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CREATING A REGIONAL LEARNING ENVIRONMENT FOR ACCELERATING COMPANY DEVELOPMENT & GROWTH

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ABSTRACT

This paper sets out the research and thinking associated with the development of a proposal to use a Regional Identity Collaborative model as a long term solution to accelerate the development and growth of industry companies. The issue of industry support for development and growth was identified in research interviews and discussion with companies in the Moorabbin project - a regional industry development research project being conducted in the Moorabbin area. The paper is presented in the context of using Systems Thinking and Learning Organisation theory in a regional structure.

The paper uses the results and experiences of the Moorabbin Project research to define the perimeter of the situation in the Region. It then draws on people and organisational learning behaviour to develop a Revised Industry Collaborative (RIC) model to support companies in the region.

The paper concludes with a review of the potential of the trial implementation of the model and identifies some of the impediments and critical success factors for the implementation of the model.

THE MOORABBIN PROJECT

FOREWORD

Three decades of scholarly economic development research has had limited impact on economic development or the development of better professional practice in manufacturing in Australia

The working series of papers arising from the Moorabbin Project have been prepared using the project results and insight into the day to day practical challenges faced by companies that deliver economic development at the local and regional level.

In attempting to inform, stimulate and support professional practice in industry and at the risk of being judged less scholarly by academic peers, the series of Working Papers from the Moorabbin Project are different. Whilst the papers are practice oriented, they attempt to balance the narrative and scientific forms with some interpretations of impacts, influences and possible direction for action. Action that can be considered as a means of accelerating the growth and development of manufacturing companies to deliver the economic outcome that Australia needs over the next ten years.

This first series of papers will cover five key issues arising form the data gathering (questionnaire survey and in-company interview) and analysis phase of the project. These include:

No.1   The Interaction of Government Planning and Regional Industry Development
No.2   Manufacturing Performance through 1990/92 Recession and Onwards
No.3   Regional Industry Development Dynamics - Alive But Under Utilised!
No.4   Industry Development - Who is Leading Who?
No.5   Manufacturing Relationships with Finance

A substantial amount of data has been gathered through postal questionnaires and in-company interviews. Each paper in addressing the specific issues draws upon the appropriate sections of the questionnaire in the context of the wider body of information available.

A second series of papers arising from the investigation of industry development solutions will cover the following subjects:

No.6   Industry Plan - Automotive
No.7   Industry Plan - TCF
No.8   Creating a Regional Learning Environment
No.9   Economic Leadership to Regional Industry Collaborators
No.10   Tertiary Institution/Industry Linkages

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INTRODUCTION

The region of Moorabbin and to the South East of Melbourne had been identified for industry thirty years ago with some of the companies, large, medium and small, in the region having been in business for that period and surviving many recessions. The 1991/92 recession was particularly hard on medium and small companies with an impact clearly visible in the region. The Moorabbin project was born in this environment to examine the region to find out how to assist companies cope with change and get through the next recession.

The project was structured to identify the needs of industry and to trial implement some of the solutions created to meet these needs. The end result was expected to be a road map for industry assistance to be developed in the region.

The project had set about facilitating industry to identify and implement key initiatives which were essential for growth of companies and business over the next 2 - 5 years. The project planning had expected to identify six to eight initiatives of which may be two or three might be trialed. The industry participants at this stage of the project, involving 72 companies, identified fifty-one initiatives. Clearly an unexpected outcome and too much work to be handled by the project.

In an industry conference held in May 1995 the situation was put to the industry participants on the basis that:

a) The project could not deal with all the initiatives/issues, and
b) The project duration was not long enough to support the companies through the implementation of initiatives in the companies.

It was agreed that some sort of priority was needed for the project to continue as planned. In the subsequent discussion, industry decided that a different approach was required, one that would create a mechanism that would continue to deal with industry development issues after the completion of the present project. The research team was charged with the responsibility of developing "A Different Way" to assist companies. This paper sets out and is written in the concluding stages of the Moorabbin project and draws on the project considerations and theories used to create a different way of assisting companies to grow and develop.

METHODOLOGY

This section describes the initial steps which were taken in the development of an industry assistance and support solution which is in trial phase at the time of writing. The first step was to review the environment in which industry was operating and from where industry assistance and support might be provided. This was then superimposed on the research project results to define some criteria for the development of a new approach to industry assistance and support. These were then used in a review of two aspects.

- The theories and case studies of learning environment
- The existing regional studies and arguments that might contribute in the short term for the solution.

The final step was to draw these together in model solution that could be trialed in the region.

THE ENVIRONMENT

The research had tapped into an enthusiastic collaborative environment in industry which had launched the research project so successfully. Industry in response was demonstrating that it could work together. At the same time the provision of Industry assistance from government was

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principally being driven through consultants. Industry were saying they do not trust consultants, with many stories of being "ripped off" - particularly associated with the introduction of Quality Assurance by consultants under government programs.

The other potential avenues for introducing industry development solutions were the Tertiary Institutions - our research indicated that less than 4% of businesses in the region had anything to do with Universities (a missing link in Regional Industry Economic Dynamics) and the expertise of TAFE Institutions was considered by industry as inadequate. The Network breakfast circuits were considered to be talk feasts where individuals were getting new knowledge but were not provided with sufficient information and learning to initiate change in the workforce. Government programs were seen as ever diminishing three year wonders that needed too much paperwork to be worth the trouble, particularly for medium and small companies. The programs also were projecting short term external experts as a change process when research indicates it is the medium term "How" of change not the "what" that dictates success or failure of business development.

Project results in 1995 were unexpected in so much as whilst the region's cross section of manufacturing was similar to the national average, the most significant finding was that the skeleton of Regional Industry Economic Dynamics (RIED) exist in the region (RIED Porter 1980/1985). There were suggestions that RIED had played a role in companies surviving the last recession.

In addition, the experience of the research team suggested a major shift in industry management attitudes since 1989 from one of stubbornly independent management to an inquisitive enquiring management in 1994/95. This could be a function of improving profits after a devastating recession but the research team believe it is a psychological change brought about by the relief of having survived another recession experiencing pain so great that management is looking for a different way of operation. The current way of thinking is not working. According to Drucker (1994) what underlies the current malaise of many organisations is that their theory of the business no longer works. He believes that:

> *The assumptions on which the organisation has been built and/or being run no longer fit reality. These are the assumptions that shape any organisation's behaviour, dictates its decisions about what to do and what not to do.....These assumptions are about markets...customers and competitors...values and behaviour...technology...company strengths and weaknesses. These assumptions are about what the company gets paid for. They are what I call a company's theory of the business.* (Drucker, 1994, p.95-96)

The criteria for a new approach attempted to look forward by defining an environment in which companies might successfully change to grow their business and service.

CRITERIA FOR A DIFFERENT APPROACH

In the creation of a new approach to industry development five criteria were seen to be important:

- The level of demand for industry development support now and the likely changes industry can expect in the future, together with the industry attitude to short term initiatives suggested a long term 10 year solution.

- The fundamental elements of Regional Industry Economic Dynamics will be important for the future economic development of the region and therefore should be encouraged to flourish through collaboration. This approach is also supported by enthusiastic involvement of company owner/managers with their peers.

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- The economic situation and government/industry relationship will change therefore there is a need to maintain industry involvement in the new approach to be able to ensure access by all industry companies to the process and to ensure industry remains in control of the direction of the approach.

- Clearly, whatever the solution, it needed to provide a mechanism to continue producing new initiatives in answer to new problems and an environment in which to learn how to implement the new ideas.

- Providing and maintaining a long term focus on the activities of developing new initiatives and on business development in the region as a whole.

Arising from the recognition of these criteria was the idea that learning organisations are able to test and modify their theory of business. The concept of the learning organisation is gaining currency amongst organisations in their attempt to develop structures, processes and systems which are adaptable and responsive to change. In order to achieve the goals of improving quality customer service, increasing market share, sustaining growth and ultimately improving profit levels, organisations must be able to consistently learn.

REVIEW OF THEORY AND RESEARCH

The Learning Environment

There are a number of reasons why we decided to take a quantum leap from the traditional industry assistance type solution. A range of literature is available which deals with Regional Development and Network Development. Even Porter's (1991) Regional Industry Economic Dynamics model which captures the multiplier effects of integrating various individual economic development initiatives did not appear to address the fundamental findings of the analysis of the company needs.

In essence the analysis of the research work indicated that whilst the initiatives, (all 51 of them) had been identified none of them were new. The theories and case studies concerning issues relating to large companies are well documented and understood by academics and consultants. From the industry perspective there was a belief engendered through media reading that the initiatives identified could be solved but limited knowledge of the solutions and almost no understanding of how to implement the solution and the changes required in a company was the constraint.

The ability to move a company forward is a function of a personal decision by the owner/manager. Investments of many thousands of dollars without knowledge or experience will not happen unless the person is fool hardy or can afford to gamble the investment.
In the light of this it can be seen that traditional industry assistance programs neglect the key factor holding back the majority of industry companies. This is the lack of fundamental knowledge about recently developed manufacturing techniques and philosophies.

Recognising this low level of understanding amongst industry leaders/managers was sufficient in itself to point towards developing learning environments. However, it was also found that young companies, many having started because of career disruption during the last recession, exhibited the same lack of understanding. This suggested that trained managers generally did not start up new industrial companies because they understood how difficult it is to be a manufacturer. These start up companies are the potential of the future. The region has a good proportion of long term survivors. These companies have the necessary knowledge to survive but the research suggests that they do not understand the mechanisms and strategies required to grow and increase employment in the new world economic order. The opportunity for start up companies to access the survival knowledge was seen as an opportunity not to be missed.

The strategy for the development of the new approach was to place the owner/manager preferably, or their senior representative, into a learning environment. To improve the potential for learning, organisations need to build a conducive learning climate/culture. This has been recognised by several writers including Garvin (1993); McGill, Slocum and Lei (1992); Macher (1992); Schien (1993); Senge (1992) and Stata (1989). Barrett (1995) believes that managers are realising that one of their most important tasks is the creation of a learning culture:

> *...contexts in which members can explore, experiment in the margins, extend and anticipate customers' latent needs. Managers of high-performing organisations find themselves experimenting with their companies' social architecture in an effort to foster innovation and learning* (Barrett, 1995, p.36).

A learning culture is one where people are creative in all their relationships and experiences. Managers need to create the right organisational climate for learning. They need to be encouraged to take risks and try out new ideas. Mistakes must be seen as opportunities to learn and there needs to be honesty and trust throughout the organisation for this to happen (Macher, 1992). There must be a firm commitment from top management to free up employees so that they have the time to reflect and review their actions. Managers must provide an environment that stimulates the exchange of ideas across all sections of the organisation

Learning Organisations

The learning organisation creates competitive advantage by better adapting to changing environments, continually improving and more easily absorbing new concepts and innovations. Learning organisations create an environment of success by working closely with their people, customers, suppliers and competitors. Learning organisations also possess the mechanisms which transfer learning from individual to the group, have an internal transformation process, a commitment to knowledge and an openness to the outside world.

Peter Senge, as a result of his best selling book *The Fifth Discipline*, has created an environment of discussion and enthusiasm around the world, within both the public and private sectors. According to Senge (1992), people can build learning organisations by putting aside their old ways of thinking. This can be achieved by people adjusting their mental models (their view of the world) and learning to be open with others and by developing the discipline of personal mastery (an individual's ability to create his own future). By becoming systems thinkers (having an understanding of how the whole organisation works and how actions shape reality) they will be able to develop a clear understanding of how their organisation works and can develop a clear direction for the entire organisation through a commitment to a shared vision and finally, working together to achieve that vision by team learning.

Many other writers have added to the debate of what constitutes a learning organisation. Macher (1992) Pedler, Burgoyne and Boydell (1991) and McGill and Slocum (1992) recommend specific learning cultures and climates that support action and learning , as well as reflection. Swieringa and Wierdsma (1992) argue for various methods of learning, which include combinations of training and education. They divide learning into three clear parts: education, or knowledge acquisition, training, the acquisition of specific skills and forming programs directed to the development of specific attitudes. According to Garvin (1993) learning organisations need to be skilled at five main activities, systematic problem solving, experimentation, learning from experiences and past history, learning from others and effective transfer of knowledge. Pedler et. al (1991) argue that there is no clear blueprint for a learning organisation but suggest specific learning structures or processes including, a learning approach to strategy, participative policy making, reward systems which support learning and resources that facilitate self-development. Others see a firm

commitment to knowledge, in terms of making it accessible to others (Mills and Friesen, 1992) its acquisition, creation and transfer (Garvin, 1993) and as a source of competitive advantage (Nonaka, 1991).

Senge (1992) sees learning in two styles: Adaptive and Generative learning. The former, as the name applies, is about adaptiveness reacting to circumstances and coping with the situation. This however should only be considered as a first stage of learning.

The second and most effective style is generative learning which is much more fundamentally aimed at expanding our capability, and is about creating new directions. Senge (1992) sees generative learning, as learning that enhances the capacity for organisations to create (p.14). Generative learning unlike adaptive learning, requires new ways of looking at the world. Rather than looking at the components of a business in isolation, one needs to develop the capacity of perceiving the whole as an integrated system. From these two perspective's different learning experiences would be gained from managing various activities. However the integrated system is likely to lead to more creative solutions than the individual element approach.

The less reactive generative learning draws its direction from creative tension. Creative tension comes from seeing what we want as a vision and being honest about our current reality. Creative tension cannot be generated from vision alone, it demands an accurate picture of current reality. Senge (1992) says that:
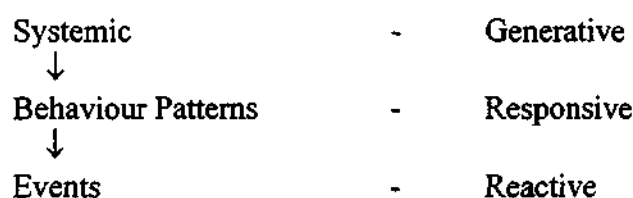
> *People often have great difficulty talking about their visions, even if the visions are clear. Why? Because we are acutely aware of the gaps between our vision and reality... These gaps can make our vision seem unrealistic or fanciful. They can discourage us or make us feel hopeless. But the gap between vision and current reality is also a source of energy. If there was no gap, there would be no need for any action to move toward the vision. Indeed, the gap is the source of creative energy. We call this gap creative tension.*
> (Senge, 1992, p.150).

Direction from Creative tension is different to problem solving. The energy from the latter comes from getting away from undesirable reality. The energy falls away quickly as the problem becomes less undesirable - more tolerable. With creative tension the energy for change, the motivation, comes from the vision of what we want to create juxtaposed with reality. Such motivation whilst seen in varying intensity leads to continuous improvement, forward development and learning, in the same way as quality principles.

Learning in a reactive sense is the contemporary norm generally delivering short term (less than 3 year) solutions. Why is this? Senge (1992) describes the reason as peoples perception of reality has been so influenced by politics and media that they view reality at the event level.

The levels of reality are:

Systemic	-	Generative
↓		
Behaviour Patterns	-	Responsive
↓		
Events	-	Reactive

In learning organisations attention is given to all three levels but primarily Systemic. One might ask why all organisational structures are not already systemically driven. Conceptually it is due to system archetypes which arise as a result of managerial/decision making switching levels in the perception of reality, falling back to reactive solutions.

Senge (1992) suggests seven archetypes exist and models these as a Template for "Shifting the Burden". He says that:

> *An underlying problem generates symptoms that demand attention. But the underlying problem is difficult for people to address, either because it is obscure or costly to confront. So people "shift the burden" of their solution to other solutions-well-intentioned, easy fixes which seem extremely efficient. Unfortunately, the easier "solutions" only ameliorate the symptoms; they leave the underlying problems unaltered. The underlying problem grows worse , unnoticed because the symptoms apparently clear up, and the system loses whatever abilities it had to solve the underlying problem. (Senge, 1992.p. 104)*

As a result of only reacting to the obvious symptoms rather than dealing with the fundamental solution causes side effects which make the identification of the fundamental solution more difficult overtime, let alone creating the solution itself.

At a company level the learning style is determined by the individual representing the company in the learning structure. Jacobs and Fuhrmann (1984, in Pfeiffer, 1987 and Pfeiffer and Ballow, 1988) defined three basic learning styles Dependent, Collaborative and Independent. These are of equal merit and relate more to peoples' own particular learning situations. They also recognised that these learning styles also dictated the type of learning environment that offered the greatest opportunity for success. In the context of a learning structure the facilitators need to perform different roles to achieve the desired environment. The table below sets our definition of the types and facilitator roles.

Learner Style	Learner Needs	Facilitator	Facilitating Behaviour
DEPENDENT (May occur in introductory courses, new work situations, languages, and some sciences when the learner has little or no information on entering the course.)	Structure Direction External reinforcement Encouragement Esteem from authority	Director Expert Authority	Lecturing Demonstrating Assigning Checking Encouraging Testing Reinforcing Transmitting content Grading Designing materials
COLLABORATIVE (May occur when the learner has some knowledge information, or ideas and would like to share them or try them out.)	Interaction Practice Probe of self and others Observation Participation Peer challenge Peer esteem Experimentation	Collaborator Co-learner Environment setter	Interacting Questioning Providing resources Modelling Providing resources Modelling Providing feedback Coordinating Evaluating Managing Observing process Grading
INDEPENDENT (May occur when the learner has much knowledge or skill on entering the course and wants to continue to search on his or her own or has had successful experiences in working through new situations alone. The learner may feel that the instructor cannot offer as much as he or she would like.)	Internal awareness Experimentation Time Non-judgmental support	Delegator Facilitator	Allowing Providing requested feedback Providing resources Consulting Listening Negotiating Evaluating Delegating

The research results and collaboration group work suggests most Small and Medium sized companies (SME's) would be defined as Dependent and Collaborative. It is the large companies which take an Independent stance. The facilitators are key players in the learning structure.
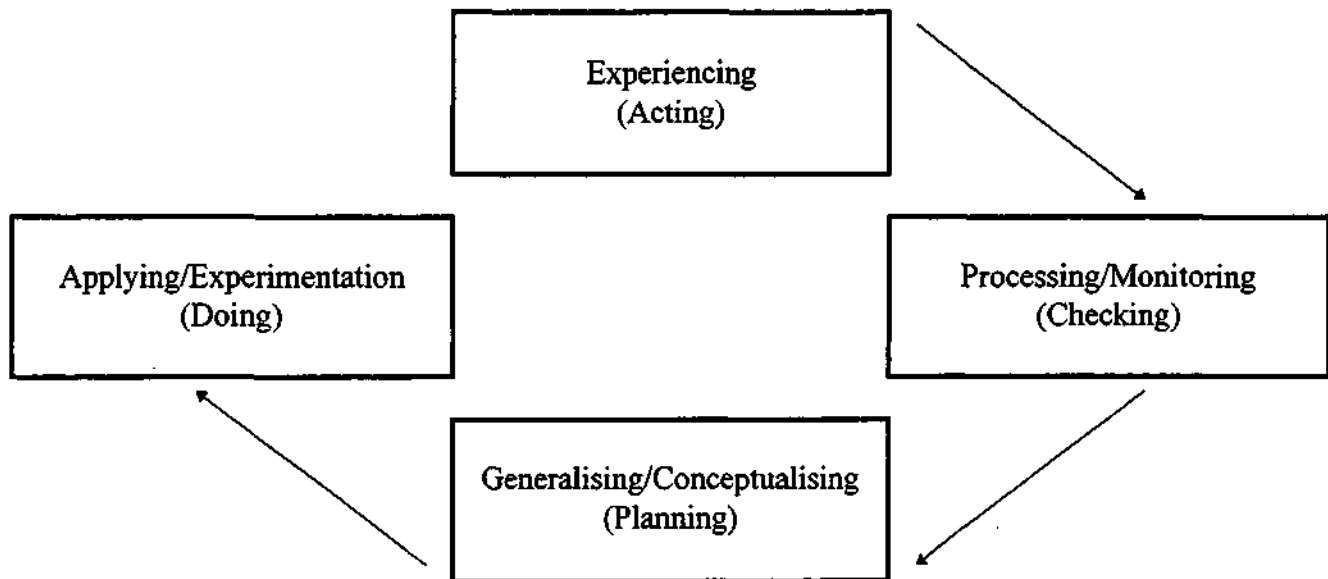
Murrell (1987) asserted that the learning process was affected not only by thinking but also experience and feeling. The mix of these he says leads to different preferred ways of learning.

- Controlled thought and logic.
- Feelings and emotion rather than logic.
- Jump in, hands on experience.

- Internal conceptualisation and comparison inside 'the brain'.

Clearly this makes for a much more complex environment in which facilitation of learning organisations or structures need to operate but represents an overall reality of Group or team operation from a managerial point of view.

How might this environment translate into the operation of a learning structure/organisation? Kolb (1976) had used similar learning style preferences (Concrete experiences, reflective observers, abstract conceptualises and active experimenters) to define a learning cycle.

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        ┌─────────────────────┐
        │     Experiencing    │ ──────────┐
        │      (Acting)       │            │
        └─────────────────────┘            ▼
┌──────────────────────┐          ┌──────────────────────┐
│ Applying/Experimentation│        │ Processing/Monitoring │
│      (Doing)         │          │      (Checking)       │
└──────────────────────┘          └──────────────────────┘
        ▲                                  │
        │       ┌─────────────────────┐    │
        └────── │Generalising/Conceptualising│ ◄──┘
                │      (Planning)     │
                └─────────────────────┘
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The bracketed subtitles give the basis for some similarities with the operational activities of Quality Management.

Burgoyne, (1995), describes the more practical application of these theories in the operation of a learning company. In doing this he refers to processes such as:

Participation
Informating
Exchange
Enabling Structures
Learning Climate/Culture
Self Development

He also offers some of the important fundamental issues of why the learning approach is essential.

- Maintaining as well as achieving excellence, quality etc.
- Continuous Change rather than periodic "shock" change.
- Optimal use of knowledge, human and physical resources.

How does the learning process do this by:

- Reacting effectively to opportunities and problems.
- Anticipating and positioning those involved to deal with emerging situations.
- Systematically creating opportunities and eliminating wasteful processes.

Burgoyne also suggests what has to be done to make the learning mechanism work:

- Develop collective consciousness of learning.
- Facilitate active dialogue.

- Incorporate Diagnosis and Resolution processes.
- Extend the strategic linkages and integration of the main players of the organisation.

Again a practical side of building a learning organisation is provided by Garvin (1993). In an attempt to understand the meaning of a learning organisation or a company context he defines it as:-

> *"A learning organisation is an organisation skilled at creating, acquiring and transferring knowledge and at modifying its the to reflect new knowledge and insight."*(Garvin, 1993, p.80)

This could quite easily be transferred to a learning structure and the definition itself comes close to the description of the problems facing industry defined by the research work.

In discussing the management of a learning organisation, Garvin (1993) sets down:- "learning organisations are skilled at five main activities:-"

- Systematic problem solving.
- Experimentation with new approaches.
- learning from their own experience and past history.
- learning from experience and best practice of others.
- Transferring knowledge quickly and efficiently throughout the organisation.

Garvin has some trouble in defining the measurement of success in building a learning organisation but captures the essence when he says:

> *Organisational learning can usually be traced through three overlapping stages. The first step is cognitive. Members of the organisation are exposed to new ideas, expand their knowledge, and begin to think differently. The second step is behavioural. Employees begin to internalize new insights and alter their behaviour. And the third step is performance improvement, with changes in behaviour leading to measurable improvements in results, superior quality, better delivery, increased market share, or other tangible gains. Because cognitive and behavioural changes typically precede improvements in performance, a complete learning audit must include all three.*

> *...To assess behaviour changes, surveys and questionnaires must be supplemented by direct observation. Here the proof is in the doing and there is no substitute for seeing employees in action."*(Garvin, 1993, p. 90)

RIC MODEL STRUCTURE AND OPERATION

The research activities of the first two stages of the Moorabbin project had utilised many of the practical elements of a learning organisation. During stage 2 particularly groups of company executives met to identify specific aspects of nine key areas of industry development. These meetings were used to place the key area issues in an order of priority in the first place. The top priority issue was then treated as a problem and experimental solution developed as a basis for wider industry application for the solution if successful.

This approach equates to the first two of Garvin's five main activities of a learning organisation, and was used on such topics as

- Access to medium term (5 yr) economic, finance and sector market analysis for business planning

- Defining the attributes, differences and methods of implementation for Quality Management and for Quality certification in SME's for continuous improvement

- Access to information of Regional Supplier Alliance purchasing

- Access to information of companies capable of developing specialised production equipment

- Identify and define the availability of testing and research facilities in the region for R&D activities

The process used to facilitate the involvement of group members included the groups operating together to progress the development of solutions as well as members operating individually in assessing outcomes and providing new ideas for the next stage. At various stages of development external expertise made presentations in group meetings to expand the understanding of the subjects being considered.

Subsequently trial/experimental implementation of the developed solutions were conducted by companies from the group. An audit process was conducted in group meetings by those companies not in the trial.

Group numbers varied between 9 and 25 different companies and two groups joined together for a trial. Trials varied in duration from a 1 day event up to a 9 month program. It is clear the remaining three of Garvin's five activities were being achieved through facilitating the interaction between companies in a group environment. To the stage where companies gaining benefit were keen to move on to establish the process.

The creation of the Regional Industry Collaboration model, see appendix I "RIC Model Plan", was envisaged as a long term organisational structure to continue and expand the learning event created by the research processes and to extend this into a broader regional implementation approach whilst satisfying the five criteria for a new approach.

In that context the engine of the model remains the facilitator of groups "Company Executive Groups" focused on business development but the wider expert resources were seen as the keys to implementation. In regional terms it was seen that it may be necessary to have two organisational areas of "Group Facilitation" to cope with a large number of companies over time.

The expertise from private consultants, government programs and tertiary institutions are all included in "Third Party Resources". This group we expected to contract with companies for implementation when sufficient knowledge and understanding of how the company can best develop is gained through the group activities.

The Third Party resources also are seen as expert input resources to group consideration of subjects during the learning processes. The strategic direction for business development learning processes should be provided by a Regional/Local Economic Development Strategy. The need in the learning environment for both information transfers and for strategic connections required for implementation are provided by the "City Facilitator". It is these strategic connections and information transfers between companies and Third Party Resources that ensure the organisational nature of the model is recognised. It also provides an introduction for companies into the group activities. In essence, the "Industry Group Facilitator" is the driver of the learning processes whilst the "City Facilitator" provides the matrix connections for company involvement and implementation. The Economic Strategy Plans provide the direction and the long term perspective as an umbrella, for continuation of the processes.

The model attempts to satisfy the five criteria for a new approach to industry development as follows

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- The long term horizon for the approach is created by the direct involvement of local government rather that State of Federal Government together with the creation of a 10 year Economic Strategy Plan

- The encouragement of Regional Industry Economic Dynamics (RIED) is promoted through group activities providing regional connections between companies which enhance the industry support structures which are one of the keys to RIED

- Industry control is acheived by retaining the groups as the engine of the model with the groups deciding what the priorities are for industry development to follow. This will also satisfy the need to continue developing new solutions

- Providing a long term focus for the model as a whole is acheived by linking the industry activites back to community objectives through the Economic Strategy Plan

The Moorabbin research project outcomes were expected to identify how companies could be assisted to cope with change in the 1990's and survive the next recession. Unfortunately the model has been created in 1996, and the next recession can be expected in the next five years.

The question was how might this model be translated into reality to take over the project activities?

REVIEW OF EXISTING REGIONAL ORGANISATIONS AND STRUCTURES

Local Government

The first fundamental decision in the development of the Regional Industry Collaboration (RIC) model was to identify the organisational framework which might provide a long term (10 years and more) stable environment on which the industry activities could proceed with some confidence.

The choice of using Local Government as the underlying support was greeted as expected with some scepticism. However, this was not without precedent and the structural change in Government in the State of Victoria also supported such a choice.

Glasmier and Sugiura, (1991) presenting evidence on Japan's Manufacturing System noted that:

> "... the national government pushes assistance down to the lowest political level possible. Local government is believed to be more aware of small business problems and therefore better able to provide direct and rapid assistance."

The State Government restructuring of Local Government lead to the formation of large Local Government units. This created a region in which 95% of industry was contained within two Cities - Kingston and Greater Dandenong. In addition, these larger local government units were given responsibility for economic development which in terms of creating wealth rather than distributing wealth is about developing and growing industry and employment.

The scepticism of industry about being involved with local government was founded in the past in which local government had feted developers but, done nothing to support industry. In fact industry would say they were milked for the rates and treated like second class citizens.

The restructuring and new responsibilities within local government created a new operational environment that offered industry a significant realignment of their position in the community. The model presents an opportunity which industry should respond to, for their own benefit and future growth potential of the community.

Collaborative Industry Groups

The research activities had involved the establishment of industry groups to review and define the needs of industry. A large proportion of these companies provided the impetus for the development of the long term solution. It therefore seemed appropriate to continue and maintain this active dialogue as the principle part of the learning mechanism.

The Federally (DEET) funded OLMA program (Office of Labour Market Adjustment) had been established three years earlier and one of the initial organisations established was South East Taskforce located at one end of the region in the City of Greater Dandenong. This was subsequently supplemented by the organisation MOSEDG (Moorabbin, Oakleigh, Springvale Employment Development Group) located at the other end of the region in the City of Kingston.

A review of the OLMA operation indicated that Industry Groups had been meeting successfully under the program for about eighteen months developing and maintaining dialogue. The OLMA program had also quickly established that to create new jobs required companies to grow. As a result the OLMA Groups had similar objectives to the Moorabbin project and the R.I.C. model but as yet were not actively dealing with the specific needs of companies to make the changes necessary to grow the businesses. Clearly a ready made extension of this element of the model was in existence.

Strategic Connections and Knowledge Transfer

The fundamental active structure appeared to have been identified in principle but, in practical terms the industry groups were being operated in the region by two independent organisations operating under the same program. This situation was further aggravated by the same organisations being associated with two new federally funded programs (Area Consultative Committees and Regional Economic Development Organisations). These had parallel but non-specific objectives and different overlapping but more diverse client bases.

A number of issues arose in the developing of the R.I.C. model from the fact that the industry groups represented a small proportion of the regions industry.

- If the groups were to expand how or who would be creating the environment for and encouraging companies to join in developing and learning activities.
- How would the successful creation of new industry initiative to solve development problems be made available to the other organisations in the region.
- How would the development of new initiatives by the groups be supported by the inflow of new ideas and knowledge to maintain the learning experience.
- How would companies with problems be able to find the learning mechanism to solve its own problems and learn about a range of new solutions.

The potential solution to these key issues in the learning mechanism was to facilitate the information transfer by:

1) Making direct contact and building relationships with all companies in the region.
2) Being the repository and access gate for industry to all relevant industry development solutions, data and support programs.
3) Having a good understanding of and intelligence network into sources of new ideas and knowledge of industry development concepts and approaches.

The "City Facilitator" in the model provides this information and strategic connection functions and local government Industry Facilitator position should be the people with the responsibility for becoming directly involved with the industry members of their community. Local Governments are the only organisations other than Telstra and the electricity company with direct links to all

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companies in the region. This offers the opportunity for the resources needed for the facilitation of information transfer to be made available and defines the economic development role for local government which is in keeping with related government skills.

Direction and Vision

The research work identified the needs of industry (or customers) to be able to grow their businesses over the next 2 - 5 years. Many of the needs conceptually fall into well known business objectives like productivity, investment, import replacement and export together with many of the support activities to these objectives. However there is not an unlimited array of resources to support such activity (even though some think there should be from the government).

To be able to give some direction and priority to the allocation of resources and the activities to be pursued, some overall direction and shared vision was required for the learning mechanism. Without this it would be difficult for regional activities to be collaborated and coordinated into a united regional initiative.

Since the region in industry terms comprises the two Cities of Kingston and Greater Dandenong some form of overall Regional economic strategy is practical and achievable with collaboration and co-ordination by the Cities. The inspiration for such an approach is dictated by the new economic development responsibilities of local government and has been completed.

R.I.C. MODEL IMPLEMENTATION

The development and acceptance of each of the elements of the model was seen as critical. This has been and continues to be difficult while there is no overall acceptance of the Regional Vision and direction. Without this the normal territorial and isolationist attitudes block the free transfer of information, knowledge and ideas which are so fundamental to learning organisations. There is a need to surface and test the different mental models of the key players in the region. People need to learn how to survive, challenge and adapt their view of the world. Mental models relate to strongly held assumptions and generalisations that determine how people understand the world. In organisational terms, they relate to people's perceptions about what can or cannot be achieved. Mental models represent a person's view of the world and give relevance to a given situation (Kim, 1993). Managing mental models involves testing and improving internal pictures of how the world works (Senge, 1992).

Argyris and Schon (1978) describe these mental models as images and maps which individuals use to try and describe themselves and their own performance:

> *Each member of the organisation constructs his or her own representation, or image, of the theory-in-use of the whole. That picture is always incomplete. The organisation members strive continually to complete it, and to understand themselves in the context of the organisation . They try to describe themselves and their own performance in so far as they interact with others. As conditions change, they test and modify that description. Moreover, others are continually engaged in similar inquiry. It is this continual, concerted meshing of individual images of self and others, of one's activity in the context of collective interaction, which constitutes an organisation's knowledge of its theory-in-use* (Argyris and Schon, 1978, p.131).

In this context the collaborative facilitation activities of the Cities, OLMA organisations and the tertiary institutions in the region (as important third party resources to the learning organisation) are vital. These collaborative facilitation activities create the environment in which industry will work

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collaboratively with open active dialogue and action necessary for learning to accelerate the development of the companies and employment in the Region.

The continuation of the project industry groups actively facilitating open dialogue and creating new initiatives has been achieved through the "MOSEDG" OLMA organisation. This has confirmed key strengths discovered in the South East Taskforce operation that to maintain and grow industry participation even at a level of 20-30 hours per year requires personal contact, and encouragement by the Group facilitators.

The Group size is limited to 25 for reasons of administration time to maintain the group as well as keeping group meetings to a size that is workable in the context of everyone being active in dialogue.

Group meetings at four to six weekly intervals enable results to be achieved from facilitating activities bringing new knowledge and ideas to every meeting.

The collaborative approach developed by the research team to the development and trial of new industry initiatives is critical as it draws on the experience of some companies for the learning of others. The credibility of the peers is in stark contrast to the distrust of consultants.

The expansion of the active dialogue approach with industry groups has been more difficult to achieve, principally because of the independence of the other organisations and the lack of a regional vision. The process of creating the vision undertaken by the research team has prompted the industry participants to initiate a change of direction in the group activities to be more active in learning and creating new company development opportunities.

It should also be recognised that the companies involved in the industry groups are the leaders of the community. Those prepared to share ideas, try new initiatives and are looking forward beyond their current horizons. Interestingly, with one or two large company exceptions the companies involved in the groups are SMEs representing some 60% of the businesses in the region. In learning organisation terms these companies would be classified as Dependent and Collaborative. Clearly the majority of large companies are Independent learners. However the successful application of early initiatives from the implementation process in the larger companies suggests there are some organisational benefits which larger company's can obtain. However these same companies need to recognise their responsibilities to contribute to the broader needs of other group participants.

The Cities of Kingston and Greater Dandenong in varying degrees of commitment have employed industry facilitators to engage companies to begin the various information exchanges to establish the position of the city with industry. As yet neither City has sufficient resources to fully engage their industry constituents.

The two Cities have given the implementation of Regional Industry Collaboration an excellent lead by the collaboration between themselves and their nearby Cities. They have also joined with the tertiary institutions to develop a ten year Regional Vision and Economic Strategy. This process has involved industry from the region and the strategy was released in November 1996. As a first ever integrated regional strategy serving the majority of industry in the region it represents the best possible environment and motivation for industry to collaborate in the learning structure of the R.I.C. Model.

Critical Success Factors/Impediments

The introduction process began in December 1995, and implementation started after three months of consultation. Whilst the implementation process is in its infancy a range of hurdles or critical success factors have been identified.

- The learning environment of R.I.C. in network terms is an industry support mechanism. It is true that the actual involvement of companies is likely to create either product or market focussed collaborative networks but the fundamental outcomes of the learning process are naturally long term. Therefore the vision, tenacity and commitment of the facilitator resources must be long term. The failure to maintain appropriate levels of funding over the next 5 years will in effect be throwing away the foundation work which can make the region a world competitive industrial region.

- The State Government restructuring of local government and the delegation of responsibility for economic development at present is seen as positive contribution to the future well being of the community. However the government also dictated a reduction in the available resources to local government. In its traditional roles such constraints are appropriate but constraining funding to a vital community activity like economic development, an activity which local government knows little about will be seen as incompetence by the business community. Some industry related medium term injection of additional resources to local government is critical to the speedy implementation of R.I.C.

- The OLMA program has in federal program life span terms (3 years) reached its use by date. The fact that it is the only program to recognise the link between company growth and jobs (all other industry programs are focussed on creating a consultant service industry) makes it critical to R.I.C. model. However the change of Federal Government and the proposed cost cutting put this effective federal program at risk. In the event that the Federal Government wishes to cut off funding to support SME's in industry then State and Local Government could well see an opportunity to establish closer links with the SME companies leading the regions development.

- The commitment by the City Commissioners to the long term future of the region by developing a Vision and Strategy could be at risk in March 1997 when Local Government returns to elected Councillors. Cases have already been documented how old style Local Government can reject good initiatives because they are new. The structure of the Councils membership for the operation of what is now a large business and the involvement of local committees in the local environmental decision will be key influences on the outcome of the regions development. Industry should be taking up the opportunity offered by the restructuring of local government to apply the business ethics to the corporate business of the Cities.

- Industry has clearly indicated it needs the support of University and TAFE Institutions of the region. However, the restructuring of the education sector has focussed the institutions as stand alone business units rather than fundamental community development support units. This is occurring at a time when the R.I.C. is looking for collaboration and integration in a regional perspective. In varying degrees institutions recognise the potential of a local customer base for services, research and development and employment for graduates. However, the ability of the Tertiary Institutions to make a decision about collaborating together in a new economic development environment is a big question mark at the time of writing.

- The creation of the larger Local Governments Units by design or chance has lead to the creation of many Cities with clearly biased strategic needs, either economic development (industry and jobs) or environmentally (dormitory) driven strategies. The need for collaboration is currently one of principle in the words of local government. However, the practical role of collaboration to gain the obvious benefit of sharing and integrating resources, needs to be recognised for the region to function most effectively to world

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competitive levels. Traditionally the approach of Local Government has been to be everything to everyone (except industry) but the world economic environment will no longer support this approach. Whether the Cities and the elected Councillors (even some commissioners) recognise this fact is an issue for the success of R.I.C.

- Companies in a learning environment will perform not unlike people. The development of the leading companies will exceed the follower companies. The performance of the Groups and R.I.C. to date suggests a higher level of collaborative learning may need to evolve in 3 or so years. This might take the form of satellite small higher level business based activities or in regional representation business organisations which draw on a much larger pool of business talent that exists today within the region. In world economic terms the latter although more difficult to conceptualise today appears to offer greater benefits in the long run. Only time will tell.

CONCLUSIONS

Economic Development in the future will be fashioned by industry synergies which create regional industry economic dynamics. The achievement, maintenance and growth of companies in world competition terms will not rely on industry itself. The collaboration, co-ordination and integration of non-industry support or wealth distribution industries (retailers and financiers) will be an essential ingredient.

The R.I.C. model is an approach to foster this environment through a learning organisation structure to grow companies and employment. The initial steps of implementation suggest the learning organisation theories can be used at the company level but a sizeable list of success factors or impediments still remain before any conclusive assessment can be made.

The research project that sporned the concept of the R.I.C. model will finish before the implementation is complete. It was the companies and their representatives that pushed the barriers to get a better, longer term, solution for industry assistance to meet the needs of predominantly small and medium sized companies to get through the next recession. It is these companies that will still be trying to deliver economic development for the community after that recession.

"The rest of us need to become involved and help because its industry that creates wealth for the country, the rest of us distribute what they create."

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REGIONAL INDUSTRY COLLABORATION - MODEL PLAN

ECONOMIC DEVELOPMENT STRATEGY ← Community

Knowledge Transfer

COMPANIES

Company Learning

Expertise

THIRD PARTY RESOURCES & PROGRAMS

Strategic Connections

New Ideas

Knowledge

Information

Executive Learning

Industry Group Facilitators

1 NO.

2 NO.

Information Transfer

Company Executive Groups

Knowledge Transfer

City Facilitators - Industry Development

Strategic Connection Information Transfer

APPENDIX 1

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