Barriers to organizational learning: a case study of a change project

Andersson, Linn; Pan Fagerlin, Wen

2011

BARRIERS TO ORGANIZATIONAL LEARNING: A CASE STUDY OF A CHANGE PROJECT

Linn Andersson[1]
The Institute of Economic Research
School of Economics and Management
Lund University
PO Box 7080, SE-221 00 Lund, Sweden
Tel: +46 46 222 46 36
Fax: +46 46 222 44 37
linn.andersson@fek.lu.se

Wen Pan
The Institute of Economic Research
School of Economics and Management
Lund University
PO Box 7080, SE-221 00 Lund, Sweden
wen.pan@fek.lu.se

ABSTRACT

An attempt is made in this article to identify the success and failure factors in organizational change and learning process. The empirical study was made by following an organization-wide project that aims at changing pricing practices in highly decentralized sub-units through the efforts of corporate head office. The results show that the highly decentralized organizational structure and the independent financial status of the sub-units have proved to be the barriers to learning and change. In this paper we outline those barriers of organizational learning that occurred in the case of study.

Keywords: Organizational Learning, Organizational Change, Decentralization

---

[1] Corresponding author

1. INTRODUCTION

Organizational learning has been on the central stage of discussion in the stream of literature seeking for enhancing the ability of acquiring knowledge and developing competence. While the disciplines of learning have expanded in volume and increased in theoretical sophistication, the link between organizational learning and organizational change may be far from seamless. In line with previous contributions, we define organizational learning as a process of changing organizational actions through new knowledge and understanding (Fiol and Lyles, 1985). This gives rise to the consideration of organizational change, which has received less attention in the field of organizational learning. From this point of departure, we make an attempt in this article to link the barriers to learning with the success and failure factors for organizational change. The aim of this study is to tackle the problems with organization-wide learning and thus to identify the critical factors for implementing changes.

The empirical study was conducted in a manufacturing corporation – the Manufacturing Company. Our case is a large multinational organization with a leading position in mature industries. The empirical study has followed an organization-wide change project with the intention to share and apply "best practice" of pricing throughout the sub-units, where the products and services are very diversified. The ambition of top management of the Manufacturing Company was to improve the pricing practices within each sub-unit by drawing on the internally identified cases of "best practice". However, as this article presents, the highly decentralized organizational structure and the independent financial status of the sub-units have proved to be the barriers to learning and change.

In the next section, we propose a framework based on Dawson (2003)'s processual model of organizational change linked with the previous contributions on the barriers to organizational learning. We hold the stance of seeing learning as an iterative process that comprises action and reflections. In this way, we offer an integrated view concerning how people experience change in a dynamic non-linear process over time. In the third section, we present our empirical study through trying to answer the following question: Why this learning project was less prioritized and why it resulted in a minor impact after all? A discussion is made based on the empirical findings and through which we summarize the key factors that influence change and learning. We conclude this article by providing managerial implications for practitioners.

2. THEORETICAL FRAMEWORK FOR DATA ANALYSIS

It is suggested that a useful way of tackling the problem of analyzing complex change data is to construct data categories either around themes or around the various activities and tasks associated with organizational change (Dawson, 2003). In order to develop a pragmatic framework for carrying out the study, an effort is made to integrate organizational learning and change management underpins through categorizing the critical factors.

2.1. Context of change

Arguably, organizational context influences the ability to generate and transfer learning from projects (Swan et al., 2010). Organizational context also plays a central role in organizational change. Kelly and Amburgey (1991) stress that both the internal and external organizational contexts is central to understanding the opportunities, constraints and organizationally defined routes to change. In line with Kelly and Amburgey (1991), Dawson (2003) refers the contextual dimension to both the past and the present external and internal operating environments, as well as to the influence of future projections and expectations on current operating practice. In specifics, external contextual factors include level of international competition, market position, and government legislation, changing social expectations, technological innovations and changes in the level of business activity; internal contextual factors include human resources, administrative structures, type of technology and product or service, as well as history and culture of an organization (Dawson, 2003).

Politics is also a contextual factor for organizational change. According to Dawson (2003), the politics of change underlies the political activity of consultation, negotiation, conflict and resistance, which occurs at various levels within and outside an organization during the process of managing change (Dawson, 2003). In other words, organizational politics is concerned with understanding the political arenas in which decisions are made, histories recreated and strategies rationalized. It is also associated with organizational culture and conditions under which change takes place in relation to external elements, such as the market environment.

2.2. Substance of change

The next area of concern relates to the substance of change. According to Dawson (2003), this category includes: 1) scale and scope of change; 2) characteristics of change - both to the labels attached to change projects and to the actual content of the change; 3) timeframe - the period over which change occurs from the conception of the need to change through to routine operation; 4) perceived centrality - whether change is seen to be critical to the survival of the organization. In a dynamic view, the substance of change is not static but is itself subject to change, and there is a continual interplay between the context of change and the substance of change.

2.3. Barriers to organizational learning

So far this two categories only concern the dimension of organizational change but neglect the dimension of learning. In competitive situations, small differences in competence at learning will tend to accumulate through the competency multiplier, driving slower learners to other procedures (Levitt and March, 1988). In long run, some organization will be forced to change. If some organizations are powerful enough to create their own environments, weaker organizations will learn to adapt to dominant ones (Levitt and March, 1988). In this sense, they will be forced to learn for change. Behind the phenomenon of organizational learning there is always certain level of change happening. Barriers to organizational learning can also be the barriers to organizational change. In the following paragraphs, we merge the three similar concepts - ‘‘learning disabilities’’ (Senge, 1990), ‘‘incomplete learning cycles’’ (March and Olsen, 1975), and ‘‘learning disorders’’ (Snyder and Cummings, 1998), in order to find the common ground that link learning and change.

According to Senge (1990), the first learning disability occurs because of the limitation of job position – “I am my position”. It takes place when employees focus only on their own positions but have little sense of responsibility of the others who they interact with. Consequently, when problem occurs it is very difficult to figure out the reason behind it. This phenomenon is similar to “role-constrained learning” (March and Olsen, 1975), which occurs when individuals are restrained by their role in the organization and unable to act on their learning. It appears particularly when the interaction happens on different positions.

The second problem addressed by Senge (1990) is referred to “the enemy is out there”. It emerges when employees tend to find someone or something outside to blame if things go wrong, which typically shows on the interaction across departmental boundaries. Straddling the boundary between ‘‘in here’’ and ‘‘out there’’, tensions and conflicts often arise between in-group and out-group, eventually resistance to change arises. Further, departmental boundaries and dysfunctional reward, as well as control systems encourage people and groups to keep ideas and proposals to themselves (Snyder and Cummings, 1998), which lead to the failure of organizational learning.

The third learning disability - "the illusion of taking charge" (Senge, 1990) - implies the paradox of being proactive or reactive. This may result in "paralysis learning disorder" for being unable to act (Snyder and Cummings, 1998). As a consequence, organizations may fail to act or avoid tests because of organizational constraints, confusion, apathy, or complacency (Snyder and Cummings, 1998) that leads to the failure of organizational change.

The fourth learning disability – "the illusion of taking charge" - concerns long-term planning, in particular the patterns of change and the causes behind current or short-term events. It reflects on the managerial dilemma between short-term interest and long-term concern. It also responds to "blindness learning disorder" (Snyder and Cummings, 1998), which may be the consequence of "the illusion of taking charge" when organization members fail to perceive opportunities or problems. In fact, organizations are often unaware of the extent to which the environment can be controlled or enacted (Snyder and Cummings, 1998).

The fifth learning disability – "the parable of the boiled frogs" - emerges when people experience subtle environmental changes. This is in line with the concept of "incomplete learning cycle" (Kim, 1993) and connected with the idea of "superstitious learning" - ignoring subtle changes or not being able to act on it can provoke (March and Olsen, 1975; Levitt and March, 1988). As a result, organizational members may draw incorrect conclusion about the impact of organizational actions on the environment. Organizations may adjust to small changes successfully but they are not prepared for categorical changes, which may occur when small changes have accumulated (Snyder and Cummings, 1998). Further, when environmental change is ambiguous, organization members may distort what they see.

In large organizations communication stays locally and can be situated, especially within very decentralized firms. On one hand, it can lead to "audience learning" (March and Olsen, 1975) when individuals change their own behavior they cannot affect organizational action, or cannot change the organizational rules for behavior. On the other hand, it may result in "fragmented learning" (Kim, 1993), which takes place typically in decentralized organizations where people do not have the networking capability to keep the parts connected (Kim, 1993).

Associated with organizational change, "amnesia learning disorder" describes the inability of the organization to monitor its experience throughout the organization (Snyder and Cummings, 1998). Members may face a series of related learning events without making connections among them, thus limiting the learning derives from each event (Snyder and Cummings, 1998). The consequence of "amnesia learning disorder" could be a resistance to innovation that is ‘‘not invented here’’. Moreover, since it involves problems with interpreting accurately the meaning of experience it can be related to "superstitious learning" (Kim, 1993).

The last problem concerns the managerial challenges when managers attempt to solve complex cross-functional problems. According to Senge (1990), this learning disability can result in "skilled incompetence", which means people who are incredibly proficient at keeping themselves from learning.

Combing the key factors for organizational change with the factors that are recognized as barriers to organizational learning in the literature, our framework for data analysis is suggested in Table 1.

Table 1 Factors on change and learning

Context of change	Substance of change	Barriers to learning
• Market position • Level of international competition • Human resources • Culture • Politics	• Scale and scope of change • Characteristics of change • Timeframe • Perceived support/centrality	• The five learning disabilities (Senge, 1990) • Incomplete learning cycle (March & Olsen, 1975; Kim, 1993) • Learning Disorders (Snyder & Cummings, 1998)

3. METHODS AND DATA COLLECTION

3.1. Research setting

The empirical study is designed based on a "pricing project" carried on at The Manufacturing Company, which was launched as an organization-wide project with the intention to improve the pricing practice within the organization. It was initiated by top management in 2009 after they identified pricing as a strong lever for profitability. It had continued until January 2011 when the project reached the phase of organization-wide implementation. For this study, we followed *the phases of planning*, *identification of "best practice"*, *internal benchmarking* and *pilot study* according to the terms used within the organization of study.

The Manufacturing Company is a multinational corporate with operations in 43 counties, employing approximately 20 000 people. A large share of their products is customized in high-tech and mature industries.

3.2. An overview of the case

The objectives of the pricing project were identified by the corporate head office: "to create an internal global Pricing reference group for exchanging best practices" and "to establish Pricing strategy/process excellence for each operating unit", such as KPI, tools for pricing and training. In addition, besides to improve gross profit, the purpose of the project, as expressed by one of the project owners, was also to "share best practice" within the organization.

Based on the experience from previous organization-wide projects, the corporate head office decided to organize an "expert team" consisting of representatives from the sub-units. Their task was to develop a strategy for how to improve the pricing practice. According to top management, the selection of the "expert team" was based on their competence in pricing practices, instead of their function or title. Therefore, eight team-members were recruited and the target for this project was set to be completed in one year through quarterly meetings.

The Manufacturing Company is highly decentralized mainly because of their many acquisitions over years. It consists of twenty-five sub-units that function as independent profit centers. From these twenty-five sub-units, the expert team identified two sub-units (referred to as Business unit C and D in Table 3 in Appendix) as possessing substantially more sophisticated methods and routines for pricing. In fact, these two sub-units have been optimizing their pricing practices for several years. In contrast, the other units seem to lack a sufficient structured approach to pricing and have been downplaying pricing for ages. The pricing practices among the sub-units were thus substantial different.

As the project proceeded, the expert team composed a "handbook in pricing" consisting of guidelines on how to improve pricing within the Manufacturing Company. The material contained "must haves" for those units lacking sufficient pricing practices. A part of this "handbook", which was handed over to the sub-units, was a self-assessment that they were told to complete during four months. The handbook recommends different methods and tools in terms of how to improve pricing, e.g. perform customer segmentation, KPI's for pricing and discount guidelines.

14 months after the expert team was gathered for their first meeting, the project reached the phase of implementation of the different pricing practices within the organization. The two sub-units that were acknowledged as "best practice" however believe that they possessed most of the requirements stated in the self-assessment. Therefore, the outcome of this change project was very little for them. They continued their own way to improve their already advanced pricing practices, which they would have done regardless of the project. In contrast, some sub-units turned to outsourcing management consultants for help with changing their pricing practice, and others decided to "wait and see for further directions from corporate level".

3.3. Data source and analysis

As an exploratory case study (Eisenhardt, 1989; Yin, 1994) our intention is to identify success and failure factors to organizational learning and change. The data for this study was collected through three means: in-depth interviews, direct observations at meetings, and documentations.

The interviews were semi-structured, which lasted for approximately an hour. We recorded all the interviews and transcribed them into text for correction and analysis. We selected four embedded cases for this study. Each embedded case responds to one sub-unit. The interview questions at these four sub-units concern the process of setting prices, customer relationship management, sales and marketing. More specifically, the interviewees were first asked broadly about the process of setting prices. They were then asked to describe and define the factors that are considered important for pricing, such as cost of product, competitors' offerings and prices, customer's purchasing criteria, customer value, market price, value positioning and pricing methods. In total, we interviewed 33 individuals from both the expert team and the employees at the four sub-units, including managers, pricing managers, sales and product managers and sales representatives. Among them, 10 interviewees were interviewed twice or three times.

Our observations were made during two separate one-day meetings with the expert team. During the period of study, we also visited the four sub-units – the embedded cases (See Table 3 in appendix as an review of the four selected embedded-cases). Three sub-units are our focus of study because they are currently changing or have changed recently their approach to pricing (in Table 3 in appendix labeled as Business unit B, C and D). We visited the unit that was by then changing their pricing practices twice because of that. The other sub-unit among these four was used as a reference since the corporate head office intends to perform changes there in one or two years in the future (labeled as Business unit A in Table 3).

Moreover, we have collected the documents provided by the expert team, including project plans, meeting protocols and material for the group-wide implementation as part of the empirical data. After our visit at each site, we sent out our reports to the responsible persons in order to enhance the validity of the research.

4. EMPIRICAL FINDINGS

4.1. Context of change

Before the phase of implementation, the members of the expert team were told to "promote" the project within their corresponding sub-units. However, doubts permeated within the team and the organization. Adam, Account Manager from Business unit A, did not "promote" the initiate from the corporate head office to his superior. Instead, he decided to wait and see what happens in 2011, hoping that top-management would tell his managers to prioritize pricing. Simply because he barely has any influence on the unit due to his position in the hierarchy. If his manager has no interest he believes there is nothing he can do about it. In contrast, Ben, Sales and Marketing Director at Business unit B, raised the matter with his manager. The result was again his manager's suspicion because Ben's manager believes that Ben does not have time for it. In addition, David, Global Pricing manager of Business unit D, showed his intention to bring up the question to his manager, but due to heavy workload he was too occupied and had to wait until later on. The doubts and suspicion eventually result in resistance to the change, especially towards the initiative of the corporate level. When Ben was discussing the implementation with his colleagues, they asked him:

> "What should all this be good for?"

The context of change has been passive in general. The empirical material revealed that the impact of the project on the organizational level depends on the position that the responsible person possesses in hierarchy. At Business unit A and B, where the "pricing expert" do not possess formal authority of action, the units decided to hire management consultants for changing the pricing practice instead of applying the "handbook" developed by the expert team. The organizational politics, especially the power relations, leads to barriers to change. The good intention of the corporate head office on internal learning and sharing became a romantic attempt because change was resisted internally. Hence, it was handed over to the outsiders.

4.2. Substance of change

The overall challenge on change is often rooted in the substance of change. In this case, the characteristics of change seems too ambiguous that project members feel difficult to carry them into practices. This is exemplified in the vague picture that the project members had in their mind. The recommendations from the expert team that they had developed through the initiation phase (or the phase of planning) seemed unclear to the project members when they wanted to turn them into explicit action plan.

Carl, Marketing Director from Business unit C, told us that although he is willing to be responsible for the implementation at his Business unit, there is yet not any instruction from the top management regarding how to do it and when to do it. Another project member who also represented Business unit C, Marketing Manager Christian shared Carl's view on the phase of implementation for being unclear. He also said that he did not understand the intention of the corporate head office. In a similar view, Adam, Account Manager from Business unit A, claimed that the phase of implementation was too vague to him. Also, Ben, Sales and Marketing Director from Business unit B, expressed the same feeling. In line with them, David, Global Pricing manager from Business unit D, described:

> "When we talk about the rollout [the phase of implementation], I am not really sure what it is and what it requires. Should we go to each marketing company and proved them with training? Or is it enough that we introduce it on a GM [General Manager] meeting and leave it to them?"

As a consequence, the ambiguity embedded in the substance of change creates different understandings on the corporate level and the sub-unit level. Adam told us,

> "I know that [the project leader at corporate level] means that we are using project specific pricing, but honestly, I really don't know what he means with it. I think that we are using both transactional pricing and value-based pricing."

The ambiguity in the change itself further resulted in suspicion and doubt about the applicability of the project. When working on the handbook, Adam expressed the following:

> "What I've been raising during the last meetings is that there is no way that [the Manufacturing Company] could design different pricing methods and techniques that are applicable to all of the different Business areas and units. What might work at [Business unit D] or [Business unit E] or [Business unit C] and other units will never be applicable at [Business unit A], since our business is so much different compare to theirs."

4.3. Learning disabilities

As Carl said, the question is to find the right person in the right place with the right ambition. Even though the corporate head office made an effort to ensure the project members would have the support they want, lack of time and human resources remain the major challenge. Commenting on the phase of implementation David, Global Pricing manager, stressed:

> "When doing a change project like this, you need to put in a lot of time…. I mean, looking at the project we've been dealing with during the last years [implementing a new IT-system for pricing]. It takes time to make changes, it is really about change management if you so like. There are no quick wins to show early when dealing with pricing."

According to Christian, Marketing Manager at Business unit C, the expert team was supposed to participate in the wider rollout; however, they really did not have time to do it.

> "As far as I understood, the group, [the expert team], should rollout the program and this is quite difficult mainly for time-reasons honestly. So the rollout in the only thing that I think could have some problem."

Ben was also pessimistic about the implementation because of the time pressure.

> "They call us 'ambassadors'. But really, I have other work to do, as you know. I don't know when to find the time for doing this. It is really all about consultancy work, and frankly my boss [the BU president] doubts it too."

Even if the team members found the time for the implementation, lack of knowledge constrains the possibility of carrying out the change. Before the phase of implementation, Carl reemphasized his points that he made earlier during the previous meetings with the expert team – finding the people with expertise in pricing is difficult.

> "What I really found is that it's very, very difficult to find the right person with the right knowledge about this topic, it is not obvious, it is not like

> supply chain management. Even when it comes to consultants, for instance, with exception of [the management consultancy firm that been hired by two of the business units], if you ask for instance other big consultant firms, I am not sure they have the right expertise to support companies in pricing excellence."

When the team members were brought on board they were not aware of the difference of the pricing practices within the sub-units. Adam, Ben, Carl and David told us, while the pricing project proceeding, they were surprised to see the different approaches to pricing. This difference was illuminated when the project members were asked to perform a "mini-self-assessment". David, Global Pricing Manager at Business unit D described:

> "Regarding the template, we possess most of it already, but lacks specific training regarding pricing."

Eric, VP of Sales at Business unit E also confessed that:

> "We are in need of coaching and training regarding pricing. My expectations from [this project] are training models, benchmarking reviews and optimized pricing tools. […] Our customers are the one setting the price, we're not."

To train sales people in argumentation and sales techniques, and further coach them to use available data and statistics is what Ben considered as a fundamental practice that every firm conducts. He said, most of the requirements in self-assessment are already available at his unit. However, tools remain as tools without the knowledge of how to use them. It is difficult to transform knowledge into practice without proper training and extra efforts on learning. Ben moreover said, most likely his BU president will ask him to coordinate the phase of implementation at Business unit B though he has yet not been given any directions.

In a similar vein, Adam said that his unit does not have structured approach regarding pricing. Hence, they have to rely on the individual sales people and their common sense. David said,

> "It is not just about doing a single presentation and then expects reaction."

When the people are equipped with the knowledge and necessary resources, problem may arise because of the lack of authority to make things happen. It particularly manifests on the phase of implementation, which is the time for organizational change. The material provided by the expert team concerning the implementation stresses that pricing is something that "involves the entire value change" where "senior management is accountable for pricing". A consensus is reached among the expert team that fulfilling a goal like this project requires commitment and strong support from top management. As Adam emphasized:

> "What the project should focus on instead is to get the senior guys [top management at Business unit A] to understand the strong lever of profitability that pricing is."

Adam also believes that the teams should focus less on "technical details" but more on "creating awareness",

> "The project should make them [top management of Business unit A] understand the importance to provide training to the sales guys on how to improve their skills regarding pricing. "

Before the phase of implementation, Anna, one of the two project owners from the corporate head office stressed that most importantly they need to make sure that the project members have "commitment to the pricing excellence project" and make them realize that they are the one who should do the actual implementation in the organization, rather than the corporate head office. She said:

> "Most obviously we will support and facilitate the organizational matters, but at the end of the day, they are the one actually doing the job."

However, the support from top management seems yet not enough. Managers feel powerless when they are trying to make an effort to organizational change. Ben thinks it is difficult for him to influence beyond the range of his business unit.

> "When it comes to the questioner provided by [the project owner], I have done it on behalf of [Business unit B] by asking the Scandinavian and the Eastern Europe divisions. So they came back with opinions that I can say I answered it on behalf of all of us. But when it comes to specific things like coaching, training, targets and etcetera, everyone is independent and has its own concept. Therefore it is a bit tricky. On one hand, I know I have to represent all of [Business unit B] in this pricing excellence program but coordinating everything within the business unit takes too much time at this moment honestly. So I'm answering only on behalf of Western Europe, which is 55-60 percent of the total [Business unit B]."

Fundamentally, individuals are self-interested that individual and organizational objectives/goals do not naturally coincide (e.g. Eisenhardt, 1989; Merchant and Van der Stede, 2007). Yet, even if there is no goal conflict, people may choose not to perform what the organization expects because of incentive issue. The problem with incentive arises because the outcomes of this project are not observable. It is also hard to measure the efforts of the expert team thereafter they cannot be compensated directly.

When Anna noticed that the project was not sufficiently prioritized into action, she and her colleague tried to draw more attention to top management. The two project owners also changed their initial minds from doing it on their own to having four project members to present the "handbook" to top management. The purpose, according to them, was to enhance the commitment and motivation of the team members. However, CEO of the Manufacturing Company did not agree with the project owners and thought it was a waste of resources to have four people travel just for this presentation. Therefore, one of the project owners performed the presentation. It is obvious that the top management has not recognized the importance of this project.

The lack of incentive is also due to the learning disability - "the fixation on events" (Senge, 1990). When managers are occupied by the urgent issues they would always prioritize their short-term goal instead of long-term strategy. Christian, Marketing manager of Business unit C described:

> "The idea was to do it in these days but I don't know if you know about now we are more or less in the middle of one acquisition, because [Business unit C] acquired [a competitor] so as you can imagine we are a bit, lets say full of activities to understand and also it would be to extend this price excellence to Watts so at the moment we are trying to understand if it is to start now or maybe wait until the acquisition and integration is finished."

In fact, one of the three subsidiaries within Business unit E is going to postpone the implementation since they are currently busy working on the establishment of a new joint venture.

Incentive problem also incurs in "role-constrained learning" (March and Olsen, 1975) or in Senge (1990)'s words - "I am on position". It takes place when individuals are restrained by their role in the organization and unable to act on their learning. For example, Carl believes that changing the pricing practice needs to be handled at a sub-unit level and it is important to have the change initiated from top management level:

> "There must be a commitment at the highest level of the organization to deploy this and to roll it out. If there is any single doubt at the top of the pyramid, it is not going to work, this is not going to work, it has to be at the maximum level the maximum commitment and this is the only way you have the possibility to roll it out successfully. Probably, you will have manager at business units with 'young attitude' to this innovation, because this is innovation and some more reluctant more traditional way of manage, which probably could be some kind of barrier. That's way I am saying, it always depends on people."

This "not my job" attitude was also found in Ben. He said the following regarding the implementation phase:

> "What I been telling [top management] is that the further rollout should be performed as a [the management consultant firm] study. As a Sales Director for [Business unit B], they cannot use me as an ambassador to the wider rollout. I don't have the time to do it and my BU president said no too. It is a fulltime job to coordinate this. Ok, to create awareness I can do a presentation, but that is about it."

As a consequence, some sub-units with no previous experience of changing pricing practice decided to hire management consultants, instead of using the guidelines developed by the expert team. In this case, the efforts that the expert team put in this project was not recognized. On one hand, top management thinks it is more convenient to hire consultants rather than follow the "handbook"; on the other hand, they appear to have more trust in the methods by management consultants.

According to Carl, the pricing practice at Business unit C is already advanced and most of the self-assessment is available. Christian shared the Carl's view on the pricing practice at Business unit C,

> "As [Business unit C] maybe we are one of the [business units] with more, that is paying more attention to the price, honestly, because we have also a lot of tools in place. Some was developed by [one of the two divisions within Business unit C] and we also used in [the second division within Business unit C]. So honestly speaking, about attention to the price in [Business unit C] is very high, so we are quite committed so I don't see any problem in also coming trough the self-assessment, the majority of the activities are already in place. What we can do for sure is to, lets say, go further and make analysis customer by customer the see maybe were we are a little bit weak in profitability and price positioning but now it is, for us is I think more a second step, means we have the general picture, we some detail, now its time to go further, more in detail and work with leakage, product line pricing, customer-by-customer, situation-by-situation. Because generally speaking, we are well positioned and we are on the level that we wont."

Another example is from David, Global Pricing manager at Business unit D when he expressed that his business unit no longer had anything to gain from the project,

> Maybe I was a bit naïve initially, that we should be able to improve. But we already do a lot of work on pricing. We have a global pricing team, we evaluate each month, we do all those things whereas the other units have completely different businesses and need completely different requirements. I mean, you can always improve and always get better. But with the current project that we been running for one and a half year, I think that if we get that going we will have enough. It would simply be to much to add more things to it, currently we also have this new CRM system that are rolled-out.

Organizational learning becomes problematic when the organization is not able to monitor its experience throughout the organization. Due to the diverse structure of The Manufacturing Company, the project owner said, the process of implementing has to be delegated to the different business units. She explained that the intention is that the expert team will function as a "group of reference" for the future implementation with the purpose of contributing with expertise and know-how regarding the process of changing the pricing approach. Additionally, a handful questions from the self-assessment for pricing were added to the evaluation form that the business units report monthly with the purpose of sending a message that the pricing practice is recognized on the corporate level. But she also admitted that business units have to make their own way to make it work. They suggest the business units to perform self-assessment annually but it is just a recommendation.

Members may face a series of related learning events without making connections among them, consequently it limits the learning derives from each event. For example, David explained that the reason for resistance is because his business unit already possesses a structure for pricing through four years efforts. David explained:

> "We already have most of the KPIs, or we have KPIs [regarding pricing] that we been focusing on."

Though how to carry on implementation phase remains vague among team members there is yet voice urging attention and action. Carl suggested that it was necessary to act now rather than postponing the phase of implementing. He said:

> I really wonder if it make sense to prolong this or not in the sense that once we defined the first stage, once we defined the handbook either we roll it our now or it is something that is set aside somewhere in a stand-by and it will die that way. So to me, what make sense is that either we do it now or we stop the way it is so it probably make sense to do it now. That's what I said to [the] last week, on Tuesday, I said; 'This is the time to do it, because now we are in the process that we raised some expectations within the organization.' So people are somehow aware, BU president are aware that something is going to happen. Now, it is the time to make it happen, as simple as that. Otherwise, you simply loose the train and the second time it is not going to work. So that is my opinion, we have to do it now.

To sum up, the overall result of this change program turns into a "fragmented learning" (Kim, 1993), which takes place typically in decentralized organizations where they do not have the networking capability to keep the parts connected. The benefit that the team members have gained is centered on their networking and possession of new knowledge. For example, Carl said, what he had enjoyed mostly in the project was the opportunity of networking with the employees from other sub-units. It provided him the opportunity of exchanging ideas, gaining a good knowledge about pricing, and benchmarking other pricing practices. In a similar view, Christian agreed that he had been benefited from sharing knowledge regarding pricing and gaining a general insight into the other sub-units within the Manufacturing Company. Table 2 depicts the empirical findings sorted out based on our framework that we propose in the previous section.

Table 2 Summary of empirical findings

Factors on change and learning		**Empirical observations**
Context	Human resource	Limited
	Politics	The impact of the project on the organization depends on the power position the responsible person possesses
	Top management commitment	Low
	Incentives / Individual bonus program	None
Substance	Scale and scope of change	Organization-wide
	Characteristics of change	Ambiguous Not perceived as necessary to some units
	Timeframe	Tight
	Perceived support/Centrality	Not enough
	KPI	Unclear
Learning disability	"I'm on position"/ Role-constrained learning	Lack of authority
	"The fixation on events"	The dilemma between current/short-term concern and long-term goal
	Superstitious learning	The difficulty of developing a generic pricing strategy applicable for a diverse organization
	Fragmented learning	Decentralization
	Amnesia learning	Not invented here

5. DISCUSSION AND MANAGERIAL IMPLICATIONS

The literature recommends decentralized power relations and participative leadership as one dimension of empowerment that may lead to greater control over the employees (Diether, Sabine, and Ralf, 2003). It reflects on the fact that most modern organizations are organized through specialization both horizontally and vertically. The strong and prevalent ideology of decentralization has conceived as a priori positive for scholars and practitioners. However, as this case presents, decentralization can be barrier to organizational learning.

Within the organization of study, decentralized sub-units are independent and a bit isolated with each other. It appears that different units do not communicate on regular basis and are not aware of other's progress in pricing practices. To extreme, they are not even aware that there is yet a difference in their pricing approaches. Instead of facilitating organizational learning, decentralization has created an impermeable boundary between each unit, distinguishing each other by their differentiated products, services and subculture. It has also brought resistance to the change towards the corporate head office and the responsible people.

It is yet important to stress that incentive plays a central role in organization-wide change project. The success of the previous organization-wide projects at The Manufacturing Company, according to the Business Development Director at the corporate head office, was partly because that the results were linked to individual bonus program, and partly because that there were clear KPIs to monitor the progress. In addition, time pressure is different. The previous projects showed results, such as cost saving within a quarter. But this one would at least take two years before any significant impact on gross profit appears, according to the experience of David (Global Pricing Director at Business unit D) in pricing practices.

As a matter of fact, the expert team never succeeded in identifying any crystal clear KPIs that made it able to monitor the progress and they never linked it with any monetary incentive. According to the members of the expert team, the reason was because of the fundamental difference among the sub-units, which prevents them from using any generic pricing KPI. The mistake of the corporate head office was their attempt to measure the diversified units by the same rule.

Though the top management initiated this project the central support was not perceived enough. The top-down organizational change becomes a hyper organizational change that learning only occurs on locally and fragmented. For managers, their dilemma reflects on the choice between current managerial concern and long-term organizational goal. When there is a conflict they have to prioritize what is more urgent in hand, especially when the organization is highly decentralized and there is a lack of top management's commitment and support. This case shows the role of the corporate head office only has impact on setting up goals to the responsible people, yet to make the change happen it requires the commitment of the local managers. This may also explain why an internal organizational learning effort has to be performed by management consultants.

The case sheds light on the problematic and blind consensus in the literature on decentralization and empowerment through outlining the difficulties of promoting organizational learning and change in multinational corporations. Our theoretical contribution can be seen as a critical approach to gap spotting between theories of learning and change and the empirical reality. We argue that the very "charm" and strong belief of decentralization can be an obstacle to organizational learning.

We also recognize that using a single case study limits the ability of generalizing the findings so that further research is needed. We believe that there is a lot of research to be done in the field of organizational learning and change, in particular in large organization that acts in international context.

REFERENCES

Dawson, P. (2003), *Understanding Organizational Change: The Contemporary Experience of People at Work*, Sage Publications, London.

Diether, G., Sabine, B., and Ralf, L. (2003), 'The Risks of Autonomy: Empirical Evidence for the Necessity of a Balance Management in Promoting Organizational Innovativeness', *Creativity and Innovation Management*, vol. 12 no. 1, pp. 41-49.

Eisenhardt, K. M. (1989), 'Building Theories from Case Study Research', *The Academy of Management Review*, vol. 14 no. 4, pp. 532-550.

Fiol, C. M., and Lyles, M. A. (1985), 'Organizational Learning', *Academy of Management Journal*, vol. 10 no. 4.

Kelly, D., and Amburgey, T. L. (1991). 'Organizational inertia and momentum: a dynamic model of strategic change', *Academy of Management Journal*, vol. 34 no. 3, pp. 591-612.

Kim, D. H. (1993), 'The Link Between Individual and Collective Learning', *Sloan Management Review*, vol. 35 no. 1, pp. 37-50.

Levitt, B., and March, J. G. (1988), 'Organizational Learning', *Annual Review of Sociology*, vol. 14, pp. 319-340.

March, J. G., and Olsen, J. P. (1975). 'The Uncertainty of the Past: Organizational Learning Under Ambiguity,' *European Journal of Political Research*, vol. 3, pp. 147-171.

Merchant, K. A., and Van der Stede, W. A. (2007), *Management Control Systems: Performance Measurement, Evaluation and Incentives*, Pearson Education Ltd, Essex.

Senge, P. M. (1990), *The Fifth Discipline: The Art and Practice of the Learning Organization*, Doubleday, New York.

Snyder, W. M., and Cummings, T. G. (1998), 'Organization learning disorders: Conceptual model and intervention hypotheses', *Human Relations*, vol. 51 no. 7, pp. 873-895.

Swan, J., Scarbrough, H. and Newell, S. (2010), 'Why don't (or do) organizations learn from projects?', *Management Learning*, vol. 41 no. 39, pp. 325-344.

Yin, R. (1994), *Case Study Research: Design and Methods*, Sage Publications, London.

APPENDIX

Table 3 Summary of the four sub-units of study

	Business unit A	Business unit B	Business unit C	Business unit D
Geographical coverage	World wide	Regional, focused on the European market	World wide	World wide
Turnover	€ 300 million	€ 29 million	SEK 3 000 million	SEK 4 600 million
Number of employees	1200	200	1800	4500
Profitability	High compare to industry average	High compare to industry average	Good compare to industry average	Good compare to industry average
Price segment	High end	High end	High end	High end
Market position	Market leader worldwide	Market leader in Europe	2^{nd} on the European market	Market leader worldwide
Standardized/customized products	80 % customized	65% customized	100 % standardized	50 % customized
Position in hierarchy of the person representing the business unit in the pricing project	Low	Low	Medium	High
Expectations with the pricing project	Top management support for pricing	How to handle volatile raw material prices. Top management support for pricing. Training materials.	Knowledge sharing	Knowledge sharing
Pricing practice	Cost-plus	A tradition of cost-plus, introduced value-based in 2009	Price lists analyzed according to price elasticity, value-based, leakage analysis	A tradition of cost plus, implemented in 2008 a IT tool for pricing of the standardized items
Performs customer segmentation	No	Yes (introduced in 2009)	Yes	Yes
Analyze price elasticity	No	No	Yes	No
Perform leakage analysis	No	No	Yes	No
Price setters provided with training sessions in pricing	No	Yes (introduced in 2009)	Yes	Concerning the new IT system: yes
Pricing manager	No	No	Yes	Yes
IT support for pricing	No	No	Yes	Yes
Customer profitability analyses	No	Yes	Yes	Yes
Product profitability analyses	No	Yes	Yes	Yes
Inter-country price comparison analysis	No	No	Yes	Yes (Introduced in 2008)
Competitive value position analysis	No	No	Yes	No
Incentives for sales persons	No	Individual bonus based on gross profit (Introduced in 2009)	Sales persons measured on gross profit	Sales persons measured on gross profit