PRODUCTIVITY – THE NEW CORPORATE IMPERATIVE

No organisation is immune from poor decision-making. An analysis of the problem – and a solution that overcomes the limitations of existing teaching/learning methodologies.

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"*IT'S VERY EASY TO BE WISE WITH HINDSIGHT*"

An explanation of Experience-Based Management (EBM). Principles and practices for teaching better decision-making in organisations and in the education system

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ABSTRACT

Both private and public sector organisations are facing a productivity challenge. The escalating pace of modern industry and the increasing political pressures to deliver better value public services has increased the requirement on managers to become better decision makers.

Teaching the craft of decision-making is not a *dedicated* subject in either the education system (including business schools) or in companies/the public sector. Its instruction is conventionally theoretical in nature, unstructured, informal and anecdotally subsumed into wider specialities such as marketing, strategy and leadership. This Paper will assert that the prime characteristic of all bad management is bad decision-making and propose that it should be elevated to a branch of teaching/learning in its own right.

The importance to any economy of good decision-making can be demonstrated very simply by its relative productivity. British government-acknowledged figures[1], for example, reveal that the UK is up to 44% less productive than many of its main competitors. This means that the nation's material output is up to 40% less or up to 40% more expensive than the best (or a combination of the two), indicating that it costs up to 40% more to achieve the same level of output. Set against the value of investments in both the public sector (the Government's planned tax spend over the six years from 2002 is £130 billion, for example) and the private quarter, the wastage of resources is astronomical at this level of un-productivity. It takes no rocket scientist to deduce that much of this shortfall is due to poor decision-making. Equally, no brain power is necessary to compute the advantages of not re-inventing the wheel constantly, not repeating the same mistakes over and over again and/or not benefiting from other unlearned lessons. If better decisions are the key to better value and a better bottom line – and so important as a management discipline - why, then, is decision-making's teaching such a low priority?

The Paper will try to answer this question by suggesting that managers and educators prefer to leave decision-making to little more than intuition and successful corporate politics because no suitable methodology has yet been devised.

In the wider jurisdiction of management, this Paper will contend that commerce and industry – and the educators that prepare people for the business of business - have inexplicably ignored the importance of a vital component of production: the management of organisational memory (OM), without which decision-making becomes largely an instinctive exercise. The experiential element of an organisation's intellectual capital, OM is the compilation of an institution's experiences and knowledge that, today, walks out of the front door on average every three to four years at all levels of hierarchy. Organisation-, job-, time- and person-specific, it cannot be re-hired, with new appointees generally expected to assimilate it by osmosis. Without it, organisations can only benefit from *others'* experience if they re-hire, which is not always relevant. OM's value marks in part the capability of the organisation and is arguably the most important ingredient of its durability.

The dissipation of OM stems from a combination of factors, the main one being the modern flexible labour market which – until now - has been seen as wholly positive for organisations, allowing them to respond to changing market conditions at will. But the downside consequences that industry has yet to fully appreciate are deceptively damaging to productivity and competitiveness. Alongside the wholesale dispersal of an institution's expensively-acquired knowledge and experience, it reduces the benefit of the traditional ways of disseminating experience such as mentoring, job-rotation and the creation of cross-functioning teams. Elsewhere, it guarantees continuous jobs disruption. Flanking this is the inherent short and selective memory recall of standing employees and their defensive reasoning processes, all of which contribute to what is known as corporate amnesia. The result for organisations? An inability to learn from their own experiences - and a conveyer belt of repeated mistakes, re-invented wheels, and other unlearned lessons. Institutional 'forgetting' is the single biggest constraint to decision-making excellence and a massive contributor to productivity shortfalls.

The Paper will outline the ice berg-like cost of corporate amnesia and disclose the sizeable extent of non-learning in a range companies, industries and countries. The choice of organisations in the US, Great Britain, New Zealand, Israel and South Africa as examples is intended to provide illustrative comparisons of a wide range of modern industry with relevance to most economies. The common theme is the disconnect between experiential learning and quality decision-making. The US is the world's most productive and competitive economy but not exempt from repeated mistakes, re-invented wheels and other unlearned lessons. The UK (the 16th most competitive nation[2]) is the oldest industrial economy with a history of poor productivity and relatively low levels of entrepreneurship. At the other end of the scale, New Zealand (the 19th most competitive nation[3]) is one of the smallest economies with an acknowledged incapacity to create large businesses. South Africa (the 39th most competitive nation[4]) is an emerging economy where much-needed entrepreneurship is uncommon while the new Black management cadre, which has little individual experience from which to learn, is purposely discarding the country's prior know-how. In Israel (the 25th most competitive nation[5]), which is one of the more successful “new” economies, a failure to address a long-known deficit in marketing abilities, especially in the international arena, has contributed to a relatively high attrition rate of companies in the recent hi-tech and ‘dot.com’ crash.

It will then go on to explain how organisations can help improve decision-making processes through a technique called Experience-Based Management (EBM). Benchmarking is the process that generally focuses on how organisations can learn from *external* experiences. EBM concentrates on how organisations can learn from their *own* experiences - without having to give up the benefits of the flexible labour market.

In industry, experiential learning is confined to random, unstructured methods by individuals (e.g. *“I list my mistakes and try not to repeat them”*) and two little-used techniques of a more formal nature. Post-project reviews are usually used only to investigate large failures while Action Learning is an approach pioneered by Reg Revans in the early 1980s that generally uses a skilled facilitator to impose a discipline of self-reflection and analysis on team members of individual projects. *None* of the techniques specifically address the problem of imprecise recall contiguous with short and selective memory, defensive reasoning and departed employees, which underscores the main weaknesses of existing methodologies. The indefinite evidence that springs from whichever of these factors automatically flaws any potential experiential learning.

EBM is designed to overcome the limitations of existing experiential learning methodologies. Specifically, the Paper will explain the EBM Teaching/Learning Loop, a formalised six-stage circular sequence adapted from the models created by Lewin and Kolb in their non-business disciplines. It covers how to choose the experiences from which to learn, how to implement strategies that will help overcome deficient memory in formats that are also user-friendly for learning and how to construct the process of reflection to improve decision making. It supports the universal paradigm of progress being incremental and also that learning should be continuous.

EBM prescribes the process of reflective thinking in business that educators in both companies and business schools can use to teach better decision-making. Its base concept is not dissimilar to how soldiers are trained at military institutes like West Point and Sandhurst.

The Paper’s thesis is set against the background that in the West, the general perception is that knowledge is mostly technological and/or quantitative in orientation[6]. Western rationalism is based on the theory that knowledge comes through deductive reasoning while Eastern empiricism reasons that erudition is derived inductively through actual experience[7]. As such, managers in Western economies generally focus on technically-orientated, mainly explicit information encompassing rules, processes and the professional or vocational information codified in manuals and texts, while the emphasis in Japanese companies, for example, is on the more implicit and ambiguous tacit knowledge, a characteristic that is deeply rooted in action as well as ideals, values and emotions. In this, the sharing of experiences and being constructively reflective is key. It is a belief embedded in their Zen Buddhism heritage.

Apprenticeships used to be Western industry's main answer to tacit knowledge transfer. This applied only to the bottom of the seniority league and, with the exception of lawyers, doctors and some other professions, virtually came to an end in the 1970s at about the time the flexible labour market started to make long job tenure the exception rather than the rule. In Western education, teaching the next generation of businessmen and women how to benefit from experience is still largely a theoretical process, with educators wedded to methodologies dominated by macro-economics and quantitative analysis. By concentrating on data and information retrieval, mainly through sophisticated and expensive IT systems, even the newly-embraced techniques surrounding the esoteric subject of knowledge management do not fully address this issue. Both industry and education makes little formal effort to pass down "experience" from one generation to the next, least of all enable the rolling generations of employees to learn from that experience.

The consequences are encapsulated in the Paper's title, which is a common lament throughout industry when things go wrong. "*It's very easy to be wise with hindsight*" is exactly the idiom used by the chief executive[8] of British-based The Equitable Life Assurance Society, the world's oldest mutual life insurance company that is battling to find a way out of its £1.5bn (US$2.2bn) debt arising from guaranteed annuity policies. The new head of this 250-year-old company admits that the aggregation of risks within the Society "*is something that should have been of serious concern*", an understatement that precisely illustrates the prime characteristic of all bad management – bad decision making.

In its wider treatment, the Paper will address several other central issues –

+ In formulating a systematic way to overcome the prevalent non-reflectiveness of managers, it will go to the heart of the debate between those who think industry can learn from the past and those who think that old lessons are misleading or irrelevant because times change.
+ At a time when most organisations' first instinct is to turn to technology to improve their productivity, it will reinforce the importance of human capital, which in today's hire-and-fire workplace at all levels of hierarchy, has assumed a disposable characteristic that shows no sign of abating.
+ It will give knowledge management an IT role beyond sophisticated data collection and distribution.
+ For the first time in the UK, it gives corporate and business/management history more than a narrow-interest application in education and industry.
+ It supports the widely-accepted paradigm that learning is incremental and should be continuous.

The proposition is that decision-making can be improved through EBM, a methodology that formalises a process that melds the East’s inductive and the West’s quantitative approaches. It is a structured way of *applying* one's own and others' business experiences in industry and education. It involves formal techniques to capture important explicit and tacit knowledge that is organisational-specific, job-specific, time-specific and contextual in nature to enable more rigorous appraisal of the tried and tested past for more enlightened decision-making. Simply, it better *professionalises* the teaching and practice of business.

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A former financial analyst and industrial commentator for the Financial Times, the author has won several national and international awards for his work in management, among them Industrial Feature Writer of the Year (1981) and an Award of Excellence (1997) from Anbar Management Intelligence, the world's leading guide in management journal literature. A Visiting Fellow at Nottingham University Business School Institute of International Business History (UNIBHI). he has supervised a US doctoral thesis on Organisational Memory and is a guest lecturer at many UK and overseas business schools. He is also a regular speaker at international conferences, with his work widely published in academic journals, trade journals and the national press.

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CONSTRUCTS AROUND WHICH THIS PAPER IS BASED

Short and selective memory recall. For conceptual advocacy of this phenomenon, Kantrow[9] observes that *"When we go to work, we forget".* To Kantrow, managers' choices and actions may find a ready place in memory but the reasons and the intended significance of their deeds quickly float away out of reach and beyond recall. He observes that while all organisations have some form of recall, their memory is frequently inaccurate. *"The style of a business presentation, the kinds of evidence that tend to sway decisions, the shared sense of what constitutes relevant information about a new market or product, the deep-seated visceral preference for certain lines of business – all these characteristics, and a thousand others like them, are the subtle products of memory. In no two organisations are they exactly the same, nor in any two parts of the same organisation. Intuitively we know this. But on the job we usually disregard it. In particular individuals forget both the density and duration of the activity underlying the surface facts. We forget that, like an iceberg, nine tenths of their mass lies hidden, well below the normal waterline of vision. And we forget that the part we can see is not just 'there' but is very much something built, something constructed or pieced together over time".*

How this forgetting extends to the corporate level is corroborated by international management consultants McKinsey & Co.,[10] which observed in the context of one business area: *"Companies without practical mechanisms to 'remember' what worked and what didn't in the past are doomed to repeat failures and rediscover successes time and time again. As the industrial battles of the past decade have shown, competitive success often rests on world-class manufacturing - and that, in turn, on engineering capability. All too often, however, that capability is both poorly leveraged and poorly maintained. Companies regularly 'forget' what they have learned in earlier generations of product design. Worse, they do not organise to build, capture, or make easily accessible their hard-won store of engineering expertise."*

Defensive reasoning. This phenomenon is reinforced by a substantial body of academic research into organisational learning, much of which confirms the reluctance of companies and their managers to objectively examine their performance, especially mistakes. Argyris explains[11] that whenever a manager's performance comes under scrutiny, the individual begins to feel embarrassed, threatened and, because they are so well paid, guilty. *"Far from being a catalyst for real change, such feelings cause most to react defensively. So, when their learning strategies go wrong, they become defensive, screen out criticism and put the 'blame' on anyone and everyone but themselves. In short their inability to learn shuts down precisely at the moment they need it the most."*

The on-the-spot view puts the reason down to a particularly well-developed managerial ego. Commenting[12] on the difficulties of teaching managers how to learn, a top US industrialist describes the apparent amnesia evident in many of his top employees. *"For many years I have been troubled by the inconsistent attitudes of high-achievement professionals who have superb intellects yet appear not to learn from experiences or colleagues,"* he observed. His explanation is that professional service companies in particular attract what he calls *"the stereotypical self-motivated, supercharged MBAs whose past successes build their defences against being incorrect, hence against any need to learn or change. I suspect that the defensive reasoning process is well developed early in the life of a high-achievement person".*

The flexible labour market. This is a phenomenon that emerged in the 1970s. Intended to provide organisations with a measure of flexibility to adapt to rapidly changing conditions in the market place, it was industry's reaction to the inflexible labour policies advanced by organised labour, in itself a response to the earlier hire-and-fire policies of management. The US heads the world discontinuity league[13], followed by Australia, the Netherlands, the UK, Canada, Switzerland, Finland, Norway, Spain, France, Germany and Japan. Since these ranking were published in the early 1990s, job tenure has further declined, in some geographical areas quite markedly. In the UK, for example, the number of different employers that new entrants to the labour market will have over their average 44-year working lifetime is put at 11[14], giving organisations a typical 4-year tenure for their employees.

Up to now, the flexible labour market has been seen as wholly beneficial, allowing organisations to respond to changing market conditions at will. With annual staff turnovers of 25% not unusual, many companies actually "boast" about their flexible labour policies. But the consequences are deceptively expensive. Short job tenure automatically restricts the benefit of the traditional ways of disseminating experience such as mentoring, job-rotation and the creation of cross-functioning teams. Elsewhere, it guarantees continuous jobs disruption and the wholesale dispersal of intellectual capital called Organisational Memory (OM), which keeps walking out of the front door. As such, many industrialists are beginning to question the wisdom of this seemingly unstoppable trend and to try to find a way of mitigating its downside effects.

Just one example of the growing sentiment against low staff tenure comes from New Zealand, which has been relatively late at following the lead of companies elsewhere. A firm of international headhunters, whose interests would hardly be served by discouraging the flexible labour market, warned[15] in 2001 that staff turnover was *"way too high"*. They found that some industries – for example tourism, the health sector, IT, advertising/marketing and retail – had staff turnovers in excess of 20% and up to 37% a year, the former frequently coming in above the recognised danger level of 15%.

Although the full downside is difficult to evaluate accurately, several academics and organisations have tried to quantify the costs of staff churn. In one research exercise[16] that was subjected to an interruption after 12 weeks over a 50-week period, the calculation was that project performance could be expected to retrogress to 52% of optimum output. Elsewhere, estimates[17] in the US of costs (which included direct expenses associated with replacement hiring and training, lost productivity associated with a vacated position and the lost productivity of peers and subordinates), put the figure as a percentage of annual pay at 46% for frontline employees, 176% for IT professionals and 241% for middle managers. Neither computations took into account the potentially much larger additional indirect costs of any repeated mistakes, re-invented wheels and other unlearned lessons. Even if one offsets the undoubted benefits of the flexible labour market, these accumulated consequences on an average 20% employee turnaround every year – in some companies and industries this is much higher - can't be ignored if managers are truly concerned for the bottom line.

Organisational Memory. OM is the experiential component of an organisation's intellectual capital. It is the aggregation of the institution's experiences and knowledge that is specific to the organisation, a job, a time frame and an individual. It cannot be re-hired, with new appointees generally expected to assimilate it by osmosis. It is inextricably bound up in an organisation's history.

To fully understand its nature, it is necessary to understand the difference between data, information and knowledge, and the distinction between explicit knowledge and tacit knowledge. Data is a fact depicted as a figure or a statistic. Data in context - such as in a historical time frame - is information. In contrast knowledge - around which OM is constructed – is interpretative and predictive. Its deductive character allows its owner to understand the implications of information and act accordingly.

Knowledge is made up of explicit knowledge, sometimes called skilled knowledge, and tacit or cognitive knowledge, sometimes known as "coping skills". The former is the type of knowledge such as the professional or vocational skills that is recorded in the abundant manuals, text books and training courses available while the latter, much of which is implicit and ambiguous, is acquired largely by experience that is functional and context-specific. Typically existing only in the minds of individuals, tacit knowledge is normally very difficult to capture. It is through tacit knowledge that most erudition takes place.

Whilst explicit knowledge can be described as the 'what' of know-how, tacit knowledge is the non-technical 'how' of getting things done, what Edward de Bono calls '*operacy*' or the skill of action, and what Drucker identifies in the use of the word *techne* (the Greek for 'skill'). OM's awareness provides the type of expertise that is both an organisation's adhesive that helps keep the institution together and its lubricant, allowing for its smooth and efficient operation - i.e. it relates to all the routines and processes (formal or otherwise) that make an organisation tick. In broad brush terms, it includes the individual's understanding and accommodation of their employer's individual corporate culture, management, communications and decision-making style, contacts and relationships between employees or teams of employees, the detail of job-related events and the knowledge of tried and tested usage as it applies to the organisation's own market circumstances and special environment (so-called episodic knowledge).

OM is the type of knowledge that enables a good theoretician to also become a good practitioner. Without it, organisations - even if they employ the most qualified people in their field - run like a gearbox without oil.

The qualitative application of knowledge is closely allied to memory, which is most commonly described as knowledge retention or the difference between having acquired knowledge and having to re-acquire it. It is what is not forgotten; the reconstruction of experienced events. Add to this the fact that in business - like life - decisions are invariably better made with the benefit of hindsight, OM's value represents the capability of the firm and is perhaps the main ingredient of its durability.

For practical purposes, OM can be broken down into three time frames. Short-term OM lasts up to about five years; medium-term OM occupies a time frame of up to around ten years, with periods in excess of this constituting long-term OM. Because of its contemporary and contiguous nature, short- and medium-term OM is generally more relevant to operational issues facing the organisation, whilst long-term OM is more conformant with strategy and culture.

Corporate amnesia. This refers to the loss of organisational memory that is the result of inherent short and selective memory recall by individuals, their defensive reasoning processes when something goes wrong and the effects of the flexible labour market, the consequences of which reduces the body of evidence that an institution might have at its disposal to enable its staff to use for better decision making[18].

Experiential Learning. This is the process of learning from one's own and other's experiences through recall and reflection, out of which comes the knowledge variously called 'wisdom', 'hindsight', 'insight', 'good judgment' and '20:20 vision'. The former is widely neglected while the latter gets some attention through the discipline known as benchmarking, the process of looking outwardly to identify and adopt best practice. This Paper focuses on how organisations can learn from their *own* experiences.

In its modern conception, experiential learning first emerged in the fields of psychology, philosophy and physiology through the work of Piaget[19] and then refined by the likes of Meizirow[20], Freire, Dewey[21], Lewin[22] and, more recently, David Kolb[23]. They all recognised the importance of experience as the starting point for erudition and that its lessons can help improve on both success and failure.

This Paper asserts that prior experience is first and foremost a knowledge resource. If experience can't be recalled accurately and in context, it might as well never have happened and the opportunity it might otherwise provide for learning is forfeit. Simply, its disregard diminishes the scope to shape today's decisions for tomorrow's world, the point being that rigorous evidence provides the basis and the opportunity for improved human understanding of the decision-making process, out of which can emerge better future decisions.

The Paper addresses these two related aspects - how to overcome imprecise recall in formats that are also user-friendly for learning and – by adapting the learning models created by Lewin and Kolb in the non-business world – how the evidence can be applied with a view to enabling better decision making.

In education, teachers in business schools would probably insist that they *are* using experiential learning techniques when they use case studies. Almost invariably, however, case studies are no more than summarised snapshot examples to explain the workings of some functional management discipline. It is an approach that also inescapably disaggregates their inter-relationship with other management factors, influences and disciplines. The wider contextual picture illustrating the more complex and intimate nature of running a real business is studiously avoided. The educational approach to learning is endorsed by Brookfield's[24] observation that teachers tend to be so concerned with presenting information that they overlook student needs to reflect upon it. His view is that students need "*interplay between action and reflection*", proposing that curricula should not be studied in some kind of artificial isolation, but that ideas, skills, and insights learned in a classroom should be tested and experienced in real life - i.e. students need to be given the opportunity to reflect on experience. Formal study is "*thus reinforced by some appreciation of reality*". Although his remarks refer to the classroom. the same sentiments would apply to experiential learning in the corporate environment.

Industry uses a range of experiential learning techniques, few of which are employed to any great extent and with any great rigour. Against this infrequency and inattention, the most common is the post-project review, when an organisations' senior managers evaluate post-event performance using archival evidence and decision makers' recall after the event, usually when projects go badly wrong. Even when the analysis is done more conventionally by academics or management consultants, they are approaches that suffer from Kantrow's short and selective memory recall and Argyris's defensive reasoning processes, drawbacks that often mean that their reports depend largely on the experience of the academic or management consultant than on the actual experience of the institution/project. One critical view of traditional consultancy reports comes from a Ford executive[25], who describes them as "*formulaic"*. They can put *"too much of their own spin on a story*.*"*

Another little-used method that uses organisational memory as the learning medium is mentoring, the West's replacement for the old apprenticeship system. Usually, senior managers "adopt" high flyers and take personal responsibility for nurturing their careers within an organisation. Other approaches that allow experiential exchanges involve job-rotation, the creation of cross-functioning teams, the overlapping of exiting and incoming employees and orchestrating social events in the corporate setting. These approaches are probably the more efficient at allowing experiential dissemination but their efficacy is often imperfect because of the highly selective nature of the experience passed across by knowledge owners and the unreliable and biased memory recall of the knowledge receiver. The fact that individuals now only stay with their employer for short periods is also a major inhibiting factor.

Of the more formal approaches is "Action Learning", an approach pioneered by Reg Revans in the early 1980s that generally uses a skilled facilitator to impose a discipline of self-reflection and analysis on team members of individual projects. Because its employment is confined to real-time work situations, it does not have much application as a teaching tool in business schools, although some educational institutions have experimented using contrived simulations and role plays as the learning medium.

It is instructive that while experiential learning can take place from both success and failure, failure often provides the more productive medium. This is backed up by the experience of researchers at Xerox[26] who, after studying the record of three of its troubled products, concluded that *"the knowledge gained from failures (is) often instrumental in achieving subsequent success. In the simplest terms, failure is the ultimate teacher",* a sentiment articulated by a recent book on high flyers[27], in which the author says: *"Learning from failures can prove essential for a successful career. The real leaders are those who learn from experience and who remain open to continuous learning".*

Other definitions: In modern day usage, hindsight has two meanings. Its prescribed definition is the perception of the significance and nature of events after they have occurred. Its other connotation is rear sight or the knowledge of prior experience. In industry, this is otherwise known as corporate and/or business history.

The former is the memoir of individual companies or other institutional bodies. Done well, it places the organisation's experience in a sequential context within its own competitive and geographical environment. Wider business history is the more general historical study of the subject that builds a general appreciation of the contribution of single enterprises into the wider sector, industry and national economic context. At Harvard, the only business school where business history is a compulsory component of all first-year teaching, the genre has largely divorced itself from wider-based economic history, business history being more management orientated. Other definitions of business history include the "*.... systematic historical studies of business behaviour, structures, and policies, and their consequences for the economy as a whole*[28]" and "*The micro-economic study of individual risk-bearing entrepreneurs and their decision-making and innovative measures, and the macro-economic relationship between corporate size, business policy, internal organisation and the performance of the economy concerned*[29].

Related to business history is economic history, which is the only type of history that features to any extent in conventional business education, deals with mainly macro fiscal issues as they affect national and international constituencies. Over the past two decades, economic history has become increasingly unpopular with students. In many universities, economic history departments have been closed down.

WHY EXPERIENTIAL LEARNING?

From Francis Bacon ("*Histories makes men wise*") to Winston Churchill ("*The further backward you can look, the further forward you can see.")* and Spanish-born US writer and poet George Santayana, whose more famous quote on the subject – *"Those who cannot remember the past are condemned to repeat it*" - was used by historian William L. Shirer as an epigraph in his 1959 book on "*The Rise and Fall of the Third Reich",* experiencial learning is not exactly an alien concept in the non-business world.

But why so in industry, commerce and business academia?

The answers are obscure, probably bound up in the fact that the concept is still relatively new in other disciplines and has not yet transferred to business proper. Like most answers, a clue may also reside in history itself. In the changing times of the late 19th Century, emerging business was a political football, as subsequent political developments showed in Eastern Europe. The first literary portrayal of businessmen in the modern era - and the companies they created - were highly unflattering. With the example of imported European attitudes to support it, popular journalism and academia in the US started to take an interest in the corrupt practices of businessmen; the perception emerged that they were "robber barons," a viewpoint that was propagated around the world until well into the first half of the 20th Century and, to a lesser extent, even later with the rise of multinationals. As such, businessmen, the central figures in the drama that is industry and commerce, are extremely sensitive to how their activities might be picked over and respond by turning their back on any reflective processes. Alongside this is an inbuilt inclination by businessmen to only admit to success, a reflection, perhaps, of individual insecurities and the perception of society's non-forgiving attitude to failure.

Ironically, it is arguable that their defensiveness has, in fact, contributed to anti-businesslike attitudes. Some novel research[30] recently by a free market think-tank found that people generally picked up their ideas about business from sources like radio, television and literature. Almost without exception, the great English novelists from Jonathan Swift in 1710 to Martin Amis almost 300 years later projected commerce and industry as oppressive, humiliating and dangerous, and business people as venal, corrupt, self-seeking and unimaginative. If, as the research suggests, fiction can be instrumental in shaping public attitudes so unhelpfully in the wealth-creation process, non-fiction in the shape of good corporate and business history - and learning through reflective thinking - could have been just as effective at helping to redress the balance.

But whatever businessmen's sensibilities, the fact remains that learning is not a controversial issue in the pursuit of better business. The more appropriate question is how best to teach and learn? Using the logic of the following non-educational analogy, the appreciation of prior experience is like the rear view mirror on a motor car. Without it, one has to continually crane one's head to make navigational decisions. At best, drivers get themselves a stiff neck. At worse, they can have a fatal accident, a precept characterised by the observation of Harvard scholar Alan Kantrow, who says[31]: *"Like it or not, the past infects the world we live in, the decisions we make, the very choices we see to lie before us. If we ignore its influence, we do not escape its power. All we do is remain to some extent its prisoners without ever really knowing that is what we are."* The consequential prospect is appositely conjured up in one of English novelist J.L. Carr's texts[32]: *"You have not had thirty years' experience. You have had one year's experience 30 times."* At its most simple, the proposition is that an appreciation of tried and tested experience – call it practice, know-how, procedure, even history – facilitates that innate advantage called inheritance. This is not to suggest that the motivation of recall is purely to facilitate repetition. Only that without a knowledge of experience, one has to start from scratch every time one makes a decision. Given that organisations have already paid for their experiences, probably many times over, why pay again, and again and again?

For industry validation of experience's importance, some further research is instructive. A recent study[33] by the National Westminster Bank disclosed that more veteran companies in the UK failed in the early-1990s recession than in any other previous economic slump in the 20th century. A massive 10% of firms that had survived two world wars, the bleak 1930s depression and the succession of subsequent cyclical downturns crashed between 1989 and 1993. Why were they unable to survive this particular recession? Part of the answer - to this author at least - lies in the fact that the recession coincided with the height of the downsizing boom. This led to massive discontinuity – and an organisational memory that provided individual companies with little awareness of how they manoeuvred their way out of previous crises.

NON-LEARNING – COUNTRY EXAMPLES

Although institutions vary in their ability to benefit from hindsight, the picture of how organisations don't learn from their experiences is not difficult to illustrate across a range of companies, industries and countries, both in the private and public sector. As the following examples relate, experiential non-learning in commerce, industry and the public sector is widespread.

USA

When it comes to non-learning, the Ford motor company illustrates the effects of one of corporate amnesia's causes – the flexible labour market – in the production of its Taurus car[34]. The previous version of the car had been a big hit because it met the needs of big-car buyers better than most of its rivals. What happened was that it experienced a loss of its so-called design memory when it massively cut back on jobs in the recession of the early 1990s. As a result, the new model was largely re-engineered from scratch. Having 'forgotten' what its customers wanted, the result was a model that failed to capture the buyers' imagination.

The price of forgetting - specifically how often dominant companies complacently ignore the effects of mature markets and new technologies – is illustrated at IBM[35], another of America's more successful companies. In the 1980s a smug Remington yielded dominance of the typewriter market to the electronic age - and IBM. Almost immediately IBM made the same expensive mistake by reacting inappropriately to a technology that threatened its own core business. On the surface it simply misjudged one of its product's life cycles but in reality, it mishandled the emergence of personal computers, under-rating vastly the impact that they would have on its larger mini and mainframe businesses. A memory of how Remington reacted to similar conditions might have encouraged IBM to give its originally independent PC unit a longer life – and avoided the US's biggest annual corporate loss of $4.9 billion in 1992.

In fact, a better memory of the slightly longer past may have helped IBM to avoid the crisis in the first place. Before the computer age really took off, IBM always perceived itself as a service organisation that provided information technologies to large companies. It is arguable that the company's problems occurred when it began to believe it was a computer company. It returned to profitability when it returned to first principles.

Elsewhere, a large US insurance group points up a similar case of forgetting[36]. Having slimmed its claims department, it found it was settling big claims too swiftly and too generously. It discovered it had sacked