# From the Founding Editor

As we begin our third year of publication, it seems timely to review where we have been, where we are now, how we got there, and where we see ourselves going forward. Many of the articles in this issue reflect the history of SoL, and others are a reflection of some of the values and culture that underlie SoL. It seems fitting, therefore, to review some of this cultural history from my own perspective and indicate how the various articles connect to it.

As many readers know, SoL began in 1991 as the Organizational Learning Center of the MIT Sloan School of Management. Jay Forrester did his seminal work on systems dynamics in the school, and some of the key researchers and practitioners who are working in this field today obtained their Ph.Ds there. Peter Senge, the founder of the center, continues as a Senior Lecturer and regular contributor to the curriculum. John Sterman, who has been a prolific researcher on systems dynamics, is a Professor and runs the Systems Dynamics Ph.D. program.

The center's original industrial sponsors launched a series of highly innovative projects that required a complex mix of research and consulting, a mix that did not fit comfortably into a university setting. Peter and the governing council of the center realized that a new form of organization might be needed if the deeper values underlying SoL were to be articulated in the projects. With the help of Dee Hock, a new organizational form was evolved, and SoL was created as the new identity of the Organizational Learning Center. SoL is administratively independent of the Sloan
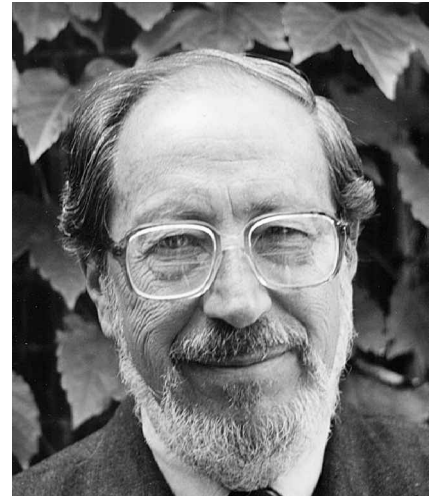
Chronology of Growth

1978 Robert Fritz, Charles Kiefer, and Peter Senge create "Leadership and Mastery," a three-day executive education seminar that integrates the concepts and disciplines of vision, purpose, alignment, and systems thinking.

1984 Peter Senge convenes a semi-annual forum at MIT for CEO-level dialogue entitled "Systems Thinking and the New Management Style."

1987 "Systems Thinking and Organizational Learning" project is founded at MIT.

1988 Early experiments with learning laboratories are begun.

1989 A two-day meeting of the CEO group from the semi-annual forum meet to discuss the creation of a larger learning alliance with Bill Isaacs, Daniel Kim, and Peter Senge. Seeds for the MIT-Organizational Learning Center (OLC) are planted.

1990 *The Fifth Discipline* is published. Corporate members decide to launch OLC as an interdisciplinary research center to be housed at MIT's Sloan School.

1991 Interest in *The Fifth Discipline* grows. Companies join OLC as corporate partners and enlarge the collaborative consortium. Projects called "learning labs" are developed at Harley-Davidson, Ford, and Federal Express. OLC Core Competency Courses begin. The OLC grows and has 19 sponsoring corporate partners.

1994 A review of OLC is commissioned by the MIT Sloan School.

1995 OLC commits itself to a redesign as a networked alliance.

1997 The Society for Organizational Learning (SoL) incorporates as a not-for-profit and relocates. SoL is to be governed by a council representing its three primary member constituencies, organizations, consultants, researchers. The first SoL Annual Meeting is held and first governing council is elected.

— from the learning history of the Society for Organizational Learning by Hilary Bradbury

School, and its membership consists of researchers, consultants, and practicing managers. Several of the researchers are MIT faculty members and continue to be involved in SoL's evolution and work.

Reflections: The SoL Journal began in 1997 as an idea from Peter Senge, Judy Rodgers, Steve Buckley, Otto Scharmer, and Jeff Clanon. Its formal launch resulted from my volunteering in 1998 to help the SoL cause by founding a journal that would go beyond organizational learning in attempting to: (1) bridge the three communities of researchers, consultants, and practitioners that made up the total SoL community, and (2) focus on knowledge generation, dissemination, and utilization. Peter Senge, the MIT Press, and the SoL Council all favored this, and I discovered that the volunteers who wanted to work with me on this project were a dynamite team—Karen Ayas, Steve Buckley, and Judy Rodgers as the core, Katrin Käufer and Otto Scharmer as a supportive next layer, and Emily Sper as a talented photographer.

After struggling through the first few issues with Karen's great help, we realized we needed a professional managing editor and were fortunate to get Jane Gebhart, former Editor in Chief of the *Sloan Management Review,* to join us full time. There is absolutely no doubt that without all of these people, *Reflections* would not have survived and prospered.
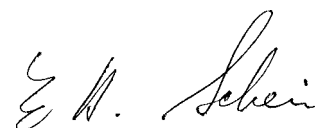
We decided that we needed a diverse editorial board with whom to consult on whatever matters came up and learned in the process of inviting people how important it was to launch this sort of enterprise. Every person I asked joined the board with enthusiasm and has been responsive when we have needed help. When we look at the caliber of people on our board and note their willingness to help with *Reflections,* we realize how valuable it is to create a new kind of journal devoted to bringing together the communities of practitioners, consultants, and researchers around the issue of knowledge generation, dissemination, and utilization.

None of us at the beginning knew how this would evolve, but the MIT Press, Janet Fisher, and her staff were enormously helpful in advising us on format, layout, and production. We knew that we wanted to do something different because we had to appeal to three very diverse audiences. Russ Ackoff reminded us forcefully that the biggest danger in this new enterprise was to become "one more academic journal."

The original idea was simply to publish papers from each of the communities and get comments on each paper from members of the other communities. We were also committed to the reprinting of classics and articles that we felt had not gotten enough attention in their first publication. What we had not planned was how we would manage the balance of themes around learning and change.

The influx of papers and our own meetings took care of that. It became very obvious from looking at certain papers that we could and should build issues around central themes rather than just printing a quarterly collection of articles. The important insight was that the themes emerged from the articles, not from our own planning process. We did not lay out a set of themes to be covered systematically, and we do not plan to do so in the future. We have found it far more useful to let these ideas surface from meetings, from issues brought up by our potential authors, and from key papers around which we then build an issue with other papers.

Some themes were clearly suggested by our board, especially "the role of the arts and artists." Both John Seely Brown and John Kao felt that the learning process was heavily influenced by the arts, and we needed to explore this systematically. We knew that SoL was getting heavily involved in "sustainability," so an issue around that seemed mandatory. But beyond those two themes, the rest emerged out of our own process and the kinds of papers that were submitted. We want to take a leaf out of our issue on the arts in which we focus on the importance of improvisation. We have had a great deal of fun with "controlled improvisation" and, until our readers tell us differently, we will assume that this way of working has created a journal that is fun to produce and useful to our readers.

Ed Schein

In This Issue

Edgar H. Schein and Karen Ayas

We begin this issue on a historical note. Peter Senge's first major involvement with a business organization was his work with the Hanover Insurance Company and its visionary CEO Bill O'Brien. Much of what we know about and believe in on the topic of organizational learning was evolved in this early, seminal relationship between Senge and O'Brien. One can see in this story by Barry Sugarman, a research member of SoL, both the value dimensions that underlie SoL and the research and practice issues that are involved in a complex organizational change. The issues in successfully initiating and sustaining change are underscored in Carol Zulauf's commentary. Lawrence Brandon and Ellen Berezin explore values and virtue at Hanover.

One way of conceptualizing the philosophy underlying SoL is to note that it is all about building "social capital." Much has been written about the importance of social capital, but hardly anything about how to actually do it. Sandra Waddock provides two excellent examples of how one might go about building such social capital and offers us a different way to think about a company's success. As James Post points out in his comment, long-term social performance is as important as financial performance, but very few companies follow Waddock's mindful approach.

Going into even more detail, Tim Hickey illustrates this same process from the point of view of an individual CEO trying to build up an organization that needs some help. It is very easy to talk about values and value-based management. As Deborah Heller, a seasoned consultant; Göran Carstedt, a former CEO; and Hickey's own commentary illustrate, it is very difficult to figure out how to put values into practice and to keep value-based management going as economic and political environments change.

To give a flavor to what is involved in learning initiatives in a SoL member company, we provide Christine Day's interview with Nick Zeniuk, who was, at the time, a project manager, a fully involved "change agent," living with the day-to-day realities of making something happen. His retrospective insights provide important perspective on organizational learning projects.

Many of the projects launched by the Organizational Learning Center and later SoL were wildly successful within the units in which they were launched, but did not successfully diffuse upward and laterally in their home organizations. This failure to proliferate reminds us of an important fact. The values underlying SoL are not today widely shared in the organizational world. Many of the practices advocated by SoL projects threaten other cultural values. It would be tempting to simplify this matter by just listing the relevant values. This would be a mistake. Rather, we provide two articles that attack the problem at a more general level.

These articles address the questions of what is culture and what are some of the deeper values that reside in different cultures. Ed Schein asks whether organizational learning is or can be compatible with a philosophy of individual growth and personal mastery. Philip Ramsey explores directly how some of the deep, value dimensions identified by sociologists at the societal level mesh with the values that are implicit and explicit in SoL. Neither of these articles resolves the issue, and this is as it should be. Arie de Geus and Alain Gauthier bring this message home in their respective comments. But our readers should ponder for themselves what it is that we are asking organizations to do when we engage them in these "learning" activities.

What does the future hold? Art Kleiner, and Adam Kahane in his preface, next provide us with several very interesting future scenarios. Inasmuch as one of the major learning tools that we have come to value is "scenario analysis," it seems only fitting that this kind of analysis should be applied to SoL itself. This has been very ably done in a SoL scenario workshop stewarded by Adam Kahane, J. Jean Horstman, and C. Otto

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Scharmer. As they remind us, the goal is not to predict, but to use a forward-looking approach as a vehicle for understanding the forces at play in our world and proactively creating our own future. Scharmer and Horstman augment the article with their comments. We invite our readers to join with us in thinking about possible scenarios for SoL.

Peter Senge contributes his own views in From the Chair.

Learning and change are complex processes, especially when advocated at the organizational level. We hope the range of articles in this issue will provoke further thoughts and comments from you, our readers. Please send your remarks to jane@SoLonline.org.

Erratum

In the Spring 2001 issue, volume 2, number 3, page 46, the title of Richard Axelrod's book should be *Terms of Engagement*.

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# Twenty Years of Organizational Learning and Ethics at Hanover Insurance: Interviews with Bill O'Brien

Barry Sugarman

This story of a business turnaround is also a story of organizational and personal transformation.[1] New leaders revived a moribund business, Hanover Insurance, by emphasizing ideas, purpose, and values in order to engage and energize employees. Significant improvements in business results were seen after only one year and continued to accelerate for more than 20 years. During these years, Hanover's top leaders continued to promote change processes, based on their conviction that fuller use of their employees' human potential was the key to their business success. They had an equal conviction that the typical work environment of bureaucratic mediocrity, office politics, and lack of work satisfaction was anathema and ethically unacceptable. This case is about change management, human resources as a strategic key, leadership, transformation, and ethics; each is an integral part of the Hanover story.

In 1969, Hanover Insurance was one of lowest performers in its field, a company resting comfortably at the bottom of the industry. But by 1984, it had climbed to the top quartile. President Jack Adam, appointed in 1969, and his new vice president of marketing, Bill O'Brien, had spent 10 years developing what they later called a "values-based culture" and reviving business performance dramatically. O'Brien says, "We redesigned the culture from one that was command and control to one that was vision-driven and values-based."

By 1979, when O'Brien took over the role of president, Hanover had been consistently outperforming the industry average during the previous decade. The bad news was that the whole industry was entering a very difficult period due to the "tort explosion," with courts making large, escalating damage awards against insurers. However, the good news was that Hanover's continued creative efforts to make still deeper changes during the next decade led to an increased lead over its competitors. Facing this additional challenge, in its second decade of change, Hanover began making serious use of systems thinking instead of just traditional problem-solving by linear cause-and-effect thinking.

In 1982, O'Brien met Peter Senge; the two learned much from each other. Senge taught Hanover to apply systems thinking to managing its tough business problems, and O'Brien and Hanover showed Senge what a real learning organization looked and felt like—and what was required to cultivate one (Senge, 1990). O'Brien commented, "The advent of Peter brought us on a journey to
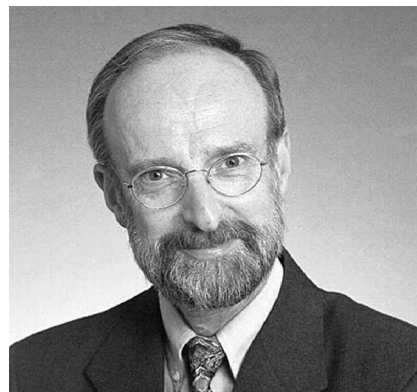
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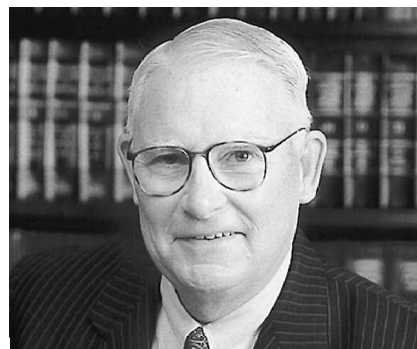
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Commentary
by Carol Ann Zulauf

It is just plain exciting to read about an organization that has undergone and sustained profound transformational change.

This case study is as much about the leadership at Hanover as it is about the company's 20-year journey of change, learning, growing, working through challenges, and becoming a learning organization. The change process usually happens when people, deep within themselves, have a glimpse—perhaps a vision—of what they want to do, some picture or image of what they want to accomplish or have happen for themselves or for others. Frequently, if this image were parsed, we'd see that values, dreams of leaving a legacy, and a vision of success are part of the foundation of this driving force.

O'Brien was the prime catalyst in the transformational change at Hanover. His personal values of believing that "each human life is special and has a unique purpose, that all work has dignity, and that work and family are the principal platforms for human growth" became the platform of change at Hanover (O'Brien, 2000). Here is a leader whose congruent beliefs and actions fostered an environment based on trust, inquiry, and fruitful relationships.

What does it take to change the culture slowly at a company such as Hanover? What kind of leader is needed? Fisher et al. delineate the stages of personal growth—opportunist, diplomat, expert, achiever, individualist, strategist, magician (Fisher et al., 2000). O'Brien was at least at the strategist stage (if not the magician stage!). Fisher et al.'s research has found that "only about 10% of managers are . . . at the [strategist] stage" (p. 112).

In addition to the stunning financial growth at Hanover, as measured by the combined ratio, market capitalization, and its improved standing among other property and casualty insurance businesses, another

more learning, systems thinking, advanced work on conversation, and an introduction to scenario planning."

The story of this business turnaround is remarkable in several ways. First, as early pioneers, its leaders really did, in the old cliché, "make it up as they went along." There were no publications on organizational change management to help them. Through this pioneering work, O'Brien earned a role as a founder of "the learning organization." Second, the two principle leaders, Adam and O'Brien, maintained a sustained effort over two decades to explore and experiment with methods based on certain deeply held values and beliefs. Third, these change leaders were deeply committed to both profit *and* ethical values. They considered profit and values essential to each other.

They did not start out with any such notions, however; they were pragmatists, not ideologues with a point to prove; businessmen with a company to rescue; and decent individuals with some firm ideas about good and evil. Says O'Brien, "We didn't start out to create a culture or to be a learning organization. Our starting point was a high level of frustration at the waste of human talent. We thought that the politics, the bureaucracy, and all the bullshit was a bad environment for our people and that they were working at 30% of their mental and imaginative capabilities, quality of thinking, and spirit."

Intent of the Change Initiative

According to O'Brien, the intent of their change initiative was "to improve the financial performance of the company, to move from the bottom of the industry to become recognized for excellence. We didn't set out to build a culture that helped people to grow. We started out to make the company operate better, but we always believed that it would operate better if we had a culture that helped people to grow and that also served the customer. At that time, there was little business literature on the customer, and there wasn't the deep commitment to quality for the customer that there is today."

O'Brien's thinking developed, fueled by his talks with Adam and endless conversations as he spoke to groups of employees about the importance of values and vision in the business. Later, in the interviews for this case study, O'Brien explained his thinking. While learning was important to him for building a stronger company, the quest for more "virtue" was his most important goal:

> I had a deep frustration with the way large organizations hired people out of school, full of ideals and energy to make a contribution, and, because of bureaucracy and organizational politics, the vast majority of them became empty shells, counting the days and years to retirement. I didn't think it was a learning issue; it was more a virtue issue. I thought it was too much politics, too much kissing ass, too much lying, too much putting spin on everything. Really enormous doses of selfishness—and not just at the top, but my department *versus* your department. I saw the infections in the corporation as inferior virtue. So I looked for the eternal truths or values that would elevate behavior above those lower things. If we had a profile of the Fortune 500 companies, I think they would have both a virtue deficiency and a learning deficiency, but that the first would be much bigger than the second. My roots come from Christian beliefs and the street. My bias is that companies have a big need for values and virtue, because that can turn on the entire workforce.

Goals of the Hanover Effort

At the start of the first decade, Adam and O'Brien's goal for Hanover was to be in the upper fourth of stock insurance companies, as measured by combined ratio, and to grow at 1.25 to 1.5 times the industry growth rate. At the start of the second decade, O'Brien raised the goal to the upper quarter of all insurance companies (not just stock companies, but including the mutual insurance com-

panies as well). Both Adam and O'Brien were also committed to making Hanover a profitable business by making it a better company—better in the sense of Aristotle's virtue—a company that people could feel good about working for. Success, for them, was defined as achieving both goals.

In 1985, Adam stated, "More than anything else, I wanted to lead in the creation of the kind of company I had always wanted to work for and never could find. I wanted to help build a corporate family where we *let* people use all their abilities, where we *let* people help build an outstanding organization. I felt if we could build this kind of an organization, we could attract able people who not only would grow and achieve their own abilities and desires, but would help others to grow and achieve" (Adam, 1986).

Methods for Enabling Learning and Change

The primary change agents at the beginning of the turnaround were Adam and O'Brien. Their method at the beginning was to talk to employees about the purpose of the company, about values, and about vision—the leaders' vision and what that meant to employees. At first, it was mainly "teaching and preaching," but as they gained more experience in engaging employees in these discussions, there was more give and take. The values and the company philosophy were introduced in classes and all kinds of meetings. In monthly bulletins to employees and annual reports, Adam and O'Brien would also write frequently about values and how they applied. There was a good deal of trial and error.

O'Brien commented:

> In 1970, we didn't have a philosophy. The first thing we did was lay out a purpose. We had some people on a task force to talk about what the purpose should be. We would write about the purpose. Then for a period of time, we talked about a lot of principles, most about fighting the diseases of politics and bureaucracy. We said, for example, that *"Human judgment should always transcend procedures."* If the procedure guide says "do X," and you've thought about it and you think A is better, then do A. We had about 25 slogans like this. Another was, *"Substance will always transcend appearance."* People were asking themselves, what's the slogan this month? These things weren't coherent or connected. So in 1978, I took a couple of days off, sat down with a big accounting pad, and put things across the top and the bottom. I reduced these things to the seven values that we stand for.
>
> Jack liked them but was afraid we might be getting too far ahead of the troops. He said, "Why don't you take them to the next direct-report meeting and try them on the group?" I got a long, respectful silence, but not approval. I let it drop. I didn't know what to do. In subsequent meetings, whenever we'd get to knotty issues, people would say, "That comes back to what you talked about a couple of months ago, Bill. It's those values." So we scheduled another damn presentation, and they coalesced around the idea. That's how we got those values: merit, openness, localness, leanness, what we believe about people, responsibility to the [insurance] agents, and responsibility to the customers.

Later, other change agents were brought on board. Chris Argyris was the first outside consultant and the only process consultant. His work was about conducting more effective conversations. Peter Senge, the second consultant, was an expert on systems thinking. Later, Lee Bolman (an expert in organizational culture) and others conducted extensive training sessions (especially a three-day course called "Merit, Openness, Localness"). All professional and managerial employees were eventually included.

O'Brien commented, "We did a lot of education, not just on technical insurance. It included the skills of effective

key factor stands out: increased "intellectual current." Can you imagine employees talking about unintended consequences instead of just the rule books? This change in people's thinking and actions (that is, conversations) supports how systems thinking can become incorporated within organizations. Peter Stroh also illustrated how a client enthusiastically adopted the idea of unintended consequences as a way to manage his business (Stroh, 2000).

Sugarman nicely sums up the results of the transformational effort at Hanover, a period of sustained, renewed improvement achieved by unlocking the human potential of employees. How can each one of us attain our next stage of growth, both personally and professionally, as O'Brien did?

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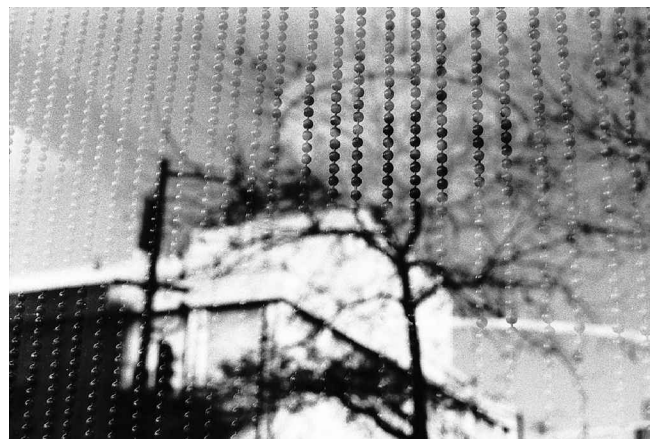
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conversation and critical thinking (along the lines taught by Argyris). I have found very few executives who can get up and talk about ideas. We developed a group of executives (particularly Jack and myself) who were constantly explaining the ideas behind the company. And we wrote a lot about our philosophy and how it applied to current issues." Behind these methods lies O'Brien's belief in the power of ideas and his frustration that "too many companies are governed by mediocre ideas."

In the first decade, there was no philosophy department. But, in 1981, Hanover hired a "vice president of philosophy" (Tom Grimes). He taught systems thinking and thinking about thinking (drawing from a course on Eastern and Western thought by Professor John Becket at the University of New Hampshire's Whittemore School of Business). Later, the philosophy department included three people. O'Brien commented:

> We were constantly running people through one-, two-, or three-day workshops in their offices all over the country. By the mid-eighties, it was right down to the toenails of the company.
>
> We came back to the values and vision in every major meeting. And we walked the talk. For example, leanness meant that I traveled coach; openness meant that when we had bad news, we told it to the employees. There was no spin put on messages to our customers or our agents; we talked straight. The process was informal, but it came down to preaching and practicing. Whenever there was a meeting, we always came back to "What is our vision? What are our values? How does our purpose tell us what to do?" At first, people thought the philosophy was separate from the business; we had to struggle to integrate it.
>
> One of the jobs of the CEO is to make sure the music has got all its parts and instruments, including the cultural ones, the values. Otherwise, the drumbeat of budgets and so on will dominate the music of the company. If all the meetings are about financials, all the music about culture and uplifting people will disappear. Bringing in a consultant to do an offsite won't do it. The CEO has got to maintain the meld of the ennobling corporate principles in the corporate diet. He can believe it and want it, but if he doesn't build in that subject, melded with the sales, finances, and engineering, it won't happen.

What anchored these efforts for O'Brien was his strong sense of what was wrong with the situation:

> Back in 1971, everyone took a warped version of Adam Smith and imagined that maximum greed would work out the best for the common good. The *only* stakeholders were the stockholders. We were one of the first companies to challenge that [Adam, 1973]. I remember that we got some negative stockholder reaction. But we thought that if we had an ennobling purpose, something of interest to the employees, it would make our company more purposeful. Our expectations were exaggerated. People initially had a favorable reaction but it didn't really change behaviors. When I became president in 1979, I was frustrated because purpose was not tapping in as much as it should, even though the company had improved quite dramatically since 1971.
>
> I talked to every single employee in the company in groups, and I laid out my vision for Hanover—where our roots had been, the current reality, how we stacked up against competitors. Then I talked about *my* dream. When I was done, I said, "It's not my dream that's important. It gets me out of bed each morning to go to work to build what I want to build, but it doesn't do anything for *you*." *I encouraged them to work on their vision.* It was the first time we extended our purpose to vision, as an important ingredient to get people to become purposeful.

"One of the jobs of the CEO is to make sure the music has got all its parts and instruments, including the cultural ones, the values."

At the same time, we had identified the diseases and adopted the values, which in effect were antibiotics to the infections. Those two things, vision and values, gave us a culture that brought people to a point where they could implement what we already knew, better than our competitors. At that point [1982], when we were getting to be a mature, vision-driven, values-based company, I met Peter Senge. The industry was running into problems that no one had figured out, and the old, linear cause-and-effect mentality was producing painful, unintended consequences.

What O'Brien had discovered was that other learning methods would be needed to continue Hanover's growth toward fulfilling his aspirations and becoming more of a learning organization. He continued:

I saw the potential of systems thinking helping us to arrive at a deeper understanding of complexity and hence to making better decisions. What I remember clearly is a series of people I met, Peter Senge, Jay Forrester, and John Beckett. Peter brought in this guy from Digital, a former academic who understood systems thinking. And he took us through an issue that his division was handling up in New Hampshire using systems thinking. And I said to myself, "My god, it's so much clearer." If I took it to the second step and asked, "Now, how do I use systems thinking to make better decisions so I can make money?" I probably couldn't answer it. But I valued that more complete understanding of complexity and I had *faith* that if I understood more about the complexity that my competitors and I were facing, I would eventually have a competitive advantage. I think that was the difference between me and some other people who were exposed to systems thinking.

It's like learning to diagram a sentence in the fifth grade and mastering the English language. That's half the battle of life—learning the language. I had that faith that if I could see the problem clearer than my competitors, I would come up with better answers. *Half of what we learned [in systems thinking] wasn't how to solve a problem; it was how to avoid making it worse.*

The role that systems thinking played in the success of Hanover is deep and subtle, according to O'Brien. At one level, that role may be understood through the way it was applied in the "claims learning laboratory"—a computer-based simulator in which learners could experiment with making decisions such as how much to spend on training claims adjusters, while they watched the effect of their decisions on other measures, such as quality of work and employee turnover (Hanover, 1986). This illustrates one way in which systems thinking helped Hanover people to understand better the systematic nature of their business—through concrete causal links between one element and another. At another level, however, the influence of systems thinking at Hanover goes deeper and is harder to define. Concisely, using language that O'Brien does not care for, I think he is saying that systems thinking affected their way of being which had important consequences for the company.

When the insurance industry faced the 1980s, with tort liability explosion, escalating litigation and losses, conflict, and profound imbalance, a significant number of Hanover people were able to see it as a system in upheaval, without demonizing other players. They were also able to see fresh business opportunities in the turmoil; for example, Hanover became the administrator (contracted to the state) of the newly swollen "assigned risk" pools of high-risk (undesirable) insureds in Maine and New Jersey. The Hanover managers at the state level (not head-office hot shots) were successful in two ways: along with conceiving entirely new lines of business, they succeeded in winning the trust of top state officials and were awarded (and re-awarded) very large (and profitable) contracts.

O'Brien believes there was something special about the systems thinking mind-set the Hanover managers had cultivated. Beyond the greater clarity it gave them to see the systemic links, it seems that the big-picture, nonparochial systems view can position people differently in relation to their world. It can take a person beyond the narrow assumption that "my position is myself" and
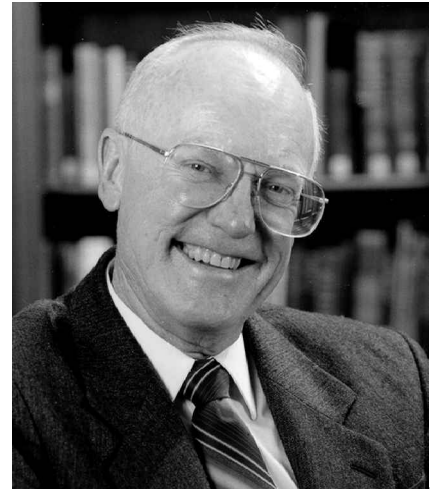
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Commentary
by Lawrence G. Brandon

It is fairly common to find an academic article espousing the importance of values and virtue in an organization. It is far more difficult to find a CEO willing to implement these thoughts in daily operations. O'Brien was clearly one who did so. He steadfastly held to his beliefs, through the good times and the challenging times, in the face of criticism from industry peers and initial skepticism from colleagues. The results achieved by his organization serve as testimony to the wisdom of his approach.

At first, Hanover Insurance and the philosophical leanings of Adam and O'Brien were the laughing stock of the insurance industry. Other executives ridiculed them for their efforts to turn an organization around by changing its vision and values, rather than radically changing its personnel, policies, and procedures. Others believed Hanover would be better served by eliminating jobs and personnel and replacing executives with people who were more financially astute. They saw Hanover executives as "lightweights," overmatched by the task confronting them. They typically cited examples of other insurance organizations that failed under inept executive leadership.

I clearly remember a statement by Adam and O'Brien that appeared in industry publications back in the early 1970s. They said, "Any organization in business to make a profit will end in failure. Any organization in business to render service will make a profit." The CEO of the insurance organization I was with at that time said that quote was "the damnedest thing I have ever read." He affirmed that our organization was "in business for two reasons, and two reasons only—to make a profit and to grow—and, gentlemen [we were all men in the executive ranks then], don't you ever forget it!" That organization was about six or seven

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times larger than Hanover and much more profitable in the early 1970s. Today, that organization no longer exists and Hanover Insurance is still going strong! Who, indeed, was the damn fool?

O'Brien's deeply rooted faith allowed him to pursue the best in life by recognizing the fundamental goodness of others, whether they were fellow employees, agents, customers, or competitors. He believed in people and never underestimated the human and divine potential of all God's creation. By "walking the talk," despite hearing voices of dissention, he and his people achieved results that were unheard of and unequaled in industry circles. It is indeed unfortunate that, after 25 years of proven success for his methods, his career came to an end because he refused to return to the shortsighted, strictly quantitative approach of new executives in Hanover's parent organization. He firmly believed that their insistence on a change in direction would devalue the human potential he had unleashed in the organization and change the amount of satisfaction people would experience from their work. He wanted no part of such action and, true to his own values, walked away from the nonsense.

Years later, O'Brien's beliefs and spirit still permeate much of the Hanover organization. His ideas have not been silenced, in spite of clear efforts to do so. Hanover is producing superior results today because people still believe in themselves, as a result of O'Brien's belief in them when he was at the helm. His love for others is stronger than the current executives' greed.

out of the prejudiced view that everyone whose behavior is not favorable to my interests wishes me harm. The systems thinker understands that many consequences are not intended or even expected by those who cause them, so he or she is less inclined to blame or demonize other players. O'Brien does not care to call this a modified "way of being," but he would call it an "aura" that can make people more attractive partners in a high-risk venture where trust is essential. He is convinced that the contribution of systems thinking can go beyond improved cognitive insights. I think he is identifying a force moving in the realm of ethics (a less self-centered view of the world) and in the realm of ontology—the "being" word again.

Returning to his historical overview of the Hanover transformation, O'Brien explains how systems thinking arrived at the company.

> Our vision and values approach had enabled us to execute effectively what we already knew, but it did not help us to figure out the "divergent" issues. That required the application of systems thinking. When I met Senge and learned about systems thinking from him, we each saw that the other had the missing piece ("the truth") that he had been seeking. I needed what he had, and Senge admired greatly the workplace culture at Hanover.
>
> We got very excited about the idea of learning and the idea of augmenting linear thinking. Senge gave us scaffolding on which we could formalize systems thinking. He, in turn, became intrigued with our culture. He came into our company and found that it had a learning atmosphere. He told me that in most companies, he would spend two-thirds of the day cutting through the games and all the crap, but here we open a conversation and people are right into it. That was the beginning of the second decade. We were both ready.

Transformation

I asked O'Brien what specific shifts in work processes and practices, such as changes in meetings, goal-setting, or performance assessment, had occurred. He replied:

> When a company transforms itself, 90% of that transformation takes place inside the people and 10% is process change and reorganization (I'm pulling these numbers out of the air). In defining the inner change in people, we could use Argyris's ground rules for conversation: don't engage in a conversation to win; engage in it to genuinely learn; don't forget to inquire into what other people think; don't just advocate your views, as managers tend to do; decision making should be free of "political paint," that is, self-interest.
>
> The natural, innate being of people is generally good, but if you take a culture that reinforces being good, it's even better. Part of that is recognition and part is social stigma. We didn't intentionally put it in there but if somebody was in a session and they are obviously negotiating for their self-interest or their turf, they worry about what their peers are thinking about them. We had established certain standards that disapproved of that kind of politics and bureaucracy. There was an expectation of a certain level of behavior, and managers felt it.

The creation of this company culture that O'Brien describes, reinforcing social norms and expectations that support the behavior and thinking patterns of a (virtuous) learning organization, represents an enormous accomplishment. The new culture that supports learning acquires a forward momentum of its own, as he describes in the next section.

Changes in Processes or Practices

O'Brien had more to say about process change:

> When we started adopting Argyris's principles, emphasizing inquiry as well as advocacy, thinking in terms of learning rather than winning, the change in pro-

cess or practice happened. When we adopted localness and took out some of the management levels and reallocated authority, that was a change in process. And, in personal growth. It was all evolving. The intellectual current in the company was so much higher by 1980 than it was in 1970. The conversation in the seventies was about what the rule books said to do. The conversation in the eighties was: What are the unintended consequences? What are the implications? After being educated in conversation and critical thinking, people started thinking, "This company really cares about me. I'm having richer conversations with my wife, my kids. I read the paper and I see issues more clearly than I did before."

But for some employees, there was an unfortunate side to this culture change. When the intellectual currents got faster, a fair number of people didn't want to take the risk. Over time, they decided to leave, or they were asked to leave.

When you had a company in the seventies that was a political, bureaucratic environment, it was a pick-and-shovel, one-by-one job of getting people turned on. Then in the middle eighties, we were hiring people who just picked it up from the person sitting next to them. There was an osmosis effect. I couldn't understand why it had been so hard to get people on board ten years before. They thought it was terrific; they really had the words and the music. That was the difference between the seventies and the eighties.

Diffusion of Culture

O'Brien discussed the change in culture:

In the early seventies, the philosophy got kind of bottled up in the home office, and the further you were from the home office, the less people understood it. In the late seventies, the general managers, especially those in the home office, had an intellectual grasp of the subject, and they'd go out to the branches. They'd be

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Commentary
by Ellen Berezin

Most employees want meaningful work. To the extent that virtue in business provides a meaningful work environment, the connection and necessity of virtue in business seems clear where the performance and retention of the workforce is critical to the success of the enterprise.[1]

There may be situations in which competition is minimal or nonexistent, or where profits are so easy to achieve that, in the short term, the quality and productivity of the workforce seems relatively unimportant. However, in the long term, virtue, which I am defining as that which is perceived as admirable and worthy, makes the work worth the effort. I propose that a business entity with effective virtuous values has an excellent chance of becoming an employer of choice and surpassing its competition in attracting and retaining high-caliber people. Given the costs of turnover, the company that easily attracts and retains employees most likely increases its profit margins.

Collins and Porras chronicle the histories of successful, enduring companies. They conclude, "Our research showed that a fundamental element in the 'ticking clock' of a visionary company is a core ideology—core values and a sense of purpose beyond just making money—that guides and inspires people throughout the organization and remains relatively fixed for long periods of time" (Collins and Porras, 1994).

My profession is human resources management. I spend a good part of my work life trying to attract, retain, and motivate talented individuals. Jack Adam and Bill O'Brien intuitively understood the connection between employee retention and the importance of meaningful work (mission/vision/values). Interestingly, many of the

the only people in the branches who knew the philosophy, but not deeply enough to be good missionaries. Later, our philosophy department would send in supervisors. The name "philosophy department" began as a joke or nickname but soon it became standard usage around the company. Pretty soon we were getting a critical mass in Chicago, in Oklahoma, in Texas. If I were doing this again and had the capital, I would have done it earlier. Back then, this was all experimental. Top managers take almost a year to get comfortable with the extent of change from command and control. By 1981, we were confident that we had a mature, values-based, vision-driven organization.

Changes in Business Results

While the implications of this case apply to many industries and arenas, O'Brien's success depended to a significant extent on his understanding of the fundamentals of the insurance business. He explained:

> Combined ratio is the key business measure in insurance, a combination of what the company pays out in losses and overhead—in other words, profit and loss on the underwriting. The insurance company also gets a free float of a lot of money to invest. So underwriting plus investment gives net profit or loss.
>
> During the years 1978 to 1993, McKinsey & Co. tracked the property and casualty business on combined ratio. It considered us as one of the nine great underwriting companies, in the upper quarter of the 36 companies measured. Of that nine, six had already been in that group at the start. We were one of three that entered that select group, and we did it coming from the bottom of the industry.

Hanover annual reports give additional data that documented significant improvements in performance—not merely relative to the company's own baseline, but relative the industry as a whole. Hanover consistently improved its performance ranking relative to its competitors over this 20-year period. Starting at the back of the pack, it moved up to average, then moved well ahead of average, up into the top quartile. In the five years before 1969, Hanover was, on average, 5.5 points worse than the industry average. By the early 1970s, Hanover began to outperform the industry by consistently widening margins. From 1983 to 1986, Hanover's combined ratio was 6.6 points better than the industry average. In 1970, the stock was about $4 per share; when O'Brien became president, it was $5.76; when he left it was $39. By contrast, The Travelers' stock price stayed flat. The market capitalization of Hanover increased from1969 to 1986 by 1,783%, while the average rate for all property-casualty companies during the same years was 779% (Hanover, 1986).

Causes of Success

The Hanover data are convincing evidence of its success. The company had improved its business performance dramatically. From 1978, its growth rate outpaced the industry average. Not only did it make more profit and build up its capital worth year by year, but it improved its standing relative to other firms in the property and casualty insurance business (Hanover, 1986). This rules out the possibility that the improved results could be due more to the rising tide of an easier business environment than to internal improvements. Generally, performance standards in a competitive market drift upward. Just to hold a relative standing, a company must improve at least as much as its peers. Hanover clearly did better at what it did—even more so than its peers. What gets the credit for causing that improvement?

In the first year after Adam took over, Hanover's results relative to the industry average improved noticeably. What causal processes could have operated so quickly? The refreshing effect of new leadership, with many visible changes in behavior and style after many years under a tired "old regime"?

The energy, attention to employees, and optimism of new management? Or fear of "the new broom" and higher standards?

In the property and casualty insurance business, there is considerable delay between a change in the key success factors and a visible result, perhaps ten years. There is a long "pipeline" between improving the quality of underwriting and the resulting profitability of those policies; similarly, there is a long pipeline between improving the quality of customer service by loss adjusters and agents and improved customer retention and attraction of new customers—because of the long delays between when policies are written (sold), when the stream of premiums is received, and when payouts are made. So should we attribute the acceleration in Hanover's improvement rate in the second decade to the power of improvements made during the second decade or to the delayed effect of first-decade changes? Or to some combination of these two and other factors, interacting in dynamic ways over time?

Context

Some aspects of history and context may have helped to shape the Hanover story. Adam and O'Brien started the work of transforming Hanover. "We were kindred spirits," says O'Brien. He had no rivals among his peers for the role of change agent-in-chief and chief designer of a new philosophy to revitalize the company. Adam and O'Brien were both "business junkies" (O'Brien's phrase), avid students of other businesses.

Religion has had a strong role in O'Brien's life. He considers himself "a Christian first; a capitalist second." He has managed to integrate his religious faith with his business life—a key to his considerable success. He achieved his business success, not in spite of his religion, but because of it. His 12 years of Catholic school education were the source of his values and his passion for virtue in the workplace and a major source of his whole approach to changing fundamentally the way Hanover was run.

When I asked O'Brien what is inside a person that causes him to lead that kind of change, he explained:

> There are stages of growth. There's a stage where you want to get established—family, career. Then you get established and you've got to cross a line if you want to go to the highest stages, which are heavily centered around legacy, leaving a better world, becoming more other-centered and less self-centered. I had achieved a lot more than I ever expected, and I felt that my mission was to set a model for how work, life, and profitability could be married in a better setting. I never felt I was a troublemaker. I felt I was always playing within the boundaries, and I could prove that I could meet the business objectives by following values and my beliefs about the basic worth of the working person.
>
> I was fairly articulate about explaining it. I found bosses here and there who would back me. I found others I couldn't stand and I changed jobs. This is why I'm a little bit passionate when I talk about virtue. Our problems in business and government are not because we're not smart enough to cope with them. It's a virtue issue. The old, eternal capital sins—power, greed, lust—they get us in trouble over and over again. Business has an awful lot of power to make a difference.

O'Brien is not pious about expressing his religious beliefs. He is mostly plainspoken and, once in a while, profane. I questioned him about the sources of his ideas about leadership, "What kind of a fellow were you back when this was all beginning? I'm trying to understand how someone comes to take on the challenge of making change."

He responded:

> I graduated from high school in 1950, and I don't think I ever met a person in my social life who wore a shirt and tie, except the family doctor making house

values espoused at Hanover are precisely those that studies reveal bind employees to organizations. For example, another driver of employee retention is "having a say." Not surprisingly, at Hanover, the importance of permitting and expecting employees to contribute through honest communication was realized in the values of openness and localness that encouraged decision making throughout the organization.

I am fortunate to know both Adam and O'Brien. From 1986 until 1993, I worked at Hanover Insurance. My reason for joining the company was to experience the environment that Adam and O'Brien had been creating. I was not disappointed. Employees were proud to be associated with Hanover because its leadership trusted them and treated them as thinking beings who could make a difference, regardless of level or position. Like other value-based organizations, Hanover was almost religiously obsessive about its organizational values and initiatives, an obsession that was contagious. We all gradually came to believe that working at Hanover was a privilege.

When I meet colleagues from O'Brien's Hanover, we invariably talk about the "good old days" when we worked for an organization that believed in us, that trusted us to take risks, and allowed us to learn and sometimes fail. And we usually bemoan the fact that so few organizations with which we've had contact as employees or consultants excite our spirit. Hanover was about faith in the individual and faith in the larger community called "organization." In the end, Adam and O'Brien created an oasis where trust in oneself and in colleagues prevailed in spite of the hierarchy of the traditional manager-subordinate relationships. And trust among thousands of human beings in any context is a rare condition indeed.

Note

1. See, for example, Fyock, C.D. "Retention Tactics That Work." *Employment Management Today* 3 (Winter 1998): 12-16, reprinted as a SHRM White Paper.

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Collins, J.C. and J.I. Porras. *Built to Last* (New York: Harper Business, 1994): 48 and entire chapter entitled "More Than Profits."

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calls. All my friends' fathers worked for the electric company or the bus company, and they were all people I respected. They were responsible people. So I always had respect for the person on the front line. I was only one generation removed from it myself. I knew they weren't dumbos.

The other life-shaping experience I had was the army. I went in as a private and came out as a corporal specialist. In those days, the army was very hierarchical, and I got a look at leadership from the followers' side. We had military leaders who were just outstanding, and other guys who were terrible. I realized what happened to the terrible leaders; the troops screwed 'em. We had 24 hours a day to think about how to screw that guy, and he ended up with so many problems. He could only put a couple of minutes on each one. We outwitted him every time. The guys who came in and treated us with respect, who told us the truth, we put out for them. And you could see it in the army because they change around all the time. Shipped in, shipped out. A company can go from being a top performer to a disaster in 90 days. So I got a view of leadership that made a lasting impression.

O'Brien had these firm views about leadership and ethics from early on. That he ended up in the insurance industry, rather than another one, was fortuitous. "I tried to get a job at IBM, at Mobil Oil, at the telephone company, but I ended up at SafeCo, an insurance company in the financial district of New York City," he commented. "Not because I loved insurance, but because I got down to the bottom of the food chain. I started as an accounting clerk, then I got into billing systems, then underwriting, then marketing. The company did business through independent agents, and I wound up having a field of about 40 agents."

Results and Reactions

The 20-year period of sustained, renewed improvement at Hanover was achieved by unlocking the human potential of Hanover's employees. At the beginning, it was the personal vision of just a few people, but became the shared vision of many, supported by social norms and expectations (company culture). This transformation of a business, as investors or industry analysts would view it, could not have happened without the corresponding transformation of the people involved, both the rank-and-file employees and the leaders who instigated it. Later, observers called this "culture change," and Hanover was featured in *The Fifth Discipline* as one of the pioneer "learning organizations" (Senge, 1990). But the leaders of this organizational change just wanted to make a successful business from a rundown insurance company rife with the usual pathologies of bureaucracy, company politics, bad attitudes, and despair. The leaders abhorred the waste of human talent they saw; it violated their values and ethics, and they believed they saw how to fix both problems at the same time. It was harder than they thought and they found no guides or models to light the way. But they succeeded, to a remarkable degree.

Hanover's parent company was State Mutual, a mutual insurance company; its chairmen during the 1970s and most of the 1980s had been strong, consistent supporters of O'Brien's philosophy of business. When the last one died in 1989, his replacement wanted greater control over Hanover and its assets. Hanover, a public stock company, was making 70% of the group profits. So the parent company chairman added five members to the Hanover board in order to secure his control. O'Brien opposed this and resigned. "In my heart," he says, "I could not convince myself that the new regime was committed to continuing support for the values-based culture we had built up over 20 years."

What happened to Hanover after that becomes controversial. I have not researched that part of the story, so the remarkable story of a 20-year organizational and personal transformation ends here. The story is about installing more virtue in the business world, while providing better service to more cus-

tomers, a more satisfying work experience to employees, and better returns to stockholders. The story is also about teaching the fundamentals of organizational learning by example.

Questions for Reflection

O'Brien is a business leader who defined a major part of his role as teacher; I am a teacher and management researcher. Since we both believe that ideas become most powerful when people actively engage in them, we conclude this story by challenging readers to consider a few questions:

- Are we inclined to believe that virtue and business are incompatible in some basic way? Why do we believe that? Are they really incompatible?
- "More virtue, with more profits" could be the theme of this case. Is it hard to believe? Does this claim sound like some hokey, chamber-of-commerce-goes-to-Sunday-school fairy tale? Or is it a paradox that deserves some very serious thought?[2]
- When virtue and profit considerations can be brought together, do they then snap together (like a natural fit), or does it take constant work to keep them together (as if there is a tension between them)? What is this telling us?
- How can we reframe the question about virtue and business so that the paradox disappears or becomes manageable?

O'Brien responded to the question about virtue and business being incompatible:

> I think part of it ties to a lack of appreciation of how important relationships are in business. Virtue builds a relationship. When people trust you and respect the way you do business, they refer customers to you—even if you are a little more expensive—in any business, not just insurance. Good relationships are formed. You can do business with them and feel comfortable about it. Your employees like to work with them. There are fewer complaints. They do things right. It's performing and it's being virtuous. It's saying "no" to the people who don't live up to their obligations, or who lie. Good relationships are formed and they are enormously important to profitability.

Notes

1. Material for this case was gathered mainly from about a dozen interviews with Bill O'Brien that I conducted over almost a year, supplemented by other reading and research. The story of Hanover's transformation is presented primarily from O'Brien's viewpoint, colored by his quite apparent biases. My own biases enter in the way that the story is organized, analyzed, and presented. Hanover's impressive business results are hard, verifiable fact. Hanover is a publicly traded stock company, audited and regulated, so this information is in the public record. I aim to convey something of the spirit and passion that animated the transformational work done by O'Brien, and Adam in the first years, with their many partners throughout, in changing the company during two decades.
2. I define a paradox as when we see two ideas that we believe to be incompatible both appear to be true or necessary. If we can find another way to look at the situation, either the paradox disappears, or it becomes acceptable. An interesting view of some paradoxes faced by Hanover can be found in: Hampden-Turner, C. *Charting the Corporate Mind* (New York: Free Press, 1990): 59–84.

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How Companies Build Social Capital

Sandra Waddock

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Turning and turning in the widening gyre
The falcon cannot hear the falconer;
Things fall apart; the centre cannot hold;
Mere anarchy is loosed upon the world,
The blood-dimmed tide is loosed, and everywhere
The ceremony of innocence is drowned;
The best lack all conviction, while the worst
Are full of passionate intensity.
    William Butler Yeats, "The Second Coming"

What can sustain the center in our lives, in organizations, and in societies during the turbulent, changing times we face as the millennium dawns? People are less connected in communities in which families are dispersed and corporations and whole societies no longer offer work or social stability. Such times arguably demand more vision from leaders than when life, inside or outside organizations, has more stability and less flux. When shared with others, positive vision, underpinned by positive or constructive values, has the capacity to generate a necessary sense of community and meaning in work and in life. Many people in the US seek such meaning in their work lives and places, partly because it is lacking elsewhere. Sometimes, this search for meaning is called spirituality; sometimes, it is called organizational spirit.

In this article, I argue that awareness or consciousness, which differentiates humans from other sentient beings, causes them to seek meaning in their lives, work, communities, and societies by developing social capital, that is, a sense of community, of being in "this" together. People derive meaning, at least in a work situation, from a shared sense of working for a better world. This common understanding is the essence of constructive visions that inspire people to believe they are contributing to something worthwhile. Further, although people can derive meaning from individual or personal projects, shared vision is fundamentally a collective outcome (Freeman and Gilbert, 1988). Social capital has a positive impact on economic productivity and the health of civil society. It is also an important element for shaping meaningful interactions within businesses and creating a basis for the contributions that generate meaningful work.

How do companies go about building social capital internally? In part, by creating an environment in which people can contribute and are acknowledged. In part, by forming an inspiring vision. Timberland is one company that seems to have made progress in creating internal social capital. The "getting together and figuring out our problems" that CEO Jeffrey Swartz talks about draws on the social capital that Timberland has generated through its community-relations involvement and the collective vision that the "pull on your boots and make a difference" motto signify (see the Timberland sidebar). This type of vision is what I call *constructive,* in that it provides a basis for developing shared meaning among participants in an enterprise like Timberland. Such visions not only provide a basis for generating a common good—something good that we do in common—but also help companies develop a culture that builds internal trust and links both internally with other employees and externally with important stakeholders like communities, suppliers,

"Pull on Your Boots and Make a Difference" at Timberland

With its motto, the Timberland Company, a New Hampshire-based manufacturer of hiking boots, sets a high standard for companies attempting to articulate and live up to their values. The family-run company has revenues of nearly $1 billion and a brand that sometimes has been considered "magic." Part of that magic resides in the values-based relationships that the company has developed with its core stakeholders: employees, customers, distributors, and retailers.

Jeffrey Swartz, CEO and president of Timberland, acknowledges the critical role of the company's values in promoting its brand and identity as a producer of top-quality, rugged, outdoor footwear and also as a company that gives back to its communities. Core beliefs at Timberland revolve around everyone's capacity to make a difference in the world and are articulated on the company's website (http://timberland.com):

> Human history is the experience of individuals confronting the world around them. Timberland participates in this process, not just through our products or though our brand, but through our belief that each individual can and must make a difference in the way we experience life on this planet. As a team of diverse people motivated and strengthened by this belief, we can and will deliver world-class products and services to our customers and create value for shareholders around the world.
>
> The Timberland boot stands for much more than the finest waterproof leather. It represents our call to action. Pull on your boots and make a difference. With your boots and your beliefs, you will be able to interact responsibly and comfortably within the natural and social environments that all human beings share.

For Swartz, success in this business means developing relationships with customers and with the local entrepreneurs who run Timberland local retail outlets, which the company calls community stores. The effects of a successful store in otherwise underserved areas ripple through the community and employees' lives. For example, the company recently opened a store in Washington, DC, where, as Swartz points out:

> [T]he environment . . . is underserved from a retail perspective, so it's a good business opportunity. It's also a good community opportunity because we hire locally, and part of the proceeds from the store are turned into scholarships for young people from the neighborhood where the store is located. It's good for the community in that sense. It's also good for the shareholder because we are serving the consumers otherwise not served with proper respect. We develop a terrific relationship with a local entrepreneur who's got a community/wealth/profit motivation. . . . It's good for the consumer, and the shareholder, and the employee. That's community wealth. It's not about charity; it's about social wealth. That's a different concept (Leand, 2000).

The integration of the needs of multiple stakeholders creates the kind of business culture and environment that Swartz and other employees at Timberland value. The company lives out its philosophy in numerous other ways as well, for example, by being the founding sponsor of the City Year Program with a $1 million investment. City Year allows people to devote a full year to community service in one of ten cities across the US and sponsors one-day "serv-a-thons." Timberland also supports other community-based activities, such as Share Our Strength, a program aimed at alleviating world poverty and hunger; AmeriCorps, which provides thousands of service opportunities annually; and City Cares of America programs, in which professionals are encouraged to volunteer their services.

Timberland's involvement in service and environmental activities, its encouragement of its employees to become involved, and its many commitments are a part of doing business well and building the type of company culture that will attract the talented employees needed for future growth. Swartz believes that the company's turnaround from a 1995 liquidity crisis was due largely to the company's internal community: "We got together and figured out how to deal with our problems" (Swartz, 2000). Swartz comments:

> Our greatest strength is that we have seen the potential to be a great and genuine community of caring, committed, passionate, professional people. If we perform at our highest level as a community, then we will make Mountain Athletics [a new venture] a better brand and we will make Timberland Pro a better brand and service our retailers better and we will have better results for our shareholders on a more consistent basis. We have goals, we have high purpose, and we have really talented people, and every once in a while, because we are deeply committed to this connection, we have these moments where we really are a community. We speak honestly. We take risks. We transcend our limitations. We aren't employees, we are passionately committed to the same high purpose. And I think in those moments is our greatness (Leand, 2000: 37).

—*Sandra Waddock*

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Cisco Systems' Vision Yields Social Capital and Meaning

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Called an "unabashed evangelist for radical changes in management," Cisco Systems CEO John T. Chambers has put his vision for a new, progressive business model—one that makes consistent links with a variety of stakeholders—into practice (Byrne, 2000). At Cisco, personal and organizational vision are unified, the meaning of the company's work is shared, and the company works hard to develop relationships with its multiple stakeholders that provide for both credibility and a basis for building social capital internally and externally.

According to Cisco's website:

> Cisco's vision is that the Internet will transform the way people work, live, play, and learn. Today change is happening faster than ever before, and Cisco helps companies turn that change into a competitive advantage, by helping them become agile. How? With expertise, a strong network of partners, and superior technology including intelligent network services and scalable architectures. Cisco is the worldwide leader in networking for the Internet (Cisco, 2001).

Cisco's unique strategy is built on establishing excellent—and online—*relationships* with its primary stakeholders. It has built an internal network structure that allows its stakeholders instant access to its resources. For customers, Cisco has the Internetworking Product Centre (IPC), so they can order online and get technical support, speeding processing of orders and deliveries. Potential customers can log onto the Cisco Connection Online (CCO) for detailed corporate information, products, and services. Suppliers are networked through the Cisco Supplier Connection (CSC), which offers direct access to Cisco's materials resource planning system and enables suppliers to monitor orders and ship automatically. Partners are linked through the Partner-Initiated Customer Access (PICA), which provides resources for sales initiatives; employees are connected via the Cisco's Employee Connection (CEC), an intranet intended to improve productivity (Eizengerg et al., 2001).

But it isn't just size or an 80% market share that makes Cisco a visionary company. Chambers is clear about the type of organization his vision implies:

> The reason people stay at a company is that it's a great place to work. It's like playing on a great sports team. Really good players want to be around other really good players. Secondly, people like to work for good leadership. So creating a culture of leaders that people like is key. And the third is, are you working for a higher purpose than an IPO or a paycheck? Our higher purpose is to change the way the world works, lives, and plays (Byrne, 2000).

To live up to these standards, Cisco applies its corporate citizenship very broadly to its customer and ally relationships, and has also implemented a number of strategically important community- and education-oriented programs. For example, Cisco deploys employee volunteers in local communities into many projects with corporate support. More important to its mission as a network services provider, the company has established the Cisco Community and Educational Technical Advocates (CETA) program, which integrates technical expertise and assistance into Cisco technology grants given to educational institutions.

Cisco has also established a program that will ensure a trained base of technicians in the future, while providing much needed help to many school systems—the Networking Academy program. Simultaneously, the academies develop external and internal social capital because they link Cisco's vision, values, and corporate citizenship to the external communities in which the company operates. The academies teach high school and college students how to design, build, and maintain computer networks, with a curriculum that ranges from basic networking skills to advanced troubleshooting tools.

and customers. Ultimately, such relationships result in social capital that acts as a source of organizational glue when times get tough, as they did in 1995 at Timberland.

Shared visions such as Timberland's become meaningful, however, only when they are positive and inspirational and when they allow people to see how their roles in the enterprise contribute, particularly to a common good. Vision creates aspirations; it enhances the pursuit of a larger purpose, something outside of and bigger than one's own purpose, generating a sense of "we" rather than "us vs. them" (Senge, 1990). In this sense of "we," social capital is found. And, increasingly, companies like Timberland are recognizing that the trusting *relationships* with key stakeholders that evolve from enhancing social capital are keys to competitive success.

Companies without social capital risk their stakeholder relationships. For example, without relationships built on trust, companies can face erosion of employee loyalty (a problem during employee shortages). They can experience negative responses from local communities that provide the necessary infrastructure. They can alienate their cus-

Making connections between a global organization and a local community in the developing world is challenging. In Cisco's case, these connections also involve crossing developed and developing country divides, income disparities, and cultural differences. After only three years of operation, Cisco's global academy network successfully connects 5,000 institutions in 84 countries and trains more than 129,000 students.

The Networking Academy has developed a global "education ecosystem" to keep pace with the rapid evolution of information technology. The word "ecosystem" emphasizes the holistic and self-sustaining quality of the academy that Cisco considers essential. The global system was quickly built through a simple strategy: find local institutions that can be partners wherever Cisco operates. These partners are mainly public and private education institutions, but also include business, government, and community organizations.

How do Cisco's academies work with respect to developing social—and other forms of capital—within communities? "We've got a problem of high unemployment," says the chairperson of South Africa's Houwteq Institute. "We saw an opportunity, and the Internet is the future." Houwteq is a post-secondary institution with students from traditionally black universities. With the need for employment, the demand for employees trained in networking technologies, and the problems of disadvantaged youth, the Networking Academy appears to be a win-win-win proposition. Program graduates obtain a globally recognized and sought-after certificate, Cisco has a source of trained employees in South Africa, and the country's technically trained labor pool has expanded.

Cisco has invested nearly $100 million in curriculum and software development, training, assessment, equipment donations, translations, and 200 to 300 staff people. The staff builds networks, develops curricula, and constructs the online teaching resource that is the backbone of the system. (For information, see: www.cisco.com/warp/public/779/edu/academy/) "Just over the last year, it has improved tremendously," says Nothemba Sonkwele, a teacher at Houwteq. "We now have really good simulations. [The program] is very well structured, the curriculum assumes no prior knowledge, and anyone can do it."

Another of Cisco's aims is to partner with organizations that are interested in working with traditionally disadvantaged people. This was a core reason for working with the International Youth Foundation and the World Bank's Business Partners for Development to nurture academies in four countries, with the thought that the networks would allow more adventuresome and creative delivery strategies to poor communities than mainstream education institutions provide. Academies have been established in homeless shelters, prisons, and women's housing projects, and community centers. In the Philippines, for example, the Ayala-Mitsubishi team's school had 127 students in its first year, 115 of them women, with an average household income of $650 per year. In South Africa, this focus was one reason that Houwteq, which focuses on recruiting students from traditionally black colleges, was the first local academy chosen; almost all the students have been women.—*Steven J. Waddell and Sandra Waddock*

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tomers with policies that seem to disrespect their real needs or foist poor quality products on them that are produced by sweatshop suppliers.

As the message about their relationships with particular stakeholders can spread globally at the click of a mouse, companies need to be increasingly sensitive to the meanings that stakeholders take from their actions. A wide range of observers, not all of them friendly, increasingly scrutinize those actions. Companies, recognizing that intense scrutiny, must work hard to engage interactively *with* their stakeholders in order to build social capital, as the Cisco Systems case illustrates (see the Cisco sidebar). Such interaction moves a company's social capital beyond internal boundaries and shares the vision broadly, helping to build community with other stakeholders.

A company widely known by the unglamorous label of "the plumber of the Internet," Cisco Systems builds social capital by focusing on its stakeholder relationships. The systems that Cisco has evolved to communicate with its stakeholders provide the basis for developing ongoing, trusting relationships. The two-pronged strategy of helping commu-

nities enhance their educational systems through Networking Academies while simultaneously building its own future workforce enables Cisco to do well and do good.

Notably, both Cisco and Timberland emphasize organizational values that go beyond the common notion of maximizing shareholder wealth. Timberland's values of "making a difference" and Cisco's "higher purpose" of changing the way we live, work, and play to include the connectivity of the Internet help stakeholders and employees see how their organization sees itself. In addition, visions underpinned by constructive values give many stakeholders a way to learn how their own efforts contribute to the good of the whole. As long as companies continue to sustain the trust that these vision and value combinations imply, they continue to build social capital with their stakeholders.

Numerous studies of civil society have shown that social capital contributes to societal health; its lack appears to contribute to the *dis-ease* that many people sense about their communities. Social capital also plays a role in successful economies, as business strategist Michael Porter demonstrates (Porter, 1998; Putnam, 1996). And I argue that the social capital companies develop with their internal and external stakeholders also plays an important, yet frequently unrecognized, role in their competitive success.

Building a Center

The potential of social capital and constructive vision to benefit corporate enterprise goes against the grain of current reality in modern organizations. For example, the disconnection inherent in turbulence, visions of maximizing shareholder wealth, and eroded loyalties that require each individual to become an entrepreneur may mean that social capital and a constructive vision are increasingly hard to achieve. Vision implies that we know where *we* are going and what *we* need to do to get there. Typically, what we need to do is collective and requires some degree of stability and loyalty to develop. Vision provides direction and focus and, when constructive, inspires commitment, engagement, reciprocity, and a sense of community—social capital. The current mantra seems to be "watch out for yourself and never mind others or even the consequences of what you do, as long as you profit." But, as the Cisco Systems case illustrates, there is no reason why profits and the meaning generated by shared vision cannot coexist.

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Meaning and vision are intangible, as is social capital. They cannot be measured quantitatively. And because most corporate culture, and Western culture generally, relies on the readily measurable and observable, these intangibles are typically given short shrift. Organizational spirit, based on coherent values and a constructive vision, may be just the glue needed to hold the center and provide meaning in work and, ultimately, result in better productivity.

If, as I have argued above, spirit—and success—derive from the social capital of connectedness and a vision that unites, then drawing the lines of connection among and between stakeholders may be a key to creating meaningful enterprises. Primary stakeholders constitute the organization; these stakeholders are the employees, suppliers, allies, owners, and customers on whom the company depends for its existence. Social capital in a company is built on the trust and reciprocity inherent in internal and external relationships. Corporate practices have an impact on stakeholders and can build or destroy social capital and meaning, depending on how they are implemented. Such practices encompass not only the corporate vision and mission but also the ways in which relationships with employees, customers, suppliers, owners, and local communities and governments develop and are managed.

Employees form the essential core of any organization. Without them, no work, meaningful or otherwise, gets done. If we think social capital and vision are important, then employees and other contributors need to know their places within the hologram that constitutes the organization (Senge, 1990). They need to know how their work af-

fects the other stakeholders on whom the company relies. They need to know how their work contributes to achieving the organizational goals that effect the building of a better world. Simply stated, they need to know what the constructive vision is and how to help achieve it.

Management can enhance the corporate vision by carefully articulating it and illustrating its constructive aspects, that is, how it contributes to the better world that I believe most people want to build. That, however, is not enough if we believe that social capital is also important to long-term success. Social capital is built, in essence, on community. Communities are built on trust and reciprocity, care, and mutuality of endeavor, not on disloyalty, fragmentation of purpose, and selfishness. Creating this spirit may require not speeding up or fragmenting into ever smaller, disconnected entrepreneurial units, but rather slowing down and paying attention to the whole (or holon [Wilber, 1996; 1998]) that the enterprise represents within its broader society. Slowing down allows reflection, community, and meaning to emerge, and helps create connections among vision, values, and the way that value is added.

Communities are built on trust and reciprocity, care, and mutuality of endeavor, not on disloyalty, fragmentation of purpose, and selfishness.

Building trust and reciprocity may require taking a long-term perspective that we are all in this together, that we can make a joint contribution to better the world, that we have a common project that matters. That perspective requires thinking through the consequences of practices or wisdom, as Russell Ackoff has noted (Ackoff, 1999), and mindfulness. To build trust and reciprocity—community and social capital—with stakeholders, both leaders' and their companies' goals need to be worthy of trust. There can be no gap between the rhetoric of valuing employees, customers, or suppliers and the ways in which operating practices are enacted daily and experienced by stakeholders. Leaders can shift company practices, sometimes subtly, toward generating meaning, social capital, and vision by thinking more carefully about company practices and their impact on stakeholders, as the examples of Cisco and Timberland show. For example:

- Center the organization by creating a constructive vision with associated values that demonstrates how it contributes to a better world, and then regularly and carefully communicate those values to relevant stakeholders.
- Create corporate practices that treat key stakeholders with dignity and respect; that is, live up to the articulated vision and values. Think about the consequences of a decision and whoever will be affected. If disrespect is implied, rethink the decision.
- Create feedback loops—communicate the organizational holograph—to stakeholders, showing their contribution to the vision and ensuring that their work is appreciated (Senge, 1990).
- Develop social capital by allowing time for reflection about work done together, the impact of that work on other stakeholders, and how to improve it. Creating or fostering multiple communities of practice centered on common issues, topics, and specific practices achieves a vision that enhances internal social capital (Wenger, 1998; Snyder, 1997).

The humanization that comes from positive social capital occurs because links within a community create a network of reciprocal relationships and mutual obligations among individual members. It brings us closer to recognizing that we live in a society, as former Secretary of Labor Robert Reich has stated, not simply in an economy. It allows space in busy work lives for the "soft stuff" that ultimately matters: community, aesthetics, nature, spirit, care, respect, and meaning.

Community members also exchange information, which helps them build a shared identity and common values. In turn, these values generate norms of behavior and appropriate practices that provide sanctions where appropriate and rewards where feasible (Penner, 1997). Social capital thus builds meaning and spirit. It can create a center that perhaps *can* hold, prevent anarchy from being "loosed upon the world," and ensure that the "best" people, companies, communities, and societies maintain their conviction, along with passionate intensity, to fulfill the common purpose of building a better world.

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Acknowledgments

Commentary

by James E. Post

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Sandra Waddock makes a convincing argument for rethinking the modern corporation as a vehicle for creating wealth and advancing society. We live in an era when intense pressures force corporate leaders to focus more narrowly (and "mindlessly" in her terms) on financial performance and shareholder wealth.

It is increasingly difficult to identify companies that value their social capital, build trusting relationships with all of their stakeholders, and demonstrate the mindful approach Waddock urges. Still, there are examples worth noting. Timberland and Cisco are cited as examples deserving careful study. Each surely has its critics, but their long-term social performance is more than public relations spin.

Wall Street pundits have pointed to the demise of hundreds of dot.com companies as further proof that humanistic commitments are incompatible with financial success and that firms that prize the "soft stuff" are doomed to financial failure. I think such views totally miss the mark.

The large, un-centered corporation, whose executives can only discuss their company's success in terms of share of market, ROI, ROE, and share price, is a dinosaur. Who wants to work for such an organization? Employment is instrumental; long-term commitments are disdained; the old social contract is a drag on the corporate future.

But a company that is not doing interesting work, with benefits that accrue to society and all its stakeholders, will find it difficult to persuade employees, customers, and communities that it is worth their time, effort, and energy—their "lifeblood." Turnover rates rise, morale declines, and the disease spreads throughout the body. It becomes the *leukemic corporation.*

Social trust and social capital are the "ties that bind" people to organizations in a voluntary and productive way. Corrosion weakens these ties. They may not break at first, but over time, there is no logical reason to think that they can survive the long-term effect of *social rust.*

What is often lost on executives, operating under pressure of the shareholder wealth argument, is that employees need not "exit" an organization to display their dismay. People "check in" to an organization for utilitarian reasons—jobs, careers, products. But people also "check up" on the organization's values every day. When the social rust exceeds the social trust, people will begin to "check out," in mind, spirit, or body. Nothing undermines an enterprise more quickly or surely than the loss of faith in its purpose, or its leaders.

Applying Systems Thinking in a Small Knowledge-based Company

Tim Hickey

Managers who recognize that each organization is a system interconnected like the many threads of a web can encourage that system toward healthy growth. While most managers are familiar with various management concepts and tools, too often they deal with each separately. Systems thinking provides a practical way to consider the interrelationships of a business and the whole range of management tools. In order to borrow effectively from multiple management concepts, you should view each as one thread to weave an ever-stronger web within your company. Envision all the effects throughout the system. All the tools—chaos theory, organizational learning, continuous improvement, total quality management (TQM), cross-functional teams, and others—are strengthened if you see how they fit within one consistent approach.

As systems thinkers already know, stories provide an easy way to learn. The following story of my first year and a half as the president of a small company illustrates my actions to drive growth while thinking of the company as a system. (I am no longer affiliated with the company and have not revealed its name.) My story discusses many of the threads, or tools, found within the developing web of a rapidly growing business.

My systems view has evolved from various experiences. My attention to the systems behind organizations has led me to experiment with system improvement. As my understanding has grown, I have come to see that "systems to improve systems" are a powerful way to improve work flows. I learned a great deal about the work of Shingeo Shingo, the creator of the Toyota Production System, when I was director of international sales for Productivity Press, Shingo's American publisher. Shingo saw and addressed interconnections, more than "events" (Shingo, 1989). I have also studied TQM and other systemic methods of improvement like *Implementing a Lean Management System* (Jackson, 1996). I have attended Pegasus's systems thinking conferences and read articles and books on systems thinking such as *Learning Organizations* (Chawla and Renesch, 1995). Of course, using these ideas in the workplace has given me a deeper understanding based on experience. And a 12-year study of meditation has also shown me that, indeed, everything is connected.

"Fixes" that do not recognize and consider interrelationships are not likely to be effective or lasting. But even fixes that do consider the unintended consequences still will not be permanent. Because systems are in continual flux, improvement also must be continual. Stimulating the creative energy of the individuals and organization is the best hope for sustained healthy growth. My biggest job was to mobilize people; their creativity could be applied to creating quality for the company's customers and environment. The company also needed to present an honest, clear, and consistent image in the marketplace.

The Company's Background

The small company in my story provides translation and localization services for large organizations doing business internationally. Localization is the preparation of websites, software, or other products for a particular locale. It includes and goes beyond translation

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of text from one language to another: it also addresses cultural issues, formatting differences (such as dates, times, currency), usage or layout differences (such as reading right to left), and many other topics. A localized website should feel as if it were created in the user's country and language. The company works on various software languages, platforms, and operating systems, localized into many languages. It has a core staff and hundreds of global contractors.

For the first time in the company's five-year history, the owners were unsatisfied with the management of service and quality. The company had always done top-quality work and made a profit. In 1996, everyone in the company worked very hard, but results were poor. The company did get some new business, after relying too heavily on one customer for years, but didn't satisfy the new clients or convert them into customers. The owners decided that they needed to reconsider their executive committee model and hired a consultant who provided some sound advice in some areas and other "not so sound" advice. He advised that the company needed a president who would have the authority to run the company, so the owners hired me (I like to think this was a good decision). Previously, they had hired general managers who did not have authority; rather, the executive committee ran the company. For a while, this had been sufficient, allowing the company to grow until it reached a critical management juncture. However, management by committee is nearly always unsuccessful.

The consultant also suggested that the company not localize software, but only translate documentation. This decision was based on reasoning that the company had had trouble managing itself and needed to scale back. Unfortunately, those problems were not in the area of software localization, so this was a very poor decision. Software localization offers much potential in this industry, and many customers needed to have localized documentation and software. To offer only half of what many customers required precluded the company from working in a vast portion of the market.

The consultant advised that some people be laid off; others decided to leave. Those who remained were insecure and uncertain about their futures. The restructuring shook the trust of remaining employees: they were convinced that the owners were "bad guys." Pay levels were frozen. Morale could not have been worse. On top of all that, the company was at risk with its biggest customer. The challenge I faced as the new president was to improve most areas of the company dramatically and, at the same time, provide a sense of stability to the workforce.

Integrating Thought, Communication, and Action

The company desperately needed thought, communication, and action. A change in one area of the company would have consequences, intended and not, in many other areas. To bring about the needed change, I had to anticipate as many consequences as I could. I avoided the urge to micromanage to ensure that the changes were driven by the employees, with clear direction from management.

Open communication is itself a stabilizing influence. Even when conveying a message of change, good communication builds understanding and connections. Understanding and being a part of change make it more manageable, perhaps even exciting.

Even when conveying a message of change, good communication builds understanding and connections.

Action, however, cannot wait until everyone agrees. I had to move quickly and make many large and small changes. The small ones were clear messages and stimulators, and the large ones engaged the staff people.

The integration of people and efforts was the key to growth. I highlighted the connections among employees and our customers. I repeatedly said, "All we have to do is everything right." I knew that fixing only one issue would be insufficient. I hoped that the company could continue to face new problems, because to continue to face the old ones would mean failure.

Too much control and structure does not work in a knowledge-based service company. Stimulating energy while providing direction and feedback is the most appropriate way to encourage healthy growth. Lasting change cannot be mandated. But I could

not control all the results. For example, encouraging people's involvement in change by definition precludes knowing the outcomes. I could present the new organization to the marketplace, but I could not control the market's rate of response. The best I could do was continually ask, listen, and act thoughtfully.

If the whole is not working well, it is the leader's job to stimulate and *allow* the organization to develop. Many managers are terrified by chaos, but this company had tried control and found that it did not work. I saw chaos—an open-ended, multiheaded search for equilibrium—as a stage of growth the business needed to go through in order to reorganize itself. In addition to the uncertainty introduced by the action plan, the staffers who had worked at the company before me were not only uncertain, but highly suspicious. While I created budget projections and acted in many areas, I also faced uncertainty. I stimulated growth and trusted in the company's developmental progress, believing that if I made clear the overall direction and stimulated the thoughts and actions of the community, the company could grow through the uncertainty.

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Customer Focus

My goal of building a company that focused on the customer guided us through this period of change. I immediately had to make this new focus the driving force behind the work. I started talking about the meaning and importance of focusing on all customers. Until then, the company had devoted itself to one major client. It had erred, however, in applying the specific needs of one customer to all customers, thereby being internally driven (product-out) rather than being customer-focused (market-in). We quickly made an on-going effort to understand what *each* customer needed and to meet those needs.

During my first week, I introduced a monthly "customer delight award," a $35 restaurant certificate given to an employee. Anyone in the company could nominate a colleague for the award, based on something he or she had done to delight a customer. This made a clear statement that customers really are important. People also recognized the contributions of their colleagues and saw that they could make a difference. The award gave employees a way to acknowledge each other, gave the company a way to recognize staff, and showed we were interested in having some fun.

In a small company, a limited number of key issues must be identified and consistently tracked to make metrics manageable and useful. To determine which metrics to track, I began by surveying customers to find out what they cared about most. As a result, two measurable performance metrics emerged: on-time delivery and satisfaction with projects. The company averaged about 95% on each. By continuing to listen to customers, I found that we needed to increase, rather than eliminate, software localization. We reversed the earlier decision and rebuilt the localization department.

Building Community and Communication

In an effort to build community and communicate clearly, I held companywide staff meetings every Monday morning at which news and information was shared freely. The first few meetings, soon after I joined the company, were grim affairs. No one was willing to speak. People would not laugh or enjoy themselves. Quite quickly, after unflagging efforts to engage people in company activities and continuously respectful interactions, the meetings evolved into true information exchanges. The atmosphere became light and filled with camaraderie. Employees exchanged lots of "hard" and "soft" information, including personal information. It was essential to give staffers an opportunity to discuss issues with

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each other outside of deadline-driven projects. With a little time to talk about what they each needed to do a good job, they could understand each others' needs. When that happened, they were willing to support their colleagues who were also supporting them.

At company meetings, we shared some "communication tips" about cultural differences, use of language, listening skills, and so on. Someone, for example, read a humorous but useful list of ways in which people could avoid listening—like "the rehearser" who is always thinking about what he will say next instead of listening. People liked it so much they requested printed copies. By fostering a culture of communication, I engaged people, enlisted their much-needed contributions to working together, and built the business.

I also achieved some progress by hiring people to fill key slots. To improve morale further, I gave each new hire the specific mission of helping the people who had been at the company through some hard times to "get over" the past. Some people responded to change by resisting, by letting it happen, by giving passive support, or helping to make it happen. I fostered the people who wanted to make it happen and the passive supporters.

Building community and communication was challenging because the company had a multicultural group of employees. Our global contractors were people living and working all over the world. Our inhouse staff included people from France, Germany, Holland, Guatemala, Japan, Hong Kong, Ukraine, Russia, and Iceland. Even the US staff represented diverse locations from Portland, Oregon, to Boston, as well as people who had lived in France, Ecuador, Russia, and other places. Staff people became more aware of the challenges so their attention and communication skills increased in proportion to the problem. The one thing that we all had in common was that we were all different.

Providing recognition and motivation can build both individual effort and a sense of community. Even though money was tight, I removed the pay freeze. People started getting overdue reviews and raises. By not giving raises, the message had been sent that the company was in trouble, something that can rapidly become a self-fulfilling prophecy. I was willing to trust our people. The "customer delight award" provided recognition for people's efforts as well. We also printed up business cards for everyone, regardless of position, to make people's importance obvious.

Continuous Process Improvement

The processes to complete customer projects were complex. To progress rapidly and improve employee moral, I felt it essential to involve all the staff in the required improvements. While there had been some systems in place when the company had just a few people, they did not scale up to the demands of the current work force. Motivating staff to take ownership of their work, which I accomplished by releasing some control to the employee-driven improvement processes, addressed the frustration the company owners felt over the lack of commitment toward quality, on-time delivery, and costs. By giving employees ownership of their work, I steered away from the old model of trying to predict and control all outcomes, which feeds the loop of anxiety, fear, and hostility. The new model directly engaged employees in improving the processes and the company. I stated firmly that I would not sit in the corner office and try to determine what everyone else should do and how to do it. The people doing the work were the people who knew best what needed to be done.

By giving employees ownership of their work, I steered away from the old model of trying to predict and control all outcomes.

I kicked off a "process and quality improvement initiative." As we did not have time to waste at poorly organized meetings that did not achieve stated goals, I called in a professional facilitator, Sara Grigsby of Healthy Systems, to keep the meetings on track. The first facilitated meeting, called the "Process, Quality, and Pizza Meeting," included everyone in the company (note the trend; work can be fun). What we tried to accomplish in this all-day session was aggressive, but the company needed to improve quickly. The meeting not only began the improvement process, but gave people a practice field for participating in effective meetings.

We initially limited the focus of the process improvement to clients' projects. In that first meeting, we introduced the model and facilitated meeting management. We quickly reviewed all existing procedures, and many saw for the first time the useful tools we already had.

We agreed on our goals for working on client projects. Together, we identified 44 problems, ranging from "quoting tools are nebulous," "tunnel vision: people don't have the big picture of how pieces fit together," "formatting of files is wrong," "lack of positive attitude that problems can be solved," to "we keep making the same mistakes over and over." With this list of issues, we could focus on solutions.

The company needed an environment in which people would continually seek improvement in work processes. Some people could not grasp the concept of continuous improvement, but asked, "When will we be done? What is the deadline?" They were uncomfortable. However, the vehicle for working on the issues was in front of them, and their efforts were soon funneled into solving the problems.

Effective Teams

The opportunity to have an impact on how the company operated came when employees participated in cross-functional teams. The teams helped people understand their importance and the role of others, and made their work more fulfilling. People could see the changes and felt good about participating. I created each cross-functional team to focus on one part of the process. At a companywide meeting, I assigned problems to the teams. Later, I reviewed and revised these assignments so that most problems were given to only one team, while some issues, which affected everyone, were given to several teams.

Early on, almost everyone had to be on two teams because the company had so few people. I assigned a team facilitator to each team, who was also a participating team member. I gave some initial training to all the facilitators and personally led at least the first meeting of each team. Before long, every person was being professionally trained in how to participate in effective meetings.

While I assigned some problems to teams, they identified others themselves. They made recommendations, which the management team then reviewed for approval. They sent the suggestions back for more work or accepted, rejected, or forwarded them to another team for input in a classic plan, do, check, act cycle. An overview of the entire process kept the teams moving in the right direction and avoided duplicated effort. The outcome—the clarification of processes and the forms to support them—was printed and also issued electronically in a "quality through process" manual. This living document undergoes continual revision as teams identify process improvements.

As time went on, subcommittees emerged and subsided. New teams formed, and, as the staff grew, most people were on only one team. I promoted an environment for self-organization and stimulated the energetic flow within a workable realm, allowing structures and patterns to evolve. Sometimes, people were upset about their lack of input. For example, the operations manager was unhappy that a new subcommittee had been set up without her knowledge, although she actually learned about it within a few hours of its establishment. The level of communication had improved so much that she was unhappy when it took two hours to learn about something!

As the company emerged from the chaos of the initial quality improvements, I quickly began to see results. In just four months, the teams had created the "quality through process" manual, a major effort and a considerable success. Just being a part of the effort had an impact on most employees' work. Even before the processes were clarified, people saw what was important. Communication and quality improved quickly and dramatically.

Successes and positive comments from vendors and customers were posted on the bulletin board and read at companywide meetings. Later, we added monthly awards for teams and contractors. It's nice to win a prize, but being acknowledged by coworkers is probably more important. And probably the most meaningful reward for people was to be part of a vibrant event, so they could feel an active and important part of something dynamic and growing.

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Systems Marketing

The underlying thought behind the integrated direct marketing program was that the company needed to send a consistent message in all its marketing efforts. This would be successful over the long run only if marketing efforts projected what the company really was. It took some time to identify, but I settled on some basics quickly. One was to present the company as "approachable experts." We established a unique selling proposition, identified a range of colors and type styles for marketing and advertising, and created images that suggested quality and international business. We systematically put the company in front of the marketplace with a consistent look and message. We backed up the marketing message in operations.

It was also clear that customers needed help in learning how to properly manage the localization of their materials for global use. Understanding this helped us understand them and ourselves. I asked several employees to help create a booklet to educate customers. The intent was not to tout our prowess, but to assist customers and prospects in preparing materials, software, documentation, or training materials that were to be localized. Originally, I had envisioned a 12-page booklet. I assigned several people to write about their areas of expertise and planned to edit their articles so that the booklet read with "one voice." It became clear, however, that to try to take the voices out of the articles would be a mistake. They were fun to read, and each contribution was loaded with the writer's personality. So I put each writer's photo next to the article with a short, humorous biography. This suited the "approachable expert" theme while providing meaningful and helpful content and lots of personality. As the project progressed, more ideas for articles developed, and the book grew to 80 pages. After distributing a couple thousand, we created a second edition of 92 pages. The book established the company as experts and helped the staff people recognize that it was true!

This project is a good example of systems at work and of self-organization. We had the guidelines (approachable experts and educating the customers) and knew how to put them into practice. The project, however, took on its own life, better than my original idea. Willingness to let the project unfold, instead of trying to control it, led to a fantastic outcome. And it was a great team effort that worked, even though we never had a team meeting.

Keep It Real Campaign

The "Keep It Real" campaign informed account executives not to promise what we couldn't deliver to customers. They estimated jobs and priced them on actual time and costs. They told clients what the company needed from them to do a good job. If a request was unreasonable, however, they discussed it.

One account executive had to notify a customer that she had underestimated a job, which would cost more. This was a hard message for the AE to send, but she did it. The customer, who had learned that the company dealt honestly and didn't play games, did not question the higher estimate. I realized how infrequently we had to do something like this because we worked so hard to be realistic and there were few surprises.

The campaign also reminded managers to be honest with staff people when there were problems and not to avoid difficult confrontation. To be confrontational without being supportive is destructive. Whenever there was a question to be answered or a decision to be made, "keep it real" seemed a useful guideline.

A Learning Organization

All the things I've discussed added up to the company becoming a learning organization. But all of us struggled all the time. When I hired several new people early on and we won some new work, the challenge was to deliver quality work. At that time, we were unsuccessful in hiring new employees who understood and were committed to the procedures their colleagues had created. So I increased orientation and training and altered the management structure to address these issues for the whole staff. Everyone took outside classes, we taught each other, and we updated our processes through teamwork.

We continued to wrestle with the complicated flow of information for project estimating. Some people got frustrated, sometimes tempers flared, and we were not always efficient. I kept reminding them that the company would always have problems and that we should hope they weren't always the same problems. We improved many processes and documented and shared those improvements in numerous formal and informal ways.

The challenge in every organization is to help people develop along with the systems and organization. If the two don't go together, the growth will be unsustainable. People have individual assumptions, foibles, and strengths. It is hard to create an environment in which they can contribute meaningfully, are recognized, and can grow professionally, while dealing with difficult personal interactions.

> *The challenge in every organization is to help people develop along with the systems and organization.*

I worked hard to create an environment in which heroics or "fireman tactics" were not the order of the day. When an extraordinary effort was needed, I was grateful when someone came through. I didn't however, support that as the norm. I didn't want the company to be reactive, but tried to maintain an atmosphere that promoted learning from occurrences, so we could do a better job the next time, without the heroics. I tried to create systems that supported good work and growth and that encouraged people to go home and have a life outside too. I wanted growth to be sustainable. In order to be flexible, systems and procedures must be clear. If employees are knowledgeable and empowered, everything can be standardized so they can spend their time creatively working on the other issues that will always pop up.

Outcomes

The company was reinvigorated, morale revived, and employees became engaged in their work. I freed staff to give input that was reviewed and used to improve processes. The company's sales increased in 1998 by 133%. I attracted several talented new people and improved the work lives of employees. From the time I started in May 1997 through the end of 1998, only one staff person left without being encouraged to do so.

The manual of internal processes was effective in demonstrating that the company had thought through, captured, and communicated how to work effectively for customers, which helped keep old customers and win new ones. We greatly expanded the customer base, which had many positive effects, including reducing an over-reliance on the biggest customer, while strengthening ability to serve all customers well. The company was recognized in the national marketplace as a contender for big jobs; some of the biggest companies asked us to bid on major products. Despite the rapid growth—not easy to manage in a service company—the company was profitable.

Having been a part of this change program has reinforced my impression that the interrelationships between everything are most important. It is also more evident to me that the tendency to control can defeat us. When the going gets tough, many managers want to clamp down, which cuts the flow of energy, thereby putting the organization into decline. It is difficult to sustain a healthy environment; however, I am convinced that it is the only worthwhile approach to building an organization.

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Commentary

by Deborah Heller

Tim Hickey arrived at a start-up company in transition and tried to create an environment that would build on the energy of the past and provide stability for the future. He describes many activities that seem to have been effective by the time he left. In a way, I feel I was seated at a three-act play but left before seeing the third act. I am curious about what has happened since he left, what worked, what didn't, and what thoughts he might have about why.

One of the more interesting parts of this story is how a young company makes the transition to a more "mature" organization without losing the excitement, flexibility, and creativity of the early years. Start-ups are almost by definition chaotic, self-organizing systems. The successful ones are fluid, making it up as they go along and changing and modifying on demand. Employees bring many talents, skills, and the capacity to apply their abilities to different projects. There are multiple activities, some collaborative, and some episodic and redundant. While it's hard to have clear boundaries and defined spheres of influence when everyone is working with everyone on everything, the intimate work environment provides opportunities to make changes and corrections.

However, as the complexity of business and the number of employees increase, the self-organizing process hits more "jams" on the way to new configurations. As these jams increase, frustration rises and energy and morale drop. A loop forms in which business demands escalate, there is diminished capacity to meet demands, morale and energy decline, products and service suffer, and business demands increase even more. Not infrequently, this is when everyone is aware that they need a new way of doing business.

Often the transition to a new way of doing business requires a shift from founder leadership to outside leadership, which can be a bumpy process. Not infrequently, companies in the search for rationality and predictability gravitate to a more traditional, structured organizational model as they try to establish sorely needed policies, procedures, systems, and standards. This new structure often feels heavy and bureaucratic. Sometimes, the most creative and innovative staff leave, and those who stay remember only the adrenaline rush of the early days rather than the frequent unnecessary rework, capricious decision making, and insecurities about the next paycheck. After a few years of "structure," the pendulum often swings back toward the middle, and companies begin a new search for a leadership model that blends both creativity and predictability. It is far more effective to find a successful alternative to the highly structured model, and Hickey's concern about overly controlled environments and decreased energy reflects his attempts to create the "right" organization for this company's success.

What does Hickey's story about a young company in transition tell us? The first challenge is to stay alive. Many of Hickey's efforts in providing direction, opening communication, involving employees, and providing recognition serve to revitalize and energize staff. He tried many interventions, some quite successful. But graveyards full of failed start-ups bear witness to the fact that happy, motivated, and energized employees may not be enough.

The ultimate challenge is to create sustainability and viability that leads to continued success and profit. Sustainability results from a combination of factors, not the least of which is the interaction between the demands of the external market and the company's ability to satisfy those demands regularly and consistently, while continuing to innovate to meet future needs. The business challenges Hickey describes are examples of this interaction. They include capturing the voice of the customer, developing a business model that provides value through superior products and services, creating processes to deliver the promised products and services that include effectively estimating and costing work, broadening and defining the market, and reaching customers through an integrated direct marketing program with a consistent look and feel.

As systems thinkers, we each bring a perspective about organizations and about change to this story. We also come with a lens, a way of seeing, a point of view, and our own paradigms about organizations. I suspect that Hickey pays attention to energy; to creativity, autonomy, and control; to human resources; and to the connection of tools and management concepts. His "way of seeing" led to various interventions in multiple parts of the system.

My paradigm would probably lead me to focus on strategy, the internal and external system, the developmental stage for the organization, short- and long-term goals, and the transition challenges. As a practitioner, I want to expend the minimum effort for the maximum results in the shortest time possible. I try to choose only a few high-leverage interventions that will have positive ripple effects on other parts of the system.

Hickey's story leaves me wondering what others would have focused on and how results would have been different or more or less lasting. This story would be a provocative, engaging topic for a conversation.

Commentary

by Göran Carstedt

Hickey gives us down-to-earth, hands-on examples of what terms like customer orientation, organizational learning, empowerment, and organizational growth and change really mean. He also presents a good example of what a learning organization really is about.

Göran Carstedt
Global SoL Network

What will people learn from reading this article? Will readers be able to do much with the advice? I am not convinced. However, this has less to do with the message than with readers' expectations. People normally expect well-structured advice in the form of "1-2-3 steps or formulas" or theory-anchored concepts. Hickey gives us a story which confirms that good organizations, capable of growing, changing, and creating their own future, are those in which the leader creates space and energy by truly believing in people. Hickey believes that people perform better when they participate and are kept informed, that they support what they create, that involvement creates better quality and better results, that they want to learn and achieve, and that the more you give people the more you get back.

Hickey's story is full of precise examples of how to invite an organization to do something meaningful, purposeful, and "learningful" and of how to define a direction that is truly customer- and coworker-oriented. Hickey's powerful message is not what he did, but what he did not do when confronted by serious challenges. Normally, turnaround cases are about the CEO hero working for his mighty board of directors. However, Hickey's story is about a whole team working for customers and colleagues. Normally, these cases are about driving change by implementing bold plans and about setting stretch targets and measuring and controlling. This story is about listening, making mistakes, having fun, and managing change in small doses within a customer-oriented focus, recognizing and celebrating small steps. Normally, turnaround cases are about undoing what predecessors and the company have been doing wrong before the arrival of the new CEO. This story is about bringing out the potential that already exists in the organization and helping people see the qualities they already have.

What Hickey tells us is that change is less about reorganizing, restructuring, and reengineering and more about reconceiving. In Dee Hock's words, "When we reconceive an idea, a product, a company, we create a whole new order and creativity will flood our minds" (Hock, 1999). Change is more about enabling, interpreting, and caring and less about implementing. Change is consequently the essence of learning.

I can imagine some readers questioning the relevance of this article, since it is built on a small-business case. However, I suggest the opposite. Caring about customers and coworkers often comes very naturally for smaller companies, and they don't need an outside consultant to tell them this. Larger organizations therefore have much to learn from such cases. Being from a small, family-business background myself, I have seen the potential in bringing a small-company philosophy into large corporations like Volvo and IKEA.

The story is, of course, about systems thinking, but it is also about "people thinking." To quote one of my great mentors, Russell Ackoff, "Effective management of a system requires effective management of the interactions of its parts, not of the actions of its parts taken separately. This runs counter to the prevailing practice of management in the West—which is divide and conquer" (Ackoff, unpublished). In that sense, Hickey's story is truly an example of a good alternative to prevailing practice.

We should welcome reflective practitioner stories and bridge them with theory in order to develop a better taxonomy. We need to better understand the true inner prerequisites for creating healthy organizations worthy of people's commitment. That is what Hickey shares with us.

But he leaves me some questions: Why did he leave the company after a year and a half? What happened to the company after he left?

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Response

by Tim Hickey

I am grateful for the thoughtful commentaries by Deborah Heller and Göran Carstedt, and I'm sorry if I left them and other readers "hanging" in the search for an ending. I guess that this did not occur to me indicates how I think. My interest is in organizational development, which is ongoing. In particular, I am fascinated by the transitional phase Heller describes. This article is intended to illustrate how a transition can happen "without losing the excitement, flexibility, and creativity." That is indeed the challenge.

The story of the company did not end after a year and a half, nor did I leave at the end of the time covered by this article. I was there for another year and half. The next stretch was not the same as the previous, as you would expect. There were successes and failures, ups and downs. The downs included a small contraction that was very upsetting for many people, but from which we recovered within the year. Overall, the company did very well, and had greatly increased revenues and profits. At the time of my departure, the company was still growing, while dealing with many ongoing challenges. Fortunately, the story didn't end. Profits were at record levels for the company and in the industry.

Of course, my story also continues. I'm in a new set of circumstances and am currently neck-deep in challenges working at Columbia Ultimate, a financial software company. Columbia Ultimate is a 20-year-old firm that is reinventing itself. This time, I am the vice president of product management and marketing. As a member of the executive team, I am happy to still be working on organizational development. A particular challenge here is the well-established culture with many wonderful traits, but that also needs to adapt in order for us to succeed. I have a great boss, and am continuing to learn and grow in a new environment. As Carstedt notes: "Challenge is the essence of learning."

The Salty Line Manager and Organizational Learning: A Conversation with Nick Zeniuk

Christine R. Day

A leader in championing organizational learning at Ford Motor Company, Nick Zeniuk and his partner, program manager Fred Simon, collaborated with Daniel Kim, Bill Isaacs, Peter Senge, and the late Dr. W. Edwards Deming in building the Lincoln Continental team, which set company performance records in multiple measures of quality, timing, and cost savings. Zeniuk continues his involvement in SoL, as a member of the elected governing council and as one of the "stewards" of the emerging global SoL network. In addition, he serves as an adjunct faculty member at the University of Michigan-Dearborn where he is responsible for designing and conducting organizational learning competency programs.

In July 1995, Ford and The University of Michigan-Dearborn joined forces to create an organizational learning program for Ford's component divisions engineering and manufacturing communities. This effort began when staff and faculty members from the College of Engineering and Computer Science (CECS) at The University of Michigan-Dearborn (UM-D) met with several members of Ford's Automotive Components Division (ACD) to discuss the college's interest and expertise in developing an organizational learning program partnership. The director of ACD's Technology and Process Leadership Office believed that change, and the capacity to respond to it with agility, creativity, and effectiveness, was a new competency that the automotive industry had to master in order to compete in the global marketplace. Faced with change as a constant, organizations that embrace opportunities for change welcome innovations to processes, practices, systems, and culture. The ACD director believed that the five disciplines of organizational learning as defined by Peter Senge connected with some of the most fundamental aspects of change. He envisioned the creation of a learning community—partnering Ford and UM-D—where both parties would collaborate in order to create an organizational learning program.

Both ACD and CECS agreed that the five disciplines of organizational learning provided a framework for change processes. By utilizing organizational learning tools, individuals and their organizations could move away from "change-fragility" to "change-hardiness." Since engineers and other technical staff from the automotive industry would be the primary participants, it would emphasize the five disciplines or organizational learning and focus on systems thinking combined with traditional engineering problem-solving skills to help participants resolve business-related problems.

Zeniuk was a member of the project's external design team. He speaks and presents at seminars and conferences for corporate, academic, and public organizations. His leadership and success at building high-performance teams has been featured in Fortune, Automobile, Personnel Journal, *and on PBS and NPR. He has authored various articles, coauthored* The Team Learning Lab, *contributed to* The Fifth Discipline Fieldbook, *and has consulted with corporate, government, and international organizations.*

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Christine R. Day (CD): You were very active in bringing organizational learning concepts to Ford Motor Company. Tell us how you became involved with The University of Michigan-Dearborn program.

Nick Zeniuk: When I started working on the program, I had recently retired from Ford Motor Company. I was the business program and launch manager for the Lincoln Continental program, which became one of the first projects to use organizational learning theories, methods, and tools. It was an extremely successful launch. I participated not only as a program leader but also as a teacher, coach, and facilitator for the organizational learning initiatives.

After retirement, I thought I would like to pursue this kind of work, and I was invited to become a consultant and research affiliate at the MIT Organizational Learning Center. During that first year, another recently retired Ford program manager and I introduced several companies to the work of organizational learning based on our experience with the Lincoln Continental program.

Roger Saillant, who was then a Ford executive, invited me to participate in the design of a curriculum for The University of Michigan-Dearborn. The purpose of his request was to ensure that the program had the view of the line manager. Saillant's perspective was that there were too many consultants developing this program, both internal and external, and not enough people who had the experience of running a profit-and-loss business. Saillant knew I had business planning managerial expertise. He wanted to get my input as a *line manager*.

CD: How did you integrate your business acumen into curriculum development?

Nick Zeniuk: I participated in the design meetings with the team, and, in the beginning, we had significant differences about how to do this work. There was the outside consulting team, which had their own views; then there was my perspective, the Ford people's ideas, and The University of Michigan-Dearborn team members' perspective.

When we started out, there was a lot of emotional discussion about what we wanted this course to be. My initial struggle was that I did not think it was focused on the work environment and the work that people were doing. I thought it was a bit—how do I say this—too "spiritual." My fear was that this "spiritual" emphasis would turn off engineers. Working over time, I think we developed a course with which we were fundamentally satisfied.

CD: How did the team work through the struggle to make the course more job-oriented?

Nick Zeniuk: We had significant struggles around what the concept of the course work should be. I was wrestling with certain concepts and, to some extent, trying to make the course more like the learning laboratory we had pioneered at Ford. Others, however, were thinking of it as a general course introducing the organizational learning tools and theories and providing people with a spiritual experience that did not engage them in the work.

I ultimately succumbed to the wishes of the majority. I suggested that we should consider this an introductory course. What I had in mind was that this would become a general outline course; later, we could introduce learning labs focused on the work.

CD: What surprised you most about being involved in this project?

Nick Zeniuk: To be honest, I was frequently surprised by the competition that occurred within the community of people who were in the business of teaching others how to listen better, to be better learners, and to interact more effectively. We as a group—and please understand that I include myself—were not very good at learning.

People got quite upset about issues. I was particularly surprised that the people who had been using and teaching these concepts for many years were probably the ones who most needed to reflect on how they were practicing these learning concepts. Over time, however, this group of people evolved from individuals, all advocating their own perspective, to becoming a solidified and collaborative team.

I was happy where we ended up. I admit that some team members, especially me, gave others a really rough time. And, in order for them to deal with an old salty line manager like me, I suppose they had to use some traditional tactics.

CD: Working on a project of this magnitude frequently brings learning to the team members. What changed for you as a result of this project?

Nick Zeniuk: My own personal learning occurred from being exposed to people with new, different ideas, and different perspectives. I always find that valuable. Even if I did not agree with the ideas or the perspectives, that was not the issue. The issue was the need and the opportunity to listen, to learn, and to expand my perspectives.

I particularly appreciated the learning that occurred from my interaction with Dawna Markova and Andy Bryner [who wrote *An Unused Intelligence: Physical Thinking for 21st Century Leadership*[1]]. They brought a very unusual perspective, particularly on the physical analog exercises and the appreciation for the spiritual sensitivity that I had previously paid no attention to. I realize now that there is room for sensitivity in an organization. Somehow we have to develop methods and techniques to introduce these ideas to people in a safe, nonthreatening way, so as not to close their minds and alienate them from learning.

I learned quite a bit and changed tremendously from the experience. Anyone who is thinking about developing a similar program should know that people have to do a certain amount of learning on their own. It is advisable and necessary since experience itself is a growing event. However, there has to be a clear sense of what the university wants to accomplish within this effort. Once this has been decided, the team can develop the appropriate curriculum. This goes back to the initial efforts. There is a choice to make: Should the curriculum be one of general instruction on the concepts, or should it be focused on engaging people in work?

CD: Can you tell us more about the concept of engaging people in work and how it relates to this project?

Nick Zeniuk: We have discovered, over the course of several years working in this field, particularly in a technical manufacturing environment, that it is much easier to engage people in learning if it is relevant to their work. If participants sense its usefulness in the work environment and its relevance to the work they are doing, they become more aligned around the curriculum and more receptive to taking charge of their own learning.

I would advise teams to start out with a learning lab format as the basic course work. Afterward, the team can proceed into deeper and broader course work depending on participants' needs. Basically, we conduct only learning laboratories now because that is the format that the participants really want. I would like to point out that this is not good either. In a sense, we went from one extreme (the spiritual) to the other (work results) and have ignored the integrative potential of the individual aspirations with the work requirements.

Now we are concerned that we are not doing this deeper work because people find the learning laboratory to be quite effective in accomplishing their initial work challenges. They don't appreciate the need for long-term reflection and learning. They are getting the easy results, the superficial results, the low-hanging fruit, and not engaging in personal transformation.

To begin the transformational work that teams need, individually and collectively, they must do the deeper reflective work for a sustained period of time. We need to find a way to connect the two approaches of reflective transformation and on-the-job application.

CD: When trying to create program value, what roles do you see for an organization's leaders?

Nick Zeniuk: To create sustainability, we need to connect the curriculum to work, to demonstrate that organizational learning makes a difference, and it can make a difference fast. And, in order to do that, people need to take charge of their own learning.

Even more important than curriculum content is engaging leaders. Any initiative that excludes the leaders from taking a significant role in the transformation is bound to be mediocre or a failure. Sustainability occurs when the "bosses" participate and take charge of the organizational learning initiatives. Literally, what I mean by engaging the bosses is that they take charge. They become the facilitators, coaches, and teachers. I am not talking about all the bosses. I am talking about a few key leaders who feel comfortable with the new role of coaching as leadership.

During the past five or six years, we have learned much regarding leadership. Where the new style of "servant" leadership has occurred, the transformational initiatives have been successful. More importantly, these initiatives have been sustainable. Where this coaching style of leadership has not occurred, there is no example of sustainability. Examining leadership is part of the work that we were doing at MIT and now at the Society for Organizational Learning (SoL). We are creating leadership programs around sustaining change through a new model of how to engage leaders.

CD: What do people find most difficult about this leadership requirement?

Nick Zeniuk: Some people struggle with these ideas about leadership. I do not know what they know in their hearts, but in their brains, they know the value of it. Unfortunately, the brain is a very small part of the intelligence of the human being. We find it difficult to engage leaders in this effort of transformational thinking through reflection. How do we involve the project managers, chief engineers, or program engineers? Is there anyone who would be willing to take on a leadership role in this kind of transformation?

People do not take on this challenge until someone makes it important. If they wait for a vice president, for instance, to do that, we have to question how many of them are authentic about the change. How many of them are doing it because they are told to do it. How many are doing it because it is expected of them?

Learning has to happen through invitation, not direction. There are more than enough leaders in organizations who would be willing to lead the learning process, who are anxious to experiment, if they believe the environment is conducive for them to change their behavior.

Learning has to happen through invitation, not direction.

Creating a vice president of organizational learning, setting up a big learning organization, and decreeing directives, starting to count the bodies of people who have gone through organizational learning courses, monitoring how they are doing, using "overs" and "unders," and holding mandatory quarterly reviews—all of that dooms the learning program to failure. This actually recreates the old behavior of command and control. Many top-notch people in numerous companies could easily do this work and would do it willingly, if the senior leaders would ask them. Not tell them, ask them, and then create an environment where the work is encouraged.

The idea is very fragile, but extremely powerful. The very deep effort that we would be looking for could come only from the inside of every human being who is involved. It cannot come from the outside. People need to be invited, they need to be nurtured, and this requires a new style of leadership.

I have talked to people who want to do this work, but they are just a little uncomfortable about it because somehow they are afraid that their vice president will criticize them

for wasting time when they should be out there directing and telling people what to do. This telling and directing, of course, is the worst kind of leadership imaginable. We know that.

CD: If you could talk to a company's senior executives, what would you tell them?

Nick Zeniuk: The interesting point is that the key senior executives who say they want new leaders and a new style of leadership exhibit the most authoritarian style in these actions. Even though they emphatically voice a need for leaders to be coaches and teachers, they do not "walk the walk and talk the talk." The dilemma is that these "bosses" don't know; they can't see themselves. They are unaware that their actual behavior is grossly inconsistent with what they tell people.

> *Key senior executives who say they want new leaders and a new style of leadership exhibit the most authoritarian style.*

Fear is prevalent in our organizations—fear of making mistakes, fear of not looking good, fear of not pleasing the boss. We learn quickly the hierarchy of thought; "please the boss" and get ahead or at least survive! Who is going to be brave enough to tell them? That is something I discovered as a boss under the fire of leading a transformation. One of my coaches, Daniel Kim, said, "Nick, you are the boss. You are always going to be the last to know what is really going on. And who is going to tell you?" He reminded me constantly that my greatest challenge is to invite those people around me, the ones who could, to tell me the truth and, consequently, to help me see myself. Dr. Deming—he was a member of the Lincoln Continental team—used to tell us that the eye cannot see itself.

How can the bosses know what is going on? Can they find out through surveys? Or committee meetings? Or requests? In the end, these are all superficial. The truth is very deep, and it takes a great deal of trust in an organization before someone will tell the boss what is really going on or what is on someone's mind. That trust is grossly lacking in most organizations right now.

CD: What do you see most distressing about today's organization?

Nick Zeniuk: Organizational anxiety and stress levels are so high that people have lost their sense of purpose in what they are doing. People are just running, running, running around in circles, alienated from themselves and their work. Employees frantically work harder and harder to get different results using the same old methods. Now that is the definition of insanity. The cartoon character Dilbert is right! We are sensing our insanity, but we do not know what to do about it. And the bosses know even less!

A time may come when these management systems will crash. People will quit, vice presidents will leave, people will burn out, people will become totally alienated, demotivated, fragmented, and the current great years could go down the tubes. Effective cultural changes are very slow. Dr. Deming said that our prevailing systems of management are destroying our people. It is not unique to one company or another. In my work, I see this, and it is mind boggling.

CD: How are organizations using organizational learning to help cure what is wrong?

Nick Zeniuk: Many organizations are beginning to reflect on their prevailing systems of management. The difficulty is that many still wait for direction from the top. They wait for the bosses to tell them what they want. That puts too much responsibility on the boss. That manifests itself as the bumpiest organization we can have. When the boss is replaced, the organization must change, not to meet new business objectives, but instead to meet the wishes of the new boss.

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The boss should be engaging the whole organization by saying, "What do we want?" Then the boss's role becomes one of providing the leadership, aspiration, inspiration, and alignment to achieve these goals. That is the new style of leadership versus the old style.

CD: Your business perspective prompted your involvement in this project initially. On reflection, what have you observed about that?

Nick Zeniuk: It is the business results that help you know if people are learning. Otherwise, how could we know if they are learning or what they are learning? We can measure business results. Why not include business results as a component of our learning methods? Why can't the teacher be accountable for some of the students' results? Isn't that what great teachers do, accept some of the responsibility, to a certain degree, for what their students do? I am talking about teaching students in the "noble" Socratic way.

Our work at The University of Michigan-Dearborn is to help people reflect on their condition. Our tacit assumptions and thinking are promoting unhealthy behavior in our organizations and inhibiting any potential for long-term change. Our role as faculty can be to introduce organizational learning theories, methods, and tools to help leaders, in particular, to transform their culture, and their organizations to achieve their personal and collective destiny.

Acknowledgment

This interview is a variation on Nick Zeniuk's perspective in *Discovering Connections,* which describes The University of Michigan-Dearborn project (Dearborn, MI: University of Michigan-Dearborn Press, 2001). For more information about the book and the university's organizational learning programs, please contact Engineering Professional Development, The University of Michigan-Dearborn.

Notes

1. Bryner, A. and D. Markova. *An Unused Intelligence: Physical Thinking for 21st Century Leadership* (Berkeley, CA: Conari Press, 1996).

The Impact of Transnational Institutions on Cultural Values and Vice Versa
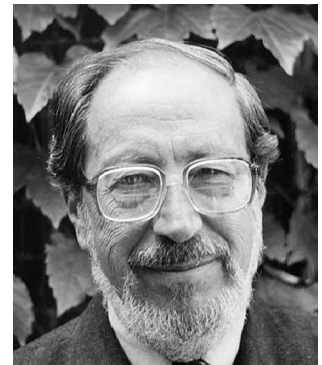
Edgar H. Schein

To put this article into perspective, I need to begin with a bit of my own intellectual history and explain why I am currently interested in the various facets of culture. I obtained my Ph.D. from the Harvard Department of Social Relations in 1952, where my concentration was in social psychology, but where we were all required to be exposed to the related fields, which, in my case, included sociology and anthropology. I was a student at the very time that Florence Kluckhohn and Fred Strodtbeck were developing questionnaires to study the values of the four cultures that could be found in southern Utah (Kluckhohn and Strodtbeck, 1961). I did not at that time, however, get interested in culture. Instead, I found myself early in my career as an Army Research Psychologist at the Walter Reed Institute of Research doing traditional leadership research.

The Korean POW Episode

My first culture lesson came in 1953 when I was ordered to go to Inchon, Korea, to join a team of psychiatrists, social workers, and psychologists who would debrief American repatriates imprisoned by the North Korean and Chinese Communists for several years during the Korean conflict. What upset us in the US at the time was that a number of men signed false confessions, informed on fellow prisoners, marched in propaganda peace marches, and otherwise behaved in ways that were considered to be distinctly un-American. When we interviewed these alleged collaborators, we found many perfectly sound reasons why people behaved the way they did, and none of the prisoners returned actually believing in Communism. But the alarm had been sounded by Edward Hunter's book, *Brainwashing in Red China* (Hunter, 1951).

A more dramatic event was the discovery soon after the Korean conflict that a number of civilian students, businessmen, and priests who had been imprisoned on the mainland of China did come out of prison claiming that they had been spies, had been well treated, and had been given lenient sentences. They proclaimed that we did not really understand the Communists at all, and several of them maintained pro-communist attitudes long after their return to the US. For these cases, Hunter's loose translation of the Chinese concept of "cleansing the mind of bourgeois middle-class attitudes" into the more ominous concept of "brainwashing" fitted very well.

My first culture lesson came out of the research on these repatriates, which revealed that the techniques of re-education used in the Chinese Communist movement and in their prisons were no different from the techniques we use in our own total institutions—social isolation; peer pressure; indeterminate sentences; assumption of guilt requiring self-examination and, ultimately, confession; punishment for insincerity and reward for sincerity; and total control of incoming information (Schein, 1956, 1961; Lifton, 1956). But the keys to the seemingly dramatic ideological conversions were (1) different *cultural* definitions of "crime," and (2) different *cultural* assumptions about authority and the rights of the individual.

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Western prisoners eventually made sincere confessions of spying and other crimes against the Chinese people because "crime" was defined not by actual harm but by actions that could, at some future time, be harmful. If a prisoner sent home a postcard describing a rural scene and referring to the local crop, the Chinese interpreted this as a crime and as spying because it could, under some circumstances, give valuable information to a future enemy. What seemed like an ideological conversion could be seen as learning some new cultural meanings for old terms such as spying and crime.

Furthermore, if society is culturally defined as being the responsibility of a benevolent government, and the agents of that society deem you to be guilty, then you are guilty and it is your job to search within yourself to find the source of your guilt, confess, and repent. The extreme individualistic assumption that derives from Western legal concepts, in which you are innocent until proven guilty, in which you have all kinds of rights of due process, and in which you can accuse and sue your accusers, is not shared in many other cultures. If anything, our system is the exception in the larger cultural mix of the globe. What we did not understand after Korea was the Chinese Communist *culture,* especially their semantics or their definitions of things.

What I learned from this is that culture not only is about values, but goes much deeper into the thought process itself. Culture deals with the more implicit meanings of things, something that I should have learned in my anthropology class but needed to experience before I really understood it. One important implication is that from such a cultural perspective, it is not at all clear whether there are human rights and values that supersede particular cultures and societies, because different cultures start with different basic assumptions about the nature of nature, human nature, and the appropriate relationship between and among humans.

It should be noted that until recently, we took cultural borders to be relatively isomorphic with national borders or groups of nations. Thus we talk about Latin cultures and Asian cultures. Only in the past 50 years or so, have we begun to look at organizations and occupations as creators and dispensers of "culture." And that now raises the fascinating question of the relation of corporate culture to national culture. Can large global companies actually impose their values and concepts onto nations, and is there any evidence that they do so?

Can large global companies actually impose their values and concepts onto nations, and is there any evidence that they do so?

Corporate Culture vs. National Culture

Corporations clearly influence the operation of their subsidiaries in various countries, even if the national culture of the corporation's home is dramatically different from the national culture of the subsidiary. A World War II story about the old National Cash Register Co. (NCR) makes that point. NCR's founder, John H. Patterson, taught all of his subsidiaries the importance of sales targets. During the occupation of Paris, the French NCR subsidiary located on the Champs Élysées was busily boarding itself up in anticipation of German tanks rolling down the Champs. Before they were quite finished, one tank broke ranks and drove right up to the NCR office. The hatch opened up and a German officer climbed out, knocked loudly on the NCR door, and said, "Hello, I'm Schmitt, NCR Berlin; have you met your sales targets this month?" (Allyn, 1967)

I visited the offices of Digital Equipment Corp. (DEC) in its heyday and found remarkable uniformity in the physical layout of its offices all over the world and uniformity of personnel practices, the way meetings were run, and, most important, the kind of people who worked there. They all fitted the DEC mode of strong individualistic assertiveness, a strong sense of independence, and an ability to define one's own job and work pattern. A visit to the Paris office revealed the depth of such influence. The personnel manager, a young Frenchman, had been in his job for one year. He said that when he was first hired, he was told that he would have to define his own job, but he knew that in the French culture, he would have a strong boss who would tell him what to do and how to do it. To his amazement, he was not given any guidance. Whenever he went to his boss or even colleagues, they would say, in effect, "You figure it out; that's what

we hired you for." He found this to be very "un-French" and resisted for nine months. When he finally asserted himself, he got immediate positive reinforcement, but he noted that the more he became able to work in the DEC world, the more he had to give up his "Frenchness," to the point that he feared he would never again be able to work for a French company!

Seeing such corporate uniformity and clout tempts one to attribute global power and influence to the global corporation. But if we look at this influence process in somewhat greater detail, we see several different patterns of influence that need to be distinguished:

1. Cultural diffusion through forced compliance and natural selection. Some cultural diffusion from corporations to national cultures clearly occurs. The French personnel manager from DEC gave up his Frenchness in order to fit into DEC. At DEC, if a local was not willing to comply, he was gradually forced out of the organization. DEC thus became a lot of little DECs worldwide, and one could argue that the locals, in effect, gave in to and complied with the DEC culture.

Failure to comply can cause the parent organization to be punitive. For example, during the late 1970s when CIBA-Geigy owned Airwick, the finance manager of the French subsidiary requested permission to institute a new accounting system that would be more responsive to the marketing needs of Airwick. The corporate head of accounting in the Basel headquarters told her that the CIBA-Geigy system had been good enough for them for a hundred years, so they saw no need to change it just for a local unit. In this case, we have one kind of corporate culture forcing itself on another, but underneath it was the national influence that the traditional CIBA-Geigy accounting system fitted better into the French culture than the new Airwick system would have.

One mode of cultural influence, then, is that the global corporation selects out from local national variation those people who fit the corporate culture and creates, thereby, local cells of a new kind of culture within the national boundaries. Over a period of time, one would then see a growing diversity of cultural assumptions within each nation that hosts global corporations. Thus, the Japanese style of management and the assumptions underlying it show up in the US not only through academic literature but through the learning of US employees in Japanese subsidiaries. Similarly, the highly pragmatic, task-oriented, individualistic US management systems increasingly penetrate into Latin and Asian cultures, where they might not be a natural fit initially, through selecting out the individualistic pragmatists in those cultures. The global corporation thus becomes an agent of cultural diffusion worldwide, just as television has diffused Western culture worldwide. However, in the case of the corporate diffusion, one sees more of a two-way influence, with Latin and Asian methods also beginning to penetrate the traditional Western models. I have also heard that African tribal methods of organizing and managing are getting some attention within South Africa. If African companies become global, still another source of influence on the West might arise.

Right now, the evidence would suggest that Western business methods are being forced onto many other cultures that might do things differently if left to their own devices. Particularly, the financial planning models, budgeting processes, shareholders as primary stakeholders, and task-driven organizational forms seem to be superceding business models based on broader social values, the acceptability of lower rates of return, employees as stakeholders, and relationships being just as important as tasks.

A number of authors have pointed out that there are many forms of capitalism, which allow for cultural variations within the broader concept (Hampden-Turner and

Trompenaars, 1993; Trompenaars, 1993). The difficulties that American consultants experienced working in Eastern Europe highlight the degree to which compliance is limited in societies that have been brought up on some different cultural assumptions about stakeholders. This broad resistance does not reduce the previously identified diffusion process by selection of those members of the society who take to the new model, but it highlights that there are limits to what can be diffused into a given culture.

2. Cultural resistance. A large American global corporation mandated that all of its subsidiaries would use a performance appraisal system that required an open dialogue and evaluation between a boss and his or her various subordinates. They were so convinced that such open evaluation was essential to performance improvement that they mandated it worldwide and instituted extensive training programs to insure compliance. The manager of international personnel assured me that they had successfully instituted this system of open appraisal in all of their Asian subsidiaries. However, when I had occasion to interview several members of their Japanese subsidiary, I was assured with many embarrassed smiles that, "Of course we do not do that in Japan. We have other ways of getting across information without confronting each other face to face. We do, however, reassure our US managers that we do the appraisals just as they require us to do them."

One could anticipate that any time a corporate culture is based on assumptions that violate *pivotal* national cultural assumptions, one would get resistance. For example, when it was discovered that the Japanese were having great success with "quality circles," many American companies tried to import that methodology into their US plants. The quality circles mostly failed because the US culture does not support the kind of *group* effort that was integral to the concept. On the other hand, the notion of statistical quality control, gathering and disseminating good data on quality levels and feeding that back to production workers, was a big success. It was the circles, the group activities, that did not fit the US culture and were, therefore, rejected.

In the countries that lived for decades under Communism, one might anticipate all sorts of resistance, particularly to assumptions that put employees at a disadvantage relative to owners. And within those cultures that put a value on employees, one will see great differences between those that have leaned toward a labor class and unionism versus those that have leaned toward paternalism and noblesse oblige (more the pattern in Latin cultures).

The "diffusion through natural selection" mechanism works only within the range of variation that already exists within the host culture. If the global corporation operates from some assumptions that are universally in conflict with local assumptions, one will see resistance and subversion. Whether or not one would find eventually an acceptance of more face-to-face openness in Asian cultures remains to be seen.

3. Cultural blending. The best examples of blending occur in the various joint ventures that have been created in the manufacturing sectors of global businesses. DEC's plant in Taiwan was run by a Chinese plant manager who clearly adapted DEC's culture to the local Taiwanese culture. The joint venture between General Motors and Toyota that led to the integrated plant (NUMMI) in Fremont, California, was explicitly designed for each company to learn from the other and, implicitly, to test how one could integrate American and Japanese manufacturing methods (Cutcher-Gershenfeld and others, 1998).

Whether or not such blending will actually occur seems to depend on several structural conditions. First of all, the two or more organizations that represent different cultures must have a strong commitment to common goals, or, alternatively, must be facing a common task or problem. If they do not have such a common focus, there is a tendency toward what Salk (1993) calls a cultural mosaic—the cultures will coexist as best they can. Second, the two or more organizations must be made up of employees who see their career futures in the new organization, not the parent companies. Cultural blending is psychologically so difficult that people will not work at it unless their own career futures depend upon it. The best conditions for blending are, therefore, career dependency on the new venture and a new crisis that must be dealt with collectively.

4. Cultural learning: the case of Singapore. Cultural blending can occur at the national level if the learning of new ways of doing things becomes a national strategic priority. As Singapore emerged from its colonial status, its leadership decided that the economic health of the new nation could be guaranteed only if multinational companies could be enticed into doing their manufacturing in Singapore (Schein, 1996a). In order

to turn itself into an attractive host to foreign multinationals, Singapore created an economic development board (EDB) that was largely run by Singaporeans who had already shown (1) an interest in internationalism as evidenced by desire to learn foreign languages and go to school overseas and (2) an interest in technology and business. The government stimulated this trend by having generous scholarships available for talented students who wanted to study abroad.

The culture that evolved within the EDB was a hybrid of Chinese and Western assumptions. More important, the culture of the EDB was geared to the assumptions and values of the business community, even though the EDB functioned as a semi-autonomous government bureaucracy. By learning how Japanese, European, and US managers of multinational corporations thought, and by making Singapore the kind of clean, non-corrupt, crime-free, efficient environment that businesspeople were looking for, they did succeed in creating an "economic miracle." In my interviews of corporate CEOs who had decided to move some of their operations to Singapore, the single most telling remark that they made over and over again was "the [Singaporeans] thought like businessmen."

Visitors to Singapore are immediately struck by the fact that the whole city-state operates more like a giant efficient business than a multifaceted nation. This is no accident. The nation's decision to provide jobs and housing for people as the first priority was a strong driving force, and the evolution of other institutions such as the legal system, the arts, and the pursuit of cultural diversity have had to follow. Singaporeans believe that their blending of Chinese cultural themes with the themes that underlie global business ventures give them a competitive advantage in opening up business opportunities within China. The EDB also has opened a consulting service that offers developing countries worldwide insights on how to create a viable economic program within a government bureaucratic structure.

Parenthetically, one of the most important cultural lessons from Singapore is how to create a business-oriented culture within a government bureaucracy. In a sense, we have a bigger potential conflict culturally between the values and assumptions of government and the values and assumptions of corporations. Singapore is a model of how to operate an EDB that smoothes the entry of business rather than putting various kinds of roadblocks in the way. One of the most important elements of that smoothing is an explicit rejection of any form of corruption, bribery, kickbacks, etc., and, as many executives put it, "always keeping your promises."

The lesson from the Singapore experience is that cultural conflicts do not always reflect nations or regions.

The lesson from the Singapore experience is that cultural conflicts do not always reflect nations or regions. In my own observation, more important differences in assumptions often arise between occupations and between institutions within society. In particular, I think there are strong differences between the engineering occupations that idealize a world without human intervention, the operational occupations that idealize teamwork, openness, and human contributions, and the executive occupations that idealize financial viability and growth (Schein, 1996b).

Theoretical Reprise—What Is Culture?

The reader will have noticed that I often used both the term "values" and the term "assumptions" in reference to the concept of "culture." I believe there is still a lot of confusion about how to define culture and think about it clearly. For me, the best model is one that thinks of culture as existing at several levels: (1) manifest, visible, feelable artifacts that are easy to experience but hard to decipher; (2) espoused values and ideologies that are put forth as the explicit reasons why things are done the way they are; and (3) shared, tacit assumptions about how things are and should be. When one examines a given culture, one finds many conflicts between the observed artifacts and the espoused values. If one then digs further to find out what "drives" the actual observed behavior, one discovers the shared, tacit assumptions.

Notice that the middle level is called "*espoused* values," which is intended to cover ideology and the various values that are openly discussed and sometimes debated within

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a given cultural unit. The problem is that in most cultures that I have studied, the actual behavior of members does not correspond in varying degrees to the espoused values. What drives behavior is what Argyris (1990) has called "theories in use" as opposed to "espoused theories." His use of the term *theories* denotes the point that I made central to my definition of culture, namely, that culture is more a matter of cognition and thought than a matter of feelings and values. It is the taken-for-granted, shared, tacit *assumptions* that people hold which make up the essence of culture. Much of this is embedded in language, and language, of course, is the primary mechanism by which we think.

If we define culture as the taken-for-granted assumptions—the thought processes of a group—what then becomes of values? I would suggest that values now have to be divided into two categories: (1) espoused and negotiable values, and (2) taken-for-granted and non-negotiable values. I believe that some values have historically worked so well for a cultural unit that they lose their status as a value to be debated and become part of the taken-for-granted thought process. At that stage, if someone challenges the value, we consider him or her "crazy" and do not deign to even discuss it. Can you imagine a serious discussion within the US of Individualism vs. Groupism? Could one make a case in this society for a Kamikaze pilot training school?

On the other hand, it might seem just as "crazy" for a Chinese government official to allow an individual to destabilize a carefully constructed consensus, or for a Singaporean official to allow the growth of an opposition party that would undermine the economic well-being of the state. The dilemma of trying to identify universal human rights based on a universal system of values is that we are talking about both kinds of values. We can espouse certain human rights, and many cultures can officially subscribe to them. But if behavior based on those rights violates deeper taken-for-granted values that have become assumptions, we will observe that the behavior reflects the deeper assumptions.

I believe that the great value of the Kluckhohn-Strodtbeck dimensions is that they are closer to what I would call the taken-for-granted assumptions that exist within cultures—the nature of nature, the nature of humanity, the nature of human activity, the nature of human relationships, the nature of truth, the nature of time, and the nature of space. If we examine the assumptions that different nations, occupations, and organizations have along these dimensions, we will understand right away some of the cultural dilemmas that the world faces. But we must get beyond superficial understanding and really get into the thought processes of cultural groups before we can claim to understand the cultures of those groups. In other words, if we are talking about shared, taken-for-granted, non-negotiable, largely unconscious values—what I would call assumptions—then we are really talking about the essence of culture.

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Commentary

by Arie P. de Geus

At first sight, this subject may seem somewhat obscure: the mutual influence of the cultural values of one institution (for example, a transnational institution) on those of a wider institution (for example, a nation-state) that the former has entered, or of which it has become a member or a citizen.

Schein's interest in the subject may have started during the Korean POW episode. For me, the practical implications of his "clash of assumptions" resonated loudly through the world of transnationals some 20 years ago. As an expatriate executive, I struggled with several of these implications, not in the least because there was a period during which some nation-states, especially the US and Great Britain, enacted legislation that embodied their own cultural values, with the intention of imposing them on the values and assumptions of other nation-states through the medium of transnationals (whether of US origin or not). I express no judgment on these values. Since they are Western cultural values, they harmonize with my own tacit assumptions. That was certainly the case with the legislation opposing bribery as a means of securing business abroad (remember Lockheed?). But what to do when the subject became the ethics of the host country's government? Reprehensible though these ethics may be, what was I to do with the one-sided imposition of one nation's cultural values on another nation and the threat of punishment of the multinational piggy-in-the-middle? This one-sided imposition was in direct contradiction to Schein's conclusions: "Some cultural diffusion from corporations to national cultures clearly occurs," but "one sees more of a two-way influence"; "there are limits to what can be diffused into a given culture."

At the time, in the 1970s, I had not read any of Schein's works, but as a student, I had been influenced by the thinking of William Stern, a founder of developmental psychology and a forerunner of Piaget (Stern, 1923). Stern postulated that tensions at the level of values and beliefs between an institution (for instance, a multinational corporation) and the world around it lead to a process that he called *introception*. This process builds inside the multinational corporation a greater awareness of self and of the world. The company must develop a sense of the relationship between its own cultural priorities and the values in the surrounding world. And this process is mutual.

The company has an influence on the world as an example, as a "role model," but it can never equalize the world's (or a particular country's) values with its own. On the other hand, neither can the world or the country completely impose its values on an individual company. Moreover, according to both Schein and Stern, the mutual influence is weak in the present. The most important effect of the radiation of company values on society will take place in the future. The examples given by ideas and work need time to be absorbed.

The oldest and largest multinational of all, the Catholic Church, experienced this slow mutual reciprocity early on. When the new Christian values started to penetrate, first in the Mediterranean Roman world and later into Western and Northern Europe, a process of slow mutual influencing of the cultural values of one institution (the Church) on those of a wider institution (the existing pagan societies) took place.

According to Richard Tarnas:

> The Christian assimilation of the (pagan) mysteries extended to the various pagan deities as well, for as the Greco-Roman world gradually embraced Christianity, the classical gods were consciously or unconsciously absorbed into the Christian hierarchy (as later would occur with the Germanic deities and those of other cultures penetrated by the Christian West) (Tarnas, 1993).
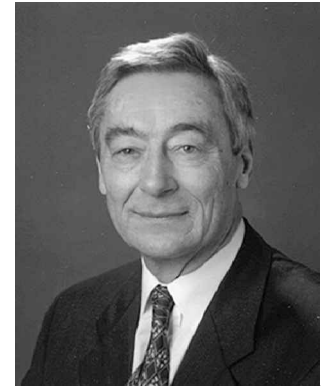
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Slowly, over a very long period, the Church's teachings were changed by the value system they found in the Mediterranean and West European pagan societies. In turn, those societies changed their value system by the interaction with the Christian value system. All this happened 2,000 years ago and was an example of introception at the deep-seated level of religious values and assumptions. The process took centuries to arrive at a state of equilibrium. I am not suggesting that nowadays it would take equally long. Yet, both Stern's and Schein's conclusions of the limited influence of a multinational's cultural values in the present and the slow two-way influence in the long run have important practical implications, even in today's world of great visibility and immediate communication.

These are not reasons to be pessimistic. Undesirable or reprehensible behavior on the world scene can indeed be influenced in a direction that is more acceptable to a majority of world citizens. However, if Schein's conclusions are indeed the answer to his question, "Can the large global companies actually impose their values and concepts onto nations, and is there any evidence that they do so?" several conditions will have to be met before positive results can be expected.

First, the norm against which reprehensible behavior will be measured has to be, indeed, a reflection of the majority. Clearly, it cannot be a norm that is favored only by the developed West. One of the few norms that now meets this requirement is the Universal Declaration of Human Rights (UDHR). Fifty years after its conception, the declaration has been signed by some 170 nation-states.

Secondly, we cannot overestimate the importance of the much more recent move of breaking the immunity of sovereign power, behind which incumbents of nation-states could commit infractions of these human rights with impunity. The Courts of Justice for Bosnia and Rwanda are, I hope, only a beginning. Yet, the way they work is through a reactive correction by punishment after the fact. The crime has been committed; international policing has to be successful in catching the culprits before punishment can take place and an example can be set (which then should be a warning for other wrongdoers).

Introception is a superior, if slower way of improving behavior. If it means the spread of a "world" culture, so be it, provided it leads to an improvement of the quality of human life on the basis of a generally accepted standard like the UDHR and not an elitist Western set of values. At the same time, Stern's and Schein's conclusions tell us that it is pointless to pressure from the outside to bring about immediate change in the actions of a reprehensible regime like apartheid, a regime like Iraq's, or the previous military regime in Nigeria. Boycotts and extraterritorial legislation do not necessarily produce faster results and risk creating a lot of collateral damage. Rather, there is a case for encouraging multinational institutions and companies to stay put rather than to force them to leave the country concerned. Change can be brought about only from the inside. Change occurs through dialogue, not through confrontation, and the change agent has to be an inhabitant.

For all these reasons, it is encouraging to see that there are initiatives like the Global Compact, which was formally launched by the UN Secretary General Kofi Annan. Here again, the UDHR is providing the standard, together with the International Labor Organization's Declaration on Fundamental Principles and Rights at Work and the Rio Declaration on Sustainable Development. The companies that signed the compact will stand stronger in their opposition to local legislation in the host countries that violate those rights. The compact will help them in (legal) arguments with these governments, since almost all member states of the United Nations are now themselves signatories to the UDHR. Finally, it will allow the multinational companies to stick to their own ethical standards, if they know that their refusal to engage in debatable behavior would not create an easy opportunity for a competitor to steal a march on them. This makes it possible to show ideas and behavior that, over time, will, to quote Schein, lead to "some cultural diffusion from corporations to national cultures."

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Learning to Be Complete: The Challenge of Cultural Dynamics

Philip L. Ramsey

Imagine you are part of an industry that prides itself on its ability to learn. It has made huge advances over several decades with constant improvements to the technologies it uses and the service it provides to customers. Would you expect that your industry's ability to learn applied to all areas of its operation? Or might your ability to learn in one area of your operations lead to neglect of other areas?

The dynamics of an organization or industry's culture make it difficult to achieve balanced learning. And, significantly, because of the way cultural processes operate, areas that are neglected are often ones vital to the culture's survival. Consider the case of the aviation industry. It is easy to appreciate how much learning has taken place within aviation when we view film of early attempts at flight. And we are familiar with the thorough investigations that follow air accidents, and the industry's readiness to put lessons learned from such investigations into operation. Yet the history of air-accident investigation highlights the dramatic effect of culture on learning.

For much of the early history of air-accident investigation, there was a strong technical bias evident in reporting. Investigators explored and reported on technical malfunctions in detail, while they made little further examination into accidents that involved human failings and were generally attributed to pilot error (O'Hare and Roscoe, 1990). And while fine distinctions were being made regarding technical failures, pilot error was a causal factor in over 70% of air accidents in the years 1959 to 1989 (Helmreich and Foushee, 1993). So despite data indicating that human factors were the leading cause of air accidents, for years, the industry's preference for investigating technical factors limited what could be learned from accident reports.

A further cultural factor shaped what the industry could learn from accidents. Aviation has a strong tradition of individualism, assessing pilots on whether they have the "right stuff." Not until the early 1980s did analysis of documented incidents and accidents establish that pilot error was most commonly a failure of coordination or communication *between* members of an aircrew, rather than the lack of proficiency of one particular member (Helmreich and Foushee, 1993). In summary, the culture of aviation biased the industry toward looking for technical causes of accidents and, when dealing with human causes, to assume that solutions were best dealt with through improved individual proficiency. It was as if the industry as a whole had a blind spot preventing it from seeing clearly the nature of some accidents.

John Nance expressed the perplexing nature of this cultural bias in *Blind Trust* (Nance, 1986):

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It was so obvious—so painfully obvious—but most of those engaged in commercial aviation couldn't see it, or wouldn't. Human beings engaged in a human enterprise are subject to human failures.

To understand better why members of an organization or industry might experience a similar bias in their learning, we need to consider more closely the dynamics of culture. What is culture and how does it shape preferences for learning? How might you uncover the blind spots in your organization? And how can culture enlighten efforts to create learning organizations?

What Is Culture?

It is tempting to think of an organization's culture as a *thing.* Culture might be better understood as a collection of differences. When people talk about the culture of their organization, they generally describe it in terms of differences. They might say, "Where other companies might do *A,* we would do *B,*" or "we like to *X* rather than *Y.*" People define the culture that identifies their group or organization by contrasting it with others. How do these differences come about? Charles Hampden-Turner and Fons Trompenaars (1993), researchers and authors on culture, suggest that cultural processes can be understood through the use of dilemmas.

People define the culture that identifies their group or organization by contrasting it with others.

Groups are constantly being presented with dilemmas—choices between two apparently opposite values. Two dilemmas presenting themselves early in the history of aviation were: Should our focus be on finding *technical* or *human* ways of improving operations? And should we view flying as a pursuit carried out by *individuals* or by *teams?*

All manner of variables will govern the initial choices made by a group presented with such dilemmas. In aviation, we can easily imagine that the engineering background of early aviators, connection with the military, and the difficulty of getting more than one person in an aircraft encouraged the choice of technical and individual responses to the dilemmas. Once a decision has been made, if it generates valued outcomes, the group is more likely to take the same option the next time the dilemma arises. And should the group favor one value over its opposite several times, the choice slips beneath the level of consciousness—it is a choice that no longer has to be justified, having become "the way we do things around here" (Bower, 1966).

Considering a culture as a collection of differences held unconsciously enables us to see that any culture is *both* good and bad for our organization. It is good because it presents us with certain valuable results and bad because it prevents us from achieving results available to other cultures. It makes sense that the aviation industry has a culture characterized by individualism and a focus on technology. However, this makes it harder to do some things that come easily to industries with cultures that emphasize collectivity and concern for people.

It may seem that there is an endless variety of differences we could use to distinguish between cultures. Some differences in values that most people have encountered are: tendency to praise and tendency to criticize; desire for planned outcomes and desire for emergent outcomes; focus on task and focus on relationships; concern for business efficiency and concern for customers; and risk seeking and risk avoiding. However, sociologist Talcott Parsons (1951) suggested that five pairs of values exist in any social system and can be used to understand the character or culture of that system. Other pairs of complementary values can be understood as variations on these archetypal pairings. The values identified by Parsons were:

- Emotionally charged and emotionally neutral—In some social systems, high value is placed on having people engage emotionally with one another, where, in others, value is placed on being emotionally neutral or objective.

- Diffuse and specific—Social systems generate different ways of dealing with complexity. One way is to view the subject in an integrated or diffused way, attempting to connect all parts of the subject into one view. The alternative is to take an analytical or specific approach, untangling the parts of the whole and dealing with each in isolation. In terms of relationships, some cultures are diffuse, encouraging individuals to relate to one another in a multidimensional way. Others are specific, encouraging a separation between the relationship people might have socially and the relationship they have at work.
- Universalistic and particularistic—Social systems determine how to handle incidents when someone acts outside the established rules. The culture of some groups encourages the establishment of universal rules, where the same standards are applied to everyone. Other groups have cultures that allow for exceptions to be made in particular cases, depending on the situation or the people involved.
- Ascription oriented and achievement oriented—Within social systems, decisions are made about how status is awarded. In some cultures, we award status to people once we see what they are able to achieve. In other groups, people have status ascribed to them before they have achieved anything; people may be awarded high status on the basis of family, caste, and school, or on the basis of age and seniority.
- Self-oriented and collectivity oriented—Some social systems operate on the assumption that if individuals are given the opportunity to pursue their individual interests, the group as a whole will be better off. Other cultures place greater emphasis on the collective, assuming that the needs of the group as a whole should be given priority, even if this means occasionally sacrificing individual freedoms or opportunities.

How do the cultural preferences of aviation considered earlier fit within Parsons's value dimensions? The tendency to individualism directly relates to the preference for self-orientation. While the connection between technology and Parsons's values may be less obvious, it is discernible. Working with technology rather than people appeals to values of emotional neutrality, specific measures, and universalism. Or, in the opposite perspective, our relationships with people tend to be highly emotionally engaging, particularistic, and diffuse. Consequently, the technological background of aviation, along with the discipline and rigor needed in flying, lead those involved in the industry to feel that these values are less desirable than their opposites.

Difference Dynamics

Many assume that the relationship between different values is simple and linear. If you wanted to describe a culture, you could draw a continuum between values in each pairing and use these to plot the relative position of a group's assumptions. While such measures are useful in providing a snapshot of the position of a culture, they do not represent the dynamics of such differences in living systems.

Anthropologist Gregory Bateson (1974) used values to explore differences between societies. He observed that differences between cultures were characterized by mutual relevance: the values of one group were different but complementary to another. You may have observed the same thing when visiting a country or organization different from the one in which you are at home. Do the differences indicate to you what is lacking in your own culture? Given that many people report this is the case, surely it is not coincidental. But why should it be so?

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The mutual relevance of different values indicates that any value has an opposing, complementary value. It further suggests that the value pairs outlined by Parsons are interdependent, so that the more a person or a group emphasizes one value, the more it creates a need for its complement. For instance, the more a group emphasizes individualism, the more it creates a need for community building, and the more it emphasizes collectivism, the greater its need for individual identity. This interdependence of opposing values is variously referred to as "complementarity" (Bateson, 1974) and the "circularity of values" (Hampden-Turner, 1990).

The more a group emphasizes individualism, the more it creates a need for community building, and the more it emphasizes collectivism, the greater its need for individual identity.

Complementarity indicates to organizations where their particular learning challenges are likely to be. By establishing what it is they value—perhaps examining each of the pairs articulated by Parsons—they can consider the consequences of neglecting the opposing value. What is valued within a culture thus suggests areas where that culture may have a learning blind spot.

If organizations are living systems in which complementarity is essential for a sustainable future, then, unless different values can be reconciled and the circularity of values established, an organization would be incomplete. At the same time, culturally-derived value differences are the source of strongly felt reactions that can prevent people from understanding what is obvious to others, disrupting the circularity of values. Strong reactions may also signal that a culture is experiencing a cultural process Bateson termed *schismogenesis.* Schismogenesis is also central to understanding the cultural context of efforts to create learning organizations.

Schismogenesis: The Splitting Apart of Values

While organizations may need to reconcile values that are complementary, the process by which a culture develops makes this difficult. In particular, the unconscious prioritizing of one value will mean that it is overemphasized at the expense of its opposite. Schismogenesis is the process by which this natural difference between complementary opposites becomes magnified and differences become irreconcilable.

The process of schismogenesis was evidently in operation within aviation, and can be used to account for the "blindness" to issues relating to people and teamwork. Because of the value given to technology, those considered best suited to investigate accidents would be people with technological expertise. Where causes of accidents were found to be related to people, solutions were quickly assumed to relate to their technical proficiency. And where members of the industry came into contact with people who might help them address human failings, the language used seemed "soft" and inappropriate for critical issues such as causes of accidents.

As an industry, aviation has had to deal with these issues, finding a place for values that do not appear to belong within the flying culture. In particular, this has involved efforts to train flight crews in crew resource management, addressing the team coordination and communication issues that had been neglected.

But what insights into efforts to build learning organizations can be gained from an understanding of culture and schismogenesis?

Charles Hampden-Turner and Fons Trompenaars (1993) established that the cultures of English-speaking democracies, such as the US, Britain, Australia, Canada, and New Zealand, are characterized by the valuing of universals, specifics, individualism, and achievement. While their research did not identify emotional neutrality as characteristic of these countries, many people would accept that, in their organizations, it is considered more "business-like" to be objective rather than emotionally engaged. Emphasis on these values means that values related to relationships, emotional engagement, integration, community, and ascription are relatively neglected. In other words, in these

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countries, it is assumed that the right way to run organizations is to hold individuals responsible for the achievement of specific, analytically established standards that we apply universally. We could conclude that schismogenetic processes were operating if people and organizations within these countries struggled to learn in areas associated with the opposites of these values. I believe that interest in learning organizations is evidence of this struggle. Consider how the work reported by Peter Senge (1990) in *The Fifth Discipline* reflects the value dimensions described by Parsons.

Disabilities and Disciplines from a Values Perspective

The Fifth Discipline shaped the way many people think about this body of knowledge, and the way in which many organizations have pursued the goal of becoming a learning organization. Among other things, Senge outlines a number of disabilities that prevent organizations from learning, and he identifies disciplines that can help organizations to become more enduring. Do these disciplines and disabilities reflect the values inherent in English-speaking democracies, as outlined by Hampden-Turner and Trompenaars? To answer this question, let's begin by reviewing the disabilities Senge outlined, rewording them to reflect the Parsonian values they embody:

- The enemy is out there—When encountering a problem, people neglect to consider how it may be a function of the diffuse relationship of which they are a part. They look instead for a specific individual upon whom blame can be laid.
- Fixation on events—Managers focus attention on dealing with specific, highly visible events, neglecting how those events might be considered part of a diffuse, multidimensional pattern.
- The parable of the boiled frog: People ignore diffuse, slow-building phenomena until they generate specific, measurable symptoms that can act as the focus of attention.
- I am my position—People assume that the roles they play within organizations are one dimensional, and that they can perform only within the confines of the *specific* role for which they were employed. They treat roles as universal, so that, for example, they consider all marketing people the same, rather than looking for the particular contribution a person might make to the organization.
- The myth of the management team—While people may use terms that suggest executives will act as a collective, they expect that the executives will really act as individuals focusing on their self-interest ahead of the interests of the whole organization.
- The illusion of taking charge—By proactively attempting to achieve performance improvements as indicated by specific measures, managers do not take into account the unintended consequences of their actions on diffuse, less easily measured aspects of organizational health.
- The delusion of learning from experience—People ignore negative effects that their actions might have on individuals in other parts of the organization, because they see each part as separate from the other and concern for the community as a whole might impair the achievement of the individual's personal objectives. Even where some individuals can see lessons to be learned from experience, because people do not talk together as a community, they cannot explore how they might act collectively to apply these lessons.

In each case, the disability can be framed as an over-expression of cultural values. While universalism, analysis, individualism, and achievement are not bad in themselves, as Barry Johnson (1995) says, there is no tool yet invented that cannot be overused. The disabilities give evidence that organizations in English-speaking democracies in particular have overused these values and neglected the need that has been created for particularism, integration,
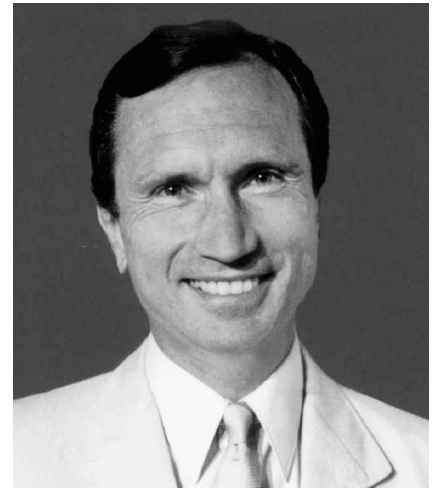
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Commentary
by Alain Gauthier

Phil Ramsey's insightful article is a reminder that culture is a collection of differences. His use of Talcott Parsons's pairs of complementary values provides a simple yet powerful lens for understanding the ever-evolving challenges in creating learning communities.

As a consultant and educator, I have endeavored to assist in building learning organizations both in Europe and in the United States during the past 12 years. In my experience of overseeing and adapting the French translations of *The Fifth Discipline, The Fifth Discipline Fieldbook,* and *The Dance of Change,* I realized how culturally specific the application of the five disciplines needs to be. In contrast to the American culture, the French often engage emotionally with one another, especially when they advocate, and tend to look at complexity and relationships in a more diffuse way. They are ideologically universalistic, but particularistic in practice. They award status on the basis of school reputation rather than achievement, and often use the collective to avoid individual accountability. Consequently, the diversity of mental models for the French is taken for granted; shared vision is talked about but seldom actualized; team learning is accepted, but reluctantly so; systems thinking is embraced intellectually but rarely practiced, and personal mastery is often perceived as an intrusion in one's private life. These types of resistance might well apply to other Latin countries.

There are, of course, notable exceptions among French companies, including corporate members of SoL France. But organizational learning "à la Peter Senge" has not yet taken hold in French society much beyond the intellectual curiosity it has aroused. For example, the interest in "objectifying" tools—such as systems archetypes, simulation models, and organizational assessment grids—reveals the

French propensity to address issues rationally rather than as an opportunity to challenge one's habitual ways of thinking, behaving, and being. Learning is viewed as transactional rather than transformational.

Although the complexity of a culture cannot be reduced to five sets of complementary values—generalizations usually do not apply to a small, active minority—it is fair to say that the French cultural immune system has, so far, thwarted attempts to introduce an Anglo-Saxon approach to organizational learning. This is one reason why SoL France and other European SoL fractals have adapted capacity-building courses and initiated projects to deal more productively with these culturally specific forms of resistance.

In conclusion, Ramsey's distinctions and observations will be invaluable in our growing understanding of the conditions needed for learning to be complete and for deep cultural change to take place in different parts of the world.

community, and ascription. Is there a correspondence between the neglected values and the disciplines promoted in *The Fifth Discipline?* Let's consider each in turn, again rewording them to highlight the Parsonian values involved:

- Mental models—Rather than act as if there was a universally correct way of understanding the world or the things in it, people should learn to appreciate that someone's understanding depends on the particular model he or she is using. And rather than assuming that group cohesion depends on everyone accepting one specific model as a standard, a community will be healthier if it learns to value its members' diversity of perspectives, even though this is a messier, more diffuse way of looking at the world.

- Shared vision—People intrinsically desire to be part of a community working toward an emotionally engaging, shared purpose. Despite this, many organizations rely on motivating individuals with extrinsically oriented reward systems and competition between organization members. While emotionally neutral extrinsic rewards allow managers some control over the specific behaviors of people seeking to achieve outcomes determined by the organization's executive, they undermine social bonds that hold the community together. So, rather than award people status on the basis of specific achievements, organizations can build community by ascribing status to people based on their commitment to shared vision, even though both the status and the basis for it are more diffuse.

- Team learning—Complex organizational problems require solutions that integrate the knowledge of a variety of people. Many organizations struggle to achieve integration because individuals have difficulty openly sharing knowledge in a collective way. The capacities needed for people to work and learn together in teams are diffuse—"soft" issues such as relationships and intentions—rather than specific skills and competencies more accessible to "hard" measurement.

- Systems thinking—Because organizations are complex systems, actions designed to achieve specific outcomes often have a diffuse impact, with unintended consequences occurring far—in both physical and temporal distance—from the expected target. Complex systems are better understood using integrative rather than analytical thinking.

- Personal mastery—In order for a community to act together in the integrative way needed to bring about progress toward shared vision, people need to master the creative process. If people cannot handle the tension involved in creating, they slide into a pattern of reacting to pressures or opportunities on the basis of specific events. Such reactivity by individuals undermines social bonds.

Commentators like Russell Ackoff (1997) have pointed out that the heavy emphasis on analytical thinking in Western nations provides a backdrop to the need for systems thinking. Exploring all of the values characterizing English-speaking nations in particular gives an even clearer context for the full range of disciplines making up the learning organization. I could summarize by saying that a learning organization is the sort of place in which we would all like to work (Kofman and Senge, 1993), because it allows for the expression of a full range of complementary values, and that currently the need in English-speaking nations is for greater expression of values of particularism, community, integration, ascription, and emotional engagement. But what implications does a cultural analysis have for those seeking to create learning communities?

But what implications does a cultural analysis have for those seeking to create learning communities?

Cultural Pitfalls

If becoming a learning organization involves ensuring that previously neglected values become fully represented in organizations, then people interested in cre-

ating a learning community have taken on a cultural change project. They are seeking to bring about changes that will conflict with basic assumptions held by members of the organizational community. Two cultural dynamics that are likely to present themselves are schismogenesis and the tendency for people to revert unintentionally to the values they are seeking to change.

We have already considered the way in which schismogenesis operates to polarize people and groups around opposing values. Living in what has been described as an "argument culture" (Tannen, 1999), many people might assume that the way to bring about change is to advocate their position vigorously while showing others why or how their assumptions are flawed. This example of linear thinking encourages change agents to respond to resistance with greater and greater force. It is counterintuitive to people operating from these assumptions that schismogenetic processes limit the effectiveness of their advocacy. Indeed, the greater the force they use to advocate a shift in values, the more they mobilize forces determined to retain existing values. An argument for change creates an escalating conflict in which the existing culture has an established, strong position. Change agents thus need to guard against representing existing values as problems to be solved by organizational learning techniques. Rather, they need to seek "both/and" ways of understanding issues, appreciating that if existing "disabled" ways of thinking had no value, people would not be using them.

The second cultural challenge involves dealing with people or groups who want to change. The unconscious nature of people's assumptions will likely lead them into activities that unintentionally reinforce existing values rather than promoting the missing values the organization needs. Consider the values involved in some common practices you may have observed:

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- Universal goals—Values of universalism and analysis may encourage us to believe that we should be able to create a model of what a learning organization should look like. This model would allow us to take specific measures as a diagnosis of what needs to be done, leading to prescriptions of the specific steps we need to take. We might also assume that the actions or activities needed are universal, whether organizations are in the US, France, New Zealand, or Chile.
- Standardized visions—Because of their unconscious reliance on universalism, some organizations create vision statements by following a leading company's formula. They may assume that there is a universally best statement that is motivating in itself, rather than seeing shared vision as a way a community can clarify the particular identity that sets it apart from others.
- Approaches to learning—Organizations may set about learning in ways that reinforce existing values. For instance, they may seek to have people learn about conversations by having them individually analyze their current practices in an emotionally neutral manner, comparing them with a universal model of how conversation should be conducted. Similarly, approaches to systems thinking may overemphasize development of emotionally neutral models in which variables are carefully analyzed and specifically stated.
- Overreliance on performance management—Many organizations have highly developed performance management systems (PMS) that enable them to organize work so that individuals commit themselves to achieving
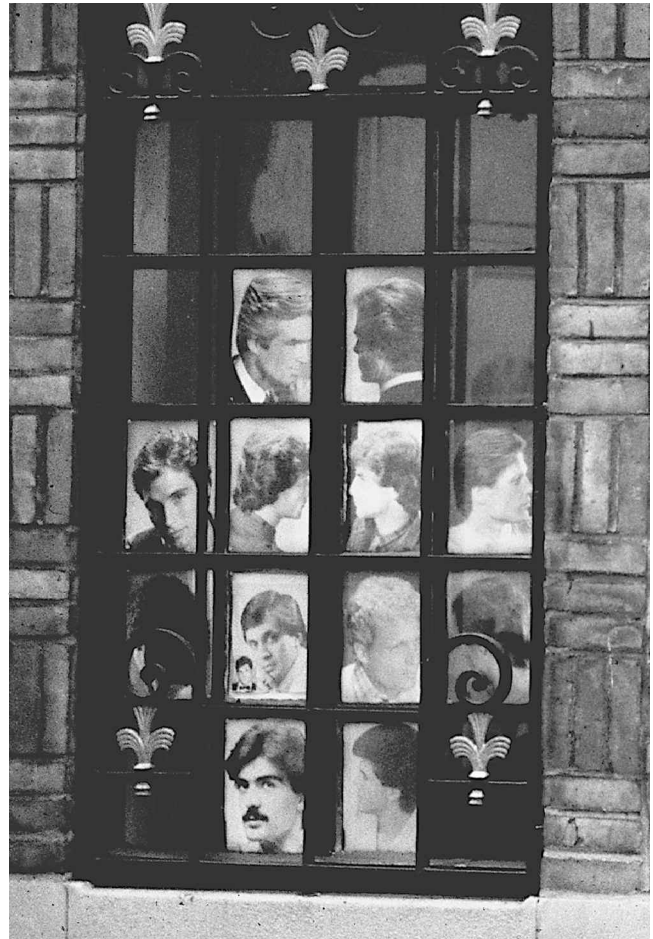
specific outcomes. Success of these systems in conjunction with existing values may lead managers to think that they can use PMS universally, that is, as the way to bring about all change. This can lead to the paradoxical situation in which people are asked to pursue individual objectives to do with improving teamwork, as if the nature of teams resided within individuals rather than relationships.

- Self-interested personal mastery—Practices of personal mastery can be used for the benefit of individuals or for the benefit of the community as a whole. Within an individualistic macroculture, people may assume that their organizations will automatically be better off if they use the creative process to pursue their personal opportunities and desires, unaware of any damaging effects this may have on the organizational community as a whole.

The workings of culture provide an underlying structure that naturally leads to the sorts of paradox and confusion outlined above. For those seeking to create learning communities, an understanding of values and culture provides an insight into how organizations unconsciously hamper their own efforts to generate change. A challenge for change agents in particular is to become conscious of that which they take for granted, to recognize how these assumptions shape their practice, and to explore approaches to change that utilize a wider range of values.

In summary, cultural processes have a significant impact on learning within organizations. When cultures form, values are established that promote learning in some areas, while creating blind spots to learning needs in complementary fields. This process can be observed within organizations and industries such as aviation. It can also be seen in the culture of Western business more broadly. Processes of schismogenesis in this context have created the need for values represented within learning organizations. In addressing this need, however, practitioners must respect and understand cultural processes, or they risk contributing to further splitting apart complementary values. The challenge of complementarity is for organizations to learn to be complete.

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Four Futures for Organizing and Leading in the New Economy

Art Kleiner

Preface by Adam Kahane

Here Art Kleiner reports the results of a workshop I led in May 2000, the purpose of which was to think about the future of organizing and leading, and thereby to inform conversations about strategy in the Society for Organizational Learning (SoL) community.[1] Arie de Geus, formerly Royal Dutch/Shell Group Planning Coordinator, suggested that we use scenario thinking, an approach that has been pioneered at Shell since the early 1970s (Wack, 1985a, 1985b; de Geus, 1988, 1997; van der Heijden, 1996). In the late 1980s and early 1990s, I apprenticed in and then led part of the Shell team, and since then have further developed the methodology with my Generon colleagues, in both corporate and civic settings (Kahane, 2001).

Scenarios are stories about how the world might unfold. By playing out multiple narratives about the future, they help us see and understand more of what is happening around us and hence increase our capacity to adapt to the world and also to shape it. In order to be useful in this way, the scenarios must meet four criteria:

- Relevance: The scenarios have to deal with aspects of the world that matter to us or, in other words, be connected to our current mental models.
- Emergence: The scenarios have to deal with aspects of the world that are not yet visible to us (not on our radar screens) or, in other words, to challenge our mental models. Note that this criterion is in tension with the first one.
- Plausibility: We have to be able to believe that these futures could occur, to take these stories seriously enough to be willing to play with them.
- Clarity: We have to be able to understand, communicate, and remember the stories.

The four stories developed in the workshop more or less meet these criteria, as well as they could in only two days of discussions. They are not scenarios about SoL itself but rather about possible contexts in which all of us—SoL members and others—might find ourselves over the next decade. We offer them here as a tool that we can use to improve the quality of our strategic thinking and acting.

The process of making and using scenarios involves a cycle of four activities.

1. Identify the Strategic Agenda

In order to study the world usefully, we need a "strategic agenda," a starting point for our inquiry and learning, and an initial area of focus—although we may end up paying attention to a very different area. Usually, we elicit this agenda through interviews with client leaders. In the case of this project—and in other, civic projects—the scenario team members, chosen for their interest in SoL's work as well as their distance from it, defined the strategic agenda themselves, based on their own areas of curiosity and concern. In

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this way, they provided the SoL community with an "outside in" perspective on the environment in which it would need to evolve.

2. Study the System

The core of scenario work is trying to understand what is going on in the world, exploring outward from the strategic agenda's initial area of focus. Of course, this task is infinite and therefore never fully achievable, so we do the best we can within the time and resources we have. We are trying to go beyond seeing events to seeing underlying patterns and structures. In addition to traditional methods of analysis and synthesis—reading, talking with experts, modeling, and so on—one excellent method for seeing more of what is going on is "learning journeys": getting out of our normal environments and deliberately putting ourselves in unfamiliar contexts and in dialogue with people who see the world from other perspectives. In the workshop, this approach was approximated by bringing together a group of such "remarkable persons" with a wide range of perspectives: consultants to Internet startups, religious leaders, business school academics, writers and artists, community activists, Fortune 500 executives, venture capitalists, environmentalists, health care entrepreneurs, and so on.

3. Construct Scenarios

Scenario stories are simply a natural, elegant way of summarizing our learning about how the system we are studying is unfolding. Scenarios can be seen as images of the possible futures or as alternative interpretations of the present. In this workshop, the team used the "inductive" scenario method:

- Moving from our strategic agenda of concerns and curiosities,
- To brainstorming possible "snippets" of possible futures,
- To clustering the snippets into scenario "families,"
- To choosing four useful scenarios,
- To developing each scenario as a narrative over time,
- To illustrating each scenario with vignettes of people's lives in that story,
- And finally to drawing implications for leading and organizing, and for ourselves.

4. Use the Scenarios to Address the Strategic Agenda

The purpose of scenario work is not to construct scenarios for their own sake but, rather, through making and using the stories, to improve the quality of strategic thinking. The workshop participants and SoL members have already used these scenarios in their annual meeting, trustees meetings, research meetings, and other settings. The key to using scenarios is to ask yourself two sets of questions.

- First, consider one scenario at a time and, for each one, ask: If I assume that this scenario was in fact occurring, what would it mean for me, my family, my work, my organization, my community? What opportunities and threats would I face? What would show up as my strengths and weaknesses? How well would the strategy I am now pursuing—explicitly or implicitly—work?
- Next, consider all four scenarios as a set, not knowing which one will in fact occur, and ask: What excites me and frightens me in these possible futures? What do I want to help bring forth and what do I want to help prevent? How is the strategy I am now pursuing helping to ring one or another forth? What will I do now?

Try out these questions to see if the scenarios are useful to you.

✣

There is nothing as boring as someone else's scenario of the future. That's why the four stories you are about to read should be seen only as starting points—an opening from which to think carefully about our common future as co-organizers, business leaders, consultants, researchers, and, most importantly, people who must make their way in an increasingly complex world.

Given this complexity, how can we better know the potential impact of our decisions? How can we choose whether to keep or change jobs, whether to give our time to one endeavor or another, whether to settle in one place or another, what kinds of long-term organizational decisions to make (to set ourselves up for better short-term organizational decisions), and what sort of life to try to create for ourselves and our families?

These four futures themselves probably won't come true, but they represent flavors of events and trends that will, almost certainly, influence our futures. By giving names to these flavors, we pick up a handle with which to talk about our future. Yet these are not just extrapolations of current trends. Each describes a kind of threshold that the world must cross, a boundary to a different way of life:

- *Techno-Gods*—The inexorable march of machine (and bio-machine) progress takes humanity across yet another technological threshold, into a significantly accelerated post-industrial environment.
- *Corporate Gatekeepers*—Spurred by globalizing, merging corporations, and increasingly uncertain governments, the world crosses a threshold of political organization, dominated by a few large corporate-governmental entities that seek what managers everywhere seek—control over uncertainties.
- *New Renaissance*—Western and Eastern societies cross a threshold of values awareness leading to a "new renaissance" that includes new institutional practices and a reformation in ways of living (a future with its own unique challenges).
- *Virus World*—The industrialized and developing worlds both cross a kind of "boiled frog" threshold of decline, in which every debilitating factor acts with the seeping decay of viral infection.

Scenario 1: Techno-Gods

"We are as Gods," wrote Stewart Brand when he created the *Whole Earth Catalog,* "and we might as well get good at it" (Brand, 1968). In this scenario, humanity takes this statement literally, but doesn't necessarily get good at it. Technological advance continues at its most accelerated plausible speed, but human values and governance structures muddle along, trying to catch up. The threshold that gets crossed is partly technological and partly spiritual. But it is a threshold of power. (The scenario group originally called this future, *Omnipotent Techno-Gods.)* The awareness that we can be as gods changes the human spirit in a tangible, qualitative (and not necessarily benign) way.

It is the year 2010, and people are plugged in as never before. The "noosphere" that Teilhard de Chardin foresaw is now a "noose-sphere" of sorts, in the sense that there is no escape from it (de Chardin, 1925). Culture is global; indigenous people in, say, remote parts of the Amazon are as plugged in as everyone else. This means that opportunity and economic growth are rampant throughout the former "developing" world, with a resulting increase in anxiety among the former industrialized nations. People are glutted with information and advertising that is targeted at them, appearing everywhere from the street signs by their homes ("Good morning, Betsy. The grocer down the street has a special on the kind of cereal you like"), to the inside rim of their eyeglasses, to the voice-chip in their automobiles. This is a high-touch future as well, at least for the affluent, with a fast-moving, fun-filled economy (but lots of nervous breakdowns and invisible, hidden, burnout cases). Children graduate from Ritalin to Ecstasy as a matter of

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course; companies devolve and reform continually; people "own" their jobs, a state that often resembles indentured servitude.

As a parent of a five-year-old, you might make an IPO with his or her life to raise money for college (but lord help you if your parents bet on a loser). In short, this is a future of winners and losers, fueled with such manic, fast-paced change that the losers continually get another chance . . . and another . . . and another . . . without much thought for consequences. Few people question the values of this world, or the places it is going, in any meaningful way, because there is simply no time to reflect and take stock.

How We Got to Techno-Gods

In the early years of the twenty-first century, the enormous wealth created by the "Internet surge" propelled a second technological boom. The speed, reach, and low cost of the global electronic network, already remarkable in 2000, now accelerated, until it engulfed all human activity. Innovation proceeded haphazardly, but the speed of innovative cycles was so fast that, in many fields, including biotechnology, nanotechnology, and the evolution of computers, it was impossible to govern (or even be aware of) the impacts of new machines. The net, in effect, became not just an index to all human life, but a medium through which businesses, and individuals, redefined themselves. Intelligent e-mail filters represented the first emergent technological omniscience, that has evolved by 2010 to a global network that itself seems almost sentient.

Even by 2000, it was clear that the Internet bubble would burst, but the inevitable consolidation did not mean a slowdown in technology. Instead, the "dot.com shake-out" of 2003 reframed the corporate environment, eliminating many old dinosaurs and replacing them with new, more resilient corporate mammals. Surplus investment capital, the influence of the new techno-billionaires, and seemingly infinite varieties of new technology continually spurred each other to new levels.

This occurred at the same time as an increasing individual search for release from boredom and spiritual meaning—in the workplace and elsewhere. By the standards of the 1990s, spirituality seemed oddly detached from old, gravity-bound concepts (like "family" and "community"), but all the more compelling in that vacuum. The "winner takes all" economy was flush enough that even the "losers" were included. Indeed, they could hardly escape. Culture inexorably moved to a kind of interactive "lowest common denominator" ambience, as if there were 100,000 channels of consciousness, all broadcasting variations on the same message (and increasingly in the same few "net savvy" languages).

By 2009, the advance of technology had led to high levels of artificial intelligence embedded in an increasingly electronic urban environment. People were connected, through body implants and day-to-day performance, in ways that even the artists of the 1990s had not quite imagined.

Notable Implications of Techno-Gods

The most interesting interrelationship, perhaps, is between technological growth and spiritual need. We are as Gods, and we need God more than ever. This is a world of emotional and spiritual vulnerability, precisely because human capabilities for community are less exercised (even online communities are often fragmented and narrow). Cults are more popular in this future than in any of the others, even *Virus World.*

This is also the future of greatest economic boom. Omnipotence, as one participant noted, starts with wealth. To the extent it comes to pass, it will substantiate the theory that unfettered markets create wealth. There may be rolling crashes and shortages here, but they are quickly forgotten in the perpetual wave of oscillation. If the world is heading for a crash and depression, it hasn't hit by 2010. And the economy seems to keep rolling without much external control.

Indeed, there was almost no government mentioned in any comment about this scenario. Presumably, big governments still exist, but they have devolved largely to the status of entertainment, perhaps with electronic voting beginning to replace many of the legislative functions of 2000.

This future was inspired in part by an article by Bill Joy in *Wired* suggesting the dangers of technological evolution (Joy, 2000). But we gradually realized that technological change will be neither blessing nor disaster, but an unprecedented mix. Mindlessness will be rampant, and so will greed; but the aspiration to do better things is unchecked, and people believe anything is possible. The paucity, here, is truly in the imaginations of the individuals. Philanthropy, in this future, is a strong source of seed money for social change, and the "have-nots" are increasingly sought after to become "haves" (where they, too, can come online and help keep the economy going).

The notion of indentured service emerged in this future. When machines control, human autonomy is worth less. People indenture themselves to enter the plugged-in world. Because machines act as a force for decentralization, this future belongs to the customers and employees, not to the bosses. As C.K. Prahalad noted, the question, "What does it take to be a good follower?" becomes very profound in an environment where many employees are effectively volunteers, with a near infinite number of employment choices.

If you have faith in human nature, this is not such a bad future, because the ineffable spirit of humanity can prevail against anything. But if you mistrust human ability to combat machine-age assumptions, boredom, addiction, and the continual search for the new adrenaline rush, then this future represents a discomfiting place to live, and perhaps a tense environment for SoL. "The Techno-God is a very impatient God," said one participant.

If you have faith in human nature, [Techno-Gods] is not such a bad future, because the ineffable spirit of humanity can prevail against anything.

Finally, this future is (on some level) predetermined. It will happen, in some form, unless something specific is done to block or deflect it. There is so much short-term comfort and wealth generation in the trends leading to this future, that many people will ignore the long-term implications. Will we have the ability to cope?

Scenario 2: Corporate Gatekeepers

"We were originally going to call this *Off to See the Wizard,*" said one of the people who developed it, "but we realized it really wasn't the Yellow Brick Road. It was *Goodbye, Yellow Brick Road* that we were predicting." Later we changed the name to *Corporate Gatekeepers* to focus attention on the central factor of this future: A world in which corporations seek (or are drawn into) control not just over their private goals but over the public sphere as well, becoming in effect the "gatekeepers" of a quality civic life.

In this future, Kenichi Ohmae's "borderless world" has become more of a reality, as corporations override not just local tariffs, but local regulations (Ohmae, 1990). Investment capital and corporate activity move freely across national borders. Antitrust laws are redefined. A global representative government has in effect replaced the United Nations. It is elected by boards of corporations, which in turn represent shareholders (including employees and retirees who own stock through their pension funds and vote accordingly).

Only a dozen or so major companies divide the world among themselves. Many regions or nationalities have reconstituted themselves as "gated nations," in which a few companies dominate employment and trade. These companies have more power than countries. The barrier to entry for new organizations is high, at least once they reach a certain level of growth. There are three major organizations permitted per sector.

Social stratification is high. Social engineering is accepted and managed by either companies or countries. Exhausted by turmoil, people love the lack of stress and the comfortable way that decisions are made for them once they join a corporate lifestyle. People wear corporate logo-emblazoned jewelry to show that they belong.

The world is a meritocracy. Institutionalized education is seen as the path to a controlled career. The market is unfettered, but, paradoxically, the amount of control needed to survive and thrive is perceived as greater than it has ever been. Eccentrics and indigents retreat to enclaves outside the mainstream (where, presumably, they are idealized as the source of cultural soulfulness).

How We Got to Corporate Gatekeepers

In 2001, after Microsoft finally defeated the Department of Justice judgment and prevented the breakup of the company, after cyberterrorism scares became commonplace, and after the Internet bubble threatened to burst, groups of global business and government leaders began to meet in more intensive sessions, focused on the subject of organizational security. Since these meetings no longer took place in the United States and rarely included more than one US competitor, antitrust was no longer seen as an issue. The meetings represented a prelude for a new kind of merger mania: strategic mergers, focused not just on maintaining shareholder value but on wresting back control over the unruly market, in a way that democracy could not.

At the same time, in the aftermath of the 2000 presidential election, people grew fully disenchanted with national leadership. "They're just pre-bought corporate lackeys," was the view of the person in the street—even the corporate person! After the final defeat of campaign finance reform, John McCain accepted an ambassadorship to the Cayman Islands. The US Secretary of Commerce, by 2004, was officially appointed by The Business Roundtable.

Business leaders no longer pitted themselves against government; even in Europe, they and government now saw themselves on the same side. Government existed to create wealth and thus to develop a better standard of living for people. Departments and Ministries of Commerce were soon run by pro-business appointees; industries like banking, which once had been closely regulated, now cannot be regulated. Banks, for instance, became obsolete as General Electric, Ford, and other companies consolidated their presence in the credit business.

The threshold was crossed around 2006, with the evolution of "monster mergers." Historically, the Time Warner/AOL merger of 1999, which had proven remarkably successful, was now seen as the first of its kind. Within six months, the boards of Oracle, Dupont, General Motors, SASOL, SAS, and Ciba-Geigy had voted to combine their governance structures. Combined with the capabilities of the Internet, the mergers became vehicles for massive redesigns of massive companies, but they created so many opportunities for contractors, dealing with outsourced work, that few displaced employees were permanently removed.

In 2004, atmospheric scientists confirmed that the increased presence of carbon in the atmosphere had indeed led to more turbulent weather. This was underlined in 2008 when several earthquakes took place on the San Andreas Fault in California between October and December. The last of these created a fissure deep enough to divide the western half of the state from the Sierras, and California became an island. Similar natural disasters were occurring throughout the rest of the world.

Humanity looked for safety where it could find it—in the largest corporations. Many nation-state governments, returning to a sense of vulnerability that they hadn't felt for 400 years, became virtual fiefdoms of corporate interest: connected by the Internet, they hooked up with one or more of the new global *keiretsu*. Instead of "company towns," there were now "company regions," where everyone involved worked for the same global enterprise, for one of its suppliers, or for a business that catered to its employees. Microsoft administered the regional government of Seattle-Vancouver, beginning in 2010.

Corporate control, as a cultural value, increased throughout the 2000s, but there is always an undertow to such movements. Local communities sometimes seceded from the global net, building their own identities based on alternative products, local "sweat equity" currency, and cooperative investment. Some are led by survivalists, left over from the 1980s, who opt out of the corporate economy altogether, and isolate themselves in remote parts of the Urals, Rockies, Andes, Himalayas, or Pyrennes. Others represent a subculture of makers who cluster around artists and artists' colonies in inner cities (and suburbs) as ways to build alternative communities

that aren't dependent on this land of Oz. As they become more dependent on each other, they develop their own set of local shared values. These are communities of value, not communities of economy; and they're very clear that their values aren't corporate. They become highly attractive as alternatives to young people and to retiring baby boomers, because they have a spiritual basis for association.

These local communities begin to generate an alternative economy based on craft production. They have little capital, but lots of sweat equity and skill. Using the Internet, they make "what the customer wants" when the customer wants it, with a personal relationship included. As a consumer, you can get to know the person who's making it for you. The most successful of these communities, however, gets so big that corporate/government interests could buy them out.

Notable Implications of Corporate Gatekeepers

In *Systems of Survival,* Jane Jacobs proposes that the mindset of government (the soldier) and the mindset of the market (the merchant) are fundamentally incompatible. In this scenario, they merge—and prove her wrong (Jacobs, 1992).

> Corporate Gatekeepers *will probably be most plausible if you believe that human beings are sociobiologically fixed.*

In my opinion, our group's imagination did not rise to the task of developing this future. We are so conditioned by our image of the 1950s American world of corporate control—the world of the "organization man" and "the man in the grey flannel suit"—that we can't help but extrapolate from there. Or perhaps we are extrapolating from our experiences in the corporate world in the eighties and nineties. But the future of *Corporate Gatekeepers* will probably be somewhat different in tone and style, and similar only in underlying structure. For example, do we really mean to suggest that there are only a handful of organizations around the world? Is that plausible? Or is it more plausible that there are only a handful of corporate constellations, in which all the organizations migrate to one "central body" or another?

For example, one group talked about the rebirth of the courtesan: "the return of the female into the decision-making environment and the number of senior male executives who have female executive coaches." Sexuality and being a "thinking partner" would be inextricably linked. Reading this over, I realized that *Corporate Gatekeepers* will probably be most plausible if you believe that human beings are sociobiologically fixed, that our habits run in patterns that we inherited from our chimpanzee-like ancestors, and that we will always run in packs and look for the dominance of "alpha males." If you ascribe to that theory of human nature (whether you like it or not), then this future will make sense to you (whether you like it or hate it).

The social responsibility of corporations takes on greatest significance in this future, because with their new social role comes increased responsibility. *This* is the future Willis Harman foresaw, and the future to which he responded (Kleiner, 1996).

Several people noted that this scenario, even more than *Techno-Gods,* assumes that greed and self-interest will trump all other emotions. This is the future that evolves from a world in which young managers routinely leave high-paying positions to take better offers, without any concern for loyalty. Paradoxically, that leads to an increased drive for loyalty, but on new terms.

The "new Europe"—not just the economic and political underpinnings of the euro and European Union, but the cultural shift they engender—is critical to this scenario taking place. We started talking in a circle about Europe: What if this new Europe actually functions with an economics of forgiveness? We have an opportunity to have an economy of forgiveness and an economy of sharing. Instead we have an economy of greed and an economy of giving. Similar things happen in Asia, South America, and even Africa.

The boundary between "art" and "commercial" is inextricably blurred. Advertising writers are revered as *auteurs.* Art is not separate from life; it is a specialty. "I was on a job about two weeks ago," Betty Alexander, the graphic scribe, told the group. "Someone came up to me and said, 'Aren't you just so delighted that people recognize you as an artist?' I said, 'I don't think of myself as an artist. I think of myself as a person who brings a
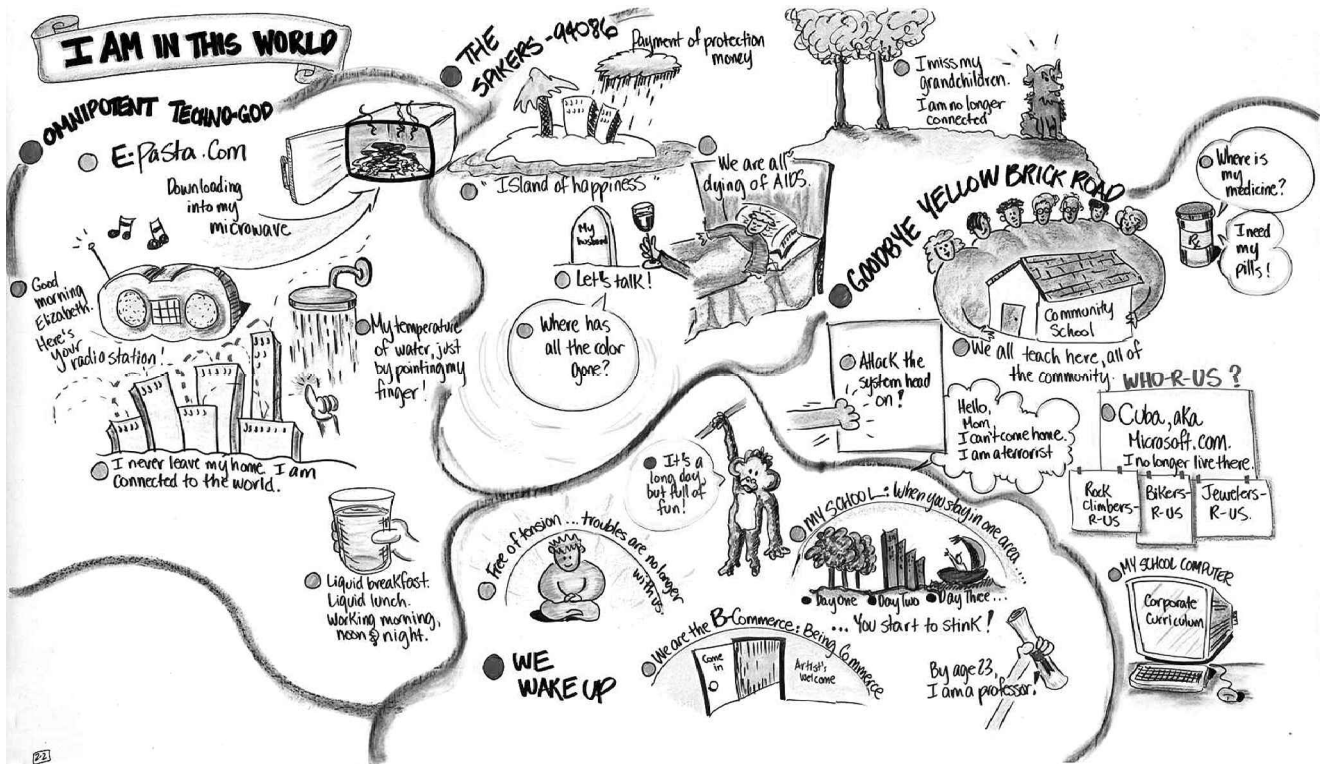
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Implications for individuals

lot to a situation, and art is one of the things I bring.' To be slotted into the box of an 'artist' disturbed me." In a paradoxical way, again, corporate control allows room for this kind of "un-boxing" to take place.

Despite the Internet, despite the borderless world, geography is still relevant here. People are marked by where they live. (Is that plausible?)

Finally, I thought it was interesting that, of the five individual stories told for this scenario, four were from outsiders (one was told by a terrorist!) and the fifth seemed profoundly unhappy. Contrast that to *Techno-Gods,* where the participants all seemed involved with the mainstream and curious about what was going to happen next.

Scenario 3: New Renaissance

This is a scenario of a plausible awakening of conscience and consciousness, both global and local. (The scenario group originally called this future, *We Wake Up.)* It occurs in a way that leads to a fundamental realignment of corporate and civic structures, in the service of a sustainable future.

The principal premise of *The Fifth Discipline Fieldbook* is: "Every organization is the product of the way its members think and interact. Change the way people think and interact, and you can change the world" (Senge et al., 1994). In this future, that turns out to be correct, and people manage to change the fabric of life accordingly. The idea that technology is a panacea loses currency (perhaps because of a visible technological calamity?). It becomes accepted that human beings are more than analytical creatures; we are whole beings. Boundaries are blurred between business, government, and civil organizations, but not in the service of control (as in *Corporate Gatekeepers*). Instead, people accept a life of less control (or no control) because they realize how illusory their efforts at control were all along.

Or, as Jon Kabat-Zinn (founder of the Center for Mindfulness in Medicine, Health Care, and Society) put it, "Many people carry around the model that we are really just a machine. An enzyme is a self-assembling unit that can actually do work. The molecular biology of the cell is extremely efficient nanotechnology." But in this future, that reductionist view of humanity no longer persuades. Instead, people believe that the body is an
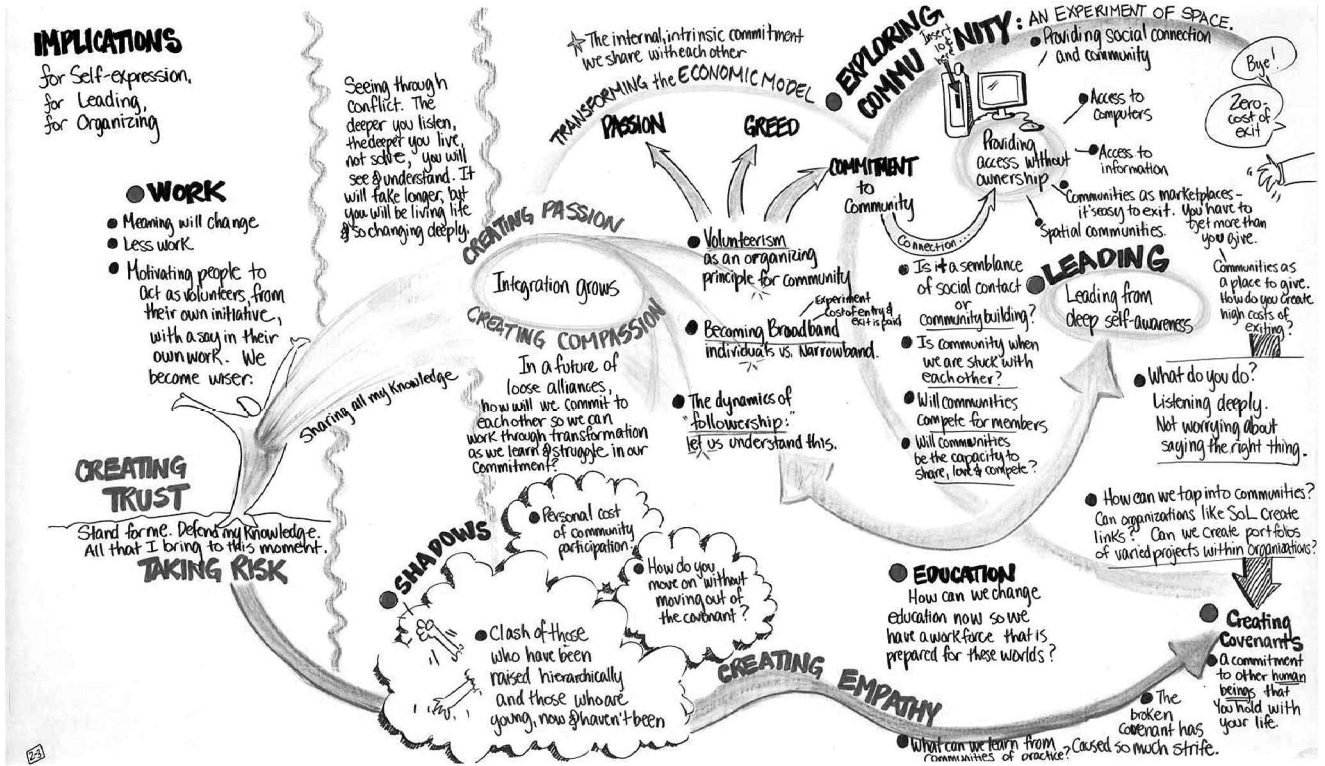
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Implications for self-expression, leading, and organizing

integrated part of the whole person, just as "the economy is a wholly-owned subsidiary of the ecology" (according to economist Herman Daly, quoted by Sarah Severn, Nike's Director of Corporate Responsibility).

The *New Renaissance* scenario is ignited, both in this workshop and perhaps in reality, by a view of medical care as an aspect of personal growth and transformation. The same is true of financial care. For example, philanthropy becomes a part of the well-lived life. Instead of working through large foundations, people give money in ways that allow for a sustainable relationship with the project that is funded. There is generally a reconnection with spirituality, a stress on quality instead of quantity, and more efficiency and creativity in the use of natural resources. There may be a return to voluntary simplicity, especially in the face of complex electronic media.

Finally, there is a significant blurring of the traditional boundaries between government and business and civic organizations, where roles suddenly begin to be intermixed and integration and different kinds of partnering become the rule rather than the exception.

How We Got to New Renaissance

The signs were already evident in 1999 or 2000, but few people were paying attention, in part because of the local nature of so much activity. It was hard to see the full shift until it happened worldwide. Material things no longer seemed to matter much. Hydrogen fuel cell-driven automobiles and vehicles rapidly became popular once the technology emerged. The course of environmental destruction weighed heavily on people's minds. And with economic success available to so many people, we were looking for a way to sustain civilization, not just to grow it. Of course, we were also looking for an antidote to our stress-filled, fast-paced, enervated lives.

The children made the difference. They started to hold conferences to transform moribund schools. They organized themselves over the Internet, on behalf of environmental change. They started pooling money to buy corporate shares, not just for the investment rewards, but to try to influence the companies. They wanted a voice in the world, and they wanted a better world.

This brought grace and gumption to the people who were already seeking a better world. Global advocacy groups, including environmentalists and labor groups, found an increasing constituency inside *and* outside corporate walls. In general, corruption diminished, because (in an Internet-driven world) it was harder to make it pay. Medical breakthroughs showed the advantage of healing in a way that recognized the interdependence of mind, body, and spirit. Meditation became common. School curricula, by the mid-2000s, included art, music, and even spirituality.

Around 2003, health management organizations (HMOs) and many government health-care systems collapsed. Only those with an orientation toward preventative care survived, because the rest accomplished little except diverting money from one set of pockets to another.

Ted Turner's gift of $1 billion to the United Nations turned out to be more significant than he had thought. It set the stage for a series of individuals and philanthropists to reinvent philanthropy based on "emotional intelligence." A group of Silicon Valley executives, calling themselves the New Renaissance, emerged from the Social Venture Network. They modeled themselves on the Medicis and asked, "What could we do together to foster another renaissance, to honor the sacred and the secular, and to bridge past the industrial ethic on a global scale?"

The Internet helped dispel the idea that an automobile was crucial to success, but it was followed by a renewed emphasis on transportation and power infrastructure, this time in a sustainable way, bolstered by energy sources like fuel cells and photovoltaics, as well as a renewed emphasis on energy efficiency. UN Secretary General Amory Lovins set the tone for the new era in 2009 in his inaugural address. But most of the action did not take place at the global level. Microcredit-funded small enterprises, particularly those operated by women, reached critical mass throughout the formerly "developing" world, which soon seemed like it would leapfrog past industrial society. And industrial society was doing its own leapfrogging. There was a lot of work to do, but a spirit of optimism and joy that hadn't been taken seriously since, perhaps, a group of Broadway actors trod on stage singing "The Age of Aquarius."

Notable Implications of New Renaissance

Nearly everyone who helped describe this future said, in effect, at one point or another, "I don't believe it could really happen," and yet they not only yearned for it, but were willing to invest in it. (Some already have invested quite a lot of their lives in a form of it.) As Otto Scharmer put it, "In our own lives, this kind of scenario plays a big role, but we have difficulty sharing it in a convincing way that would match our inner experience."

That is the value of scenario planning. It trains you not to ask, "Why is this likely (or unlikely) to happen?" Instead, you ask, "What would it take?" What would have to happen for this scenario to come to pass? In countries like the Soviet Union and South Africa, we have seen impossible things take place. Clearly, this future would not come to pass without a concerted effort. But is that all that would be required?

In my view, the *New Renaissance* scenario is plausible, but it would have to unfold in a counterintuitive way, almost below the surface. It could not depend on "preaching to the converted," because there is a sizable population of people who dislike the trappings of this future and they are not going to go away. It would require a kind of tipping-point mechanism, a "virus of hope" (as corporate manager Johannes Meier put it), enabling new ideas (such as non-materialism) to "infect" the mainstream. It would also require some way of drawing in the people (such as, say, religious conservatives) who mistrust the surface but might actually appreciate the depths.

> *The* New Renaissance *scenario is plausible, but it would have to unfold in a counterintuitive way, almost below the surface.*

Someone at the workshop said, "The original Renaissance was created by not much more than 100 people. We already have 20 in this room." Perhaps, people noted, some of the cultural signs of disharmony and fragmentation (such as the greed of the dot.coms) is a flipped version of passion. "They're not passionate about making money, so much as about creating things." If that is true, then the scenario of *New Renaissance* has a better chance of existing.

There is also a question about how "pure" a Renaissance this would have to be to represent a true awakening. At one point, I thought I'd try to tweak the group that articulated this by asking, "Wouldn't this be much more likely if a charismatic leader appeared—an American Gandhi?" They vehemently objected, arguing that then it wouldn't be a true Renaissance, because it would be one more example of a top-down hierarchy. Elsewhere, Peter Senge quoted Humberto Maturana, "If you've ever told anybody, 'Don't you see what's really going on?' then you are actually making a demand for obedience" (Maturana, 2000). This future might be one that Maturana would be proud to be part of (indeed, he would have helped to inspire it).

And that might represent the danger of such a future as well. After I heard that remark, I privately asked one of the attendees, poet Samantha Coerbell, what she thought of the quote. Her reaction was similar to my own, and she later voiced it to the group. Artists continually say, "Don't you see what's really going on?" But they ideally do it in a way that opens conversation, not closes it. Could the *New Renaissance* future tolerate that kind of inquiry? Or would it fall prey to the inevitable human inclination to adhere to a standard line of thought, even if that line of thought were "alternative"?

Personally, I think the *New Renaissance* is at least as likely to take place as *Corporate Gatekeepers.* I would like to see more attention paid to the undertow, for every movement has one. What would this scenario bring in its wake, and how can the people of *New Renaissance* attend to the unexpected consequences of their own mind-heart-and-soul success?

Finally, what does it mean when people were asked to imagine the residents of this future, two of them imagined 7-year-old girls, and the other three imagined 20-something male medical professionals?

Scenario 4: Virus World

Society becomes a virus incubator in this future. Nothing gets bad enough to trigger a curative response, but it's as if the world has a perpetual, low-level case of the flu. AIDS is devastating in some regions, but not everywhere, and it drops back before people get outraged enough to invest more in a cure. Criminal activity and the Mafia-ridden economy keep growing, but never threaten established governments or companies. Sometimes outlaw investment and drug trafficking wax; sometimes they wane. Natural catastrophes increase in number, and global warming-related crises proliferate, but it never gets bad enough to overwhelm decision makers' mindsets. Nationalism and new ideologies continue to emerge. There is economic sabotage. Sea levels rise; genetic accidents occur. Iraq blackmails its way onto the UN Security Council. Terrorist attacks proliferate without pattern.

This is a scenario of oscillating destablization. Before, the gaps were there, but most people didn't see them. Now, there is more awareness of them, but things periodically seem to get better, and attention wavers. After all, there is always the crisis of the moment to address, the current "spike" in the equilibrium to deal with. (The scenario group originally called this future, *The Spikers.)* Things never get bad enough to address in any systemic way. People now look back to Y2K with nostalgia: "Remember when we had catastrophes that came on schedule and turned out better than we feared?"

How We Got to Virus World

It's 2010. Politically, we have been at peace—or at least at truce—since the Clinton era. But then how did things get in such a mess? It's hard to remember, and frankly, the litany of history is depressing when you think about it all at once.

In 2000, there were five high-school mass murders—all five at affluent, suburban high schools in Silicon Valley. We paid for security systems and metal detectors, but Silicon Valley teachers and cops went on strike anyway, and most of them quit. Religious cults gained political power everywhere, especially after a software glitch took out 11 planes during an 8-hour period in 2005. (That was the coup de grace in finishing off Microsoft; it was subsequently acquired by Mattel.) The Russian crime Mafia had pretty much finished off the Italian Mafia, except in Sicily and upstate New York, by 2005. They were suspected of being behind the 2006 hacker attack on AT&T, but that was later proven to be masterminded by a pair of 12-year-olds in Saigon, who are now suspected

to be living in Barcelona. The crop failure of 2003 took Citicorp with it, and we miss it now, because it wasn't realized (at the time) how much that company served as a linch-pin for global financiers who moderated economic speed bumps.

As Visteon executive Roger Saillant noted in our workshop back in 2000: "I get worried when children can take over a school in Colorado. When they create businesses. When they create viruses that run through the Internet. I get worried when we have no process to accelerate wisdom and maturation to match our technology." How prescient he was, for that's exactly what took place in the ensuing 10 years.

Information technology definitely played a role. By facilitating easy mobilization around issues, it drew people into atomized sub-groups, with little contact among them. Environmental crises further destabilized the situation, by occupying so much of the attention of political and community leaders.

Economically, we saw tremendous disintermediation—the linking of buyers and sellers directly. Without the brokering institutions, there was a further destabilization effect.

Noteworthy Implications of Virus World

As noted earlier, this is the scenario of the "boiled frog"—in Gregory Bateson's famous metaphor (or was it Konrad Lorenz's?)—the pan of water is heating up so slowly that the frog receives no warning to jump out, and remains in the pan to be boiled alive. If system dynamics turns out to be an accurate way of describing the world, then this may well be the most plausible scenario. (Articulating that plausibility and reconciling it with hope for the future provides a core message for some of the most powerful systems writers, such as Donella Meadows.)

> *If system dynamics turns out to be an accurate way of describing the world, then* [Virus World] *may well be the most plausible scenario.*

The complexity of whole systems is a driving force. So, clearly, is complacency in the face of complexity. The whole is unable to address the problems of the whole. And anxiety makes things worse. For instance, a global fear of technology leads to laboratory destruction, which leads to world hunger, because in the laboratories are all the innovations of the grains, fertilizers and the activities that are supporting the system.

How long would society actually go down this road before there was a concerted effort to turn away from it? And would it be possible, at that late date?

Final Theme: Issues of Identity

One key theme seemed to emerge again and again in the scenarios. It concerned the unyielding nature of human identity—the ways in which people continue to seek their own control over the way they define themselves, and to resist all other efforts to define them. Culture, diversity, ethnic and racial identity, economic identity, corporate affiliation, the choice of where to live and how to live—all these qualities of an individual may or may not be immutable, but in every one of these futures, people conscientiously and stubbornly hold fast to their right to define themselves, against all other pressures, including the pressure of any "industrial machine."

"I want to tell you a story about a woman I met in my country [Germany], suffering from diabetes," said educator Ursula Versteegen. "I interviewed her in the course of researching the response to medical advice. Doctors are always trying to have diabetic patients lose weight. Although people know they should do this, it rarely happens. I asked one woman to talk about herself, and she said, 'In 1988, I weighed 150 kg and I lost 70 kg and gained 70 kg within one year. I had intended never to be fat again, but I lost my identity when I lost the weight. The problem was that I hadn't lost the weight for myself, but for others. I had done it to prove to Dr. X that his theory was right, and to please my husband. Now that I had lost it, I didn't know any more who I was—what kinds of dresses to buy. I didn't eat normal food; I had a powder that was like a soup. I looked in the mirror and a foreigner stared back at me. I went into the village and people didn't know me any more. They walked past me. That was more frustrating than being fat.'"

How will people define themselves in the future? Will it be according to ethnic clus-

ters? Religious beliefs? Tribal values? Gender? Technological accessibility? Body type? Or simply the way they feel themselves to be? Will people orient themselves around the places (geographic or otherwise) where they feel they belong? Will identity be as mercurial as fashion, or will people cling to it as their source of stability amid turbulence? (All the futures we described are turbulent, each in its own way.) Or will the search for identity overwhelm all other forces to somehow create a future centered around that?

If listening to customers is a powerful business practice, then identity will increasingly influence the mores of exchange as well. But will this represent "pseudo-identity"? How deep does a person's identity go? What characteristics are immutable? Race? Religion? Looks? Manner? Learning style? Habits? Preferences? Aspirations? What if people became more comfortable in their own identities, and less subject to manipulation as a result?

As Jean Horstman noted, "Human beings have survived everything by their ability to create meaningful association with each other. What does meaningful now mean? Is it nationalism? Is it corporatism?" The more that identity is commodified, the more that nationalism, tribalism, and ethnic identification increase. (This is the central tension of the "Jihad vs. McWorld" argument [Barber, 1996].)

The importance of this is underscored, perhaps, by the resonance between the Internet and identity. A baby named Leo Blair was born the week before the workshop. His parents found out that the name leoblair.com was already registered by someone else. This means that if "dot.com" names become an index to all human activity (as some have predicted), then young Leo is out of luck. He would do better to change his last name to a nonsense word—and, indeed, people may change their names frequently in the future, so their identities won't be cannibalized on the Internet.

The human quest for identity probably plays out differently in each of these scenarios, but it has an effect on each. (These are my own thoughts; you may have others.)

In *Techno-Gods,* the search for identity suggests that no matter how sophisticated the tools of the future become, they will never be used simply for control or one-way communication. They innately offer people choice, and people will always use that choice to try to develop a sense of themselves, distinct from (and belonging with) others. The public discourse of tomorrow may be much like the scene at some universities today, with people identifying themselves with interest groups, based on ethnicity or sexual orientation, as a starting point from which to enter into the public maelstrom of thoughts and words.

In *Corporate Gatekeepers,* identity may be the source of an undertow. There will always be a group of people who don't fit in with any corporations because they already hold allegiance to other forms of identity. Or will corporations simply evolve to embrace any kind of identity, so that no matter who you are, there will be a place where you can go to work and be taken care of? Alternatively, will the diversity of human identity force corporations to become more like communities, force them to have allegiance beyond the immediate bottom line, and ultimately make this scenario more plausible by blurring the boundaries between corporations and local governments?

In *New Renaissance,* the key driving force is an idea that people "wake up" to the systemic consequences of their actions. Does the drive for "meaningful association" make it more likely society will wake up? Does it impede the waking up? Or is there some kind of synthesis between allegiance to part of humanity and allegiance to humanity as a whole?

And finally, in *Virus World,* people will probably find that their ability to survive depends on local allegiances, and on the security and identity that they provide. To the extent that people can settle into tribes under stress (even cyber-tribes), they may be able to weather the storm. And if there is no end to the storm—if the decline of *Virus World* is perpetual—then the identity of belonging to a tribe may turn out to be a permanent success strategy.

The amalgam of habits, predilections, and mental models that we associate with the word "identity" really represents a set of trends in human attitudes about joining, belonging, and standing apart or together. These prevailing attitudes will, in turn, deeply influence the things people expect from corporations, communities, and other groups, and the things we are willing to give to them. (John F. Kennedy's epigram, "Ask not what your country can do for you; ask what you can do for your country," was significant precisely because it proclaimed that loyalty to the US and, by extension, national loyalty in general should trump all other loyalties.) Thus, identity is inextricably linked with community, and, at heart, these four scenarios raise the question of communities in the future.

What kinds of communities are easier to foster in each? What kinds are more difficult? What is the difference between organizations and communities in each future, and what covenants do people naturally enter into as they establish shared relationships?

"A community is about a promise," said Michael Burns, the Scottish priest. "We will see one another through conflict. If there's not a commitment for more than two days, what's the point of dealing with conflict?" Communities, in short, take time to create. The decisions made today—by many people, including those at the SoL workshop—will influence the kinds of communities that exist in 2010, no matter what future has come to pass.

Notes

1. The workshop was convened for the Society for Organizational Learning (SoL) by J. Jean Horstman, C.K. Prahalad, Peter Senge, and C. Otto Scharmer. Also participating were Erik Andersen, Jim Austin, Allan Boesak, Michael Burns, Damon Butler, Samantha Coerbell, Ting Ho, Jon Kabat-Zinn, Johannes Meier, Edgardo Pappacena, Nagah Ramadan, Roger Saillant, Sue Sacks, Sarah Severn, Ursula Versteegen, Pat Walls, Darren Way, and Debra Woog McGinty. Betty Alexander recorded the workshop, and Adam Kahane designed and facilitated it. (Some of Alexander's drawings are reproduced here.) Jean Horstman asked Adam Kahane to lead this process for SoL because of his professional experience, as well as close relationship to SoL. While he was not a member, he was part of a SoL learning circle and aware of challenges and opportunities facing the SoL community.

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Commentary

by C. Otto Scharmer

Can we look at the four scenarios described by Kleiner as the expression of a larger field of forces that redefines the coordinates of the global economic, political, and social system? What is the larger picture here? What is the theory behind all these stories, if there is one?

What triggers these questions is my observation that vastly different participants in scenario projects—management teams and other groups of all political and philosophical stripes—can arrive at very similar images and projections of possible futures. There are, of course, two possible explanations for such a phenomenon. One is that the participants and facilitators lack imagination. The other is that there *are,* in fact, generic forces at work that reshape the world—reshape our global system across countries, continents, and industries. It is this latter possibility, the question of the larger picture, on which I would like to elaborate.

"A new world is taking shape as we move into the new millennium," wrote Manuel Castells of the University of California, Berkeley, in a comprehensive analysis of the state of society, economy, and culture (1998). Castells sees the emergence of a new dominant social structure that is reshaping the socioeconomic system across the globe. Inspired by Castell's work, I have come to see the challenges that leaders of organizations and social movements face in terms of three revolutions:

1. The rise of the high-tech economy (a digital revolution), driven by the forces of technology.
2. The rise of new patterns of relationships (a relational revolution), driven by the forces of globalization, networked fields, and individualization.
3. The rise of a personal revolution from within, something that might be termed an aesthetic-spiritual renaissance, driven by the proliferating search for higher qualities of awareness and experience.

The three revolutions—the digital, the relational, and the personal—redefine the economic, political, and cultural coordinates of our global system, together with the five forces that drive their development (Scharmer, 2001). Each scenario embodies one of the major driving forces mentioned above:

In *Omnipotent Techno-Gods,*[1] humanity crosses a technological threshold and enters a happy new world in which everybody and everything is controlled all the time by a kind of monster matrix, the Omnipotent Techno-Machine.

Corporate Gatekeepers, originally called *Gated Nations,* is based on a culmination of the driving force of globalization. In this future, a huge wave of mergers and concentrations within and across markets leaves only a dozen gigantic corporations as survivors. These 12 giants divide the world into a structure of gated nations, each of which is controlled by one of the monster corporations.

Virus World, originally called *Virus Incubator,* can be seen as a future story based on the primacy of the driving force of networked fields. This scenario is based on the boiled-frog syndrome. In this future, numerous interconnected crises and breakdowns happen globally, but no single crisis or breakdown can attract enough attention and dedicated energy to fix the underlying causal structure. Thus, in this scenario, the crises go on, and on, and on.

The fourth scenario, *New Renaissance,* inspired me to name the fifth force the aesthetic-spiritual renaissance. The essence of this scenario seems to be that human beings are not controlled by a technology monster (as described in the first scenario), by globally centralized power empires (the second scenario), or by interdependent and self-reinforcing global breakdowns (the third scenario); instead, they relate to each other in a more open and self-organizing way. No one force dominates, and people develop new ways of living and working together.

When aligning the four scenarios with the three revolutions (see the figure), we can see that there is a missing scenario. There is one force that does not correspond to any of the scenarios: that of individualization. As part of the SoL scenario workshop, we discussed a possible fifth scenario, but it did not make it to the final four. The fifth scenario's preliminary name was *Ants Exploit Elephants.* It envisioned a world in which individuals and little groups at the periphery of larger institutions manage to absorb the interesting opportunities and to exploit the big institutions, rather than being exploited by them. Another possible name for such a future is *Bowling Alone,* Robert Putnam's notion of a world described by ever decreasing degrees of civic engagement, which according to Putnam (2000), is precisely the world we live in.

Thus, summarizing the scenario exercise, we can say that we developed four stories of the future, each of which envisions a major driving force that reshapes our global system. The fifth force is the one of ever increasing individualization.
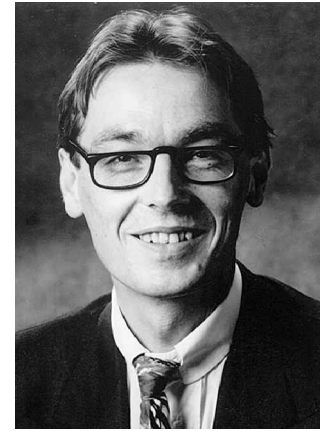
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1. Digital Revolution: The Rise of the High–Tech Economy
Force: Technology
Omnipotent Techno-Gods

3. Relational Revolution: The Rise of New Patterns of Relationships

Forces: Globalization	Networked Fields	Individualization
Gated Nations	*Virus Incubator*	*[Bowling Alone]*

4. Personal Revolution: The Rise of an Aesthetic–Spiritual Renaissance
Force: Higher Qualities of Awareness and Experience (Spiritualization)
New Renaissance

Figure 1. Five forces and scenarios in the context of three revolutions.

The first two revolutions, the digital and the relational, capture most of what has been written about the new economy and the rise of new competitive environments—that is, stories that arise from the interplay of the forces of digitization, globalization, individualization, and networked structures of relationship. The third, the aesthetic-spiritual revolution, is missed by most authors who write about the first four forces. But, interestingly, it came up as one of the major scenarios at the SoL scenario workshop. And, like those who write about digital and relational revolutions, most people who write about the spiritual dimension tend to pay little attention to the other revolutions.

Perhaps the most interesting question is not concerned with any of the individual scenarios, but with the larger picture, the field of forces from which these scenarios arise in the first place. Maybe the sociologist Max Weber was right when, toward the end of his life, he came to conceive of history as a process that evolves from the *interplay* between two major forces: rationalization (that is, the force of the first revolution) and charisma (the force from within, the force that is shaping the third revolution). Maybe true leadership, the capacity "to rise to the occasion" (Schein, 2000), has to do with bringing together and synthesizing these two polarities of forces: the exterior high-tech revolution and the interior spiritual-aesthetic revolution on the one hand, and on the other hand, globalizing institutions and individualizing people and societies. It is the full tension between these two clashing forces that defines the space of the leader's real work.

Note

1. *Omnipotent Techno-Gods* was the original title of this scenario, which I find a little more evocative than the less descriptive *Techno-Gods*.

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Commentary by

J. Jean Horstman

J. Jean Horstman
Member and former Managing Director
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In his book, *The Living Company,* Arie de Geus identified four factors that Shell found were common among long-lived companies (1997):

1. Sensitivity to the environment—representing a company's ability to learn and adapt.
2. Cohesion and identity—representing a company's innate ability to build a community and persona for itself.
3. Tolerance and decentralization—representing a company's awareness of its ecological niche and symbiotic relationships.
4. Conservative financing—representing its ability to govern its evolution effectively.

One priority that the Society for Organizational (SoL) Council set for itself and the staff in August 1999 was the creation of a member-centered strategy process. After my first two months as managing director, I realized that this process needed to include an internal aspect centered in the aspirations and hopes of the members of the SoL community. And equally, given what I had learned from Arie de Geus, it needed to have an external aspect that provided a sense of the current reality beyond the community and hence made visible the creative tension between community aspiration and environmental possibility.

In January 2000, Adam Kahane crafted a scenario development process that would give the community the external aspect. Kahane, C. Otto Scharmer, and I identified a question that promised rich inquiry into the environment facing SoL, its members, and the larger world: "What are the possible futures for organizing and leading in the New Economy?" The generous, enthusiastic response of those beyond the community whom we invited to work together on SoL's behalf indicated the pertinence of the question.

As the next step, the scenario development team, again stewarded by Kahane, designed a process for the 2000 SoL annual meeting that focused on three questions: (1) what do these scenarios

mean for me?, (2) what do these scenarios mean for my organization?, and (3) what do these scenarios mean for SoL? This inquiry made clear five important factors for the SoL community, no matter which scenario or combination of scenarios developed:

1. SoL's voice, perspective, and membership must be global to be viable.
2. SoL's brand has to be a story that has value, meaning, and integrity at the local, national, and global levels of business and society.
3. SoL's sustainability requires a diverse membership and diverse range of partners.
4. SoL can provide a vital, welcoming context in which people and organizations from all sides of an issue can meet, inquire of each other, and create new possibilities.
5. The future is not determined for any of us. SoL has a generative role to play in creating a future aligned with life.

After the annual meeting, we distributed the scenarios to the membership, along with some guidance on how to utilize them. The same information was posted on the SoL website (www.SoLonline.org) for members and SoL Connections affiliates. Since then, various groupings of members, including the SoL Council, have incorporated the scenarios in their work.

Until we undertook the scenario planning process, the US-based membership of the founding SoL community had concerns about developing the global SoL community so quickly after its own incorporation as a self-governing nonprofit. One unintended outcome of this uncertainty was an "us versus them" mental model. The scenario process was the first project in which the whole of SoL looked together at what it wished to create. Through this process of exploring possible futures together, the mental model shifted from oppositional to cooperative—the "we" emerged.

Building on this mental model shift, the members of the founding SoL community and the global SoL stewards are now working on two projects that are important to the viability of SoL as a whole. A team from the US, Norway, and Japan are shaping the ongoing evolution of SoL's website. By approaching the website from what was learned through the scenario process, we realized that, within a global community, a variety of centers of excellence will emerge. Rather than one SoL community dominating all fields, a web of codependent functions is more likely. As such, this global team is redesigning the SoL website as a global portal to support codependency.

The second project is the 2001 annual meeting of the founding SoL community. After the scenario process, we came to see it as a meeting place for a worldwide community. The team of global and US members has designed an environment to house the internal aspect of the member-centered strategy of the founding SoL community. Within this strategy process, the scenarios are again a tool for helping us articulate our hopes and aspirations and grounding them in the environmental sensitivity that is a hallmark of long-lived organizations. What began as a local process that contained a global element is now a global process that is also supporting local aspiration.

When I reflect on the energy and sense of possibility generated by the scenario workshop, I am reminded of a poem by Seamus Heaney (1991):

The Skylight
You were the one for skylights. I opposed
Cutting into the seasoned tongue-and-groove
Of pitch pine. I liked it low and closed,
Its claustrophobic, nest-up-in-the-roof
Effect. I liked the snuff-dry feeling,
The perfect, trunk-lid fit of the old ceiling.
Under there, it was all hutch and hatch.
The blue slates kept the heat like midnight thatch.
But when the slates came off, extravagant
Sky entered and held surprise wide open.
For days I felt like an inhabitant
Of the house where the man sick of the palsy
Was lowered through the roof, had his sins forgiven,
Was healed, took up his bed and walked away.

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From the Chair

Peter M. Senge

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Culture and change in culture infuse many of the articles in this issue and, indeed, many of the most challenging issues faced by managers and leaders.

Included in Ed Schein's article is a perspective on culture upon which I have long relied, that culture operates on three distinct levels: artifacts, espoused values, and shared, tacit assumptions. Schein's view illuminates how culture is both observable (artifacts and espoused values) and unobservable (assumptions). It clarifies why managerial frontal assaults, like new mission and value statements (by definition espoused aspirations), do not by themselves alter culture—because they do not alter tacit assumptions built up over many years. And yet it affirms what we sense, that culture matters and that changes in culture are among the highest leverage changes in any social system. Tacit assumptions about who we are and how we do things shape thinking and acting at all levels and, by implication, changes at this level can radiate into all aspects of organizational life.

Yet, as I read Schein's article along with several others in this issue of *Reflections,* it brought to mind a question that has begun to unsettle my pat understanding recently. Several months ago, I was struck by a simple statement from an Indian teacher, that people are born with certain core values, that these values are intrinsic. By "values," she was not referring to espoused values in Schein's framework but something deeper, more akin to tacit assumptions that lie beyond our everyday awareness. Gradually, I realized that this statement represented a radical alternative to our common view of culture and values.

In a nutshell, my question is, "Are values solely a learned phenomenon?" I believe that it is a virtual unquestioned premise—dare I say a shared tacit assumption—among academics and practitioners alike that shared deep beliefs and assumptions are culturally instilled, that they are a product of our upbringing and socialization. If people act in magnanimous ways, it is because we have been taught to do so. If we act so as to avoid conflict, it is because our culture embeds norms of saving face. If there was ever a "nature-nurture" debate around tacit assumptions, I believe "nurture" would win hands down. In fact, the strongest evidence of this, I believe, is that very few partisans for the debate exist. While sociobiologists have stirred up the pot with reductionistic arguments in favor of genetic determinism of behavior, these views have neither persuaded a majority of academics nor penetrated management thinking. By and large, opinion remains firmly on the side of "people are a product of their environment." This view conforms to most psychological and sociological theory. It also reassures managers. Even though they are difficult to change, deep assumptions can in principle change. This reassurance, while comforting, may also be dangerously misleading, both philosophically and practically.

I propose that we consider a radical alternative, that deep values are intrinsic rather than learned. In effect, this suggests a fourth level to Schein's hierarchy: a level of intrinsic values that lay beyond culturally embedded tacit norms and assumptions.

Why might this notion of intrinsic values be valid?

First, there is compelling evidence that there exist universal values that transcend national and ethnic cultures. I am speaking now of values like awareness ("the truth shall set you free"), transcendence (experience beyond our normal sense of self), meaningfulness (recognizing and realizing that which truly matters to us), stewardship (responsibility for the future), happiness, and peace and tranquility. I believe these illustrate universal aspects of humans independent of upbringing and life context. In fact, such universal aspirations form a cornerstone of wisdom traditions worldwide, whether Indian, oriental, middle eastern, western, or indigenous.

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Having conducted workshops around the world for many years involving leadership and personal mastery, I have often been struck, for example, by the common appreciation of the power of vision across diverse national cultures with very different norms. All seem to understand and value what it means to live one's life committed to what is most important to you. Though different cultures influence how this universal aspiration is expressed—for example, by their norms around individualism versus collectivism—all seem to appreciate that, as Robert Fritz says, "Something shifts in a human when we operate in the service of bringing into being that which truly matters to us." I have had similar experiences with reflectiveness. I have yet to meet people anywhere who do not value the opportunity to reflect, to consider the deep patterns of their lives and why they are alive. When I encounter these deep commonalties among human aspirations, I am often reminded of Carl Rogers's words, "That which is most personal is most universal."

Second, there are important implications for managerial practice, especially in the domain of organizational culture. Most managers set off to bring about cultural change by identifying values that they believe their organization needs to be successful. This seems perfectly sensible, especially when the organization's environment is changing in dramatic ways that are causing traditional policies and practices to be counterproductive. But this might miss the essence of what makes for truly successful cultural changes. Only shifts toward intrinsic values may "liberate the human spirit," in the words of former CEO Bill O'Brien. In another of the articles herein, O'Brien speaks of anchoring his efforts as a change leader in "the eternal truths or values." While he too felt that aspects of his organization's established culture made it ineffective, he also believed it was essential to appeal to "the higher virtues" in order to tap people's passion, imagination, perseverance, and creativity.

Activating intrinsic values may also hold a key to how shared tacit assumptions can change. Schein has criticized managers and consultants who think that stating new espoused values will cause such change. But activating intrinsic values creates a different change process. It creates a deep tension between what we truly value and the assumptions that are guiding our behavior. For example, activating personal vision creates a tension with the tacit assumption that the organization's goals are set by management. While this tension can be challenging to work with, it can also lead to shifts in shared assumptions. For example, it might eventually lead toward a view that shared aspirations and objectives arise from interactions among top-down (managerial) and bottoms-up (personal) goal setting.

But seeking to ground organizational cultures in transcendent values carries its own danger. What keeps one person or group from claiming that their values *are* the universal values? This indeed has been the mark of cultural imperialism for ages. Americans, for example, have strong positions in many of the world's largest organizations, rarely speak more than one language, and have limited personal experiences having to conform to other cultures' norms. This can result in seeing others as "just like us" and blindly imposing norms like open discussion of conflict, simply because such norms seem like the obvious and sensible way to operate. This is why those seeking to tap intrinsic values must cultivate humility and personal reflectiveness. This work requires more listening than talking. It requires a willingness to learn from others and to have our own culturally embedded beliefs challenged.

The term *sanskar* has its origins in sanskrit and describes subtle memory "that emerges from the energy of life transmitted through soul." As a sort of invisible blueprint that influences basic thought patterns, attitudes, and behaviors, sanskars are akin to the contemporary notion of "mental models." But they differ in one important aspect. They are with us from birth, some inherited through karma from past lifetimes and some from our intrinsic nature. These define who we are at profound levels beyond culture. In turn, all cultures overlay their own tacit asssumptions, many of which may be in conflict with intrinsic sanskars. When, for example, a culture embeds norms of conflict and aggression that conflict with innate sanskaras of peacefulness, humans live in conflict with their true nature. This is why, in this tradition, the hallmark of all genuine leadership lies in enabling people to live in greater inner alignment, and to thereby tap their true capacities.

—Peter M. Senge