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**Abstract:** The paper seeks to describe the generic characteristics of a knowledge-era organisation based on a three-tier organisational policy model and three types of organisational learning: aspirational, cognitive, and behavioural. The main characteristic that differentiates an industrial-era organisation from a knowledge-era organisation is the existence of long-term aspirational management that includes retrospective and system aspirational learning. Aspirational management results from an organisation’s vision and values of the dominant coalitions that define what kind of knowledge the organisation should develop and nurture and in what domain.
ORGANISATIONAL LEARNING AND ASPIRATIONAL MANAGEMENT IN A KNOWLEDGE-ERA ORGANISATION

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Keywords: knowledge-era organisation; aspirational management, aspirational learning, cognitive learning, behavioural learning
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INTRODUCTION

Knowledge, and its speed of transmission, networks, information and communication technology are the distinguishing features of the knowledge-era society. While these features have been well documented and understood for some time, the implications for the management of organisations in a knowledge-era society are less well understood or analysed.

In consideration of the foregoing characteristics of the knowledge-era society, several authors suggest that an industrial-era organisation is no longer suitable for a knowledge-era society where knowledge creation and its effective management are the primary sources of sustainable competitive advantage (Allee, 2000; Ashkenas et al., 2002; Biloslavo, 2004; Goldman et al., 1995; Haeckel, 1999; Nonaka and Takeuchi, 1995; Skyrme, 1999). The main questions are then: Does there exist an organisation that we can claim is a knowledge-era organisation? If so, how can it come into being? Can existing industrial-era organisations transform themselves into knowledge-era organisations? If they can, will undertaking such a transformation extend their effective life?

A knowledge-era organisation cannot be defined in terms of the organisation’s products, structure, systems or any other organisational characteristic. Rather, a knowledge-era organisation is one that exhibits a sense of pride and commitment. In a knowledge-era organisation people know and care what or why the organisation exists. An industrial-era organisation can then transform itself into a knowledge-era organisation if it can go beyond the
strategy-structure-systems trilogy to establishing a sense of purpose (Ghoshal et al., 1999). How an organisation can achieve and preserve this sense of purpose is a focal point of the paper.

In order to adequately tackle the issue of organisational purpose a comprehensive model based on three organisation building blocks – resources, business conduct, and organisation – has been developed. The resulting *three-tier organisation policy model* (*TTOP-model*) includes short-term operating management, medium-term strategic management and long-term aspirational management. While we have separated out the three logical levels of analysis for convenience of discussion, we emphasise that there exists considerable overlap and interdependency among them. Based on the TTOP-model we present how a sense of purpose can be established within aspirational management through aspirational learning and show how this affects other management levels and types of organisational learning.

Section 2 delineates the main conceptual ideas behind the TTOP-model with special emphasis on long-term aspirational management and the relationships between it and other management levels. Section 3 discusses and elaborates three types of organisational learning – aspirational, cognitive, and behavioural - as they present the main characteristics that differentiate a knowledge-era organisation from an industrial-era organisation. We are especially concerned to emphasise the role of aspirational learning. Finally, section 4 gives some conclusions about the knowledge-era organisation from the point of view of the TTOP-model and the three types of organisational learning.
If one accepts the premise that an organisation is more than the sum of its parts, we need to consider an organisation as a complex whole where relationships between its parts produce a dynamic process of organisational behaviour. Each part can affect the way other parts work and the way all parts work together will determine how well the system works. Traditionally we have learned to manage an organisation by managing its separate pieces (sales, marketing, production, logistics, service etc.) without properly considering their mutual relationships. Managers have been encouraged to think of the “soft” side as distinct from the “hard” side of an organisation when both might be better understood if they were seen as interdependent. Managing in the traditional can be expected to cause sub-optimisation - parts achieve their goals but the whole does not attain its full potential.

To avoid this deficiency we based the TTOP-model on five suppositions:

1. The organisation’s vision – a vector of stakeholders’ interests and values – is the starting point for understanding the organisation’s policy. There must be some conscious decision to create an organisation for a specified purpose. As the implementation of the ideas of the founder(s) requires interactions with other individuals, groups and organisations some value drift may be expected. No matter how careful the selection of an organisation’s members and external relationships may be, there are almost certain to be some differences in values and perceptions. Those differences will influence the way in which organisational values, and with them the organisation’s vision, are interpreted. The differences will generate a political process that will tend to give rise to modifications of the initial organisation’s values and
vision. Eventually consensus will emerge regarding the organisation’s vision and a dominant coalition will strive for its achievement.

2. The organisation’s vision provides a base on which aspirational management can be developed as the longest and the most durable time-frame for organisational activities. Aspirational management needs to be aligned with the organisation’s vision or the organisation is not effective.

3. Different time-frames of organisational policy are placed in relation to each other as are dolls within the Russian babushka. A shorter time-frame resides within a longer time-frame. Thus, strategic management needs to lead to the achievement of the goals and strategies of aspirational management as does operational management. Each level of management has its own goals and strategies for achieving them but they must fit with the goals and strategies of other levels of management.

4. Change in any of the elements of organisational policy can impact on any other elements at the same or other level of management. Further, any element of organisational policy can prevent or modify the change process.

5. Elements of organisational policy are generally emergent and organic phenomena that can be, at best, directed. They are rarely capable of being deliberately designed.

As Figure 1 shows, the TTOP-model consists of three strategic building blocks: resources, business conduct, and organisation. As these three elements are developed along three time dimensions – short-term (operating management), medium term (strategic management) and long-term (aspirational management) – the model represents both a static (culture, structure and systems) and a dynamic (processes) view of an organisation.
The narrowest time-frame includes short-term operating management, the broader time-frame includes medium-term strategic management and the broadest time-frame includes long-term aspirational management. Each of these levels of management includes different characteristics of the basic strategic building blocks: resources, business conduct, and organisation. The framework is focused on a holistic understanding of a dynamic fit among resources, business conduct and organisation in each time-frame, as well as among time-frames themselves. In other words, activity in one cell can impact upon activity in any other cell and can be impacted by activity in any other cell. An effective organisation is able to achieve a high level of alignment between all elements of the TTOP-model (Fuchs et al., 2000).

Aspirational Management

Aspirational management represents the long-term normative framework that gives directions to an organisation’s activities. It is concerned with advancing the fundamental purpose of the organisation’s being through ensuring that all parts of the organisation are committed to the organisation’s vision. While this vision may evolve and change over time in response to fundamental changes in the internal and external environment, each incremental change will be barely perceptible. Aspirational management therefore underpins the organisation’s confidence in itself to confront the future. It is the rock on which all endeavour is based. Aspirational management derives directly from an organisation’s vision and defines what kind of products and/or services the organisation should create, what kind of capital the organisation should develop and in what domain, and what kind of behaviour is acceptable within the organisation.
The path to aspirational management is evolutionary. Practices and processes, based initially on
the vision of the founders, are tested and refined by experience to produce what the organisation
understands to be fundamental about its existence. In other words, aspirational management is
concerned with what the organisation must strive for in the long run. From a strategic point of
view, we can say that aspirational management focuses on the “reason for being” and the
establishment of future directions based on knowledge and understanding of emerging
megatrends and of the evolving beliefs and values of the organisation and of the society which
beliefs and values the organisation must reflect to be considered as ethically acceptable.

An organisation needs to able to distinguish between core values and goals (elements of
aspirational management) and present market-products. An organisation must be willing to
change products, markets, structure, systems and processes (elements of strategic and operating
management) in order to adapt and move forward. Even aspirational management needs to be re-
evaluated from time to time (see Figure 2). But here an organisation needs to be careful to not
misinterpret short-term or middle-term opportunities for stakeholders’ wants, needs and desires
on which organisational core ideology is built. Such a misunderstanding can be the beginning of
a downhill slide as in this way the organisation can loose its stakeholders’ support (Pfeffer, 1992)
and the sole anchor in the midst of external and internal turbulence (Collins and Porras, 1994).

[insert Figure 2 about here]

In the literature, some writers tend to argue that in a dynamic environment organisations need to
reconsider and change everything so as to adapt to the changing environment. In our opinion, the
more dynamic the external environment is, the more an organisation needs to find pillars of stability. Without them an organisation loses its direction and, with this loss of direction, the power to motivate and inspire employees.

In the proposed TTOP-model aspirational management encompasses three key elements: economic logic, organisational mission and organisational culture.

*Economic logic* in all levels of management is essential. Any firm that ignores the logic of its economic environment is doomed to fail. This, of course, does not mean that in considering the economic environment, the firm always gets its economic logic correct. It does, however, emphasise the need to try and get it correct. Economic logic encompasses an organisation’s existing and prospective orientation to factors of production - capital (both physical and intellectual), labour and land; it defines what type of economies – economies of scale or economies of scope – an organisation will mostly exploit and for what purpose (Collis and Montgomery, 2005). Any organisation needs at least three types of main factors of production: physical capital, intellectual capital, and labour. But to best exploit its own strength an organisation prefers to exploit one type of factor more than others. This can be a result of some historical circumstances inside an organisation or in the external environment. For example Dell’s decision to build its whole value chain on information-communication technology leads the organisation to exploit mostly intellectual capital. On the other hand, an organisation that operates in central China would quite probably be more oriented to exploit labour as labour cost in the region is very low.
Organisational mission defines who and how an organisation serves. Beside product-market definition it provides purpose and meaning and a host of non-economic reasons why the organisation exists. Organisation mission defines measures for measurement of “utility” that an organisation delivers. Utility derives from the formation and attainment of aspirational goals, which are heavily influenced by the internal cultural and the external social environment together with organisational political circumstances.

Organisational culture represents a tacit part of group or social knowledge (tacit assumptions and values) developed through common shared experience in day-to-day activities and problem solving. Because organisational culture determines the kinds of knowledge sought and nurtured, and the kinds of knowledge-building activities tolerated and encouraged within an organisation (Leonard-Barton, 1995), a significant proportion of the literature considers organisation culture as “the key” factor for success of knowledge management initiatives (Bock, 1999; De Long and Fahey, 2000; Martin, 2000; Rastogi, 2000). Based on this literature we can say that a knowledge-era organisation needs to develop a culture wherein working, learning, and new knowledge application are different aspects of the common social practice.

Strategic management

Strategic management represents the link between long-term aspirational management and short-term operating management. Aspirational management inculcates within the organisation absolute or ideal standards, based upon the organisations vision, that an organisation wants to achieve in the future. Operating management represents the existing historical standard that an
organisation has achieved but needs to improve if it is to survive in the middle and long-term. Strategic management, therefore, represents a vector of change processes that need to be enacted across resources, business conduct and organisational values in order to move the firm from “what it is” to what it “will be”. The main goal of strategic management is to achieve and ensure the maintenance of a position of competitive advantage of an organisation regardless of changes in the organisation’s environment. To achieve this goal, strategic management needs to consider both the existing and future product mix, the available and potentially available resources and the existing and future processes for transforming the resource base, especially available intellectual capital, into the desired outputs (King, 2007). Further, strategic management will identify the knowledge that the firm will need to develop or acquire from outside of the organisation in order to achieve its objectives. In the past organisations merely needed to know how to use existing resources to meet current demands. Now the knowledge requirements have greatly expanded as organisations grapple with a matrix of questions relating existing and future resources to existing and future processes to meet existing and future demands.

In the model being discussed, strategic management consists of the following:

*Procurement and allocation* of resources represents the organisation’s orientation to leveraging internally and, even more importantly, externally available assets and the type of measures the organisation considers valid in resource deployment and procurement. With the development of the boundary-less organisation, a modern organisation needs to consider very carefully how it will exploit externally available knowledge assets. The main issue is how to develop a collaborative partnership that would allow sharing of relevant information and pool risks and
rewards. To achieve this goal an organisation needs to develop trust with critical stakeholders based on consistency of message and action, clear communication, a willingness to tackle awkward issues and a clear vision of what is its core competence and how it will develop further (Goodwin, 2006).

**Business model** involves the relationship between the customer base, customer value (value added), and the value chain (Gupta and Govindarajan, 2004). The business model is the end result of the organisational intelligence activities linked with the organisation’s aspirational management. In the process of business model development, an organisation uses its knowledge about the marketplace and its future development together with its knowledge about its own core knowledge assets and capabilities. The knowledge that it uses is predominantly implicit in nature, especially if an organisation tries to change the existing rules of the game. How this knowledge is acquired, stored, transferred and applied will significantly impact the business model that an organisation will develop.

**Organisational architecture** consists of both the formal structural components of the organisation and the systems in place to ensure an efficient coordination amongst component parts, groups, and individuals. Formal organisational structure has horizontal (job) and vertical (power) dimensions and formally links together different subsystems of an organisation that develops after differentiation and specialisation of some organisation tasks. The main goal of organisational structure is to coordinate different organisational subsystems and support information and knowledge sharing between different organisational levels and within them. From the perspective of a modern organisation we can see a move from a hierarchical to a
heterarchical organisation with shifting, distributed accountability, decentralised decision authority, fuzzy and permeable boundaries, and more horizontal than vertical relations (Kellogg et al., 2006). On the other hand organisation systems are connected groups of components and rules that pervade all hierarchical and functional levels of an organisation and which aim to co-ordinate, direct, activate and control the activities of employees.

**Operating management**

Operating management represents the public front of an organisation where an organisation produces and delivers value to its customers. At this level of the organisation, different activities tightly connected with knowledge are carried out. These include: buying knowledge in the form of employees, licensing rights, technologies; using knowledge for optimising existing products and processes; creating new knowledge; converting existing knowledge into products and services; and selling knowledge through products or services.

Operating management consists of the following:

*Economic processes* cover some of the main tasks an organisation needs to do if it wants to deploy its resources in a way that effectively supports achieving a sustainable competitive advantage. Economic processes are focused on assuring a desired level of efficiency, reliability, and profitability of the inputs. As a knowledge-era organisation is supposedly socially responsible it needs to consider what impact it has not only on shareholders but also on the larger society and nature. The ideal standard for economic processes is zero waste.
Business processes are linked chains of activities through which an organisation transforms inputs into outputs for internal or external customers to consume (Garvin, 1998). Basic business processes are: product management (from market requirements to product obsolescence), demand management (from product demand creation to post-sales service), and supply management (from vendor qualification to material performance). These business processes are not to be considered as business functions. They are designed in such a way as to maximize their impact on customer satisfaction (Markič, 2006). For this reason they are put on the interaction between the traditional business functions: product management process between R&D and marketing, demand management process between manufacturing and marketing, and supply management process between R&D and manufacturing (Feurer et al., 1995).

Behavioural processes are the sequence of steps used for acting and interacting in every day organisation activities (Garvin, 1998). Behavioural processes include communication, decision and learning processes that pervade all hierarchical and functional levels of an organisation. Behavioural processes have a strong impact on an organisation’s success. Because of benchmarking and other intelligence gathering activities, organisations can have similar business processes but produce different results because they have very different behavioural processes.

TTOP-MODEL AND THREE TYPES OF ORGANISATIONAL LEARNING

Feurer and Chaharbaghi (1995) argued that “the dynamic environments of today require a more dynamic approach to strategy development” and we agree. In essence, the more quickly factors providing a competitive advantage are found, the more likely the company is to be successful.
Hence, Feurer and Chaharbaghi (1995), referring to Senge (1990) state that “the only source of sustainable competitive advantage lies in the ability of an organisation to learn”. Now, such learning must be seen at all levels of organisational policy. In considering the TTOP-model and different learning aspects of a knowledge-era organisation we can distinguish at least three types of organisational learning: aspirational, cognitive, and behavioural (see Figure 3).

[insert Figure 3 about here]

Behavioural learning happens when new behaviours are added to the repertoire of behaviours that the organisation already has and depends on to the degree to which the change and ambiguity at the operating level requires organisational response. Behavioural learning is based mainly on carrot-stick behavioural theories, where successes reinforce prior behaviours and failures inhibit them. On the other hand cognitive learning is a process composed of socialization, externalization, infusion, and diffusion of knowledge where tacit knowledge is transformed into explicit knowledge and the knowledge of individuals is transformed into the knowledge of groups (Nonaka and Takeuchi, 1995). Within cognitive learning existing cognitive models are modified or new cognitive models develop by two complementary processes: assimilation and accommodation (Piaget, 1972). Cognitive learning is mostly oriented to exploitation of opportunities for growth and change which can bring the organisation from its present state into a future state.

Aspirational learning is learning about organisational core values, what they are and what they are not. Aspirational learning is by its true nature paradoxical as it relies on organisational past
experiences and stability of identity – a retrospective part of aspirational learning – for organisational future visioning. Aspirational learning is also system related to the degree to which the overall system, its parts and participants are connected. As we can see from Figure 3 aspirational learning is first of all part of aspirational management, while behavioural learning is mostly part of operating management and cognitive learning is mostly present in strategic management. However, and most importantly, each type of learning is relevant, at least in some part, to each type of management as each type of learning is interrelated and influences and re-enforces other types of learning.

**Aspirational learning**

A retrospective part of aspirational learning is related to uncovering processes that bring a repository of organisational knowledge accumulated in the past into the present (Krome-Hamilton, 2005/2006). This knowledge is developed by an organisation through solving everyday challenges (opportunities and threats) and is embodied into shared understanding (Sathe, 1985), basic assumptions (Schein, 1992), and power relations (Siehl and Martin, 1990). Aspirational learning is then a process through which past successes and failures are uncovered. The downside of the retrospective part of aspirational learning is that an organisation can in the end be too much focused on the past. This can lead to myopic thinking, status quo biases and organisational core rigidities (Leonard-Barton, 1995) that are emphasized by unwillingness to discuss the undiscussable or organisational taboos (Argyris and Schön, 1996).
A retrospective part of aspirational learning can develop in two different ways. The first one is based on stories that narrators – typically long-term employees, familiar with core values, purposes and goals of the organisation – disseminated through the organisation. Their stories bring some important insights that are part of the organisational memory and can give some useful directions on how to solve issues that emerge from the current circumstances. As Lucas and Ogilvie (2006) present in their research, narrators need to have both general and specific reputations to be accepted by other employees as credible knowledge providers. If narrators fulfil this condition then they take a role of a “wise-man” within an organisation. The second option for aspirational learning development is an application of large group methods as appreciative inquiry, the world café, future search, whole-scale change, the search conference, or SimuReal (Bunker and Alban, 2006). Among all mentioned methods is appreciative inquiry (AI) probably the best option for developing aspirational learning (Frantz, 1998; Shelton et al., 2002). AI is based on three premises (Frantz, 1998). The first premise states that what we say, we see. The second premise, that what we say and see, we become. The third premise holds that positive orientation brings more attractive possibilities for the future. AI gives to organisation’s stakeholders space for reflection and dialogue about organisation’s underlying assumptions and values. In this way AI can effectively exploit organisation’s past and present successes for its future visioning.

Besides being “past” oriented, aspirational learning is also system oriented. This means that it is focused on the interdependencies between different stakeholders, configurations, resources, and organisational activities. One of the main limits organisations have is an expectation that cause and effect follow reasonably closely (Senge, 1990). Without a clear understanding of system
interdependencies and time delays an organisation cannot grow and, in the end, cannot be successful. Excessive emphasis on different interdependencies can lead to “paralysis by analysis”, on the other hand, aversion to understanding them can lead to ineffective organisational design and the wasting of available resources. With an ineffective aspirational learning an organisation is unable to understand what kind of impact its decisions will have in the long-term period on its sub-systems and external environment.

Thus the concept of aspirational learning is one of the key elements that differentiate the knowledge-era organisation from the industrial-era organisation. However, we need to emphasize that even some industrial-era organisations are able to develop a kind of aspirational learning. The difference is in the quality of learning and not in the extent of it.

**Cognitive learning**

The largest share of organisational learning at the strategic level of the organisation is composed of cognitive learning. Cognitive learning involves searching and noticing new knowledge inside or outside an organisation in order to exploit market opportunities and technological advancements. The main difference between searching and noticing is that the former is an intentional process (Huber, 1991), which can be outside or inside oriented and broad or narrow in its focus. On the other hand, the latter is an unintentional process where acquisition of knowledge arises from observation (Starbuck and Milliken, 1988), mainly of the external environment. Cognitive learning means exploring for new knowledge (March, 1991) and requires out-of-the-box thinking at the individual level and the effective “social ecology” (Gupta
and Govindarajan, 2000) at the organisational level. The later is a right mix of structural organisational elements such as structure, planning and control systems, reward systems, and information systems at the strategic level of organisation as well as organisational culture at the aspirational level. Through cognitive learning an organisation significantly modifies its competitive strategies, business model, structure, and systems. The downside of cognitive learning can be too big of an emphasis on future opportunities and threats and a lack of clear focus on the organisation’s core business and values (Krome-Hamilton 2005/2006). Excessive risk taking can also lead an organisation to acquire unimportant or irrelevant knowledge and at the same time to have a shortage of strategically important knowledge relevant to its core business (Huber, 1991).

**Behavioural learning**

If, as we have previously suggested, cognitive learning is explorative, behavioural learning is exploitative (March, 1991). Behavioural learning enhances organisational ability to adapt to its existing environment by increasing the efficiency of the organisation’s existing capabilities (Krome-Hamilton, 2005/2006). Behavioural learning consists in the largest part of learning-by-doing (Argyris and Schön, 1978) that involves continuous evolution of organisational practices and routines. Behavioural learning is practical in orientation and involves the application of task knowledge to issues that emerge from ongoing work situations (Krome-Hamilton, 2005/2006). As behavioural learning is mostly present at the operating level, which is often very formalised and standardised, an organisation needs to allow at least a small amount of freedom to its employees in tasks execution in a way that behavioural learning can happen. Excessive rigidity
and adherence to rules can lead an organisation to persist in outdated business processes and ways of doing.

**CONCLUSION**

If we want to understand a knowledge-era organisation we need to consider it as an integrated system that is able to organise itself to respond rapidly to changing circumstances in a constructive and productive way. All organisations are vulnerable to dissipation and decay over time. This is particularly true when the environment is changing rapidly and firms are in danger of failing to identify (and therefore failing to respond to) these changes. A successful organisation can avoid this fate and learn to “thrive”. We have presented a model of a successful organisation which eschews the approach of focussing on the individual components of the system in isolation, but which, rather, seeks to understand the macro-characteristics of the system and to emphasise the inter-relationships between components. To achieve this all three forms of organisational learning – aspirational, cognitive, and behavioural – need to be integrated. However from the point of view of a knowledge-era organisation aspirational learning is the most important one.

We have emphasised that the organisation must be a learning organisation, and we have argued that the learning process within a knowledge-era organisation must be multi-dimensional and incorporate the learning processes of the organisation on the individual level and on the many different levels of management. This leads us to consider aspirational, cognitive, and behavioural learning as vital to the success of the organisation.
Across all classifications of management within a successful knowledge-era organisation will be a mixture of stability and change. Greatest stability should be found at the aspirational management level, which, while sensitive to a changing environment, is also cognisant of the aspirations of the organisation’s stakeholders and its long-term purpose and values. Thus a knowledge-era organisation will display largely predictable behaviour on the aspirational management level because the components of aspirational management have developed gradually over time and are slowly internalised by the majority of management and employees. Because of this, large or rapid change in aspirational management is not possible as it would require such a revision of the organisation’s economic logic, mission and culture as to be dangerously disruptive.

On the other hand, elements of operating management can be re-designed in detail in a short period of time to meet changing needs but an organisation needs to take care that these changes are consistent with the long-term goals of the organisation. How quickly these changes are wrought is going to be determined by the organisation’s strategic management which provides the link between aspirational management and operational management.

The self-organisation of a knowledge-era organisation is a continuous process of adaptation and learning in conjunction with relatively stable aspirations. A knowledge-era organisation is constantly moving between different stationary states that are in their essence unstable. However, to be effective, this process needs some relatively stable boundary conditions in order to prevent a complete breakdown of the organisation’s sense of purpose. We find this stability in aspirational management. Aspirational management, will to a large measure, determine the path
of structural changes from one unstable state to another. It is therefore critical that changes in aspirational management are extremely well considered, take full account of the history of the organisation and its sense of purpose and will be valid for the long term. Then, within this context, strategic management will have an acute sense of purpose and operational management will be highly effective.
REFERENCES


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