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The knowledge: Arie de Geus

*Through his work at Shell, the World Bank and numerous corporations and government departments around the world, Arie de Geus has helped to revolutionise the way organisations operate on a day-to-day basis. Here the author of The Living Company talks to **Simon Lelic** about his unique career so far, recounting how he overcame widespread cynicism and doubt to put organisational learning on the managerial map.*

When Arie de Geus joined Shell in 1951, he had no idea that his work there would eventually help to transform how the entire company functioned. Joining as a cost-accountant clerk to help pay the way while he studied for his Masters degree in business administration, De Geus remained with the company for 38 years. He worked in Turkey, Belgium and Brazil, before returning to the UK in 1979 to assume regional responsibility for Shell's operations in Africa and south Asia. Initially working in the field of finance, De Geus later moved into general management before being appointed co-ordinator (or what most modern companies would call executive vice president) of Group Planning. It was a post he initially expected to hold for only a year or two, but his fascination with the work he undertook there tied him to the department for just under a decade, before he finally retired from Shell in 1989.

As De Geus says, after around 30 years with the company, he had accumulated a large number of questions, and his appointment to the Group Planning division presented the perfect opportunity for him to attempt to find some answers. "The planning unit was fantastic, a real luxury," he says. "There was so much brain power in that unit, and some money too." In the time he was there, De Geus and his colleagues began to develop ideas about the real nature of the decision-taking process in an organisational setting, hypothesising that decision making was analogous with learning. Later on he realised that his hypothesis was supported by the work of acclaimed theoretician Jean Piaget, who had also concluded that decision taking was fundamentally a learning process.[1] Realising the enormous potential of his work for a company the size of Shell, De Geus next began to consider whether the organisation as a whole was learning in the best way possible. "The answer to that question was of course no," he says. "We were actually learning in a very primitive manner."

This realisation was to become the impetus behind Shell's evolution into an organisation that placed huge emphasis on the value of learning, in every aspect of its operations. De Geus is careful, however, to differentiate learning from knowledge management *per se*. KM, he points out, presupposes that knowledge is a thing you can manage, whereas learning is an activity you have to undertake. "From an organisational and a managerial point of view, these are two very different things," he says. "You approach knowledge management in a very different manner. Almost automatically you are drawn to information technology, computers, databanks, because knowledge is supposedly something you can catch, record and later call forth from a repository. Learning is an activity that you do together in your company with your team, with other managers and so on. As a manager, you have to organise that very differently from knowledge management." As such, he continues, Shell was very much on the side of organisational learning, and it was the principles and practices related to learning that were to drastically improve the way the company operated.

Working in close contact with the Tavistock Institute, an organisation that had been researching the principles of learning since the Second World War, De Geus and his colleagues instituted an approach to decision making that cut the length of the complete decision-taking cycle in Shell by, in some cases, over 50 per cent. As De Geus says, this was a major step forward for a company that typically took up to 18 months to make key decisions. Yet while it was possible to measure the savings the firm made in terms of speed, the effects of De Geus's methodologies on the quality of decisions were far less tangible. "The trouble with quality is that you cannot measure it," he says. "What we did do, though, is ask participants in the decision-taking process what they thought. This is somewhat subjective, of course, but many managers who took part in these experiments said that not only were decisions reached faster, they also believed that they had found better solutions than they would otherwise have done."

These dramatic results were rooted in the theories of learning that De Geus had developed, as he explains. "What we found was something that is quite commonly known: you learn rapidly when you are a young child, and the best learning takes place through play. Researchers at the Tavistock Institute provided us with the theoretical background to this, explaining the real nature of play." The Tavistock Institute, together with Piaget's work, helped De Geus to understand the importance of so-called transitional objects; the toys that form such an intrinsic part of a child's play, whether a teddy bear, a doll or a set of Lego. "The transitional object helps the child to move from one phase in their life to the next," he continues. "Basically, decision taking – especially the big decisions companies are faced with – is about the same thing: the company is at one stage and you want to move it on to the next. And as the toy is the object in the learning process that helps you to move from one phase to the next, we went looking for the managerial teddy bear."

Unsurprisingly, this wasn't an easy thing to find. In fact, the entire message De Geus was trying to get across proved mightily unpopular. "Nowadays lots of people talk about learning and knowledge management, but when all this took place, which was over 15 years ago, this was all very, very new," he says. "In those days, senior managers didn't think they needed to learn – they were senior managers and they knew their business. To them, decision taking was not a matter of learning, of working together to find a solution that nobody knew at the start of the process; decision making was merely a matter of applying your knowledge." Of course, De Geus was also adding insult to injury by telling his peers that the way they were reaching important decisions for the company was all wrong, and that the best way to identify the solution to any given problem was actually through play. "They would look at me and say, 'Are you serious? Have you fallen on your head?'"



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In a bid to overcome this cynicism, De Geus turned to the power of computers. He realised that, if his managerial colleagues were ever to take his claims seriously, he needed to present them with a 'teddy bear' that at least appeared to take the form of a serious business tool. This led him to the Systems Dynamics group at MIT, and to Jay Forrester, who in turn put him in touch with Peter Senge and Barry Richmond. Having explained to them the issues he was wrestling with at Shell, De Geus found he was not alone in his struggles. Senge invited De Geus to join a small working group that incorporated companies like Hanover Insurance, AT&T and Procter & Gamble, all of which had been working through similar ideas and problems. The discussions De Geus had with his new-found friends were to prove instrumental in helping him to overcome the scepticism he had encountered in his own organisation; indeed, they presented Senge with much of the material he later used to pen *The Fifth Discipline*. [2] It was Richmond, though, who provided the real breakthrough – a piece of software that allowed De Geus to use computer models to simulate complex managerial situations, marrying the process of learning with that of decision making. He had found his managerial teddy bear.

Which is not to say everything immediately fell into place at Shell. De Geus still encountered hostility to his ideas among his colleagues, but on the suggestion of a friend who reasoned that De Geus's peers may be more receptive to advice offered from the outside in, as it were, De Geus spoke to the *Harvard Business Review* about the possibility of writing a paper based on his experiences. The resulting article, 'Planning as learning', which was published in 1988, did a great deal to cement his reputation both inside and outside Shell. Within two years, as De Geus says, 'learning' was an admissible word in the Shell vocabulary. Boosted by the publication of Senge's book at around the same time, the organisational-learning movement began to really take off. Hanover Insurance, Ford, Intel, Harley Davidson, BP, HP – all these companies and more began to open up to the principles of learning in a big way. Since that point, De Geus hasn't looked back.

Indeed, after parting with Shell in 1989, De Geus continued to push the ideas he had developed even further forward. The next step as he saw it was to move from the activity of learning to a consideration of the characteristics of companies that do the learning. "The question that had been niggling me for quite some time was, if you use the word learning, especially in the context of organisational learning, what systems or structures actually do the learning?" Equally pressing was a desire to identify the characteristics that allowed one company to survive for over 200 years while another faded into history after only a fraction of that time. These questions, as De Geus says, totally gripped him in the five or six years immediately after his retirement, and resulted in a vein of research that eventually led to the publication of *The Living Company* in 1997. [3] This is perhaps the work for which De Geus is most famous, but he also spent several years as the head of an advisory group to the World Bank, as well as advising the Office of the Auditor General in Canada and the Dutch Ministry of Transport and Communications. Today, such is the continued importance of these concepts in De Geus's mind, he continues to work closely with Senge's Society for Organizational Learning, and with the London School of Economics on a major, Europe-wide project investigating the factors that will determine a company's success in the 21st century.

"The good news for magazines like *Knowledge Management* is that all these issues have become even more important now than they were in the past," De Geus says. He feels we have witnessed a fundamental shift in what it is that defines a successful organisation in the modern age. "We're clearly moving into an age in which every company is going to be totally dependent on the human talent they have available to them, and the extent to which they will be able to maximise the output of that human talent." It is a message that has taken De Geus a long time to get across, and one he is still trying to reinforce. "I want to shout it down the road," he says. "Be careful! People are your critical success factor, and your success as a manager depends on your ability to get the maximum out of the talent they have." It was true when De Geus began his career at Shell more than 50 years ago, and it is true today. As ever, though, only those companies willing to listen and to act on the knowledge that De Geus and his contemporaries have struggled to acquire will be in a position to continue to learn 50 years from now. The rest will have faded into memory.

References

1. Jean Piaget (1896-1980). See www.piaget.org for further details
2. Senge, P, *The Fifth Discipline: The Art and Practice of the Learning Organisation* (Random House, 1990)
3. De Geus, A, *The Living Company: Growth, Learning and Longevity in Business* (Nicholas Brealey Publishing, 1997)

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