a major crisis, stemming from consumers' misuse of a product, tested the speed and accuracy of information flow. Among the managers whose accounts of the crisis were probed during the follow-up interviews, a typical comment was:

'Ten years ago, I don't think Tiger could have handled the situation this well. Information

on affected customers would not have been available so readily and so accurately... Now we just press a few buttons to get it.' (Mr. D, second interview)

Tiger's day-to-day operations had become more communal during the late 1990s. For example:

'People are more willing and open to give you information, whereas before they would say that they needed to ask for the permission of their boss.' (Mr. B, second interview)

Behaviour during the crisis reflected this emerging communal climate. One fifth of the workforce mobilized full time to handle the crisis, some not going home for three days. Interviewees noted employees' dedication, and the absence of finger pointing. Tiger was described as having been, prior to the mid 1990s, conservative, risk-averse, preoccupied with turf, exclusively engineering-minded, cramped by 'traditional Chinese' concern for face-saving, and populated by autocratic bosses and obedient subordinates. Interviewees indicated that these traits had generally faded, but that Tiger remained sticky in terms of the generation and flows of ideas and know-how.

Ideal 2: Ongoing collective transformation and self-improvement

There were signs of truncated movement towards Ideal 2. Corporate identity broadened after 1995, as Tiger introduced new products beyond its traditional base, overtaking competitors' established models to become market leaders. These breakthroughs challenged and disconfirmed consumers' (and employees') stereotypes about the limitations of Tiger's core technology, and were accompanied by the growth of hitherto undervalued marketing expertise. In another development, a wholly owned subsidiary, 'Outlet', was set up in mid-1998, beginning with projects previously allocated to outside contractors, then building up a wider clientele. Interviewees stated that the prime reason for creating Outlet was to re-deploy those displaced by BPR, an indication that employees were being treated as stakeholders rather than as mere factors of production.

Accounts of BPR and TQM projects also suggested progress towards Ideal 2 (I shall consider limitations shortly). Tiger's BPR programme relied on internal engineering-oriented expertise, but the company appointed Mr. X and Mr A, two relative 'outsiders', as change leaders. Their respective disciplines, marketing and information systems, and extensive experience in US blue chip companies complemented the efforts of long-serving insiders and may have reduced the danger of self-referential inward-lookingness (Miller 1993). Initially, 25 high-performing staff were seconded full time to work as change agents in cross-functional BPR teams, a number that grew to 100 by May 1998. Managers spoke of the challenge, development and achievement associated with change agent roles. Their empowerment was not seen to be at others' expense, for no one lost their livelihood as a result of BPR, and the re-engineering was performed under a 'veil of ignorance' (Rawls 1971: 12–17), such that change agents did not know what

positions they would fill within the re-engineered structures. Many staff were actively involved in TQM: by August 2000, around 35 percent were members of ongoing TQM teams, and another 5–10 percent were former members. In 1999 alone, 54 completed TQM projects had contributed savings of $HK 13 million. Participation in TQM, highest among professionals and lowest among workmen and technicians, was associated with development for individuals. *Ad hoc* cases were also mentioned where individual knowledge acquisition had driven organizational improvement. Mr. S., for example, told of his transfer to a new unit:

'At first, the workmen felt I was very troublesome, because I asked so many questions. If they could convincingly explain the reasons, I let them continue to do it that way, but I checked out the rationale by reading technical books. After 3 years, by early 1998, our unit had changed completely, and the department head said that we were now one of the best. He asked other units to take us as a role model and learn from us. I immediately told my workmen about his praise.'

Progress towards Ideal 2 may, however, have been limited by the largely top-down, paternalistic approach adopted in change management, as in the above example. Furthermore, in line with characterizations of TQM as intrusive and 'panoptic' (Townley 1998), one TQM project imposed surveillance-based performance monitoring onto customer service hotline staff. League tables charted the percentage of telephone calls completed within target time, and calls were tape-recorded, with one tape chosen each month for evaluation by supervisors, who gave individual feedback to staff. On the positive side, however, top performers received trophies and coupons and their names appeared on a roll of honour. An officer claimed that staff supported the arrangements, implying that the interests of Tiger and its employees essentially coincided, i.e. a unitary view of labour relations (Fox 1974).

'The charts are a positive means to encourage us to increase our competitiveness. Everyone takes the results seriously and reflects on her own behaviour to find out why she is lagging behind. The top winner this year sits very close to me. I observe her, and I am impressed by her performance. I ask for her opinions and learn from her. She tells me how to talk to the customers in a better way.' (Ms. T)

Ideal 3: Dispersed learning leadership, climate creation and facilitation

Interviewees implied that Tiger had moved towards Ideal 3. Most managers portrayed their own leadership, and that of immediate superiors, as facilitative, coaching-oriented, caring and developmental. For example, Mr. J, a subordinate of Mr. A, director of Tiger's TQM and BPR programmes, saw Mr. A as a learning leader, not as a 'Hammer-man' (compare Willmott 1994: 41-44): 'Mr. A encourages the (IT) staff to think creatively, and to improve our service continuously. I see him as a catalyst'. Mr. X would have agreed with this description of Mr. A, who joined Tiger from another industry in 1997, but he gave a different perspective on other managers:

'We have a group of very bureaucratic managers from the past. They resisted changing. Their mindset is quite simple: "We have been doing this for the last 30 years, it is doing well. Why should we change?".' (Mr. X)

Interviewees saw Mr. X and Mr. A as pushing firmly and uncomfortably, but not disempoweringly, in necessary and appropriate directions. Mr. X was widely seen as a role model, learning designer and development facilitator, who recognized, rewarded and promoted those who were creative or proactive, and sponsored leadership at all levels. He set up a club for potential high fliers with over 50 selected members who participated in working groups on role modelling, training and development, and strategy dissemination. The club also organized an outstanding employee competition for non-members. Mr. X's approach could thus be described as 'cloning', i.e. duplicating organizational goals within individuals (Covaleski et al. 1998). He envisaged a developmental climate cascading down the organization, and wanted to instil in the 28 heads of department (a) an understanding of the business, (b) openness to criticism, (c) empathy with customers' needs and circumstances, (d) creativity and new product orientation, and (e) urgency and will to succeed. He set challenges for them and observed how each responded. For example, he arranged (and won) a skill competition designed to 'make them understand better how the customers use the products', and planned a competition on selling: 'They will realize how little they know about our products and how they are used'. Managers anticipated that Mr. X would, at any time, in private, test them on current developments in their field, and would demand clear explanations and logical arguments. Some were said to resent this approach, but the prevailing view was that it was justified.

Ideal 4: Open dialogue engaging multiple perspectives

Managers involved in the strategic planning workshops in mid-1997 implied that these had entailed movement towards Ideal 4, saying that ideas had been openly shared and collectively developed within a relatively non-authoritarian framework. One said:

'Mr. X stepped aside and acted as a coach. All the ideas basically came from and were worked out by the department managers. ... We communicated with each other in a friendly, open atmosphere.' (Mr. I)

Elsewhere, as with Ideal 1, there appeared to be more of a turning towards, than a stepping towards, Ideal 4. Although, without direct observation of events, this assessment is tentative. As I will show later, Tiger's reliance on top-down sensegiving or meaning management (Gioia and Chitipeddi 1991: 442) may have discouraged critical inquiry beyond the frame set by management. TQM and BPR entailed task-bounded, rational and calculative problem solving, rather than a kind that held governing values and assumptions open to question. There was, nonetheless, some 'hallway' experience sharing during TQM meetings attended by top managers and workmen:

'Everyone is free to share his or her concerns, feelings and suggestions. It is a channel for sharing experiences so as to alert others to potential difficulties and mistakes. ... Some managers offered actual problems to stimulate people's thinking about problem definitions.' (Mr. R)

Ideal 5: Protean career contracts

Tiger appeared to have made substantial progress towards Ideal 5, but it transpired that the ideal itself had a downside. Psychological contracts at Tiger prior to the mid-1990s offered security in exchange for obedience, loyalty and technical proficiency. By late-1998, management was promising no layoffs for 'competent employees', and offering continuous employment in return for harder work, greater flexibility, wider responsibilities, and greater readiness to learn. For middle managers, this meant accepting coaching duties, collaborative problem solving, cross-functionality, market orientation, non-routine assignments and postings to unfamiliar contexts. For employees in general, it meant subjection to higher customer service standards, tighter surveillance, multi-skilling, and technical updating. Unofficially, it also meant longer hours (Mr. X disputed this). Most interviewees appeared to assume that these extra demands reflected Capitalist 'realities', and that it was their personal responsibility to meet company standards, a stance termed 'technocratic informality' by Willmott (1993: 523). Some staff, for example, volunteered to join SAP rehearsals on Sundays. A manager commented:

'Everyone may need to change his or her position. How to survive in a LO or in this society? You have to upgrade yourself constantly.' (Mr. I, second interview)

For managers, there appeared to be abundant formal development programmes and *ad hoc* discovery learning opportunities. Most interviewees also indicated that Tiger provided sufficient retraining programmes and *ad-hoc* coaching to help the great majority of junior employees to adapt. Not everyone, however, felt confident. For example, Mr. U admitted, 'I feel inadequate in the company environment. I feel that my knowledge is inadequate for the job'. During implementation of BPR, displaced staff went into a 'pool', pending retraining and matching to new posts. The pool was associated with stigma, limbo, insecurity and threats to self-efficacy. Tiger's promise of no layoffs *for the competent* (how was this defined?) disturbed pool members, who were unsure of whether they could adapt to new job demands.

A meltdown in the regional economy served to spread anxiety further across Tiger, and so when the management reaffirmed its promise of no layoffs, guaranteeing also, that unlike other companies, there would be no pay cuts, there was a wave of relief and gratitude.

Table 2 summarizes Tiger's progress on the five LO ideals, notes the shortfalls and truncations, and anticipates the issues about sensegiving and psychological contracts to which I now turn.

Table 2. Tiger's Progress Towards LO Ideals

LO Ideals	Tiger's Perceived Development	Facilitating Processes	Shortfalls or Truncations	Issues
Ideal 1	Less defensiveness. Emerging communal climate.	New technology for cross-functional decision making. LO as an expedient orienting concept.	Sticky generation and flow of ideas and know-how.	
Ideal 2	Broadened business identity. Breakthrough products. Employees as stakeholders. Combining BPR & TQM with self development.	Loyal 'outsiders' at the top. Seductive learning cycles in relation to BPR & TQM.	Imposed examination and methods. Panoptic monitoring. Mass downward communication.	Does the unitary view conflict with a stakeholder approach? Can panopticons be treated as temporary scaffolding?
Ideal 3	Managers as learning leaders.	Role models at the top. Visionary and 'human scale leadership. Drama and storytelling.	Dependence on Mr. X's leadership and imposed curriculum.	Does cloning restrict the natural variation of learning leadership styles?
Ideal 4	Non-authoritarian strategy meetings. Hallway meetings on TQM.	Help by Mr. X and consultants.	Little questioning into what an LO is. Seduction into beliefs, rather than suspension of beliefs.	Do sensegiving and calculative rationality overshadow critical enquiry, inhibit dialogue, and lead to psychic imprisonment?
Ideal 5	The 'no layoffs for the competent' covenant.	Ample training budgets. Financial strength. Relational obligations as a cultural resource.	High anxiety, low self-esteem among some staff.	How competent is 'competent'? What happens if employees fall behind? How to buffer against stress and burnout? What happens if finances collapse?

Sensegiving Issues

Sensegiving entails 'attempting to influence the sensemaking and meaning construction of others towards a preferred redefinition of organizational reality' (Gioia and Chittipeddi 1991: 442). Sensegivers seek to mould mental models, so that followers alter their individual and collective identity (Gioia et al. 2000: 71) and come to see the (new) organizational *status quo* as natural and inevitable. Such symbolic power can achieve collective conceptual realignment, eliminating desire to protest, resist or even pose questions (Hardy 1994: 224–227). It follows that sensegiving as a tool for organizational change may conflict with Ideal 4. Indeed, while sensegiving appeared to play a key role in Tiger's progress on Ideals 2, 3 and 5, the spinners of meanings were nearly trapped in their own webs, as is shown below.

LO as an Expedient Orienting Concept

For Mr. X, the LO stood for various imperatives, such as knowledge acquisition, structural change, openness and creativity, that he had recognized long before coming across the concept of LO. His overriding concern was Tiger's long-term competitiveness, rather than what the term LO and its associated ideals might mean, and how to further them. Interviewees understood and supported the instrumental reasons behind Tiger's becoming a LO.

Seductive Learning Cycles

Cognitive realignment at Tiger took place over several years. Pragmatic arguments under the TQM banner, i.e. cost cutting and improved customer service, rather than what Willmott (1993, 1995) condemns as empty 'functional humanist' promises of intrinsic rewards, self development and liberation, initially drew managers and senior professionals into changing practices. Perhaps Chinese cultural tradition, oriented towards harmony, relational ties, collective duties and role modelling (Bond and Hwang 1987: 247) and against individual liberty (Eberhard 1971: ix, 1), had something to do with the absence of pretension. Ironically, however, it turned out that Willmott's weasel term was a reasonable representation of senior managers and senior professionals' experience of TQM and BPR: they learned how to organize their own work on the basis of self-discipline and flexibility, and found the learning process intrinsically rewarding. Thus the TQM programme managers (including Mr. A and Mr. X) came to define it as a top-down vehicle for 'providing tools to change the mindset', 'installing the culture of change', and 'making employees accept concepts of quality culture, internal and external customers'. Early TQM projects, even those instigated from the grassroots, eroded informal worker prerogatives. The small steps of TQM built momentum for the bigger steps of BPR and beyond:

> 'Through the BPR process and TQM initiatives, we aim at creating a LO to enable every employee to learn and create a learning awareness.' (Mr. A)

Vision, 'Human Scale', and Stories of Progress

Carnall (1999: 139–140) argues that effective leaders provide 'human scale', not only conveying a vision of the future, but also indicating stepping stones along the way. Mr. X delighted in sloganeering deadlines and round-figure targets. He also believed that, in order to instil urgency, employees should get feedback on how the company was doing in relation to such targets. Interviewees mentioned the targets — they hit home and were met. Mr. X avoided the grandiosity that can trap sensegivers when heralding a break with the past (de Cock 1998: 151). As a common reference point and concrete illustration of the direction of change (McConkie and Boss 1994: 384–385), he told of the 70 percent reduction in size of some statutory physical structures that had been a public nuisance for 30 years. He was in a company car with a senior manager when they passed one of these structures. Mr X asked if it could be reduced in size. According to Mr. X, the reply was:

'There is no way to reduce it, because there is a lot of fixed equipment inside and we have been laying it out that way for the past 30 years.'

Calmly resolute, Mr. X arranged an *ad hoc* competition between three teams of engineers, to design the smallest structure. The youngest, most junior team won. The new design saved money in construction and maintenance, and was patented. The benefits of this particular break with the past were clear. Mr. X repeated the story in a speech at Tiger's annual TQM awards event in 1998, attended by 300 staff. As one manager remarked, the moral was that:

'Human factors can achieve results even without any technological breakthrough. He values employees as an asset. I can see his direction.' (Mr. C, second interview)

Mr. X also delighted in watching 'before and after' dramatizations by project teams during the 1998 annual TQM awards event. These portrayed how ordinary employees had contributed to improvements, savings and earnings, and the presentations themselves embodied employees' creative talents.

Sensegiving as Psychic Imprisonment

The Tiger case also demonstrates that sensegiving by a dominant coalition can become a trap. Ways of seeing are also ways of *not* seeing. It appeared that while TQM-related success stories had galvanized managerial and senior professional echelons, it had misled them into believing that TQM was eliminating *all* resistance to further initiatives. They saw themselves beginning to live out a BPR vision of closeness to customers, clearer roles and responsibilities and upgraded skills, but overlooked the paucity of active involvement by technicians and workmen in change initiatives. For the latter staff, BPR meant downsizing and loss of livelihood. Managers and senior professionals were shocked by the outcry, when BPR implementation plans were initially announced.

'It seemed as if they might hit you, especially when we talked about the sensitive issues.' (Ms. O)

Imbalance between Advocacy and Inquiry

The BPR and TQM programmes, and Mr. X's storytelling had valued the questioning of technical systems parameters, and creativity in the service of efficiency and profitability. Until the outcry, however, less attention had been paid to the need for critical inquiry and double-loop learning regarding the human systems domain (Nielsen and Bartunek 1996). Co-operation had been taken for granted, threats to felt security overlooked. Over-emphasis on advocacy and a relative neglect of inquiry (Senge 1990a: 198) had diverted attention from the relationship between managers and the managed.

Psychological Contract Issues

The Play of Circumstances

Favourable circumstances, i.e. a strong financial and industrial position, made it possible for Tiger's management to repeat the promise of no layoffs and no pay cuts, and to restore harmony by re-casting re-engineering as means to *mutual* survival. Employees warmed to this emphasis on collective welfare that cast management as benevolent rulers and honoured traditional Confucian relational obligations (Hamilton and Zheng 1992). The regional economic downturn gave a helping hand, for as other companies cut pay and jobs, Tiger's redeployment policy appeared distinctly gracious. Employees were said to attribute internal upheavals to business imperatives rather than to the leadership's will to power.

Recipe for Disillusionment?

Both sides regarded the covenant as a sincere commitment, affirmed by the creation of Outlet in order to absorb surplus labour. Interviewees appeared to assume that common interest bound company and employees together. De Cock (1998b: 149) wonders, however, if such assumptions 'can be fully reconciled with the lived experience of employees, if they simultaneously encounter a reduction in their job security and/or an intensification in the pace and pressures of their work'. Most interviewees recognized that the longer-term survival of the covenant would require continued efficiency savings, retention of core business, and further development of new products and services. They implied that this depended on progress towards Ideal 1 and Ideal 3 which, in turn, rested upon a set of collective competencies associated with Ideal 5, such as co-operation, teamwork, corporate spirit, citizenship and readiness to share. But what if, at some time in the future, financial contingencies overturned the covenant, amid likely resentment? As Hyman (1987: 42) warns, come the crunch: 'employers require workers to be both dependable *and* disposable'.

Necessary Buffering against Stress

LO Ideal 5 obliges employers to keep stress levels within tolerable bounds, so as not to jeopardize self-esteem or confidence — a generic leadership task in change management (Carnall 1999). Tiger's munificent past provided financial buffers, without which uphill survival struggles might have exposed employees to excessive stress. Even so, some interviewees hinted that stress was a problem. I was told informally that while no one had been dismissed for failure to adapt to new working methods, some had chosen to quit because of the new pressures. Mr X's lack of concern about longer unofficial working hours would not have helped. More might have been done, especially in the case of the pool, to build a psychologically safe climate for learning (Quick and Kets de Vries 2000).

Panopticons or Scaffolding?

Critics of TQM (Willmott 1993; Townley 1998: 197–198) argue that standardization, benchmarking, league tables and other surveillance structures are totalitarian monstrosities built up during the 'act' part of the plan-do-check–act cycle. For Willmott (1995: 95), they deny 'freedom to shape, change or abandon the framework within which decisions are identified and made'. From the perspective of LO Ideal 2, if created by a developing LO, they are temporary scaffolding, to be dismantled once self- and peer-governed arrangements are in place. At Tiger, however, interviewees saw them as inevitable features of organizational architecture, and not apparently the subject of dissent.

Cloning versus Diversity

Tiger's attempts to develop 'open' and developmentally oriented leaders at all levels resembled a cloning operation. A danger here, since there are many different ways of being open and developmental, is of favouring adaptors while stereotyping potential innovators as stubborn rebels (Kirton 1994), thus neglecting the needs of the latter and nipping diversity in the bud.

Implications

The main themes in this case are the use of sensegiving to legitimize change programmes under the LO banner, and a covenant serving as a moral foundation for the LO. Four paradoxes arise from this combination. These are indicated in Figure 1 by the dotted lines with arrows at both ends.

Sensegivers at Tiger envisaged that personal development would proceed in tandem with TQM, BPR and *ad hoc* initiatives, assumed that channels of decision making were open to all, espoused technocratic rationality and logic, and took unity of individual and organizational interests for granted. However, their invitation: 'join us, we are open!', was paradoxical in that it implied inclusiveness while excluding perspectives alien to their role-modelled framework of technocratic assumptions.

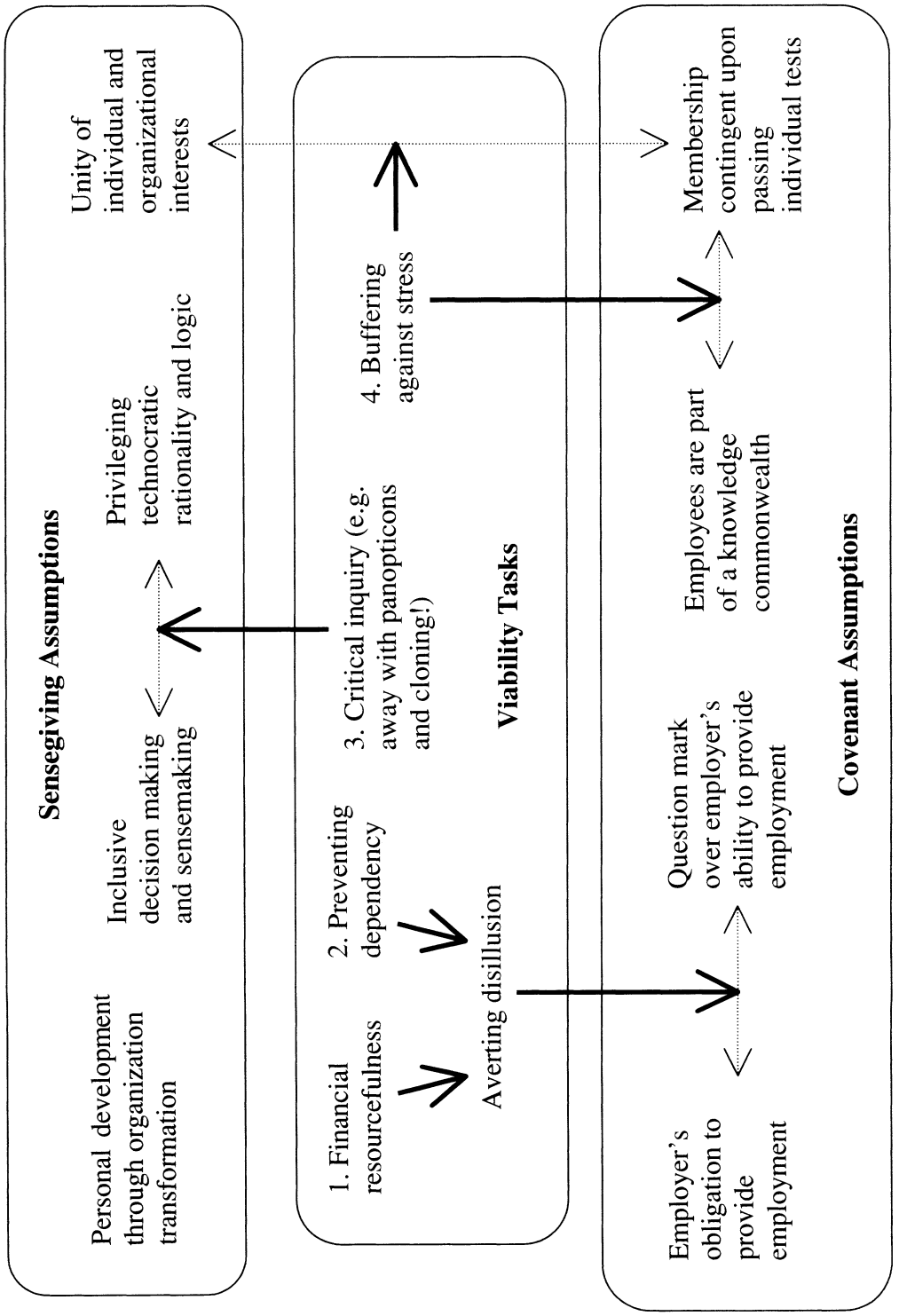

Figure 1. Reconciling Sensegiving and Covenant Dilemmas through Viability Tasks

The covenant itself contained two more paradoxes. One of these was management's sincere promise of ongoing employment, juxtaposed with a quiet recognition that an uncertain business environment could serve up nasty surprises, and that further staff reductions might become necessary. The second paradox was that the covenant made membership conditional on the continued passing of *individual* tests, but implied that all employees were part of one commonwealth of shared intellectual property.

A fourth paradox is linked to this latter one. On the one hand, sensegiving stories supporting the covenant implied a unitary frame of reference that portrayed Tiger as a family of one-blood, united by traditional bonds of mutual obligation (Hamilton and Zheng 1992). Notably, Mr. X's Chineseness was said to represent special empathy with the workforce, something not possible under his expatriate predecessor. On the other hand, the covenant assumed two distinct parties, employer and employees, and implied a pluralist, 'give and take' approach to industrial relations. Under it, the employer suspended the right to treat employees as expendable factors of production, so long as the employees remained competent by engaging in continuous learning.

This analysis suggests that, in order to progress towards LO ideals, Tiger continually needs to perform four viability tasks in order to prevent the psychological contract violation, and hence dissonance and disillusionment, that these four paradoxes quietly threaten. The consequences of psychological contract violation may be especially grave in Chinese organizations (Linstead and Chan 1994), but are also serious in the West (Pate and Malone 2000). Therefore, the four viability tasks shown by the heavy arrows in Figure 1 are of general relevance to aspiring LOs.

The first of these, financial resourcefulness, may, in changing and competitive environments, entail the contraction of workforces attached to particular businesses. Faced with pressure to downsize its core business, Tiger could maintain its covenant by creating redeployment opportunities through backward vertical integration. By means of scenario planning and related diversification, other companies have migrated to new businesses, without jettisoning staff (de Geus 1997: 55). In the event of corporate repositioning not being feasible or successful, however, preserving the spirit of a covenant may necessitate a second viability task — that of helping employees to avoid becoming dependent on the company itself for employment, through building repertoires of portable competencies. Concerning this, the impact on psychological contracts and organizational learning of layoffs at companies hailed as LOs, such as Cisco Systems (O'Reilly and Pfeffer 2000) and Hewlett-Packard (Fisher and Fisher 1998: 13), is of particular research interest.

A third viability task is to foster critical inquiry, an ingredient of dialogue, but an aspect that was neglected, comparatively, at Tiger, except perhaps on special occasions at the very top. The privileging of technocratic problem-solving rationality over irreverence and play, and of top-down sensegiving over critical upward experience sharing may have allowed archaic assumptions about authority structures to persist unchallenged. These may (I am

thinking of the customer service hotline example) imprison employees within single-loop skillsets and mindsets upon which they are constantly assessed, even as technological breakthroughs are made elsewhere.

A fourth viability task entails buffering employees against stress, by providing space and resources for the necessary skill development. Falling behind in a race against obsolescence threatens employee self-esteem, raising stress levels to a point where the problem is compounded by impaired ability to learn (Carnall 1999: 206–210). At Tiger, such casualties were apparently rare, an ethical problem that went unnoticed by most interviewees. There may be a threshold point, in terms of their frequency and prominence, beyond which they diminish the credibility of aspiring LOs.

Appendix

Statements prepared for showing to interviewees who asked for a definition of a 'Learning Organization' were as follows:

1. An organization where people 'continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together'.
2. A learning organization 'facilitates learning and personal development for all of its employees, while continually transforming itself'.
3. A 'system of actions, actors, symbols, and processes that enables an organization to transform information into valued knowledge, which in turn increases its long-run adaptive capacity'.
4. A learning organization 'empowers its people, integrates quality initiatives with quality of work life, creates free space for learning, encourages collaboration and sharing the gains, promotes inquiry, and creates continuous learning opportunities'.

Notes

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