Learning and innovation in Finnish public sector organizations
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1. Abstract

Parallel to the study on organizational learning, social research has lately focused on the idea of space and on the production of space as a combination of physical, social and mental aspects (Lefebvre 1998). Hernes (2004 a-b) continues along the lines put forward by Lefebvre and presents his picture of organizational spaces consisting of tangible structures (organization by regulation and binding), social relations (organization by bonding) and thought (organization by thinking). Our study on learning at work in Finnish public sector organizations builds on Hernes’s ideas on organizational spaces, but enlarges the perspective towards a larger context where the public sector organizations are conceptualized as an interaction between production organizations, negotiation organizations and development organizations (Colbjørnsen & Falkum 1998). As public sector organizations face continuous performance challenges, they need spaces that enable learning at work, which in turn produces innovation and new modes of operation. As action research interventions, we have built special development organizations, learning forums, where employees and employers may meet and discuss the issues of the future. The discussions have been facilitated by the method of democratic dialogue (Gustavsen 2001) that aims to bridge the hierarchical gaps characteristic to public sector organizations. The full paper discusses in more detail the learning space approach and the prerequisites for a development organization to work as a genuine learning space that makes it possible to continuously evaluate the public sector organizations from a critical perspective and to do things in a new way. The data come from two ongoing action research cases that show how and why the interventions worked.

2. Introduction

In all western countries, public sector organizations face performance pressures accentuated by a continuous shortage of public funds. The Finnish welfare state has also recognized a need for reforms. The reform discussion is focused around the mission of the welfare state and the inadequacy of the traditional means to meet the demands of a new client orientation type amidst constrained budgets. The public sector reform is often understood as redefining public-sector tasks at the interface between public and private service provision, like privatization and contracting out, and re-balancing the traditional organizational principles of the public sector with the ideas of the new public management movement (Naschold and von Otter 1996). Anyhow, a wave of managerialism is gaining favor in the provision of public services.

The new pressures present learning and innovation challenges to organizations originally built to be stable and resistant to change. Also, they are constrained by strict divisions of labor, hierarchical and sector borders (Kalliola and Nakari 2003, 105) and a large number of actors with different aims and values like politicians, top managers, professionals and representatives of trade unions. The actual power elite of a public organization may consist of any combination type of these groups.
One of the modernizations initiatives of the Finnish public sector is Quality Network that got started as an action research project of municipalities in 1991. Since then Quality Network has broadened to cover also state and private organizations. The bond tying together researchers from universities and trade unions, for example, is their interest in the Scandinavian communicative action research tradition (Gustavsen et al. 1991) emphasizing the role and knowledge of everyone involved in egalitarian processes. The participating organizations share an interest in reforming their work organizations and in promoting their service or product quality together with the employees. As action research interventions Quality Network has built special forums (e.g. project groups, Dialogue Conferences) where the various stakeholders may meet and discuss the issues of their future. The discussions have been facilitated by the Democratic Dialogue method (Gustavsen 2001) aiming to bridge the hierarchical gaps characteristic of work organizations. The secretariat of Quality Network is the Commission for Local Authority Employers. The network is funded by the Finnish Work Environment Fund (1991–), the National Working Life Development Programmes (1996–), and the participant organizations. (Kalliola and Nakari 1999.)

The aim of our paper is to examine the change potential of Quality Network from two learning perspectives. First, we give to the development-oriented action research interventions a new frame of reference by combining organizational and learning approaches. Second, we use this new frame of reference in two public sector cases and investigate what the prerequisites for a discussion forum to work as a genuine learning space are. The focus is on the potential of Democratic Dialogue to have an impact on the modes of operation of the case organizations.

3. Conceptualizing work organizations and learning in Quality Network

Regulatory production and bargaining organizations

We appreciate the recent trends in social research and in the studies on organizational learning that are focused on the idea of space and on the production of space as a combination of physical, social and mental aspects (Lefebvre 1998). A more concrete conceptualization is presented by Hernes (2004 a-b), who sees organizational spaces consisting of tangible structures (organization by regulation and binding), social relations (organization by bonding) and thought (organization by thinking).

This organizational space approach is promising in analyzing the outcome of Quality Network interventions, although there is need for a larger context because of the many actors and borders of public work organizations. Therefore we turn to Colbjørnsen & Falkum (1998) who have conceptualized work organizations as an interaction between production, bargaining or negotiation and development systems. The authors want to point out that in work organizations there always are, besides the actual production and bargaining organizations, also some kind of development organizations that are used to steer the whole systems and to promote changes seen as necessary by the power elites. They continue that the relationships between management and employees have different characteristics in each three organizations. We interpret that the characteristics of development organizations tend to emerge as a result of the other two and that the different combinations of either hierarchic, human relations type or participatory production organizations and of either antagonistic,
tactic or strategic bargaining systems create qualitatively different development organizations.

When combining Hernes’s (2004 a-b) and Colbjørnsen & Falkum’s (1998) ideas, we may say that public sector production organizations and bargaining organizations as spaces tend to be regulatory, inhibiting natural social bonding and creative thinking, and thus also learning, although the regulatory aspect is not the same. The production organizations tend to be caught in the bureaucratic regulation and bargaining organizations in the paragraphs of collective agreements and often also in antagonistic win-lose, not integrative win-win, cultures. (Kalliola & Nakari 2004.) This creates great challenges for the development organizations.

We interpret that Quality Network has, since its establishment, invited representatives from both production organizations and bargaining organizations (without utilizing these concepts) to meet in new, and at least in the first phases, also temporary, development organizations which aimed to achieve a common understanding of the pressures confronted and the change needed. Inevitably there must be also learning involved. Our context of organizational development results in accepting change as one major impact of learning, although we are aware of Gherardi’s (2001) warning that learning should not be taken as synonymous with change (which Gherardi sees as one of the main biases in the literature concerned with organizational learning). We find support for our approach from Billet (2004, 314), who understands the concept of learning as permanent or semi-permanent changes in how individuals think or act. Billett (2004) continues by stating that when individuals engage in everyday thinking and acting, it is a process that changes their knowledge in some way. This is our starting point when proceeding to describe the discussion forums created by Quality Network as development organizations and learning spaces.

Discussion forums – development organizations – learning spaces

The core idea of Quality Network was to build communicative competencies on all organizational levels and thus the basic nature of the action research interventions is that of discussion forums. Usually after necessary diagnostic surveys and interviews yielding information for the project design, several Dialogue Conferences were held to concretize the objectives and later to evaluate the achievements. Special project groups or task forces with representatives from all the hierarchical levels and stakeholder groups were established to carry the overall responsibility of the project. Also various ‘original’ development units, weekly department or team meetings, for example, were involved in the project, when possible. (Kalliola & Nakari 1999.)

All the development organizations were engaged in the process of Democratic Dialogue (Gustavsen et al. 1991), guided by the principles of the equal rights and the value of the work experience of all participants. The principles of Democratic Dialogue both allow and obligate everyone to give an input into the organizational development issues, as a contrast to the top-down management, or to the delegated wage agreement negotiations. (Kalliola and Nakari 1999, 7–13.) Moreover, the principles emphasize the generative function of the dialogue to produce enough unanimity for concrete change action (Gustavsen et al. 1991; Gustavsen 2001).
The principles of Democratic Dialogue may be interpreted as restricting the role of the researchers to that of coordinators and facilitators, not that of experts or authorities. Also Bessant and Tsekouras (2001) share this notion in their study on learning networks, purposefully established to increase the knowledge base and capacity of their members. Bessant and Tsekouras (2001) call the facilitators and coordinators “network brokers”, who need to avoid telling people what to do but help them first to articulate their learning needs and then enable them to meet those needs.

One may argue that the learning needs of public sector organizations are so huge that it is not enough to be satisfied with learning that results in doing a little better what is already being done. Instead, following Bessant’s and Tsekouras’s (2001, 85) ideas, reframing and radical change is needed concerning the perception of problems to be solved and the potential set of solutions. This type of reasoning presents big challenges for the public sector organizations: they should be able to improve the capacity for learning and continuous improvement across the whole organization. The challenge is big also for Quality Network – its activities should be challenging reflection and facilitated sharing of experiences of planned experimentation (Bessant and Tsekouras 2001).

**Understanding learning in development organizations**

Thus far we have taken the concept of learning as granted, besides its connection to change. Our standpoint in action research involving stakeholders in joint discussions calls for a corresponding concept of learning. We appreciate the notion of situated learning by Lave and Wenger (1991), who refer directly to participation in social practice as being analogous to learning, and are willing to conclude like Billett (2004, 315) that learning and participation in work are inseparable. According to Lave and Wenger (1991), knowledge resides in social relations, meaning that knowing is part of becoming an insider in a community of practice.

However, as Billett (2004) puts it, participation in workplace practices is regulated by the workplace culture and social norms and by those who control the processes and division of labor, including interests and affiliations within the workplace. Billett (2004) continues that it is the individuals that decide how they will participate and what they learn from their experiences. Also, the kinds of participation opportunities the workplace affords individuals and how individuals elect to engage are salient to their learning through participation in the workplace.

To conclude, we see like Billett (2004) that workplaces as learning spaces are characterized by participation opportunities and by utilizing these opportunities, which both are structured by power and interests. This understanding of learning and learning space is applicable for example in conceptualizing Dialogue Conferences from the learning perspective. The conferences offer new opportunities to participate and create new communities of practice where intentional changes are made in the power relations.

**4. Research Method**

*The cases*
All authors have participated as researchers in the activities of Quality Network since 1991. This means that they, in conducting numerous action research interventions, are actually involved in a continuous data-gathering, analysis and interpretation process, in which the former steps form a basis for the next ones.

This paper focuses on two ongoing cases representing a transition from public sector traditions towards managerialism. The researchers of Quality Network were invited to conduct interventions aiming to make sense of the new challenges and increasing employee discretion.

_Incorporated Company_ produces consumer products. The Finnish state is the sole owner of the company under the supervision of the Ministry of Trade and Industry. A monopoly up to 1995, the company operates now in a competitive environment. Lately it has bought competitors from abroad. The total number of employees is approximately 900. Before the present project in the “Production and Logistics” unit, the company had conducted one communicative project.

_City Day Care Centers_ provide day care services to the children of working parents and preschool education to all six-year-old children. The number of municipal day care centers in the city is around 90, out of which 15 with the staff of 300 were chosen to be pilots in transition towards the contractor model. The contractor model means that the city board, earlier in charge of producing day care services, now orders them from rather independent day care center clusters that are also profit centers with their own budgets and clients. The Quality Network history consists of two earlier projects. The first project involved kitchen workers (1997–1999) and the second one (2001–2003) involved kindergarten aides in a development network of six municipalities.

_Learning space perspective – a new approach in a continuous process of analysis_

Data on the action research interventions and their impacts were gathered by participant observations (researchers’ diaries), interviews and diagnostic and feedback questionnaires. Also original project plans and interim and final reports will be used to make illustrative cross-sections of the development processes of the two cases.

The cases will be evaluated qualitatively by using the above depicted learning space perspective as a frame of reference. The results of the analysis will be presented in a narrative form that answers to the following questions: Why was the project initiated, i.e. what were the learning objectives that the action research interventions had to meet? What happened and why?

5. Findings and discussion

_The State-Owned Incorporated Company at a halt between cooperation and antagonism_

According to the project plan (September 2003), _Incorporated Company_ wanted to mobilize the employees of the “Production and Logistics” unit to give their creative input into the efforts to survive in the growing competition and chose to apply Strategic Human Resource Management (SHRM). The expectation was that SHRM would take place by combining business strategy with human resource strategy and
eventually it would renew the quality of labor–management relationship, which had been seen as deteriorating since the withdrawal of the monopoly. During the monopoly, the top managers and thus also the employer representatives in the negotiation organization were politicians. Management by politicians was characterized by patriarchy, if not even by the echoes from the patron age. In the production systems the emphasis was on hierarchical management and in the bargaining systems on distributive issues (e.g. wages, working hours). In a situation in which the labor–management relationship was wavering between the old security and antagonism, the employees accepted the invitation of the management and joined the project that would hopefully allow them more discretion and possibilities to use their innovative capacity in work.

Following Bessant and Tsekouras (2001, 95), the learning objective of the project was to diminish the threat of adopting blocking behaviors and entrenched cultures connected to the labor–management antagonism. From our learning space approach the aim can be interpreted as direct leaps from a hierarchic production organization in a patriarchal atmosphere into a participatory one and from an antagonistic bargaining system into a strategic one which would handle not only distributive issues, but also production issues (e.g. work organization) and would participate in strategic decision-making. There was an expectation that the project interventions would enlighten the actors of both the production and bargaining organizations to change their traditional working cultures towards cooperative and integrative action.

The project interventions, forming the development organization, consisted of a project group (task force) with coordination responsibilities, dialogue conferences and various communication forums functioning in a workshop way on issues like employee discretion, human resource management and proactive and integrative bargaining. The fear of hegemony of the bargaining culture, and consequently the emergence of antagonism, led to a decision that the participants should restrain the discussions on group-based interests and instead concentrate on information-sharing and group dynamics along the lines put forward by the earlier dialogue conference traditions used by the Tavistock Institute (see e.g. Greenwood 2002, 125).

One of the workshops consisted only of the employee representatives of the bargaining organization. It worked on the themes of proactive and integrative bargaining and listed matters found important in increasing employee discretion: business strategy (markets, ownership, expansion plans, their correspondence with personnel strategy), resources (human resources, equipment), investments and changes, also anticipated, in the modes of operations. (Interim report 2005.) The list was in accordance with the official company policy to communicate all relevant information to the organization (Pesonen & Tuomi 2003). However, there was some discrepancy in the basic standpoints of the two partners. The company policy was to concentrate on the results of an evaluation of the former accounting period, whereas the employees wanted to know more about the strategic choices of the future to give their input into them. Interviews in the spring 2005 revealed that although the discussions in the project groups and workshops were mostly productive, the employees were not satisfied with the amount of information concerning the actual strategy of the company. They had the feeling that something, often the most crucial action plans, were hidden.
The final disappointment focused, against all the original aims of the project, on distributive issues and the fragile processes were ruined by a salary dispute. The management and the employees, via their local trade union branch, interpreted the basis for bonus salary in different ways. The employees lost their trust in the employer and, at the same time, they lost their commitment to the cooperative efforts. A halt was called to the project that was scheduled to end within a few months.

Contractors of Children’s Day Care Visioning a New Working Life

The earlier projects in the City Day Care Centers had been carried out amidst hierarchical production systems and antagonistic bargaining organizations in a move towards human relations type production and tactic bargaining. This was testified by the fact that the City, known for its harsh human resource policies, had accepted a trade union initiative to increase kitchen workers discretion in day care centers and then continued the project among kindergarten aides. Due to the severe hierarchic management tradition, the concept of Democratic Dialogue was introduced and practiced only among the project groups, while the other forums were more like gatherings of the representatives of same occupational groups looking for common ground. The nature of both projects can be interpreted as emancipative – the blue-collar workers and semi-professionals were allowed to look for their own identity and autonomy in a working environment dominated by kindergarten teachers. (Feedback questionnaires 1999 and 2003; Final reports 1998 and 2004.)

The third project was initiated in a situation in which the City demanded a major change in a very short period of time. According to the municipal board decisions, 15 day care centers would be pilots in a transition towards the contractor model. The pilot phase would take place in 2005 and the contractor model would be launched in all day care centers in the beginning of 2006. Actually, the decision allowed no proper evaluation time for the pilot phase, which meant that the evaluation must be continuous and tied directly to the development process. At this point the top management of day care services turned to Quality Network and asked for advice in the demanding task. From the point of view of our theoretical framework, the learning challenge was, again, a leap from hierarchy to participation in the production organization and from antagonism to strategic cooperation in the bargaining organization. (Discussions with day care management documented in Researchers’ Diaries, spring 2005.)

At first, a survey was organized to collect information about the hopes and fears concerning the new managerial model. One of the main results was that, despite many information circulars and briefings, the day care employees did not know what would change and what would remain the same in the new model. There were expressions of anxiety concerning the autonomy of the various occupations in the new profit center clusters to be created.

A project group consisting of the representatives of the top management, trade unions and all occupations discussed the tight timetable of the pilot phase and wanted to find the actual potential and the need for cooperation of various occupation groups as soon as possible. A decision was made to organize a Dialogue Conference to search new modes of operation for combining the new demands of budget responsibilities and
client orientation with the occupational traditions of the day care employees in a satisfactory way.

The conference of May 2005 turned out to be a success. The principles of Democratic Dialogue were introduced beforehand to the participants, who created visions of ideal profit centers, raised their doubts about the new model and other problems and made concrete plans to make the visions to come true. The plans concerned for example on-the-job-training and cooperation between day care centers of the same profit center cluster. The results of the conference were immediately introduced to those not able to participate in the conference with the maximum of 60 people. A shop steward, who did not belong to the pilot centers, claimed that also the other day care centers needed a chance to do things in participatory way. Two weeks after the conference, the top management made a decision that the method of Democratic Dialogue would be used to facilitate all day care centers in adopting the new model in 2006.

The project group, as well as the top management, took a risk in introducing a Dialogue Conference in such a hurry. There were no guarantees that employees used to obey (and to complain) under the hierarchic supervision would accept a suddenly offered opportunity to plan their working life in a most constrained situation with a contractor model coming. However, the atmosphere was enthusiastic: the participants understood that the profit centers would have the autonomy to carry out the plans. There was no reason to doubt that the discussions would be only vain talk: the top management needed an action plan and now it was made. Also, the employees were informed of a new bonus salary system that was accepted by the trade union branches to be adopted along with the new work organization model which gave a further boost to it. In the optimistic atmosphere new social bonds were created among employees from different day care centers and between employees and their supervisors.

The above observations and interpretations were documented in researchers’ diaries May–June 2005. Some further interpretations could be found by looking back to the Quality Network history of the City Day Care Centers. The earlier cautious proceedings with the concept of Democratic Dialogue had most probably had a cumulative impact on the management styles: learning had taken place and the management was ready to abandon the earlier control in favor of employee discretion. Also, the employees had gained courage and self-confidence to express their opinions on the earlier discussion forums, which could be interpreted as safe training forums because they consisted of people with same occupations. In addition, the value of the participatory efforts was acknowledged by the trade unions.

Conclusions

The two cases are descriptions of change processes of production organizations, supported by development projects. Also, the core of the change is the same – a concrete step towards managerialism. In Incorporated Company the change was actualized as a transition from a protected monopoly to a competitive enterprise. In Children's Day Care the question was of a transition from professional bureaucracy towards New Public Management as a form of present quartile economy in the public sector.
Both cases had the same learning challenge: the temporary development organizations, created as project interventions, should alter the traditional modes of operation of both the production organization and the bargaining organization. These temporary development organizations may be seen as episodic learning opportunities in the course of the regular life of the case organizations: they were forums where people purposefully practiced interaction and communication. This episodic nature of development organizations points out to two levels of conclusions: the context and the mental spaces. The processes show how the learning taking place in development organizations must be supported by consequent changes in the production and bargaining organizations and how the changes in mental spaces demand affirmation in a longer period of time than only one development episode.

In Incorporated Company the dialogues were not able to convey the labor-management cooperation to a strategic level. Although there was evidence on steps towards more participatory management, the avoidance to discuss the prospects of reshaping power relations stopped the progress. The project would perhaps have gained more from the “regular” Democratic Dialogue that brings forth the power relations of work organizations. One could interpret that the dialogues and interaction as such could not challenge the former images of the counterpart: the management did not want to accept the employees as co-managers in strategic issues and the employees did not want to give up their emphasis on distributive issues. At this point of the development process, the researchers are not able to say whether the management really had a hidden strategic agenda or whether the employees relied too easily to the accustomed antagonistic activities.

On the other hand, City Day Care Centers succeeded better due to their earlier experiences in this type of communicative processes: the earlier dialogical episodes supported the new ones. In addition, at least two supporting factors were found: the commitment of the top management to carry out the results of development discussions and the positive input of the trade unions, which meant actual changes in both the production and bargaining organizations.

By the use of our learning space approach, both our cases testify to how Democratic Dialogue may be conducive to learning: it offers possibilities to participate by changing the power structures of work organizations and thus forms a channel of learning. However, especially the Incorporated Company case proves also, as Billett (2004) points out, how individuals decide themselves whether to engage in learning. Following Billett (2004) further, the learning spaces (development organizations) may be seen as spatial moments, episodes gaining their resources from cohesion between the development, production and bargaining organizations. In other words, the three organizations create the basic limit for the dialogue to be transformed into concrete change actions.

The more the public sector tasks include innovative demands, the more the employees need autonomy and discretion in their work and the production organizations need to change. The City Day Care Centers case shows how the new culture adopted in the development organizations may have an impact and eventually change the type of production and bargaining organizations. Also, development organizations could be used to guarantee information and learning circulation also between the other two. This is necessary because the three organizations are interdependent and the
organizational culture of the most powerful organization tends to modify the other two.

7. References


