Guest editorial

Stakeholders, organizational learning and the learning organization

It has been widely reported that the overall rate of failure for organizational change initiatives is about 70 per cent. (Hammer and Champy, 1993; Kotter, 1996, 2008; Nohria and Beer, 2000; Senturia *et al.*, 2008; Hughes, 2011; Ewenstein, 2018). While we remain critical and uncertain about how such a statistic could be accurately and reliably measured across a comprehensive group of contexts, we would not be surprised if the actual failure rate for certain major, radical types of change initiatives turned out to be even higher. Change is inextricably linked to learning, and as we all discover at some point, both change and learning can be hard (O'Brien and Klein, 2017; Tasler, 2017).

This special section was inspired in part by a simple conceptual model highlighting the impact of both organizational goals and stakeholders on organizational change and learning that we first described in Burke and Cooper's (2013) edited volume on voice and whistleblowing in organizations. (See Figure 1. For a more detailed description of this model, please also see Schneper *et al.*, 2013). The concept of organizational goals has played a vital role in organizational theory since the dawn of the field. In an article that helped define the discipline, for example, Parsons (1956) stressed that goals set organizations apart from other types of social entities. The notion of stakeholder has also taken on a prominent position in organizational research (Laplume *et al.*, 2008), including work on organizational learning (Örtenblad, 2013a; Örtenblad *et al.*, 2015). According to Freeman's (1984, p. 46) often-cited definition, stakeholders are "any group or individual who can affect or who is affected by the achievement of the organization's objectives." Among this broad group, the types of stakeholders who have received the most scrutiny from researchers include those that provide the resources critical for organizational survival. For business firms, such resources include sales revenues (provided by customers), as well as capital in its various forms – financial (shareholders, creditors), human (workers) and physical (suppliers) (Blair and Stout, 1999; Puri and Borok, 2002). Scholars have also begun to dedicate significant attention to stakeholders that provide knowledge-based capital and access to new information (Ricceri, 2008).

Building upon a long tradition in the organizational theory and organizational learning literature (Perrow, 1961; Argyris and Schön, 1995; Scott and Davis, 2007; Argote, 2013;), our theoretical model assumes that organization action is driven primarily by organizational goals. An organization performs a set of behaviors and activities in an effort to accomplish one or more organizational goals. Presuming that these goals are not accomplished immediately, the organization receives feedback regarding its actions from various sources that enable decision-makers to modify their approach, try again and potentially come closer to achieving their objectives (Cyert and March, 1963; Argyris and Schön, 1995; Simonin, 2017). One of the most important sources of feedback is the various responses from stakeholders (including stakeholder voice), as satisfying the potentially conflicting needs of key shareholders is vital for organizational success and survival (Laplume *et al.*, 2008; Van Buren and Greenwood, 2009). Organizations will tend to repeat this cycle until the organizational goals in question are abandoned, modified or achieved (Schneper *et al.*, 2013).

Stakeholders can potentially influence all the other elements of this model. Cross-country comparative research suggests, for instance, that shareholders who possess greater power and

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Source: Adapted from Schneper *et al.* (2013)

Figure 1. Organization learning model

privilege within the national legal system will enjoy a greater ability to shape organizational goals (Schneper and Guillén, 2004; Aguilera and Jackson, 2010). Consistent with this research, Abdelzaher *et al.* (2019) found the firms from countries with strong labor rights were more likely to join United Nations Global Compact, a major voluntary corporate social responsibility initiative. Companies from countries with relatively strong creditor protection have been found to be more conservative in their strategies and aspirations (Acharya and Subramanian, 2007; Acharya *et al.*, 2011). Relatedly, Soleimani *et al.* (2014) found that stock market returns have a greater impact on corporate reputations in countries with strong shareholder rights, whereas earnings stability was a greater predictor of strong corporate reputations in countries where creditors are more powerful. Thus, stakeholder power may be an important determinant in differing national beliefs regarding the role of the business corporations in society (Soleimani *et al.*, 2014).

This conceptual model can also be used as a means of diagnosing organizational dysfunction (Schneper *et al.*, 2013). When organizations are not adapting successfully to meet environmental challenges and not performing up to expectations, we suggest that the problem can often be traced back to one or more of the elements of this model. Decision-makers might be ignoring important sources of feedback and sometimes might even actively attempt to suppress stakeholder voice (Burke and Cooper, 2013). Powerful constituencies might also resist change to preserve their vested interests (Simsek *et al.*, 2014). Another possibility is that the organization might be pursuing the wrong types of goals. Financial economists often warn that firms will stumble or fail if they do not dedicate sufficient attention to maximizing shareholder value (Jensen, 2002; Smith and Rönnegard, 2014). Senge (1990) suggested that organizations must make learning one of their primary objectives. Nohria and Beer (2000) contend that mastering change requires managers to fashion objectives that balance the need for creating both shareholder value and organizational capability.

The papers contained in this special section complement this conceptual model and enhance our understanding and awareness of the many connections between stakeholders, organizational goals and organizational learning. Chou and Ramser provide a conceptual paper that offers new insights into how employee voice and other employee activities can facilitate organizational learning and positive change. Consistent with Schneper *et al.* (2013, pp. 124-128), Chou and Ramser underscore the critical role that managers and other leaders play in shepherding organizational learning and change. Through voice and upward helping, employees can aid managers in developing their social and human capital and gaining the critical information necessary for effective knowledge acquisition and knowledge leadership. The paper examines these learning-related processes across three levels (employee, leadership and organization) and provides an excellent framework for future quantitative research.

Tran and Pham provide an empirical study that also explores the role employees play in improving organizational outcomes, but in their case, within the context of Vietnamese higher education institutions. Colleges and universities provide a fascinating setting for exploring stakeholder relationships and activities, as these organizations must answer to so many different types on constituencies (Örtenblad and Koris, 2014; Leisyte *et al.*, 2017). The authors demonstrate how employee participation in decision-making helps the faculty, staff and administration gain a better understanding of organizational processes and performance and thus contribute to better research and teaching performance.

Fernandez and Thams' quantitative study draws attention to a stakeholder group that has received relatively little attention for its role in organizational learning, namely, a firm's board of directors. In doing so, these authors contribute to the building of a stronger bridge between the organizational learning field and corporate governance research (Schneper *et al.*, 2013; Sidani and Reese, 2018). Fernandez and Thams highlight the role that boards play in shaping organizational goals, acting as conduit of information from the external environment, and fostering organizational effectiveness through informed feedback.

Each of the three papers in this special section pursues topics that correspond with parts of the conceptual model described earlier in this paper. We encourage future research that explores this model in its entirety. Both qualitative case studies and structural equation modeling could serve as effective methodologies for this type of research. Scholars that follow a learning organization perspective would seem especially well equipped for this type of research, especially given the learning organization perspective's emphasis on understanding all of the elements and relationships that compose organizational systems (Senge, 1990; Bui and Baruch, 2010; Örtenblad, 2013b).

In the interim, how can the principles and concepts described throughout this paper and special section help managers improve upon the reported 70 per cent failure rates in their organizational change initiatives? We suggest that astute managers may want to adjust their notions of what is meant by an organizational change initiative. Research on the learning organization suggests that change and learning ought to become institutionalized within the organization's DNA (Senge, 1990; Örtenblad, 2013b). Following this perspective, organizational change initiatives must become more of an ongoing process than a series of discrete events. These initiatives should engage key stakeholders not just to ensure shared vision but also to keep managers well informed about the continuously evolving environmental landscape (Senge, 1990; Ricceri, 2008). Managers should also look for ways to encourage stakeholder voice even among groups that are not the most powerful or vocal (Van Buren and Greenwood, 2009; Schneper *et al.*, 2013; Shapiro, 2016), as such information may provide further insights into how the organization can adapt and improve while confronting a dynamic external environment.

We do not mean to imply that decision-makers ought to pursue change frivolously, or simply for the sake of change. Major change should always be preceded by careful analysis and serious deliberation. By institutionalizing organizational learning, responsiveness and a willingness to change, however, organizations can minimize the need for radical change in favor of more gradual, incremental adjustments that may have a higher probability of success (Drew and Smith, 1995).

Managers may also have to recalibrate their understanding of failure. The learning organization perspective suggests that the collection and analysis of feedback should be comprehensive and continual (Senge, 1990). At such a fine-grained level, organizational performance measures rarely appear to follow a consistently, upward-sloping trajectory. Failure to meet aspirational expectations may sometimes prove unavoidable in the short term, especially when these expectations are established by a diverse and demanding set of stakeholders. Managers must guard against abandoning potentially positive change efforts too soon.

Finally, some managers will also have to change their overall attitude toward failure.

Iterative models of organizational learning and change suggest that there will always be times when organizations fail to achieve their goals but this result will provide the insight into and impetus for future improvement (Schneper *et al.*, 2013). We are reminded of how Birkinshaw and Brewis (2016) use a quote from country singer and songwriter, Johnny Cash to illustrate a similar point:

> You build on failure. You use it as a stepping stone. Close the door on the past. You don't try to forget the mistakes, but you don't dwell on it. You don't let it have any of your energy, or any of your time, or any of your space.

Perhaps short-term, intermittent failure will prove to be one of the keys to long-term, sustainable success. We look forward to the continued efforts by managers and scholars to explore these themes.

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