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The Record Company as a Learning Structure: Identifying Performance and Learning Inhibitors

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Abstract

This study examines the variables related to organizational learning within record companies. Indie, major-indie, and major labels report both negative and positive elements linked to leadership, dialogue, empowerment, team learning, and inquiry—all of which affect reported organizational performance. The data suggests that performance and learning may be reflective of the constraints of size, structure, and leadership. With respect to organizational size, indie labels foster the highest learning environment, and this propensity for learning decreases as the labels grow in size. Larger labels also indicate growing deficiencies in embedded systems to transfer organizational knowledge, employee empowerment, and system connectedness to the environment or market. The implication is that managers should intervene in order to foster a robust learning environment that might be better able to adapt to change in the marketplace—especially as the market environment becomes unstable or the organization grows in size.

Keywords: record label, record company, indie label, record industry, music industry, learning organization, strategy, organizational structure, performance inhibitors, Senge, disruption, innovation

Introduction

A transformational change in business is occurring. Many of the traditional strategies that fueled localized and regional success are being disrupted by new technologies and strategies. The distinctive competencies of resource advantage, once considered sustainable competencies, are moving toward shorter lifecycles that disrupt core strengths and competencies. Older digital download systems have inarguably been discarded for newer streaming models that seem to be eroding the growth of digital downloads—once thought to be the savior of the industry. Technological innovations such as music streaming are further decimating revenues by shifting to a subscription service model—reducing payments from pennies

on the dollar to fractions of pennies on the dollar (Christman 2014). This has sent the music industry scrambling to find new ways to compete and adapt to the environment.

Traditional business writers typically focus on established long-range competency-based strategies—ones that are based on the advantage of efficient production (cost leadership), defining unique qualities that achieve value for the consumer (differentiation), or identifying or targeting market or product segments (focus strategy) (Porter 1980). The sustainability of Porter's competitive advantage was determined by the firm's ability to create defensible niches and sustainable competitive advantage. Larger frameworks, such as Porter's "Five Forces model," identify external forces in the market environment that also affect strategic decisions (buyers, suppliers, substitute products, potential entrants, and rivalry of competitors). These externalities constitute the pressures outside of the organization that are incorporated into strategic choice—contingent on anticipated and actual actions of existing players in the industry. This model is significant. Instead of reacting, it anticipates the effects of broad external competitive forces on the strategic design process. These "resource-based" theorists generally emphasize firm "resources" and distinctive competencies that are produced from internal systems (process, product, structure) for external competitive advantage (Barney 2004, Chandler 1990, Hamel and Prahalad 2005).

Conversely, some writers feel that "resource-based" models focus too closely on products—rather than customer needs—creating a self-deceiving cycle that fails to adapt. Levitt coined this process as "Marketing Myopia" (Levitt 1960). He posited (revised 2004) that the history of every dead and dying "growth" industry shows a self-deceiving cycle of bountiful expansion and undetected decay (2004). According to Levitt, this competitive failure is due to a shortsighted "resource" mindset that focuses on product improvement and cost reduction, as well as the false presumption that all markets represent an ever-expanding growth industry. This then leads to a failure to identify what customers actually want, and can lead to an inability to recognize, adapt, or shift within a marketplace.

Identifying the need for adaptation, newer strategic outlooks now recognize that innovation and adaptation can structurally facilitate learning within an organization. Montgomery and Scalia (1996) stated that, "Learning must surpass the rate of change if an organization is to survive over the long term" (439). Christensen (2004), a Harvard researcher in

disruptive and radical innovation, believes that advantage cedes to organizations that best move, learn, and adapt within a flexible outlook. Strategic advantage is then generated by any organization that can structurally facilitate learning, which can then generate a competitive advantage that can fuel sustainable innovation (Adair 2002; Argyris 2004; Christensen 1997, 2004; D'Aveni 1994; Illinitch, Lewin, and D'Aveni 1998; Edmondson and Gino 2008; Garvin 2000; Garvin, Edmondson, and Gino 2008; Senge 1990).

Overview

The purpose of this study is to examine recognized organizational learning constructs within record companies—which for the purposes of this study can be defined as a business structure that specializes in the production, manufacture, marketing, and distribution of recorded musical product. Watkins and Marsick (1993) developed a model based on Peter Senge's (1990) original model that defined seven action imperatives that emphasized systems-level continuous learning through constructs that may be used as an evaluation of the organization. Individual, team, and organizational levels layer the seven dimensions or constructs of the learning organization as follows:

1. *Continuous Learning* represents an organization's effort to create ongoing learning opportunities for all of its members;
2. *Inquiry and Dialogue* refers to an organization's efforts in creating a culture of questioning, feedback, and experimentation;
3. *Team Learning* reflects the "spirit of collaboration and the collaborative skills that are the foundation of effective teams;"
4. *Empowerment* signifies the process to create and share a collective vision and the ability to set, own, and implement a joint vision that addresses the gap between current status and the new vision;
5. *Embedded System* reflects efforts to establish systems to capture and share learning;
6. *System Connection* reflects actions to connect the organization to its internal and external environment; and

7. *Leadership for Learning* demonstrates the extent that leaders use learning to create change and to move the organization in new directions.

Specifically, Watkins and Marsick (1993) developed the fifty-five questions that measure the correlation of the seven learning organization dimensions (Dimensions of the Learning Organization Questionnaire or DLOQ) with further validation from Yang (2004). This model is framed in the literature by extant work (Argyris and Schön 1996; Garvin 2000; Garvin, Edmondson, and Gino 2008; Senge 1990; and Yang et al. 2004). The survey measures employee perceptions using a 6-point Likert scale, where "1" equals the assessment that the behavior *almost never* occurs, and "6" equals *almost always*. The internal consistency of the DLOQ was validated and low item-total correlation items were replaced or revised in later versions until acceptable reliability and content validity was achieved. Confirmatory factor analysis (CFA), as well as testing for multicollinearity, heteroscedasticity, and simultaneity (inconsistent OLS indicators) further affirmed the construct validity (Yang et al. 2004).

Population Sample

The sample was drawn from a target population of approximately 690 record company employees listed in the label directory published by *Music Row*, a Nashville music industry trade periodical. The survey produced a net response rate of 39%. Of this pool, 31% were self-designated *Indie* record company employees, 13% were *Major Indie*, and 56% were *Major Label* employees. Designation is as follows:

Indie: a) Not affiliated with a major international conglomerate, b) units sold under 500,000, and c) distributed through an independent distributor or affiliated major distributor.

Major Indie: a) Not affiliated with a major international conglomerate, b) units sold over 500,000, and c) distributed through affiliated major distributor.

Major: a) Affiliated with a major international conglomerate, b) units sold over 1,000,000, and c) distributed through affiliated major branch distributor of parent multinational

corporation.

Of note—survey response to size was self-reported by participants. Visual analysis of frequency response patterns, chi-square tests, and kurtosis statistics were within a normal distribution pattern (Robson 2002).

Results: Size of Label

When reported by size of organization, the learning organization constructs were rated higher for the smallest organization (indie), second for the largest organization (major label), and lowest for the mid-size organization (major indie). As shown in Table 1, indie labels rated highest in all categories. When measured as a percent of change, major indies averaged 18% lower than indies for the overall LO score, while major labels averaged 15% lower than indie labels.

	Indie Label	Major Indie	Major	% Major Indie to Indie	% Major to Indie	% Major to Major Indie
Continuous Learning	4.47	3.71	3.90	-17%	-13%	5%
Dialogue/Inquiry	4.73	4.04	4.08	-15%	-14%	1%
Team Learning	4.51	4.12	4.17	-9%	-8%	1%
Embedded Systems	3.73	2.87	3.00	-23%	-20%	4%
Empowerment	4.46	3.45	3.76	-23%	-16%	8%
System Connectedness	4.88	3.66	4.00	-25%	-18%	9%
Learning Leadership	4.89	3.97	4.15	-19%	-15%	4%
Average	4.52	3.69	3.87	-19%	-15%	-5%

Table 1. Mean scores with percentage change by label size.

With regard to differences in organization size, there was a significant (-19%) change in total average score from indie to major indie, and a significant (-15%) drop in average score from indie to major label. The data indicates that smaller organizations (indies) are more accessible to the learning organization ideal and perhaps are most open to adaptive learning and adaptation to environmental shifts. However, as label size increased, learning becomes more problematic, illustrated by a decrease in effective-

ness of the transfer of knowledge within the organization, indicated by the lower scores from both major and major indie labels for *embedded systems* to transfer knowledge, *empowerment,* and *system connectedness* to the environment (see Figure 1).

Major indies (midsize) rated lower than the major labels on all elements. This seems counterintuitive, but may indicate other factors such as the lack of an undeveloped structure or transitional growth problems. Additionally, recent merger activity fueled by the general decline in traditional sales has created an unstable or insecure job market, where the value of an employee is inherent in his or her knowledge and contacts. This may spur a form of self-preservation, evidenced as employees withholding information (Detert and Edmondson 2007), which would create more value for the employees in search of possible employment, as opposed to sharing knowledge with the organization. This indicates a need for further research. But generally, unstable environments seem to motivate employee self-preservation or knowledge hoarding rather than shared organizational learning. This may further indicate that learning organizations best exist in a stable and secure internal environment.

Levels of Employees

The level of learning structure related to authority was also examined. Management authority is defined as executive leadership/CEO/, senior management/VP, middle management (project or department manager/director/supervisory), administration/staff/non-management/operations/implementation, and non-management hourly employee. The data indicates that, with the exception of non-management salary employees, there is a higher level of the learning organization as managerial authority increases.

Figure 2 shows that most factors score better than average ($M=4.05$), with the lowest rating for *continuous learning* given by non-management salary at $M=3.63$. *Dialogue/inquiry* ($M=4.27$) indicated the highest rating from non-management hourly ($M=4.54$). Across all elements non-management salary rated lowest ($M=3.66$).

The *embeddedness of the learning system* rated lowest of all categories, reflecting the lack of a systemic method to transfer organizational knowledge within the system. Again, the lowest perception of *system embeddedness* came from non-management salary employees at 2.53. The data generally indicate that the more direct control an employee has over individual activity, the higher the rating. Thus, senior executives, coordi-
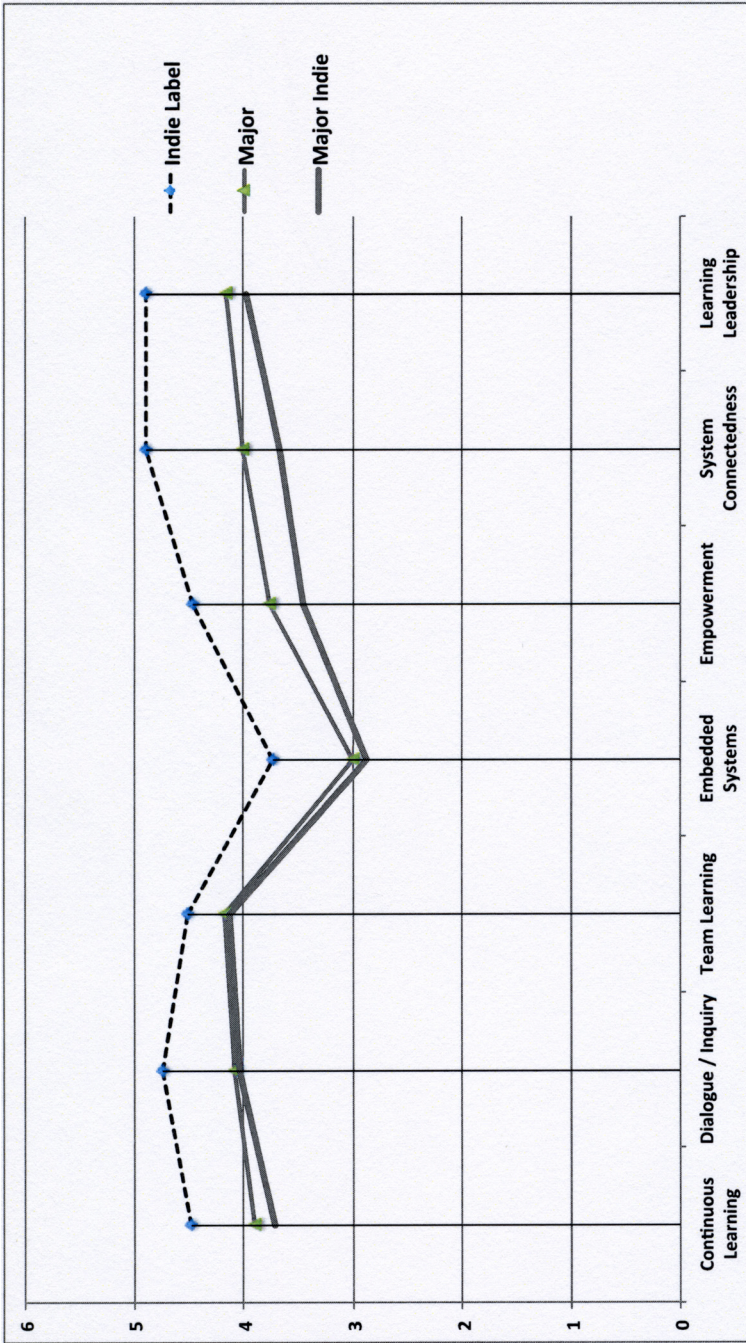
Figure 1. Category scores for the elements of the learning organization.

	Continuous Learning	Dialogue-Inquiry	Team Learning	Embedded System	Empow-erment	System Connect	Learning Leadership	Financial Reward	Knowledge Performance	Average by Level
Coordinator (48)	4.34	4.30	4.41	3.52	4.23	4.52	4.71	4.52	4.65	4.35
Non MGT-Hourly (30)	4.26	4.54	4.61	3.29	4.06	4.28	4.59	3.95	4.37	4.22
Senior/Exec (59)	4.16	4.53	4.33	3.24	4.07	4.33	4.65	3.99	4.06	4.15
Middle (78)	4.02	4.32	4.34	3.47	3.98	4.20	4.19	4.08	4.22	4.09
Non Mgt-Salary (60)	3.63	3.79	3.83	2.53	3.44	3.91	3.87	3.75	4.21	3.66
Category Mean	4.05	4.27	4.27	3.21	3.93	4.23	4.35	4.05	4.28	

Figure 2. Rating of learning organization by authority levels of management.

nators, and non-management rated *continuous learning* highest. Significantly, senior executives, coordinators, and non-management hourly rated the learning organization highest, with non-management salary rating consistently lowest. Of note, the rank and file salaried employees rate the lowest in all sectors.

This also indicates that perhaps industry surveys need to be cognizant of the level of authority of the responder. Any assessment study based on perspective, can hide bias, based on varying job scope and authority level. This implies that a learning structure is affected by an employee's control of activities.

Regression of Explanatories

Linear regression analyzes the contributive strength of relationships. Both *knowledge* and *financial performance* were combined to become a single dependent variable summarizing the expected result of the separate learning organization's variables. All general models showed some significant relationships at the $p = .001$ level (see Figure 3).

Independent Variables	Grouping by Record Company Model					
	Indie	*sig.*	Major Indie	*sig.*	Major	*sig.*
Continuous Learning	0.492	0.001	0.252	0.090	0.355	0.005
Dialogue and Inquiry	-0.435	0.001	-0.902	0.018	0.133	0.328
Team Learning	-0.015	0.903	0.921	0.001	-0.142	0.403
Systems to Capture Learning	0.516	0.001	-0.100	0.954	-0.097	0.297
Empowerment	0.350	0.054	0.403	0.033	-0.363	0.010
Connectedness to Environment	0.387	0.001	0.265	0.093	0.291	0.016
Leadership for Learning	-0.569	0.001	0.194	0.354	0.565	0.001
Indie r² : .763						
Major Indie r² : .651						
Major r² : .517						
All regressions ANOVA sig. at .001						

Figure 3. Comparison to combined financial and knowledge as
dependent variable.

Indie labels are strong in *continuous learning* (β=.492), s*ystems to capture learning* (β=.516), *empowerment* (β=.350), and *connectedness to the environment* (β=.387). Interestingly, negative contributors were *dialogue/inquiry* (β=-.435), *team learning* (β=-.015), and *leadership for learning* (β=-.569) with the model explaining 76% (r^2 adjusted) of variance. As well, *team learning* was insignificant at *p*=.903.

Major indies showed insignificance for *systems to capture learning* (*p*=.954). Other learning variables show positive contributions from *continuous learning* (β=.252), *team learning* (β=.921), *empowerment* (β=.403), and *connectedness to environment* (β=.265). However, *leadership for learning* was not statistically significant (*p*=.354). Negative contributions were reflected by *dialogue/inquiry* (β=-.902) and insignificant values are shown for *system to capture learning* (β=-.100, *p*=.954).

Major label grouping showed positive contributions from *continuous learning* (β=.355), *connectedness to the environment* (β=.291), and *leadership for learning* (β=.565). Negative contributions included *empowerment* (β=-.363). Statistically insignificant elements are *dialogue/inquiry* (β=.133, p=.328), *team learning* (β=-.142, *p*=.403), and *systems to capture learning* (β=-.097, *p*=.297).

Discussion of Regression

In summary, these findings indicate that there are differences in learning outcomes related to type and size of label. At the indie level, *leadership* and *dialogue/inquiry* are negative factors, and performance was increased by *continuous learning, systems to capture learning, empowerment*, and *connectedness to the environment*. Due to size and proximity, indie labels do not seem to find team performance necessary or significant. Indie labels were the most connected to the environment and reflected an inherent system to capture learning, despite the lack of formal systems or resources for transferring learning throughout the organization that is required in larger organizations. This suggests that the flat hierarchy of smaller organizations somehow encourages a more active climate for knowledge sharing. Perhaps this is indicative of the general growth curve of indie market share moving from 2011 (32.1%) to 2014 (35.1%) (Nielsen 2015). Secondly, *leadership, continuous learning, empowerment*, and *team learning* enhanced major indies, possibly due to their larger size. Major indies did not reflect any positive contribution through *dialogue and inquiry*, and there is no evidence that there is any real *system to capture*

learning. Thirdly, major labels seemed to benefit most from *continuous learning* and *leadership for learning*. Major labels also had minimal *dialogue/inquiry,* and negative variables for *team learning, systems to capture learning*, and *empowerment*, but did show some *connectedness to the environment*. This indicated that although *leadership for learning* ($\beta=.565$, $p=.001$) rates highly for major label groups, the low *empowerment* factor ($\beta=-.363$) may indicate that the enablement of the employee to learn and adapt is restricted by other structural variables.

Leadership for learning was negative at the indie level, insignificant at the major indie level, and positive at the major level. Leadership was defined as:

1. supporting requests for training,
2. sharing up-to-date information on trends, competitors and direction,
3. coaching,
4. looking for opportunities to learn, and
5. assuring the organization's actions are consistent with its values.

At the indie level, *continuous learning* scored high and *leadership for learning* was a negative performance factor. Conversely, *leadership for learning* is highest in the major label group (see Figure 3). This indicates that at the smaller indie label level, leadership for learning was not a factor, as indie employees were more self-directed and multitasked across a range of duties due to limited staffing. At the major label level, even though *leadership for learning* is significant, there is no support for *dialogue/inquiry*, no *team learning*, no *system to capture learning*, negative *empowerment*, and little *connectedness to the environment*. However, *dialogue/inquiry* was only indicated when *leadership for learning* was significant. This reinforces the point that leadership can strengthen the social recognition of, and value for, employees within the context of the firm's values, standards, and long-term goals, along with employee satisfaction. This shows that the collective mindset empowering responsibility and collaboration throughout the organization can be driven by leadership (Senge 1990, Northouse 2004). Conversely, Buckler (1996) reinforced that with responsibility distributed close to decision makers, all are motivated within the shared vision. This may indicate that as long as empowerment is

positive, learning is created.

Dialogue/inquiry was indicated by a negative explanatory variable within indie labels and major indies. It was not a significant factor in major labels. This demonstrates that within the structure of Nashville record labels, there is little value for dialogue and inquiry within the workplace. The data could not indicate if this is reflective of the current climate or more an indication of structure or leadership. However, results reinforce that unstable business environments foster a lack of dialogue and inquiry. Learning became geared towards self-preservation, and knowledge hoarding is encouraged. Previously discussed, this general knowledge hoarding was referenced as *social/situational learning* (Merriam and Caffarella 1998, Bandura 1977, Lave and Wenger 1991). With little incentive to share knowledge, organizational members resorted to defensive reasoning tactics in order to "avoid vulnerability, risk, embarrassment, and the appearance of incompetence" (Argyris 2004). Thus, the data supports that organizational uncertainty can trigger barriers to learning (Gersick 1991, Seo 2002). Within a healthy learning organization, employees may re-examine and question the reference points that form our judgment. Within the Nashville sample, there was little learning to explore ideas and little dialogue in an open environment. This implies that there is little value for collaborative team learning and little to no context for re-examining or re-evaluating the work environment. Without dialogue or divergent conversation, there was little organizational learning as learning only occurs within the element of trust (Argyris 2004, Ellinor and Gerard 1998, Marquardt 2002). The data affirmed that a general lack of dialogue negated the basis of a systems construct (Senge 1990). There was no basis for the organization to see the connections between the parts or to inquire or challenge assumptions.

Continuous learning was scored highest at the indie level, decreased at the major indie level, and slightly increased at the major level. Discussion with multiple indie labels suggested that smaller-sized organizations seem to foster more *continuous learning* within the environment. Generally, smaller organizations seem to exhibit higher degrees of cross-departmental interaction, with most employees performing multiple tasks as needed. This fosters a climate of open dialogue that encourages learning from mistakes, cross training, growing skills, helping others, and viewing problems as an opportunity to learn. The data did not reflect if this is structural or simply the environment of the indie label due to the smaller

number of employees. However, this does indicate that smaller organizational structure fosters open communication best.

If compared to general learning concepts from the social/situational orientation to learning, the data indicated that as the organization decreased in size, the community of practice for *continuous learning* increased. If true, then the proximity of employees appears to increase learning (Merriam and Caffarella 1991). While Bandura (1977) focused on social interaction as a cognitive process, the data confirm that the close interaction within a smaller environment models stronger and more robust learning. This reinforces social learning theories that state that learning occurs by observing others, with more observation available within closer proximity. Situational learning was reinforced as learning occurred in the social relationships of co-participation. In this case, employees learned at the periphery of the community and then moved to the center, gaining knowledge as they progressed. This indicates that, as knowledge is contextual in a community of knowledge, perhaps proximity or close interaction also enhances learning (Lave and Wenger 1991).

Dyck, Starke, Mischke, and Mauws (2005) elaborated a dynamic theory of organizational knowledge creation that relies on a four-phase process of a) socialization (tacit knowledge amplification), b) externalization (tacit knowledge is transformed into explicit knowledge), c) combination (explicit knowledge amplification), and d) internalization (explicit knowledge is transformed into tacit knowledge). This is based on learning progressing from the individual to the team, and then to the organization. As organizations grow, the first phase, socialization (triggered by team-building, sharing experiences, and perspectives), is more implicit as group members trust one another because of shared past experiences. Then, as the organization grows, the second phase (socialization to externalization) is inhibited by the lack of meaningful dialogue fueled by organizational distrust as individual survival and knowledge hoarding increasingly fuel members' behavior. Without the combination of dialogue and sharing of perspectives, team members cannot externalize their knowledge and therefore learning does not become explicit to the organization (Dyck et al. 2005). This indicates that smaller organizations (due to their relative smaller size, ease of communication, and trust built on shared experience) have less need for the learning construct to overcome any inherent disability of a larger organization. However, this also shows the need to address knowledge impedance as an organization grows.

Embedded Systems to Capture Learning was positive and significant at the indie level and was insignificant at both indie major and major label levels. This shows that learning and the transfer or retention of learning is higher within the smaller structures of the indie level than both the major indie and major label group. This reinforces the general findings that within Nashville record companies there are few systems to embed learning into a shared environment so that knowledge might be retained by the organization. This again indicates that individual employees both value and retain professional knowledge, rather than the organization, especially as the organization becomes larger and more successful.

Indie labels rated highest for *embedded systems to capture learning*. Their small size fosters open communication and cross communication as well as a general functionality across multiple job tasks. This forces learning and information to become transparent within the smaller structure. Nonaka and Takeuchi (1995) argued that successful knowledge management must convert tacit (internal) knowledge into explicit codified knowledge for individuals and teams to make knowledge meaningful. The general and pragmatic tools available to codify knowledge within an organization include databases, operations manuals, web conferencing, collaborative software, content of corporate directories for expert advice, after- and during-action reviews, peer assists, information taxonomies, and even email lists. This allows learning to be shared within a transparent system that permits information to disseminate within that system. However, within a community of instability, knowledge is internalized and the move for the externalization of learning and documentation of extant knowledge is avoided (Dyck et al. 2005). This meant that no body of explicit knowledge was shared among organizational members in the sample. As employees move from organization to organization, they take their knowledge, contacts, and expertise with them. The data indicate that because history resides within the individual, there is little organizational memory within the general body of the Nashville record labels. This lack of organizational experience or history may explain some of the dire predictions and sales decline rampant within the marketplace. There is little knowledge history to learn from, as employees leave their organizations.

Pragmatically, the below-average scores for e*mbedded systems* means that there is 1) a lack of internal information systems training, 2) a deficiency of two-way communications at work, within departments, and between leadership and departments, 3) a deficiency for systemic mea-

surement of gaps in employee and organizational performance, and 4) a deficiency of sharing "lessons learned" to all employees (learning from success and failure). This indicates that the surveyed record company structure has no incentive to share knowledge and "lessons learned"—instead the individual hoards knowledge. This knowledge hoarding, in the context of social/situational learning, shows that even though learning is built in a contextual community of knowledge, it can be defeated within a high-risk environment (Merriam and Caffarella 1991, Bandura 1977, Lave and Wenger 1991). The premise is then, that with employee security at risk, employee knowledge creates value. Therefore, the individual's knowledge is worth more if retained, rather than shared.

Qualitatively, discussions indicated that employees in Nashville record labels exist in a community of knowledge hoarding. Many employees have seen friends and colleagues "downsized" as their parent companies work to sustain or increase profit margins through cost cutting or through financed mergers with other companies. Within the record industry, the intrinsic value of the employee is then based on contacts, relationships, and information. Thus, there is little incentive to share what employees retain as information value in this environment. Organizational members resort to defensive reasoning tactics in order to "avoid vulnerability, risk, embarrassment, or even the appearance of incompetence." So in order to preserve their position, employees display a difference between what they say (espoused theory) and what they practice (called the theory in use) (Argyris 1994). Seo (2002) explained these factors as emotional barriers that hinder learning. Gersick (1991) wrote that the fear of uncertainty and the pain of loss could trigger emotional barriers to learning as well.

On the broadest scale, this suggests that large organizations that deconstruct activities for the pursuit of efficiency are likely to diminish learning and possibly create an environment driven solely by individual knowledge hoarding manifest though declining adaptability and performance. Interestingly, these results reinforce the notion that learning can be problematic with organizational growth. As process and decision criteria become institutionalized, the institutionalization of process increases institutional rigidity, flowing from a need for growing managerial control. This management oversight increases the resistance to learning, as typically the process becomes more important than the rationale for the process (Tushman and Romanelli 1985, Crossan et al. 2004).

Paradoxically, as the organization becomes successful, the same

success prevents managers from being sensitive to new information that differs from past models. Without the ability to set aside preconceptions (Senge 1990), managerial decisions are based on previously successful decision processes that attracted attention and praise, which then creates a managerial hubris where decision makers unconsciously ignore current information in lieu of leadership accolades or reliance on previously successful decision outcomes (Hayward and Hambrick 1997).

Interestingly, within the sample population of Nashville-based record companies, some would say it is typical for the same executive hierarchy to retain positions of authority for decades, no mater how the organization performs. Many record company executives seem to move within a cadre of friends from company to company, hired into executive leadership, even with a history of declining sales. Most of these leaders emerged from successful music careers decades earlier. This may arguably lead to strategic outlooks that have a general non-familiarity with new technology or shifting consumer preferences and tastes of younger music buyers. Although this is speculative, the study does suggest that increased organization size does necessitate the need for the learning to become a thoughtful and intentional design of the organization through systemic learning.

Team learning was significant at only the major indie level. This indicates that smaller organizations, as well as major organizations were individually driven. This implies that indie labels do not necessitate a need for team learning, but that individual learning transfers through the flat structure of a small organization. Not surprisingly, major label groups display team learning as both a negative factor and insignificant in the Nashville environment. This reinforces that learning or performance was geared toward individual rather than team accountability. This indicates that structure and/or leadership value accountability and reward of the individual, rather than team performance within Nashville-based record labels. Within the learning organization, team learning is facilitated by group member trust. The combination of team dialogue and sharing allows team members to externalize what is on their minds, and knowledge that was invisible becomes explicit (Dyck et al. 2005). This is encouraged by what Watkins and Marsick (1993) labeled as *boundary crossing* through inquiry, collaboration, and sharing. As team members cross boundaries and share information, new knowledge is created. Argyris (1994) adds that interdependence is essential for the cohesiveness of team functioning. This then indicates that major labels have a negative contribution towards

team learning, due to a lack of support by both systems and leadership, and indie labels find team learning minimal—possibly due to structural size and the lack of a need for formal team structure.

Connectedness to the environment (system connection) was evident in all label sizes—with the indie label being the most connected, followed by the major level, then the major indie level. *Connectedness to the environment* encourages a global perspective, encourages customers' viewpoints, considers how decisions affect morale, works with the outside community, and encourages solutions across all levels of the organization. However, the relatively low scores among all levels of size suggest only a moderate connection to the outside environment at best. Given that all organizations displayed *continuous learning* and varying levels of *empowerment* as well as *leadership for learning*, other impedances within the organizational model may affect how the organization connects to the outside environment. The low contribution of *connectedness* might indicate a reliance on labels retreating into an internal focus to frame problems and solutions. This may indicate a classic *groupthink* or *self-referential ecology* with little connection to the outside environment. Previously, this was discussed as a cycle of managerial decision rules and heuristics based on successful experiences that are repeated for future issues (Senge 1990, Shimizu and Hitt 2004). This type of mindset prevents managers from being sensitive to new information that may differ from their current perceptual model. This creates managerial complacency as the cycle progresses whereby successful experiences attracted attention and praise. Support is created for managerial hubris, and then decision makers unconsciously ignore negative signs regarding decision outcomes (Hayward and Hambrick 1997). This general framework creates decision rules that disseminate into routine which are then taken for granted as successful frameworks within the organization. Therefore, as the executive teams proceed, the shared mindset multiplies with ever narrowing perspectives (Boeker 1997). This makes new routine, new perspective, and learning more difficult. It exacerbates an environment that is less and less connected to the outside environment as well as discourages discussion of new frameworks for decisions. This is perhaps the greatest challenge for an entrenched leadership to overcome: allowing new perspectives.

But how does one engage in a climate of anxiety? Unstable environments can affect employee learning beyond internal size or structure. Learning organizations seem to be best constructed in stable and secure in-

ternal environments. If true, leadership should strive to create or retain organizational stability within shifting external environments. Complementing this study are numerous "off the record" quotations by anonymous employees. One confided, "We are all operating over our shoulder. At any time we might be sold or merged, so we do all we can to keep our jobs and position for the next round of layoffs." Another disclosed, "There was no value in my department beyond looking after yourself and doing what you can to keep your position. We have seen the loyalty they (companies) have for employees as they merge and downsize." Although anecdotal, this narrative might explain why learning at the major indie level, the size most affected by dominance of the larger organizations and instability, was least rated. Within this aspect, environmental instability can lead organizational members to resort to defensive reasoning tactics in order to protect job security through the avoidance of the appearance of incompetence (Argyris 1994). This indicates that learning is strongest within environmental stability. If true, this creates an interesting paradox where the organization in most need of innovation through learning is the most likely not to succeed. However, even with this environmental effect, results indicate that there are also differences in the perception of the learning organization related to size, with the smallest organization fostering the best learning environment.

Empowerment within Nashville major labels was a negative variable, meaning that rather than minimal contribution, employees in major labels actually viewed empowerment as a non-contributory/negative factor, as opposed to indies and major indies who experienced a positive contribution from empowerment. This indicates that major labels deliver little sense of responsibility to employees for their performance—or may provide a high-risk environment where failure is punished. Again, individuals who struggle for limited resources will view information as the key organizational resource and base of power (Boonstra 2004). Therefore, various organizational defensive routines will distort valid information as individuals in coalitions protect their survival and personal well-being. This implies that in order to foster innovational learning a company should adopt more aggressive steps to create a safe harbor or environment that can foster empowerment.

Despite recent affirmations by executive leadership supporting learning and empowerment at many panel discussions on changes within the music industry, this researcher was denied direct email access to em-

ployees for the purpose of administering the Watkins-Marsick survey instrument—even though the company, employees, and supervisors would remain anonymous. Despite the researcher's commitment to share the survey results, with the intent that this might foster learning, executive leadership at many local labels were concerned the survey would have a negative impact. This researcher speculates that if executive leadership reacted with a sense of self-preservation and fear of punitive action from shareholders, how then could employees be expected to behave differently? Although one might consider this type of commentary anecdotal, numerous employees remarked privately to the researcher with statements such as, "I am careful to answer in the affirmative or simply say what I know my boss expects to hear, even if we are openly encouraged to have open discussions, but I have seen what happens to those who truly dissent—they are out the door."

In discussion with hourly and salaried levels of authority, salaried operational employees agreed that they must self-impose long hours in order to complete increasingly arduous tasks, as workloads dramatically increase due to downsizing. Several calls to local employees reflected this stress. Most agreed that "management left us to pick-up the pieces" and their job tasks regularly include long hours to meet deadlines long after supervisors have left the building. This translates to a lower than average wage, creating a system of frustration for overworked employees with no control over their activities. Another employee remarked, "Due to downsizing and many area universities cranking out graduates prepared to work for less, we are in a position to work harder and cheaper to keep our jobs." This leaves the employees with little sense of empowerment or stability as they work on the low rung of the managerial levels.

In summary, the data may indicate that while *continuous learning* is important, *knowledge performance, dialogue and inquiry, systems to capture learning, connectedness to the environment*, and *leadership for learning* are nonexistent or insignificant within the current model in the Nashville community. This further confirms both the suggestion that the stability of the environment affects the learning organization, and that the growth of structural impedances to learning, such as organization rigidity and knowledge hoarding, increase as employee value diminishes. Problematically, it also suggests that, despite leadership reinforcing learning, employee behavior is largely motivated by concerns for job retention and security.

Limitations and Conclusion

This is a snapshot or cross-sectional observation of one specific industry at one point in time. As the data was collected from a relatively small segment of the music industry, the findings should be generalized to a larger scale with caution. This study may imply relationships but not causality between the LO constructs, and can hopefully spur further investigation as the field of organizational structure and learning research expands. This study is presented to evaluate existing internal structure for learning using the optimum learning models presented by the literature. This is not presumed to be an overview of strategic analysis, nor a defense of existing schools of management—which would be vast indeed. The results of this study simply empirically reinforce the contribution of the learning organization as a structure for analysis and a possibility for a more favorable structure for innovation and learning.

However, some may critique strategic frameworks by focusing on the weakness of strategy delegated to the executive level, while others may analyze strategic weakness to resource management and economies of scale—but what happens when technology renders the control and cost of distribution systems obsolete? What happens when consumer preferences shift to streaming subscriptions and the album or total equivalent download march towards obsolescence as well?

Newer, more innovative companies, such as Spotify and Pandora, do not follow established patterns; they create new categories. From 2013 to 2014 total units sold declined by 11.2%. CD sales declined by 14.9% and digital downloads declined by 12.5 %. Conversely, streaming was up 54%, audio was up 60.5%, and video streams were up 49% (Nielsen 2015). If structure determines function, then there may be a need to reinvent structure in order to adapt to newer models. Payouts for streaming vary by usage and collections, but whatever the rates quoted, they are typically fractions of pennies on the dollar—a far cry from the old ten-song CD cycle (Peoples 2015).

This study examines the learning organization construct in relation to organizational size. It shows that with respect to organizational size, the smallest record companies (indie) rated *learning* highest (perhaps evidenced by continued indie market share growth), and that this propensity for learning decreases as the organization grows in size (perhaps evidenced by the declining major label market share). The implication for managers is that as organizational size increases, learning becomes more

problematic—as indicated by growing deficiencies in *embedded systems, empowerment,* and *system connectedness* to the environment. The implication is that managers/supervisors/leaders must address organizational interventions by accounting for the differences in learning variables relative to size, and should target those elements most affected.

Further research is needed in order to measure if the success and growth of an organization/record company paradoxically creates declining performance as knowledge impedances are manifested. Success seems to breed failure from managerial hubris and self-referential ecologies, as well as from individual knowledge hoarding that occurs as employees prioritize survival and individual success. Hoarded knowledge creates a general loss of value to the organization and illustrates that the overall organization will always take second place to the individual in times of uncertainty. Within the constructs of this study, organizations might be best served by fostering learning and innovation by systemically reinforcing group and organizational security, as well as by reinforcing individual stability and security. This would create an environment that fosters the transfer and sharing of knowledge and offers employees the freedom to express new ideas and the encouragement to innovate.

Change will need to include systemic changes in structure, corporate climate, leadership, and the empowerment of dialogue and learning at all levels. This may create a climate of proactive engagement, rather than lagging reaction. Perhaps this will then allow for innovative learning that can fuel adaptation to new market needs.

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