Organizational Learning and Social Order

Martin Schulz, UBC
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Panel: Remembering Jim March

Organizational Learning and Social Order

- *The two topics are an important dimension of my relationship to Jim.*

- *Social Order:*
  - Echoes of European social philosophy and American Sociology post WWII.
  - About a predictable, orderly, <u>inert</u> situation

- *Organizational learning:*
  - Echoes of the Carnegie School and Jim's perspectives
  - About an uncertain, disorderly, <u>dynamic</u> situation
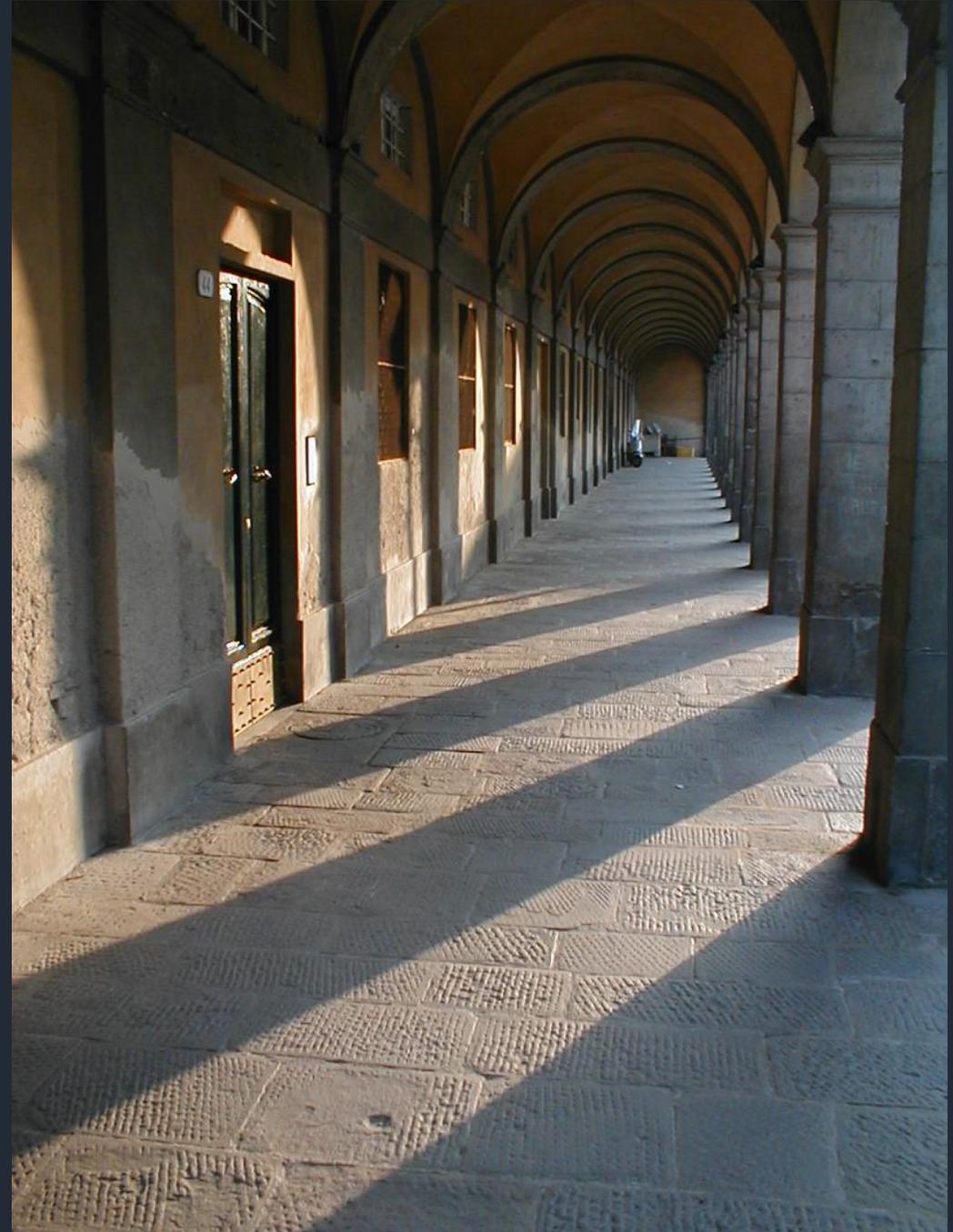

2000, KNEXUS Conference at Stanford U

How Can we Connect Organizational Learning and Social Order?

The Italian Connection

The Italian Connection

Jim loved Italy and its culture and scholarship and poetry.

The Italian Connection

In 2002, we had a conference in Jim's honor. It was in Lucca, Italy.

[Institutions and Organizations Conference, Lucca, It, July 2002]

The Italian Connection

The conference was in a de-commissioned church.

[Auditorium San Girolamo, Lucca]

The Italian Connection

Some of my pictures came out blurry.

The Italian Connection

The evenings were filled with lively conversations.

The Italian Connection

The air was full of fun.

The Italian Connection

Celebrating life with food and wine and great conversations.

The Italian Connection

The wine fueled our inspiration.

The Italian Connection

Jim loved the work of *Italo Calvino* and thought that the book "Invisible Cities" was hauntingly beautiful.

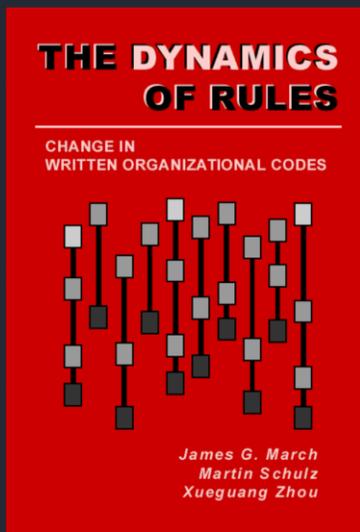

"Le Città invisibili"
Italo Calvino

The Dynamics of Rules and Invisible Cities

In the introduction to the Italian Edition of the Dynamics of Rules (2003):

"Italo Calvino writes about the ways in which rules and roles conserve stability through the turnover of individuals, and how rules and roles are, in turn, transformed."

"Le Città invisibili"
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THE DYNAMICS OF RULES
CHANGE IN WRITTEN ORGANIZATIONAL CODES
James G. March
Martin Schulz
Xueguang Zhou

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PER UNA TEORIA DELLE REGOLE
nascita, cambiamento e strutturazione delle regole
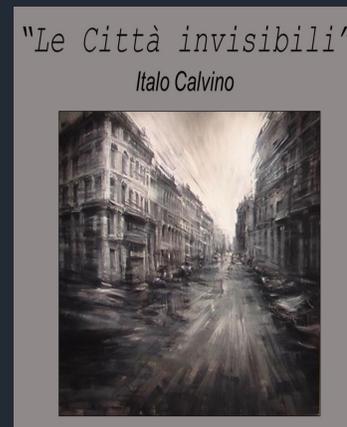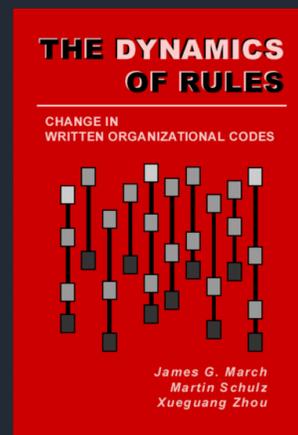CRUI
UNIVERSITÀ BOCCONI EDITORE

Invisible Cities: Melania (Italo Calvino, 1972)

Melania's population renews itself; the participants in the dialogues die one by one and meanwhile those who will take their places are born, some in one role, some in another. When one changes role or abandons the square forever or makes his first entrance into it, there is a series of changes, until all the roles have been reassigned; but meanwhile the angry old man goes on replying to the witty maidservant, the usurer never ceases following the disinherited youth, the nurse consoles the stepdaughter, even if none of them keeps the same eyes and voice he had in the previous scene.

As time passes the roles, too, are no longer exactly the same as before; certainly the action they carry forward through intrigues and surprises leads toward some final denouement, which it continues to approach even when the plot seems to thicken more and more and the obstacles increase. If you look into the square in successive moments, you hear how from act to act the dialogue changes, even if the lives of Melania's inhabitants are too short for them to realize it.

The Dynamics of Rules and Invisible Cities

- Jim thought that the Dynamics of Rules is in the same spirit as those paragraphs in Invisible Cities.

  - "despite limitations of an incomparably less graceful prose"

- "We echo the enduring Italian appreciation – of which Calvino is one modern manifestation – for the nuances of stability and change in social organization and for the ways in which intricate interactions among small processes of human life produce large phenomena of social history."

- Social Order unfolding!

THE DYNAMICS OF RULES

CHANGE IN WRITTEN ORGANIZATIONAL CODES

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"Le Città invisibili"

Italo Calvino

Social Order and Organizational Learning

- *Can we build a theory of social order on foundations of organizational learning theory?*
  - Can organizational learning models help us to better understand how social order evolves?

- *Perhaps yes: Carnegie Learning Theories and Models (and Jim's work in particular)*
  - Can explain <u>change</u>, and thus learning theories might explain change in social order.
  - Can also explain the <u>inhibition of change</u> (competency traps, satisficing, etc), and thus might explain the stabilization of structures.
  - Considers "<u>inefficient histories</u>", that is, change processes that are path-dependent, shaped by accidents and idiosyncrasies.
  - Can also address <u>uncertainty, ambiguity, and anarchy.</u>

Social Order

- *Social order ≈ Stable social structures*

- *Two Approaches to Social Order:*
  1. Social order arising from resolving "The Problem of Order"
     - Hobbes (Leviathan), Durkheim (Anomie). Why does it not explode or fall apart? Glue, cement, hierarchy.
     - Social philosophy, Marxism, political Sociology, Public Choice

  2. Social order as a relatively stable configuration of institutions, customs, norms, roles, rules, habits, etc.
     - Rich, vibrant Lebenswelt (life-worlds), culture, community, society
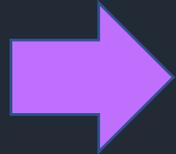   - Phenomenology, Institutionalism, Cultural approaches, relational Sociology

Rule-Based Social Order

Rule-Based Social Order

- *Rules → Social Order*
- *Weber: Rules play a key role for organizations (and for societies governed by bureaucratic organizations).*
- *Structuralism: Rules play a key role for action and social order.*
- *Functionalism: Rules integrate society.*
- *Carnegie School: Rules play a key role for the logic of appropriateness.*
- *Evolutionary Economics: Routines are the genes of firms!*
- *Law and Governance: Rules are instruments of coordination and control.*
- *Cultural approaches: Rules communicate meaning; they are the "talk" of organizations.*
- *Institutional approaches: Institutions are collections of rules.*
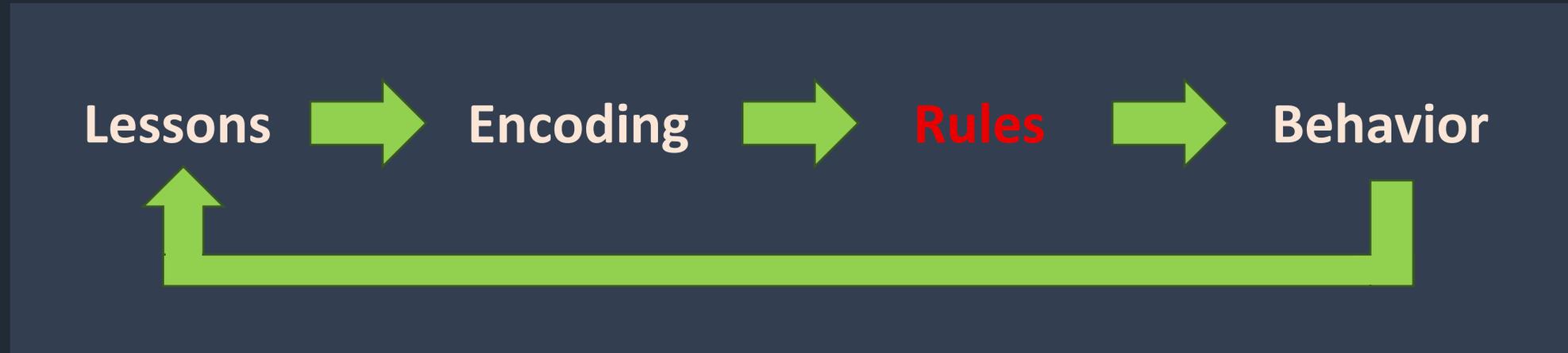
Rules → Rule-Based Social Order

How Does Rule-Based Social Order Evolve?

? ➡ Rules → Rule-Based Social Order

- *Rule-based social order is relatively inert (and predictable).*
- *But it does change (albeit slowly). It does evolve.*
- *Whatever drives rules, will also affect rule-based social order.*
- *So, what drives rules???*

Rule-Based Learning

Lessons → **Encoding** → **Rules** → **Behavior**

- *Learning as <u>encoding</u> of lessons/knowledge into <u>rules</u> that guide behavior (Levitt and March, 1988; March et al, 2000)*
  - Rules are <u>repositories</u> of knowledge/lessons.
  - "Rules" includes routines, SOPs, performance programs, scripts, laws,..
    - Rules contain instructions for action.
  - Rule-based learning processes tend to be myopic.
    - Rules and reality can be mismatched, and the mismatch often increases over time.
  - Rule birth/revisions/suspensions are affected by learning mechanisms.

Organizational Learning and Social Order

- *Theories of Social Order: **Rules** are building blocks of social order*
- *Theories of Learning: **Rules** are repositories of lessons learned*

Rule-Based Learning → Rules → Rule-Based Social Order

- *Rule-based learning that **stabilizes** rules will **stabilize** rule-based social order.*
- *Rule-based learning that **transforms** rules will **transform** rule-based social order.*

Conclusion: Let's study rule-based learning and how it stabilizes and transforms rules!

Structure and Agency

- ***But Martin, doesn't that sound like social control and iron cage?***
  - *On the structure/agency debate you are supporting the structure argument much more than the agency argument.*

- **To some degree, yes:**
  - Individuals are locked in a social order which shapes their action in ways that are often subliminal and not noticed, and many individuals are fine with it. It is like a "Brave New World". One could call it an "Inferno".

The Inferno

- *Our actions are guided by rules and other simplifications.*
  - Often too simplistic
- *We are locked in cities/rule worlds that constrain our actions and freedom.*
  - Stuck in competency traps, superstitions, and appropriateness
- *Things repeat again and again.*
  - Even though we think that the plot thickens and the obstacles increase
- *Things do change, but very slowly.*
  - Too slow for us to recognize
  - And the direction of change is not clear

Calvino (Last Words from Invisible Cities)

"The inferno of the living is not something that will be; if there is one, it is what is already here, the inferno where we live every day, that we form by being together. There are two ways to escape suffering it. The first is easy for many: accept the inferno and become such a part of it that you can no longer see it. The second is risky and demands constant vigilance and apprehension: seek and learn to recognize who and what, in the midst of inferno, are not inferno, then make them endure, give them space."

CYCLES

We surrender

The pleasures of freedom

To gain the comforts of security –

Until they stifle us,

And we revolt.

[J.G. March: Footprints, 2005]

THE END

- *THANK YOU!*