From the Founding Editor

Last summer, my wife and I saw a wonderful production of Wagner's *Der Ring des Nibelungen* performed beautifully by the Seattle Opera. In studying for this event, I learned that when Wagner first conceptualized the final opera, *Götterdämmerung,* or *The Twilight of the Gods*, he thought the earth should be destroyed, but the Gods would live on. As Wagner matured and saw more of the world, he changed his mind about the ending. He decided that the only way humanity would learn anything is if the Gods and all of their creations die with them. The message I took from this is that it requires a large catastrophe before we wake up, reexamine our mental models, beliefs, and values, and try to improve on them.

I can't help but feel that the destruction of the World Trade Towers comes about as close to a *Götterdämmerung* as we can imagine. The big question is, ''Will we learn anything? Will we reexamine our assumptions about the nature of the world and our role in it?'' The theme of this issue, though it comes almost a year later, is addressed to the possibilities for learning that September 11 provides for us. There are several such possibilities:

1. We can reexamine our beliefs and assumptions about global values. Are there values that apply across all cultures, or do we have to face the uncomfortable possibility that different cultures have different but equally strongly held assumptions, and that even within a culture or a religious group there are irreconcilable value differences that have to be dealt with? New kinds of intercultural and interreligious dialogues will have to be found.

2. We can reexamine our own political role in international affairs and face the uncomfortable proposition that not everyone shares democratic values of the sort we cherish. New kinds of coalitions and roles may have to be found.

3. We can reexamine our economic assumptions about what kind of economic help is most helpful and what kind of economic and political system would be most helpful to the poorer nations of the world. New assumptions might have to be entertained about what kind of political system works best under what circumstances.

4. Finally, and an extension of the last point, we might have to confront the possibility that as long as there is the great North/South divide between the developed world and the less developed, often impoverished world, the problems of terrorism won't abate because the economic, social, and cultural soil in which such levels of anger get nourished continues to characterize large portions of the world. We might have to consider that ''evil'' is born of anger and frustration. Until we deal with the conditions that produce such anger and frustration, we will continue to see the fruits of those feelings. New roles for the major sectors of society will have to be found.

Many of the articles in this issue try to deal with these dilemmas. The assumption that any one sector of society—industry, government, nongovernmental organizations, the United Nations, and so on—can solve the problems of poverty and powerlessness is perhaps the least tenable. Yet, inventing new roles for business and government is not easy. September 11 was a wake-up call. I hope that enough of the globe has woken up to rethink how we are proceeding.

Ed Schein

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In This Issue

Edgar H. Schein and Karen Ayas

Dealing with conditions that reinforce the social divide and bridging the gap between the "haves" and "have-nots" are daunting tasks, but ones that we are nevertheless called to address.

The collection of articles in this issue helps us understand the dynamics and the design flaws inherent in our political and economic systems and invites us to reexamine our paradigms, the very assumptions and values we hold onto and impose on the world with the best intent. Each article offers a complementary perspective on how we might proceed and how our roles—as corporate leaders, legislators, educators, economists, activists, and others—need to change if we are to work together toward a long-term, effective solution.

We begin with **C.K. Prahalad,** who questions our long-held views on the economic viability of serving the poor and urges us to rethink our business models and strategy. A shift in mental models of "the poor as a problem to be dealt with" to "the poor as an immense opportunity"—a market that includes the 4.5 billion people at the bottom of the economic pyramid—could potentially lead to wealth creation and benefit for all involved. Harvard Business School marketing professor **V. Kasturi Rangan,** while echoing Prahalad's views, offers a complementary perspective, emphasizing the need for a value proposition that transcends the individual business goals and truly enhances the quality of life for those at the bottom of the economic pyramid. That Prahalad's vision and strategy can be put into action is confirmed in the commentary by **André van Heemstra,** a top executive from Unilever. **Vindi Banga,** CEO of Hindustan Lever, in his comments provides some successful examples from India of meeting this challenge.

While businesses are likely to have high leverage in today's world, they alone cannot shift the dynamics of the widening gap between the poor and the affluent. **Steven Waddell** offers an alternative to failed attempts by business-led or government-led initiatives. The societal learning approach he proposes rests on a new type of collaboration among corporations, government, and civil society. **Barbara Waugh,** an activist, and **Betty Sproule,** a business development manager, both from Hewlett-Packard, offer a list of provocative questions based on their own initiative of providing Internet access to the poor. **Kumi Naidoo,** secretary general of Civicus, underscores the need for new skills to realize effective intersectoral partnerships and identifies the challenges of operationalizing societal learning globally.

The inherent, systemic design flaws and the unintended consequences of globalization are demonstrated next in **Jeff Gates**'s carefully crafted and fact-based article. He forewarns of a future governed by finance fundamentalism, should the current trends continue. Gates urges economists, legislators, and corporate leaders to forge a paradigm that stops today's radical redistribution of wealth from poor to rich. **Arthur Warmoth,** in his insightful commentary, offers the role of corporate executives, the design of money, and the economics of the commons as additional key elements for an effective long-term solution.

Frances Moore Lappé and **Anna Lappé,** based on their research on the world's poorest for their book *Hope's Edge: The Next Diet for a Small Planet,* stress the need for creating and sustaining healthy markets. They share stories of market innovations—markets that operate within a set of public rules guided by values such as honesty, trust, and mutuality—that illustrate hopeful beginnings of a global society where the poor are resourceful and free from dependency on the moneylender.

Karin Eyben, Libby Keys, Duncan Morrow, and **Derick Wilson** bring us the lessons learned from a community that has lived with terrorism for over a decade, Northern

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Ireland, where political and religious tensions reign and a deadly fear prevails. Their work, illustrated by two case studies, brings us the possibility of reconciling differences across and within different communities, generating new ways of meeting and being together, engaging in dialogue, and learning across traditional identity and sectoral lines.

While multinational corporations and Western governments make large contributions to the poor, when this is perceived as a manifestation of American power and control, a threat to the locals, and disrespect to their social identities, it can be a source for anger, frustration, and hate. **John Child** calls us to reflect on the very roots of terrorism, highlighting the importance of national identities and the deeply held beliefs that define them. **Lotte Bailyn** comments on the new role and responsibilities US business leaders would need to build truly multinational corporations.

Bettye Pruitt and **Katrin Käufer** next present a tool for conflict resolution and transformation, based on learning histories of civic scenario-building cases in South Africa, Colombia, and Guatemala. They share some of the rich experiences in a workshop convened by the United Nations Development Program (UNDP) in Antigua (Guatemala), and describe the invisible relational dynamics in civic dialogue processes, providing a theory informed by practice. **Manuel Manga** comments that the peaceful future requires not only transformational conversation but also leaders at all levels who can take the process from dialogue to action. In her comments, **Elena Martinez** from the UNDP underscores the strong contribution of such a theory for understanding the frequent failure of multistakeholder dialogue and for helping leaders in Latin America have a dialogue that can transform conflict into positive change.

Barry Sugarman provides us with a detailed account of the second SoL Research Greenhouse, a memorable gathering held 10 days after September 11, that brought practitioners, consultants, and researchers together. With this article, we also inaugurate a new section that will feature research briefs. Read on to explore current research, engage in early-stage collaborative projects, or simply continue the generative conversations that began at the Greenhouse. **Rita Kowalski**, a non-SoL participant, shares her impressions from the Greenhouse and her experience of being welcomed into a *true* community.

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Contributors

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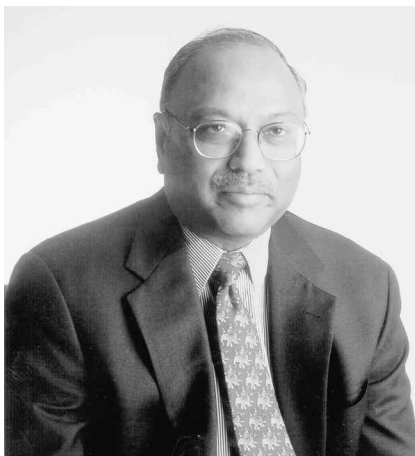
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Strategies for the Bottom of the Economic Pyramid: India as a Source of Innovation

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T he solution to the increasing divide between rich and poor throughout the world requires a significant shift in the mind-sets not just of managers and entrepreneurs, but also of politicians, nongovernmental organizations (NGOs), and bureaucrats. Our focus should be on experimentation and not on further refinement of unsuccessful models and solutions. While generating new ideas and experimenting are important, the capacity to *generalize* (or building a theory of why something works) is basic for transporting business solutions across regions and across the world. We must celebrate innovation and give it visibility so that others can extract the principles and apply them elsewhere.

The examples I give here have not yet become global opportunities but are in various stages of development. All will undergo a transformation and morph into something different. All focus on the bottom of the economic pyramid, specifically in India. But all have the potential to be global opportunities and point to some common themes (see table 1).

In India, significant economic progress in a wide variety of fields—from agriculture to custom software, professional services, and fine chemicals—has brought a new sense of optimism. The success of India in nontraditional industries around the world and especially the business success of Indians abroad have created a new opportunity. The Indian diaspora is becoming a conduit for new ideas in international relations and entrepreneurial growth. But the India of the past—poverty, inequality, indifference, and inefficiency—has not loosened its grip. As in other parts of the world, two distinct populations are emerging—an enthusiastic, globally competitive India and an India of the very poor and the disenfranchised. In this article, I present a perspective on how to bridge the increasing divide. I concentrate on how we can develop strategies for the bottom of the economic pyramid. My starting point: How do we conceive of a market built around the very poor? How do we embrace new approaches to innovation? Can we convert our apparently insurmountable problems of poverty into a global opportunity to serve 4.5 billion poor around the world—in markets similar to India's—who have similar problems?

Escaping the Past to Create the Future

In order to create a new India, we need to recast assumptions that have guided public and private policy for the past 50 years of independence.

1. *Wealth creation is more important than distributive justice.* Income inequalities are as much a major issue in the US as in India or Brazil. We

must focus on increasing the income of everyone as we maintain our concern for income redistribution.

2. *Countries of India's size and diversity need more than one model of development.* Until recently, the room for local experimentation was very limited. Fortunately, the states under different local governments are now able to experiment with different approaches to development.

3. *There is no rural and urban divide.* Even as rural incomes increase and the numbers of rural rich equal the urban rich, the debate still assumes that the rural and urban problems are distinct. We must work toward creating a seamless market that makes goods and services available to all. Increasing the access of rural producers to urban markets should be a priority.

4. *Market forces can cope with the problems of the poor; the private sector can be trusted with infrastructure investments and capital-intensive industries.* The lesson worldwide is that a strong government role in industry is inappropriate. Deregulation and privatization are increasingly a global phenomenon. Are we willing to shed our commitment to the public sector fast enough? Can we trust market mechanisms that reflect true economic costs?

5. *Income inequities cannot be alleviated through a system of overt and implicit subsidies.* Subsidized electricity, food, water, housing, and other necessities reflect our commitment to a just society. No one can continue to finance these subsidies, which are maintained at the expense of growth.

6. *Development involves primary education and primary health care, not just higher education and advanced medicine.* While India has some of the best institutions of higher education, the scope, quality, and universality of primary education is less than adequate. Why? Asian development—be it in Japan, Taiwan, China, South Korea, or Malaysia—has demonstrated the importance of universal, high-quality primary and secondary education coupled with sound health care.

A Basic Shift in Mind-set

India and other countries with a similar economic divide can become a source of innovation if the mind-sets of managers and public policymakers undergo a significant shift. For example, if we conceptualize the problem of India as the problem of poverty, then we have a set of standard prescriptions. But if we ask ourselves the question: ''How do we convert the poor into active consumers?,'' we will develop new, interesting, and innovative solutions. I see the need for two significant transitions:

- Policymakers must conclude that converting the poor into a vibrant market is more likely to succeed than previous efforts. Fifty years of effort to alleviate poverty using the tested tools—subsidies and governmental

Table 1 Necessary mind-set changes

| From	To
Poor as a problem	Poor as an opportunity to innovate, a global market of 4.5 billion
Poor as wards of the state	Poor as an active market/consumers
Old technologies	Creative bundling of the most advanced technology with a local flavor
Follow the West	Selectively ''leapfrog'' and innovate
Focus on resources and constraints	Focus on creativity and entrepreneurship
Capital limitations	Limitations to information and access
Efficiency in a known model	Innovation of a new model

PPP - Purchasing Power Parity
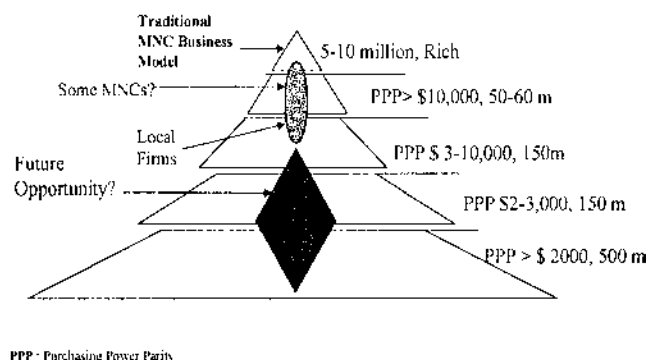
Figure 1 The emerging market: India. Traditional and emerging focus

programs—have failed; 500 million Indians still subsist on less than $1 per day. The income disparities are still large and increasing. We have to adopt a new approach.

- Creating new markets to include the poor and the disadvantaged, and innovations related to that effort, is the real benefit of globalization. In the debate about ''globalization'' and the alienation of the poor and the disenfranchised, the argument is that globalization will further accentuate the problems of income and opportunity disparity. We have to challenge this assumption and create appropriate incentives.

Prerequisites to Managing the Transition

First, we must recognize the nature of the opportunity. See, for example, the economic pyramid in India shown in figure 1. This model of income distribution is not peculiar to India, but represents other emerging markets such as China and Brazil. The similar perspectives of managers in multinationals, large Indian firms, politicians, the bureaucracy, and the NGOs are striking. All assume, either implicitly or explicitly, that the lower three levels are the responsibility of the governments and NGOs. The business managers in large firms still focus primarily on the top tier, with few firms attempting to penetrate the second. The Indian view of middle class is in the second and third tiers, not necessarily a great opportunity for multinationals as they are currently configured. But as a prerequisite for the transformation of India, *we have to organize the unorganized sector. We have to create a market out of the abject poor.* We must focus on the lower three levels.

However, the bottom of the economic pyramid imposes several new managerial demands:

First, the *price-performance relationships* of all existing products and services must be dramatically altered. An ice cream cone that costs 25 rupees or a bottle of shampoo that costs 50 rupees will not do. Why can't there be a good-quality ice cream cone for one rupee?

Second, the model must be *scalable.* For example, while NGOs do a phenomenal amount of service in India, their work and innovations are not easily scalable or transferable. We cannot serve 700 million Indians at the bottom of the pyramid if we do not develop business models that are scalable.

Third, the models must be *environmentally sustainable.* The resource-intensive products and technologies used in mature markets will be unsustainable in the long term. For example, we must curtail the use of water, energy, and materials. Given the shortages in both rural and urban India, water use and pollution of the existing water supply are serious problems. Production methods as well as products must consume little of the limited resources without sacrificing functionality.

Finally, we must focus on *harmonizing the most advanced technologies and local conditions* to create innovative solutions to address the opportunities at the bottom of the pyramid. Ironically, the bottom of the pyramid may be the springboard for the most creative use of advanced technologies. The specifications of the requirements for satisfying the needs of the bottom of the pyramid can be captured (see figure 2).

Solutions to the bottom of the economic pyramid must satisfy all four conditions. In some types of businesses, we may need to satisfy only three. For example, the financial services industry need not focus as much attention on the sustainable development dimension as the packaged goods industry does. However, it has to focus on the other three dimensions.

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Creating a Market: Five Innovations

Five innovations critical to markets like India's demonstrate that India *can* become the source of such creativity for the world.

1. Develop Low-Cost Refrigeration: Ice Cream for the Poor

Many in India consider an ice cream cone a "luxury item." I am told that it is taxed. But ice cream on a hot summer day is a welcome relief. Why shouldn't all Indian children have an ice cream cone when they feel like it? A cone for 20 rupees (the price in New Delhi) is not the answer. However, an ice cream cone for one rupee would make this dream a reality for all India's children.

A cost breakdown of ice cream suggests that about 40% to 50% is for refrigeration. Even when one pays the price for refrigeration, a good-quality product is rare. Ice cream should be stored at –18°C to retain the best texture. In most parts of India, with significant brown- and blackouts, the probability of a steady –18°C is low. Furthermore, in areas where electricity is unavailable, ice cream vending is unlikely. Is there a solution to this problem?

The scientists at the Hindustan Lever Limited (HLL) in Bangalore have found an interesting solution by inventing a safe, inexpensive, and sustainable technology solution.[1] Current methods of vending have the following characteristics: one kilowatt of electricity per kilogram of ice cream during intercity transport; four kilowatts per kilogram of ice cream during in-store vending operations; the risk of CFC leakage, which is a toxic carcinogen; and the equipment containing the coolant is capital intensive.

Thus, the cost of ice cream in India is too high to develop a mass market. The consumption per capita is a meager 0.05 kilogram per person per year compared with 0.5 kilogram per person per year in Thailand and 10 kilograms per person per year in the US. Even if India reaches the levels of consumption in Thailand, it will need an additional 2.5 billion kilowatts of electricity.

HLL's innovation focuses on creating a nontoxic, noncorrosive coolant system for safe, low-cost, and low-weight, mobile vending machines. The unique contributions are:

1. The system uses coolants that are nontoxic and nonpolluting. All the salts used are edible to eliminate pollutants. Furthermore, by dramatically altering the energy requirements, it adds to sustainable development.
2. By creating a novel approach—a heat shield instead of the traditional heat sink—this approach almost approximates a "refrigerationless" vending system. Under trial, the ability to insulate and maintain temperature in vending carts was superior to current best practice. Most important, the capital costs of the "vending box" are low.
3. The system has the capacity to dramatically alter the cost of ice cream. HLL is developing the technology further to create a new refrigeration system from the factory to the end consumer to further reduce refrigeration costs. Maybe someday India will have ice cream at the point of sale.
4. The system fulfills the four criteria I set out for serving the bottom of the pyramid: it alters the price-performance relationship, is scalable, contributes to sustainable development, and represents a unique high-technology solution.
5. While India still does not have a good-quality cone for one rupee, children can get a good-quality cone for three to five rupees.

Imagine the opportunities when this type of innovation is applied to refrigeration platforms, not just for ice cream, but for vegetables, dairy, fish, meat, and, most important, medication. In addition to dramatically altering "farm to plate" waste (estimated at almost 10% in India), it could make many ordinary
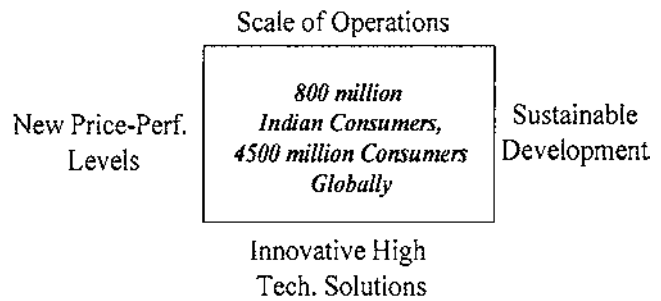
Figure 2 Emerging markets as the test bed of innovation

Hindustan Lever Limited

When a local firm, Nirma, challenged Hindustan Lever Limited (HLL), a subsidiary of Uni-lever, plc, in its detergent business by creating a new business system that consisted of a new product formulation, manufacturing process, distribution, packaging, and pricing, HLL initially dismissed Nirma as a low-end producer, not a competitor in its served market. As Nirma grew rapidly, HLL realized both its opportunity and its vulnerability. Nirma was attacking from the bottom of the pyramid.

HLL responded by creating a new product that dramatically reduced the ratio of oil to water in the detergent, reducing significantly the pollution associated with washing clothes in rivers and other public water systems. It decentralized production, marketing, and distribution to take advantage of the abundant labor pool in rural India and to penetrate quickly the thousands of small outlets where people at the bottom of the pyramid shop. It reinvented the cost structure of the business, making the product more affordable.

This experience has allowed HLL to radically change its business models across the board. Unilever has also benefited. It transported the business principles (not the product or brand) to create a successful detergent, Ala, in Brazil, and has adopted the bottom of the pyramid as a strategic priority at the corporate level.

day-to-day products available to the poor at affordable prices. More important, this system can be exported to other, similar markets.

2. Provide Access to Credit

Caught between moneylenders and landlords, most poor people in India cannot escape poverty. Access to credit is critical. Several innovations such as the Grameen Bank (in Bangladesh) have demonstrated that a well-developed, carefully managed commercial system of microlending can help people move out of poverty. Can the organized banking sector create strategies for the bottom of the pyramid?

As part of my consulting with John Reed, CEO of Citibank, we explored the benefits of extending the served market of commercial banks to include the poor. ''Serving a billion consumers'' became shorthand within Citi for a bold move to fundamentally challenge and change the assumptions behind banking and price-performance levels. The goal was not to disburse ''government-sponsored subsidies'' but to build fundamentally new business models in distribution, price-performance levels, features and functionality, and easy access. Reed committed to building a totally different kind of financial services company that looked more like a branded consumer-goods firm, à la Coca-Cola.

Bangalore was chosen as a place to experiment, create, and refine a new model. By developing a new high-technology distribution solution, Citi created *Suvidha* to attract a consumer who is ATM oriented rather than branch-bank oriented. The flexibility of a 24/7 solution (better than a branch solution) allowed customers to conduct transactions in any networked ATM so they are not stuck with one location. The experiment achieved breakeven three years ahead of schedule and exceeded all expectations. *Suvidha* now has more than 150,000 customers in Bangalore alone. Citi is ready to launch its business model in Mumbai and the rest of India. ICICI Bank and the Housing Development Finance Corporation (HDFC) offer similar services. Soon, no significant player in financial services will be able to ignore the customers on the third and fourth levels of the economic pyramid.

The strength of the business model is still plagued by the cost of building an ATM network and the literacy required for operating the ATM. What if an ATM network emerged as an independent service that a consortia of banks could own and participate in? What if identification became increasingly simple through an iris-recognition engine attached to ATMs? (Recognition based on the iris in the eye has proven to be more accurate than fingerprints or other methods.) What if we combine the capabilities of an ATM network with local credit checks by peers (as in Grameen Bank)? The experiments by Citi, ICICI,

and HDFC are the beginning of a breakthrough in thinking—the belief that the bottom of the pyramid could be an attractive commercial opportunity and that the poor will pay for good, appropriate service. Can these innovations be leveraged in markets such as Brazil, Mexico, or China? Citigroup can target a consumer group of 400 million to 600 million people around the world with its model. Why not ICICI and HDFC?

3. Build a Low-Cost Logistics System

The *dubbawallahs* of Mumbai, officially known as the Nutan Tiffin Box Suppliers Association (NTBSA) are an incredible success story.[2] This elegant logistics system is built on the public train service infrastructure. The dubbawallahs deliver 175,000 meals and make 350,000 transactions per day. They have a better than six-sigma record; they make no errors, have a good safety record, and are on time. They carry packages for about 25 kilometers (one way) at a cost of service per month of approximately 200 rupees (US$4). At any one time, about 5,000 people are employed and are organized as a cooperative with elected officials on a governing board. A coding system allows the 5,000 ''semi-literate'' workers (seventh-grade education is a prerequisite) to aggregate and sort the boxes twice—at the train station of origin and the destination.

The NTBSA is a model of managerial and organizational simplicity. The basic unit of organization is one individual who is responsible for 30 customers. Dubbawallahs are part of a team of 20 to 25 individuals. The team leader (a role that the most senior person on the team typically assumes) is responsible for the team's efficient functioning. Each month, the group's total earnings are pooled and divided equally among all members including the leader. Each dubbawallah is a businessman in his own right.

The 200 teams elect an executive committee of five that governs the entire cooperative. The committee resolves conflicts, sets the social agenda, and administers welfare activities associated with the cooperative. The teams are, therefore, self-administered work units that share a common agenda with other teams. The entire system is self-regulating and totally scalable.

Banking for the Poor

Grameen Bank in Bangladesh uses local knowledge, peer-group evaluation, a focus on women, and specific, viable projects to extend credit and mitigate risks in lending to the poor. Started just 20 years ago by a college professor, Muhammad Yunus, Grameen Bank provides microcredit to more than 3 million poor customers in over 35,000 villages. In 1996, the bank loaned more than $1 billion in Bangladesh, with an average loan size of $15. Even more impressive, Grameen has achieved a 99% repayment rate, higher than any other bank in the Indian subcontinent and certainly the envy of credit card issuers around the world. It achieves these results while lending only to the poorest of the poor. The availability of microcredit is transforming those villages with access to it by jump-starting widespread entrepreneurial efforts, creating new employment, and raising the overall standard of living.

French banker Jacques Attali has created **PlaNet Finance,** an Internet site that links thousands of microcredit groups around the world into a network for sharing solutions and lowering costs. Ultimately, the goal is to develop an automated solution for tracking and processing the millions of small loans associated with microlending. If processing and transaction costs can be reduced, they can then be bundled together and sold on a commercial basis to large financial institutions such as Citibank.

The logical extension of microlending is microbanking. **Standard Bank** in South Africa has developed a successful, low-cost business model. Through use of ATMs and electronic transfer of funds, Standard Bank now serves three million low-income customers through its AutoBank E service and is adding 50,000 customers a month. People can open accounts with a deposit as small as $8. They are then shown how to use a cash-point card by staff people who speak a variety of African dialects. An interest-bearing "savings purse," part of every account, encourages poor customers to save. Although interest rates on deposits are low, they are superior to keeping cash in a jar. Computerization makes it possible to lend money to people with no collateral and no formal address.

André R. van Heemstra
Member of the Board
Unilever Rotterdam

Commentary
by André R. van Heemstra

C.K. Prahalad focuses on a huge potential in the Indian market: the poor, who cannot afford to make a mistake in spending what little money they have and for whom there are no trivial purchases. Reducing cost and intensifying distribution are essential to bringing products within the range of incipient consumers. But equally important is accountability, the guarantee of consistency in products. This is the role of the brand.

At Hindustan Lever, we do our best to realize Prahalad's vision. Through our brands, we seek consumers' trust by marrying world-class research and technology to first-hand knowledge of their requirements. A mother wants to give only the best to her children. Healthy ingredients cannot be delivered at the expense of taste. Availability cannot be at the expense of quality.

The originality of Prahalad's thinking is that he discovers many different routes to poverty reduction, embracing market mechanisms as well as traditional state provision. We salute the challenge he poses to move from seeing the poor as a "problem," to seeing the poor as an "opportunity," a tremendous spur to our capacity to innovate and create. He challenges us to see the poor as worthy of the same dignity and respect as other consumers, and to respect the exercise of choice in their lives and for their families. The optimism of Prahalad's vision is infectious. It is a worthy goal to work for "the ending of poverty and ignorance and disease and inequality of opportunity," each in their own way and to the best of their abilities.

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All the team members hail from the same villages around Pune district. They have a strong social bond, common language, and pride in what they do. The strength of the system depends on *common protocols, disciplines, and a shared agenda*. There is no organizational structure, managerial layers, or explicit control mechanisms.

If the system is so efficient, why use it only for food? What if this logistics system were combined with secure courier service and the Internet? Couldn't it become a low-cost, high-quality, highly decentralized system of logistics to rival FedEx and DHL? Couldn't we replicate it in other parts of the world by grafting it onto a good public infrastructure?

4. Rationalize Retailing

The cornerstone of Indian retailing is the local store. It is a small, often dusty and noisy, cramped space, with clearly defined peak hours, operated by local entrepreneurs. There are more than 200,000 such grocery stores. Can and should the retailing sector benefit from a low-cost, high-technology application, such as a point of sale (POS) system? Can the fragmented grocery-retailing sector benefit from the modern tools of inventory management? What level of working capital could be released in the entire system if we applied modern, systemwide stock management? The estimated working capital currently employed in India is equivalent to an entire year's gross domestic product.

TVS Electronics is testing a unique POS system that combines high-tech features at low cost and is customized for small retailers.[3] Some features of this system are:

1. Stock management with a prompt and alarm for low-stock items
2. Calculation of slow-moving items
3. Sales return handling
4. Payments—cash, credit card (accept but not verify)
5. Bill printing in multiple languages to suit local needs; it can currently print in English and 11 Indian languages.
6. Pricing and ability to change prices
7. Handling petty cash
8. Power backup
9. Handheld bar-code reader
10. Internet capability

The system is priced under $1,000, an order-of-magnitude improvement over anything available elsewhere. It is a robust POS for a fragmented grocery-retailing system that can exploit the benefits of the Internet and create the capacity at the local level to manage stocks. Essentially, this approach enables the fragmented system to reap the benefits of the integrated grocery chains of the West, *without* destroying entrepreneurial and low-cost local operators.

Couldn't such a system have applications in other areas, such as pharmaceutical retailing (where entrepreneurs must keep detailed records in addition to stock data and bill printing) or in the textile trade? Could such a system have a market in Brazil, Mexico, or China?

5. Revolutionize Health Care

The quality of health care available to the poor in India is appalling. Of the 30 million blind people in the world, 6 million are in India. An additional 12.5 million are estimated to suffer from poor eyesight. Most cannot afford to go to an urban hospital. The quality of eye clinics varies, and access depends on when and where the clinics are held. Can we develop a cataract operation that includes the implantation of an intra-ocular lens for less than 500 rupees?

Aravind Hospital, headquartered in Madurai, Tamil Nadu, has developed a unique system of eye care:

Solar Electric Light Fund

Two billion people around the world have no electricity. They burn kerosene, candles, wood, and dung, which are dangerous, polluting, and unhealthy. To achieve a sustainable form of rural electrification, Solar Electric Light Fund (SELF) created a fundamentally different model premised on small-scale, on-site power generation using renewable energy sources. SELF brokers the purchase, installation, and operation of household-scale, solar photovoltaic units. Through a revolving loan fund, SELF gives rural villagers the financial means to own and operate their own electrical systems, which both creates employment and reduces dependence on other sources. Since its founding in 1990, SELF has launched projects in China, India, Sri Lanka, Nepal, Vietnam, Indonesia, Brazil, Uganda, Tanzania, South Africa, and the Solomon Islands.

1. More than 1,000 free eye clinics a year
2. Transportation to hospitals to ensure quality and provide board and lodging for patients
3. A team of one doctor and two nurses to operate on about 50 patients per day in a consistent but repetitive work pattern that resembles a fast-food chain
4. Social workers to teach the patients and the family about good eye care

The Aravind Hospital operates on more than 200,000 patients per year (making it the world's largest eye-care facility). It is commercially run and highly profitable. More than 60% of the very poor get free care, and 40% pay about $10, as compared with $1,600 for Medicare in the US.

Can this model be franchised to other parts of India? Couldn't the Aravind model be used in other countries with similar problems—very poor patients living in inaccessible areas? In fact, the Aravind model is relevant to most parts of Asia, all of Africa, and most of Latin America.

India represents a great opportunity for innovation in health care. It has a large incidence of infectious diseases and high rates of diabetes, cardiac problems, and stress. For example, consider the spread of HIV and AIDS.[4] There are more than 4 million infected in India, and a growing number that represents more than 12% of the global infected population. HIV in India is primarily spread through heterosexual contact; truck routes are major conduits for the spread of the disease. The economic consequences to India are significant. Dr. Lalit Nath, director of the All India Institute of Medical Sciences in New Delhi, estimates, ''The AIDS virus . . . is costing the country about $13.8 billion a year.'' Lifetime costs of care per person may be two years' wages, or 24,000 rupees per person.[5]

Why can't India pioneer methods to systematically monitor the spread of the disease? Why can't it develop inexpensive and totally reliable testing methods (say, 5 rupees per test)? Why can't it track the infected individuals through the course of their disease? Why can't it commit to treatment modalities that do not cost more than 10 rupees per day?

The immediate response of professional researchers is likely to be, ''It is impossible. You do not understand HIV.'' I see this as no different from a one-rupee ice cream cone, 1,000-rupee bank deposit, 200-rupee logistics service per month, or 500-rupee cataract surgery. As managers and public policymakers, *we have to commit to providing commercially viable solutions to the bottom of the pyramid*. Needless to say, there is a global market for any viable method of HIV detection and treatment.

Is it the poor at the bottom of the pyramid who are not ready to innovate or the elites who are unwilling to change their beliefs?

Abundant Opportunities but Limited Imagination

India is intriguing for its sheer size and the nature of problems facing the bottom of the pyramid. Each problem can be turned into a test bed for innovations in

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Ultra-Violet Waterworks

Centralized water treatment facilities are prohibitively expensive in most poor, rural areas. More than one million children die each month from disease spread by contaminated water. Ultra-Violet Waterworks (UVW) technology, however, purifies disease-contaminated water on an affordable, small-scale basis. One solar-powered UVW can serve more than 2,000 villagers, ensuring clean water year round at a cost of about 10 cents per villager per year. UVW uses 6,000 times less energy than boiling. Waterhealth International has now formed to finance and distribute this technology throughout the developing world.

water usage, conservation, and pollution and waste management. Moreover, India's poor have demonstrated that they are ready to adopt new technological solutions, if in their self-interest. Potato farmers are willing to use satellite images of plant stress downloaded from the Internet to develop their unique version of ''precision farming.'' Fishermen and women are willing to use satellite images of schools of fish to develop fishing strategies. Everyone is willing to use cell phones. *Is it the poor at the bottom of the pyramid who are not ready to innovate or the elites who are unwilling to change their beliefs?*

India is not starved of opportunity or resources, but starved of imagination. It has to create a global innovations laboratory for the world's poor—a potential market of 4.5 billion people. These innovations—especially focused on sustainable development—will become standard practices in developed markets as well.

Moving Forward

Entrepreneurs must experiment and succeed to give India the confidence needed to move forward. My hope is that we will start the debate and the experimentation. The less fortunate have always been with us. Nehru eloquently reminded India of her most basic task in his famous speech: ''The service of India means the service of the millions who suffer. It means the ending of poverty and ignorance and disease and inequality of opportunity. The ambition of the greatest man of our generation has been to wipe every tear from every eye. That may be beyond us, but as long as there are tears and suffering, our work shall not be over.''

The sheer mass and the resilience of the poor must give us confidence that they do not want to be left behind and that they will do their best. It is my hope and dream that soon all the people of India and the world will have access to a minimum quality of life. That is the obligation of the privileged few. I ask the same question Nehru so prophetically posed more than 55 years ago: ''Are we brave enough and wise enough to grasp this opportunity and accept the challenge of the future?''

Acknowledgment

Notes

1. Data from M. Nataraj, chief technology officer, HLL, and Vijay Naik, senior scientist, HLL.
2. Research by Rama Bijapurkar and Ashok Jain.
3. Data from Gopal Srinivasan, managing director, TVS-E, and P. Parthasarathy and his ''tireless and imaginative gang'' of developers.
4. Assistance from Dr. Amita Bhatt of Johns Hopkins University.
5. Partnerships for Health, June 7, 2000, Washington, DC.

Commentary

by V. Kasturi Rangan

Like Prahalad, I have long pondered why commercial marketers around the world focus mainly on the 2 billion people at the top of the pyramid to the detriment of the 4 billion people below. Frankly, there is no good answer, other than the one offered by Prahalad: "They simply do not know how to do it profitably." Therein lies a lost market opportunity, on which I elaborate. I would size up the population pyramid somewhat differently (see figure 1).

While the population distribution of 20/60/20 shown in the figure would differ from economy to economy, emerging markets in general display a distribution in which perhaps the top 20% of consumers (depending on the political and economic structure) experience commercial markets, with a free exchange of products and services for money. At the bottom of the pyramid, governments, aid agencies, and nongovernmental organizations pretty much do the job of getting food, clothing, shelter, and health care to poor consumers, often inefficiently and inadequately.

Then there is a big bulge in the middle, which I like to call "submerged markets" because they do not necessarily have the market infrastructure and supporting institutions that characterize the commercial markets at the top of the pyramid. But at the same time, these markets are not totally dependent on the aid and social infrastructure serving the people at the bottom of the pyramid. For example, consumers in that bulge may not have bank accounts or credit facilities, but they could probably borrow money from pawnshops and moneylenders or from individuals and other parallel channels at above-market rates. They may have to walk miles to access markets, especially in rural areas, which may be open only one day a week. Sometimes these markets may operate on a barter principle. Many of the laborers and peasants who compose this market may not receive any protection from the labor laws or worker benefits granted to those in the formal sector of the economy. In fact, many urban workers in the formal economy are very much part of the "submerged market" as well. Health care is almost always delivered through a surrogate system of health practitioners, most of whom may not have much formal medical training.

Despite all this, every consumer in this "submerged market" participates in a market mechanism; there is an exchange of goods and services for money or monetary equivalent. The markets in which they transact, however, are partially hidden from the view of multinationals or even large national manufacturers. Even if these players knew about them, they would be unable to fully operate there because the informal rules that govern these markets would not meet their standards of reliability and comfort.

Therein lies the sad tale of a missed opportunity. Of course, there are exceptions. In India, Hindustan Lever, a company that has been well profiled by Prahalad, has done an exceptional job of serving the rural markets with its portfolio of detergent bars, toilet soaps, shampoos, tea, and cooking oil. Similarly, Madura Coats, a company I worked for in India, had a phenomenal distribution system for supplying thread to thousands of tailors across the length and breadth of the country, particularly in the rural markets. But in order to do this, one needs imagination and entrepreneurship, and that is Prahalad's point. Incremental approaches are hardly ever successful.

Prahalad suggests four criteria for advancing business principles here: dramatic increase in price/performance relationship, scalability, environmental sustainability, and harmonizing advanced technologies for local conditions. I would like to offer two additions to this pithy and excellent list. First, the business model must demonstrate economic sustainability (not just environmental sustainability), and second, it should offer a value proposition that truly enhances its consumers' quality of life. This second criterion must transcend individual business goals and address the question at a larger societal level. Let me clarify each.

First, I address the issue of economic sustainability. I was one of the early business academics to visit and spend time at the Aravind Eye Hospital in Madurai, South India, which I wrote up as a business case (Rangan, 1993). Subsequently, the hospital has been widely recognized as a leader and innovator, as Prahalad points out. If you ask yourself why Dr. Venkataswamy (Dr. V, the hospital's founder) has been so successful,
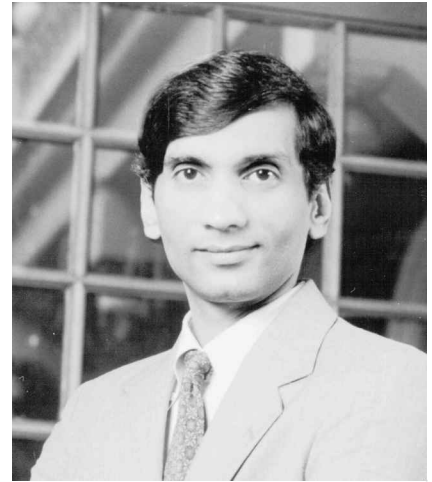
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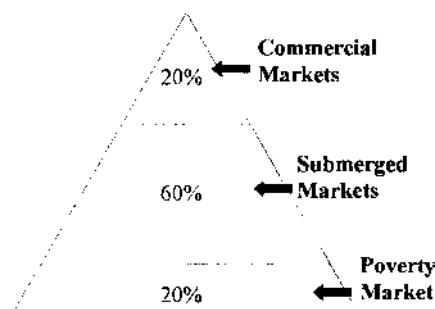Harvard Business School
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Figure 1 The structure of markets in developing countries

the four criteria highlighted by Prahalad come to the fore, but even more important is Dr. V's brilliant management of the pyramid presented in figure 1. The Aravind model serves customers across the entire hierarchy of the pyramid. In fact, Dr. V. uses "paying patients" from the top of the pyramid (20%) to subsidize "free" patients in the middle and bottom tiers. Sometimes the subsidy goes from the middle to the bottom tier. Aravind Eye Hospital sees its mission as serving the bottom two segments of the pyramid, but Dr. V was astute to realize that in order to provide sustainability to the enterprise, resources have to be self-generating rather than at the mercy of donors. So patients from the top of the pyramid are a core part of Aravind's customer base. This then calls for a hybrid organizational design that serves the rich and poor simultaneously, with each segment receiving a unique and satisfying value proposition; Dr. V and his management team at Aravind have done it brilliantly. It is the drive for economic sustainability that drove much of the business model design at Aravind, a key aspect of the business innovation.

Second, I address why societal value-added should be an important criterion as well. Let us take the one-rupee ice cream cone illustration Prahalad offers. Do the customers in submerged markets need one-rupee ice cream cones, even if it were possible to provide the technological solution? My answer would be, "It all depends." If the ice cream cone were a way to deliver a daily required dose of proteins and calories, it would be a great innovation. However, if it just delivers the same lifestyle and pleasure to those at the bottom of the pyramid as to those at the top, then I must argue that the billions of dollars invested in technology and distribution systems would be a waste of national resources. There ought to be better use for those scarce resources. Someone has to make those allocation calls in a developing country, perhaps not the government.

Every business should ask itself whether it is producing a socially valuable good that would enhance the customer's quality of life (not just the perception). Without such fundamental value guidance, we could unwittingly create a demon that, instead of enhancing its customer's value, could in fact diminish it for a personal profit.

A subtle balance between social value and business profitability drives much of the innovation in "submerged markets." That is why one needs a business model characterized by value for customers and shareholders as well as values of social good. It is a difficult balancing act, but entrepreneurs in developing countries have amply demonstrated that they are fully ready for the challenge.
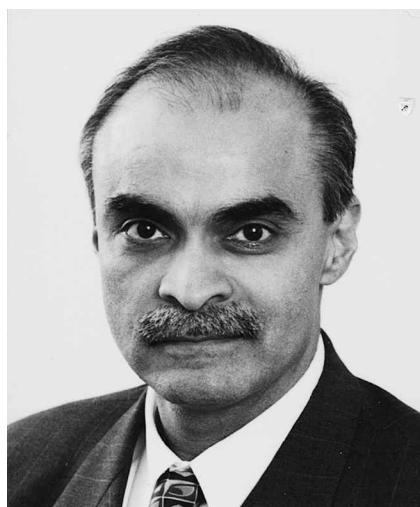
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Vindi Banga
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Commentary

by Vindi Banga

Businesspeople have traditionally ignored the poor as having no real ability to afford their offerings. Consequently, they have viewed the billions of people living at the "bottom of the pyramid" as a problem to be dealt with by the government and nongovernmental organizations. In my experience, this is largely for two reasons: One, people in business have no emotional connection with poor consumers. They are far removed from them in the way they live their lives. Two, they bring their traditional business models with them in their minds. These models are designed to offer products and solutions to the relatively affluent. Is it then surprising that they believe there is no business opportunity at the bottom of the pyramid?

I have enormous sympathy with Prahalad's view. The vast population base multiplied by a small disposable income provides an enormous market potential. If one spends a little time with this "bottom of the pyramid" population, it is immediately apparent that they have the same aspirations and needs as the more affluent. Everyone is interested in enhancing the security and quality of life.

The challenge is for us to be able to provide solutions that meet their needs, that are affordable, and that yield a reasonable business return. My company has recognized this and taken several initiatives.

Shampoo was a luxury, with the price of the cheapest bottle being 50 rupees ($1)—a big barrier when the majority of the population earned only 40 rupees per day. The answer was single-use sachets available at one rupee (less than 2 cents) per unit. A complete new business system was required, spanning the development of low-cost capital equipment, low-cost packaging, an appropriate distribution system, and so on. The result? Last year, we sold 3 billion sachets, which is three times what we sell in bottles. We have been able to explode our market, while enhancing the quality of life, at a very acceptable level of profitability. We have several other successful examples like shampoos in our business, spanning various everyday-use categories.

In summary:

- We are totally committed to providing products and solutions for the people at the bottom of the pyramid.
- We do this by understanding and identifying their needs and aspirations; we encourage our management to spend a lot of time living with this group of people.
- We do not believe in cost-plus pricing. Rather, we set a target price that the consumer will pay. We then deduct an acceptable margin to arrive at a "challenge cost."
- We find a way to meet the challenge cost by involving an interfunctional team. Key to this is our ability to deploy advanced technology solutions and innovative supply chain management.

Apart from business growth, there is also the satisfaction that, in our own small way, we are contributing to the overall economic and social development of a very large section of Indians.

Six Societal Learning Concepts for a New Era of Engagement

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Reflecting on events of September 11, Tom Higgins, president of Business for Social Responsibility, which has 1,400 leading global company members, commented, ''The business community has to renew its own commitment to engagement with all of its diverse stakeholders'' (Higgins, 2001). Also referring to September 11, Francois Roussely, CEO of the global French electricity company EDF, asked: ''Economic globalization flows into political and social globalization: Have we forgotten this in the last few years?'' (Belot, 2001).

Perhaps at the forefront of related events are the globalization protests that began on a large scale in Seattle. These protests and emerging visions are partly a response to a decade of the ''Washington Consensus,'' which held that businesses had to lead global development—a revolutionary view after decades of government-led strategies proved incapable of producing the needed scale of development. However, the strategy embodied by the consensus is not working, or certainly not well enough. The economic and welfare gap between the North (developed countries) and South (developing countries) is, with the exception of the Asian Tigers, greatly widening. Poverty is increasing in absolute numbers, and almost all environmental indicators in every region are rapidly declining (UN Development Program et al., 2001).

So if government- and business-led development strategies have demonstrated their limitations, what might the ''commitment to engagement'' to which Higgins refers look like? What approach will take better account of Roussely's political and social forces, along with economic forces? The answers are almost certainly associated with the collaborative leadership successes of business, government, and civil society organizations (CSOs).[1] These successes, based on a societal learning approach, are engaging major economic sectors such as banking and involving major businesses such as Dole Foods, Cisco, Shell, and Nike, to mention a few. For all the participating organizations, the collaborations involve new mental models, new skills, different business strategies, creativity, and intensive and extensive dialogue.

What Is Societal Learning?

Societal learning is associated with individual, group, and organizational learning. Brown and Ashman define societal learning as ''articulating new paradigms that can alter the perspectives, goals, and behaviors of social systems larger than particular organizations'' (Brown and Ashman, 1998). Like other learning, it involves cycles of observe-reflect-plan-act and produces new capacity for learning. However, it works at a much larger scale because the new capacity is societal. Societal learning develops new relationships, strategies, and organizational structures to do what could not be done before, so it is critical to addressing issues such as sustainability, poverty, and culture clashes. Business is finding that societal learning is increasingly important for enhancing profitability. For

government, it is important for improving public welfare. In civil society, it is increasing the enrichment of communities.

Examples of Societal Learning

Innovation in the basic concepts of how we organize ourselves is at the heart of societal learning. In the US, an example of highly problematic societal learning is the institution of slavery. Changing it has meant learning how to transform the underlying laws, economic structures, and social relationships. After a century and a half of effort in the US, this societal learning has produced real, yet still incomplete, change. But it has also produced important lessons and knowledge about how to create societal change more effectively and quickly. These lessons and knowledge have expanded substantially during the past 10 years with particularly intense experimentation with a wide variety of global issues.

Traditionally, banking services for black Americans and the poor were much less accessible than for whites. This became particularly noticeable when banks left inner cities as black Americans moved in. A successful societal change process involved community activists pressing for change, followed by government legislation through the Community Reinvestment Act (CRA), and topped off with action by traditionally resistant banks.

The CRA is an imaginative piece of legislation that strongly encourages banks to have dialogues with their communities. It did not, however, prescribe targets or solutions. The government also obliged banks to provide information about their business to the public, which allowed the CSOs to make more reasoned and innovative suggestions to banks for change. Where the parties were able to develop true dialogue, some amazing changes occurred. The banks began to understand that their mental models about their business were a problem. Particularly critical was the assumption that they had the right products (for middle- and upper-income people) and delivery structures (branches were too costly for the poor) (Waddell, 1997a, 1997b).

Now people from banks and community groups have long-term, intense relationships that have greatly reduced delivery costs and engaged CSOs in developing and delivering products and maintaining relationships. For example, rather than take a legal disciplinary approach to missed payments, CSOs react with an educational, peer-group support approach that has proven more effective. Moreover, the banks and CSOs developed joint positions to lobby government to make its programs, such as small business lending, more effective. This represents fundamental reorganization of roles and relationships between diverse social segments, which is typical of societal learning.

Examples from around the world promise to be particularly important in addressing the North-South gaps. Traditional approaches to building water projects for the poor in Southern countries resulted in breakdowns shortly after installation and speedy decay. Instead, the postapartheid government of South Africa engaged nongovernmental organizations (NGOs) and communities in the construction process, based on a *systems* perspective that saw community ownership and capacity building as critical for long-term maintenance. The government also understood that commercial companies' profit-oriented goals prevented them from working with communities in the same ways as NGOs, for whom improving communities' welfare is usually a core objective.

This analysis was the basis for a consortia that included NGOs and for-profit companies like the global water company, Vivendi. The consortia collaboratively defined their members' roles and coordinated their activity. The NGOs organized the communities so they could participate in the construction process—both the planning processes and the actual construction—and build local capacity to maintain the water system infrastructure and ensure that villagers were committed to paying for it (Waddell, 2000).

A more modest example is found in a small town in Zambia. A South African supermarket opened and imported its produce from its South African farms. The local farmers' market for their produce disappeared. The villagers were so angry that they threatened to burn down the supermarket. A collaborative intervention developed so the local farmers could work with the supermarket to produce vegetables of the type, quality, quantity, and predictable delivery dates required by a modern supermarket. This collaboration, however, required engaging NGOs to help develop the farmers' capacity, the government to

improve the roads for delivery, and the supermarket to negotiate a sensible contract for both parties. This example demonstrates that societal learning, along with rethinking the product line, can bring together people who are traditionally outside the commercial sector in creating a coordinated strategy. In the end, the supermarket has better and cheaper produce, and the local farmers have improved livelihoods. Another benefit is that the Zambian operation of the huge Indian company, Tata, is working with the new networks to develop bicycle transportation for moving products from the village to the supermarket (Waddell, 2001b).

Societal learning . . . can bring together people who are traditionally outside the commercial sector in creating a coordinated strategy.

Societal learning may also take place internationally. Cisco is training people around the world to build and maintain its systems. It creates ''academies'' in collaboration with government, educational institutions, and NGOs. All these parties see themselves as responsible for developing a relevant education system, rather than simply seeing it as the government's responsibility (Waddell, 2001a, 2001b).

Societal Learning as Loops

There are three types of learning—single, double, and triple (Argyris and Schon, 1978); societal learning always involves triple-loop learning, but often ''gets stuck'' at double-loop learning.

Single-loop learning involves change within the current rules of the game. For example, changing the quantities in a quota system describes a single-loop learning model of change. The quota system and the way quantities are defined are accepted. The only variable is the number.

Societal learning means redefining the rules of the game, as associated with double-loop learning. In the banking example, new rules obliged the banks to supply information they had never provided before. New regulations required that banks report on their outreach activities with communities. For a long time, banks treated these demands simply as an additional regulatory reporting burden; many banks still do. However, in some instances, the right combination of people both in banks and in communities made something different happen, resulting in triple-loop learning. The difference was that the parties talked and listened to each other. They explored options for reorganizing their previously adversarial relationships. They were willing to change to achieve what they discovered could be a mutually beneficial arrangement.

In triple-loop learning, participants question the way they think about the rules and the game. The banks began thinking of themselves as agents for community development. In the water project, the companies were no longer construction companies, but developers of sustainable water systems. The Zambian supermarket came to understand that its business also meant creating a local economy. And Cisco learned that it is not just training people to work on Cisco products, but also strengthening public education.

Often, initiatives get stuck at the double-loop level or below, blocked by mental models. For example, many banks cannot get past the idea that government is forcing them to do something adverse for them. Some businesses in water system initiatives maintain a transactional stance. Or businesses may move into a community with their own supply system and wipe out local suppliers. And there are more failed school-business initiatives than successes.

Societal Learning Leadership Concepts

Knowledge of the six core societal learning concepts for the new era of engagement will ease the development of societal learning and make choices clearer, expectations more realistic, and frustrations easy to address.

1. Action Framework—Societal Systems Building

Societal learning requires knitting together societal systems in a way that is analogous to creating cross-functional activities in a business. Functional units can be barriers to

coordination or potential synergies. A systems perspective focuses on the end goals (products and services) and deepens understanding of roles, interdependencies, and long-term implications of actions. Societal learning must deal with the major cultural, economic, geographic, racial, and other complex divides.

A particularly important division provides a way to organize large societal change—the division between the three organizational *sectors* of government, business, and civil society. These represent the three basic societal systems: political, economic, and social, which, in turn, relate to human dynamics analysis that distinguishes three archetypes among people: those who relate to the world mentally, physically, or emotionally (Seagal and Horne, 2000). The way the organizational sectors interact reflects cultural systems and their mental models, which are all highly dependent on the natural environment system (see figure 1).

In systems thinking, unintended consequences arise from actions, as is the case with government- and business-led development models. The unintended consequences of government-led development included growth in bureaucracy and corruption. Unintended consequences of the business-led development included an increase in wealth disparity and short-term fixes.

The development of a society is necessarily a societal learning process that changes culture, represented by how the political, economic, and social systems interact, which emphasizes interdependence. Intersectoral collaborations (ISCs) occur where the social contract is negotiated: where each sector's roles, responsibilities, rewards, and benefits are redefined. For example, a business-led development model vastly increases the rewards for the economic system. Given that the most sophisticated economic organizations are in the North, the wealth and power of that region vastly increases.

Balance among the three systems and their interactions is critical. At an October 31, 2001, meeting of the World Bank Board's Committee on Development Effectiveness, the US was one of only two countries that pressed for greater expansion of privatization initiatives. Other countries have begun to see events like September 11 and the globalization protests as a feedback loop of the unintended consequences of a systems imbalance promoted by the Washington Consensus strategy.

On a more modest level, in all the examples I've mentioned, the response has addressed the unintended consequences of dysfunctional relationships among the sectoral systems. The traditional approach to banking resulted in ghettos; in water services, it resulted in broken systems; in the supermarket example, it produced unemployed farmers; and in education, students graduated without the latest skills. Societal learning leaders need to understand their actions and strategies in the context of these system relationships.

Figure 1 The four-sector model

2. Power Source—Appreciating Differences

Although people may say, ''We're all basically the same,'' in fact, understanding our differences is critical to effective action. If we do not recognize diversity, we will be aware neither of actions that destroy it nor of the latent power that it often represents. But even more important, we will not even understand how to meld differences to derive the unusual power of synergies.

Societal learning leaders must pay attention to differences between the organizational sectors (see table 1). For example, without recognizing that goals differ among the sectors, it would be hard to understand other collaborators' unhappiness with the outcomes. A government's administrative mental model is one of policies, laws, and enforcement; business's is a framework focused on the outcome and inventive entrepreneurial activity to achieve it; and civil society thinks of the world in a developmental framework in which solutions must develop from the bottom.

In the South African water project, these organizing imperatives proved extremely confusing for the participants. The NGOs saw that the projects could not be implemented faster than the communities were ready to move. Meanwhile, the company engineers were accustomed to highly predictable work plans because they had to coordinate substantial resources and numbers of people.
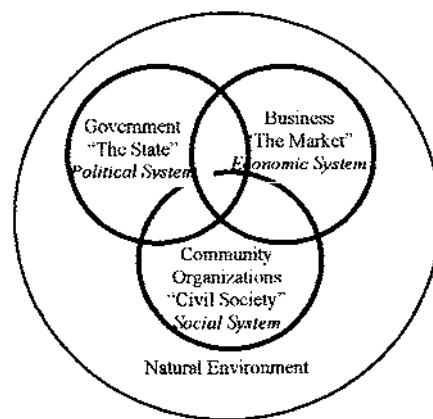
Table 1 Distinctive characteristics of the sectors' core logics

	Government	*Business*	*Civil Society*
Primary interest	Political	Economic	Social
Primary control agents	Voters/rulers	Owners	Communities
Primary power form	Laws, police, fines	Money	Traditions, values
Primary goals	Societal order	Wealth creation	Expression of values
Assessment frame	Legality	Profitability	Justice
Goods produced	Public	Private	Group
Dominant organizational form	Governmental	For-profit	Nonprofit
Relationship basis	Rules	Transactions	Values
Temporal framework	Election cycles	Profit-reporting/ business cycles	Sustainability/ regeneration cycles

Although these differences can produce problems, ironically, they also provide the rationale for ISCs. A major reason to collaborate is to create synergies by combining the distinct resources of the organizational sectors and offsetting their weaknesses to produce new competencies. Societal learning leaders will be skilled at creating these synergistic processes to do the engaging to which Higgins refers.

Table 2 identifies some key resources and weaknesses. In the banking example, NGOs provided access to their knowledge of communities that commercial organizations could not match. In poor communities, poverty is highly correlated with weak language skills and suspicion about outsiders, so traditional focus groups and telephone surveys do not produce the information needed to serve the market.

Conversely, collaborations offset the weaknesses of unisectoral approaches. For example, rather than setting up private schools that would put education beyond the reach of the masses, Cisco developed its academies in public schools. And as the Zambians worked together collaboratively, they addressed the tendency of business to ignore its impact on farmers.

Government weakness is a traditional rationale for privatization. But societal learning experience suggests that too often the potential role of civil society in making privatization work is ignored (Plummer and Waddell, 2001). NGOs were critical to developing solutions in all the examples mentioned. Moreover, privatization often occurs without developing regulatory and other governmental resources, and then often produces corruption and ignores the poor. For example, government action was needed to move the banks beyond their adamant refusal to talk with communities; Cisco tapped the network of government schools resulting from public policy; in Zambia, a reinvigorated government commitment to provide roads was necessary; and in the South African water project, the government brought NGOs and business into a working relationship.

The unintended consequences of systems thinking are also important. As collaborating organizations become more familiar with each other, they begin to take on each other's characteristics, which inevitably has an impact on their partners' resources. For example, NGOs that become like businesses lose touch with their communities, and businesses that become like NGOs are seen as poor investments and lose access to capital markets.

3. Key Operating Dynamic—Coproduction

There are many reasons for a business to engage with other sectors, including philanthropy, social responsibility, and corporate citizenship. All have their place, but experience with societal learning suggests that the most powerful reason is coproduction for mutual gain.

To collaborate effectively, organizations must articulate their goals and how to achieve them through collaboration (see table 3). For example, a powerful reason for the

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Table 2 Sectors' generic resources and weaknesses

	Government	Business	Civil Society
Resources	Regulatory and taxation powers	Capital and financial assets	Inspirational and volunteer assets
	Enforcement apparatus	Production systems	Community bonds
	Specialized knowledge on policy impact	Specialized knowledge on industry	Specialized knowledge on community or issue
	Government reputation	Business reputation	Community reputation
Weaknesses	Inflexibility in applying rules	Tendency to monopolize	Restricted (interest) focus—amateurism
	Slow pace of decision making	Disregard for externalities	Scarce materials
	Complexity of jurisdictions/levels	Integration of long-term concerns	Fragmentation (scale)
	Difficulty in internal coordination	Inequality of outcomes	Ideological parochialism (political correctness)
	Desire to control other sectors	Transactional parochialism	

Zambian supermarket's collaboration was to address a threat posed by angry farmers; the farmers participated because they saw a future livelihood; the government participated to address its responsibility for providing public service.

Mutual gain demands mutual commitment. If one collaborating organization is not achieving the results needed to maintain its participation, either it must reassess its original goals or other participants have to help it achieve its goals. Coproduction involves committing to each other's goals.

Traditional negotiating approaches to coproduction relationships are highly problematic. Negotiators tend to have a win-lose perspective based on a ''me versus you'' mental model. Instead, continually exploring differences with a spirit of ''we're all in this together'' is critical.

Coproduction requires leaders who are not afraid to take a backseat or share power. ''Captains of the ship'' analogies are replaced by ''codirectors'' who reflect true collaborative leadership.

4. Spirit of Relationship—Collaborating

In contrast to traditional decision making based on wealth and majority votes, societal-learning decision making emphasizes participation and consensus. To understand the distinctive qualities of societal learning leadership, I define ''partnership'' as an intrasectoral relationship and ''collaboration'' as intersectoral. Partnerships are relatively simple because they are between organizations with the same core logics, whereas collaborations are more complex because the core logics are different.

''Collaborators'' during the World War II were people with roots in a non-Nazi group, oppressed by Nazis, and working with the Nazis. This sense of working with the enemy is at play in intersectoral relationships and emphasizes the perils of making assumptions. In the South African water project, the large companies had worked in business-only consortia and had mental models about how consortia should work. However, government-developed consortia that include an NGO have different logics that require a different approach if the goals, organizing frameworks, and other attributes are to be successful. It was absolutely essential that the consortia produce a functioning water system in a community before an election so that the president could stand in front of it and use it as an example of his government's achievements. Likewise, for the NGOs, it was critical that communities be empowered to run their own water systems, rather than be dependent on outside company contractors. For the companies, profits had to compare favorably with those of their other projects.

''Collaboration'' fosters tension. Tension is the source of creative second- and third-loop learning. A lack of tension might indicate that the tasks have simply been routinized into a new system, but may mean that the collaborators are losing touch with their roots or losing interest.

Table 3 Some generic potential outcomes by sector

Government	Business	Civil Society
Improved public services	Expanded markets	Poor have increased access to goods and services
Improved accountability	New products	New economic opportunities
Reduced direct involvement in rule enforcement while increasing its effectiveness	Lower production and delivery costs	Improved basic medical and health care, education
Improved welfare	Expanded bankable investments	Reduced environmental impact of development
	Improved human resources	Strengthened local cultures
	Local support for activity	Social cohesion
	Improved quality, regularity	

Collaborating emphasizes shared power. Access to all the resources of the sectors is not something that can be forced; it requires proactive participation. Participants must be motivated to mobilize their resources and find new ways to use them more creatively. In Zambia, the supermarket's buying power, integrated with the resources of the other sectors, could produce a better quality product at a lower price, once its mental model shifted from the traditional way of obtaining produce. But none of the collaborators were in a position to ''force'' the others to contribute. For leaders used to working in a hierarchy, collaboration dependent on inspired proactive participation and highly dispersed leadership can be uncomfortable; issues seem ''out of control.''

All groups have different interpretations of the concept of ''voting'' in their decision making. In government, the basic concept is one person–one vote; in civil society, this is often mixed with the idea of one community–one vote; and in business, there is a one dollar–one vote tradition. In collaborations, the general decision-making basis is rooted in the concept of consensus, but this does not mean that everyone has to agree. Rather, no important stakeholder can disagree. Some may feel strongly in favor of a decision, and others may not agree but not see it as important enough to oppose. But a key stakeholder's opposition usually indicates the need for a different strategy.

Exactly how collaborators will work together is never initially known. Indeed, if a framework is too defined, it will undoubtedly reduce the potential for creativity. Approaching societal learning with an emphasis on the *learning* gives a greater chance of success. Learning supports continual capacity development and quality improvement. ISCs are a particularly good environment for misunderstandings to arise, because the mental models vary and language is used differently. At one meeting, an environmentalist and a businessperson almost came to blows over the word *goal,* before they discovered it had different meanings for each of them. To the environmentalist, it implied a range of possible outcomes over the medium term; to the businessperson it implied accountability to specific end-month targets.

5. Lubricating Forces—Dialogue and Learning

Collaborations are notoriously ''high-blame'' environments, where one party accuses the other of betrayal or doing something other than what was agreed on. Behind the words are mental models and unrecognized assumptions.

Dialogue is critical for societal learning leaders with diverse mental models to think together. William Isaacs identifies four capacities that dialogue requires:

- Voicing—speaking the truth of one's perspective
- Listening—without resistance
- Respecting—awareness of the impossibility of fully understanding others' positions
- Suspending—suspension of assumptions, judgment, and certainty (Isaacs, 1999)

These dialogue skills allow investigation of creative opportunities that can develop between the sectors.

However, the sectors have different perspectives on the role of dialogue. Civil societies see business as acting without sufficiently engaging people in dialogue, and business sees civil societies as continuously talking without really doing anything. Both need to address these different attitudes toward the role of dialogue to work together effectively.

Framing activity as action learning helps deal with different attitudes and also develops an environment without blame. The essence is to create the well-known cycle of observe-reflect-plan-act. Rather than aiming for complete agreement and clarity, a less demanding degree can be accepted as a norm for advancing. Seeing that the activities are an experiment and that collaborative regular reviews will assess the action's impact supports this norm. Critical to the whole process is defining the goals of the participants. Once the collaborators have defined goals, they must commit to them and to helping others reach their goals.

Good dialogue requires changing traditions of secrecy about fundamental issues. For example, the banks had to give the NGOs enough information to achieve the needs of good collaboration and also respect individual client privacy. In Zambia, supermarket chain owners had to discuss their pricing and markup system with the farmers to create fair financial outcomes.

6. Hard Work—"Emerging the Future"

Societal learning leaders will be explorers, ready to investigate opportunities and change themselves and their direction in response to their experiences. For the banks, there was a general idea that they could help spur community development, but no substantial understanding about the complex government, civil society, and business interactions involved. The South African consortia had a mission, but whether it was achievable remained a question. The Zambian farmers–supermarket collaboration grew from researchers' inquiries. The Cisco academies developed from nearly 30 years of experiments with business-school partnerships in the US.

These experiences describe a collective version of what Otto Scharmer, working with others, refers to as ''emerging the future,'' a process of becoming aware and learning from the future as it emerges: restructuring, redesigning, reframing, and regenerating (Scharmer, 2001). His perspective emphasizes the visionary aspect of societal learning that is critical for moving forward and describes the depth of change involved.

Conclusion

To encourage development and societal learning requires engaging the three distinct sets of organizations—business, government, and civil society. Although we have learned much to help societal learning leaders, the tasks are still enormous. Perhaps most challenging is to address questions that remain almost unmentionable. For example, Northern companies provide direct investment in the South because they can make more than they invest for their almost entirely Northern shareholders. There must be collaborative strategies so Southerners can become owners and receive the wealth, or we simply continue a process of exploitation. Some issues are even more sensitive, such as the enormous income differences between people typically involved in North-South collaborations.

Despite the scale of challenges for societal change, the successes and our developing knowledge demonstrate that there is reason for optimism and value in pushing ahead. Addressing grand challenges is not just a task for societal learning leaders, but a core quality of great leadership itself.

Note

1. The term *civil society* is gaining international favor to describe organizations sometimes referred to as the nonprofit, voluntary, third, or independent sector. As this article explains later, *nonprofit* is simply a legal attribute that many of these organizations share.

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Commentary

by Barbara Waugh and Betty A. Sproule

Our questions and reflections arise from our joint experience in the past year helping Hewlett-Packard develop a business initiative to bring the advantages of the Internet to the poor at the bottom of the economic pyramid.

1. Many employees lead active lives in more than one sector. How can we leverage the multiple-sector membership of our employees to forge connections with the other sectors?

2. Many employees have roots, relatives, and values in emerging markets. How can we leverage their multicultural, multi-class, and multilingual intelligence and latent commitment? How might they help with the dire and unspoken questions Waddell asked in his article?

3. Have September 11 in the US and atrocities elsewhere in the world blurred the lines between the sectors? For example, given that terrorism is bad for business and is rooted in poverty, how are corporations rethinking their role in ending poverty in the world—traditionally the concern of the civic and government sectors? More than a desire for profit informs the excitement within Hewlett-Packard and across the corporate sector at Hewlett-Packard's intent to develop profitable business models for ending poverty.

4. How are the functions of social responsibility, product stewardship, philanthropy, diversity, government affairs, and profit-making—traditionally separate functions in many companies—partnering to contribute to new business models for intersectoral collaborations (ISCs) and societal development?

5. How can triple-loop learning that occurs in a small part of the company contribute to the larger company's learning, not ''ghettoization'' or death of the transformed part?

6. Within the emerging ecosystem of ISCs, do some collaborative algorithms have a higher success rate than others? For example, is a successful collaboration more likely among a country government, a World Bank, and a global company, than among, say, an indigenous NGO closely

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tied to and identified with the people, a local government, and a global company? Does scale isomorphism help, hinder, or make no difference to success rates?

Commentary

by Kumi Naidoo

The past 10 years have witnessed growth of exploration and experimentation in intersectoral engagement for meeting certain social development goals. It is vital, however, during this particularly challenging moment in world history that we recognize that this is still an emerging art. Consequently, ensuring that we find the right language to describe, understand, and analyze what is at stake and what is being pursued is critical.

Many often use the word *partnership* far too loosely, when, in fact, it is a continuum of relationships that exists between different sectors. Minimally, there is *interaction* (initial contact and exploration of potential relationships); beyond there is *engagement* (a more structured relationship including at least one programmatic intervention). The most mature form of relationship, still relatively rare, is a full-fledged *partnership* (a reasonably formal, medium- or long-term relationship around a set of social deliverables and goals).

To make significant progress in intersectoral partnerships, all parties must invest and contribute new skills. Some key words to bear in mind in operationalizing Waddell's framework include clarity of vision and purpose, constant self-regulation of the relationship, commitment, communication, consistency, and change management. Perhaps the most important ingredient to successful partnerships is a candid assessment of power issues in intersectoral relationships. Failure to deal with this openly and transparently has caused several partnerships, particularly between business and civil society organizations, to crumble.

In many developing countries, the indigenous business sector is often weak and emerging, as is increasingly the case with the state. This raises the important challenge of ensuring that the global economy is transformed over time to be more equitable in how benefits and, ultimately, ownership are shared around the world. Given that the past two years have seen growing levels of polarization between business and civil society, it is critical that the agenda of societal learning includes questions of structural power. We have to confront the growing levels of inequality within nations and particularly between rich and poor nations. Unless we do this, many civil society organizations, particularly those advocating for great social and economic justice, will struggle to embrace the kind of progressive societal learning for which Waddell argues.
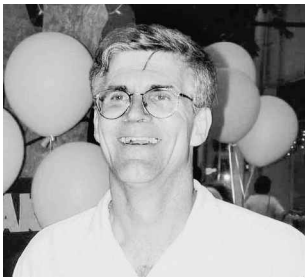
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Globalization's Challenge: Attuning the Global to the Local

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Relation is the essence of everything that exists.
—Meister Eckhart

As a model for improving the human condition, globalization gears its operations to an unadorned assumption: ''maximize financial returns and—trust the model—everything will work out fine.'' US money managers invest $17 trillion worldwide based on that premise, up from $1.9 trillion since 1980. As I show, the global reach of that simplistic model is a key reason wealth is being rapidly redistributed worldwide—from poor people to rich, from poor country to rich, and from the future to the present.

Globalization has the potential to be a positive force for modernity. Instead, it operates as a capital markets-led, government-enforced process that radically redistributes wealth, in the same sense that ''wealth'' stems from *weal*, implying a condition or state of well-being. To produce genuinely global well-being that's sensibly shared and environmentally sustainable, globalization requires a counterforce to today's wealth-redistributive trends (see the sidebar).

Consider the financial trends that accompany the current combination of globalized capital and globalized commerce:

- Since 1985, economic decline or stagnation has affected 100 countries, reducing the incomes of 1.6 billion people (Speth, 1999). For 70 of those countries, average incomes are less in the mid-1990s than in 1980, and in 43, less than in 1970 (UN, 1999: 2).
- In 1960, the income gap between the fifth of the world's people living in the richest countries and the fifth in the poorest countries was 30 to 1. By 1990, the gap had widened to 60 to 1. By 1998, it had grown to 74 to 1 (UN, 1999: 28).
- Meanwhile, the world's 200 wealthiest people doubled their net worth in the four years to 1999, to $1,000 billion (UN, 1999: 28).
- Three billion people live on $2 or less per day, while 1.3 billion of those get by on $1 or less (UN, 1999: 3).
- The income of the top 1% worldwide (50 million people) equals the total income received by the poorest 57% (2.7 billion people) (Milanovic, 2002).
- With world population expanding 80 million each year, World Bank President James D. Wolfensohn cautions that, unless policymakers address the ''challenge of inclusion,'' 30 years hence, 5 billion people could be living on $2 or less per day.
- The UN Development Program (UNDP) reports that 2 billion people suffer from malnutrition. In three decades, the human family could include 3.7 billion malnourished members.
- The UNDP's assessment: ''Development that perpetuates today's inequalities is neither sustainable *nor worth sustaining*'' (UN, 1996).

Promise and Peril of Self-Designed Systems

Physicist Hans-Peter Dürr, former president of Munich's Max Planck Institute, offers a useful way to visualize the quandary facing today's leaders. A 25-year colleague of Werner Heisenberg, father of the uncertainty principle, Dürr asks that we imagine a fisherman who concludes that all fish are longer than two inches. What makes him think that? Well, it's not a fish if he can't catch it with a net. He also relies on a market test: no one wants to purchase a fish he can't catch.

Of course, what our fisher fails to see (or perhaps, to mention) is that his net is woven with two-inch holes. His net embodies metrics certain to ''screen'' for what he finds. Before he chose that particular net, the possibilities were open. But once he makes his choice, the possibilities are limited by the woof and warp of the net he favors to do his fishing.

Therein lies the systems-design challenge facing leaders learning to cope with this era's defining phenomenon: the globalization of finance. Like the fisher's net, the results of globalization are determined by those who weave its rules to screen out certain values and favor others. That's the nature of self-designed systems. In a democracy, we the people design the net and, in the designing, choose the forces that influence us. That self-organizing insight led the nation's founders to opt for democracy over divine right, confident that political freedom and human dignity are better served by the dialogue of self-determination than by the decrees of distant decision makers.

Democracy's design preference is clear: fishing works best when fishers choose their own nets. Every functioning democracy has rules to ensure that its citizens retain influence over those forces that have an influence over them. Robust democracies offer a net-weaving process for people to choose the influences they favor in their pursuit of happiness. In that pursuit, a steady supply of ''fish'' is generated—from which a nation's people monitor, re-appraise, and reweave their nets, constantly sorting through just what sort of values they agree to pursue. To make it even more self-responsive, *We* (as in We the People) re-serve the right to periodically change leaders so We can live in a system that enables Us to have lives of dignity and meaning. The self-governing goal is the General Welfare, while the pursuit of individual happiness is the preferred means.

The net cast by globalization is woven of strands trace-able solely to finance. What globalization seeks is financial returns. That's its mental model, its value-seeking net. When that type of ''fish'' is caught, the system signals ''Eu-reka!'' And then signals itself to do it again and again, ad infinitum. This finance-calibrated feedback system serves as globalization's ''guidance system,'' the invisible soft-ware that runs silently in the background, catching just the sort of fish that finance favors. Any value that fails to reg-ister as a financial value on globalization's return-seeking radar screen is, by design, screened out. So how do we know this finance-guided system works? We also rely on a market test: no money manager wants a value that fails to show up as a financial return.

This *self-reflective* aspect of finance-led globalization makes change challenging. Yet the design principle under-lying both markets and democracies mandates that glob-alization include a *self-design* component capable of attuning globalization to a bandwidth of values broader than what finance is capable of detecting. In its worldwide pursuit of financial returns, the impact of globalization is

Like the fisher's net, the results of globalization are determined by those who weave its rules to screen out certain values and favor others.

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often felt on human, social, and natural capital that, being place-based, is not always improved by financial capital's highly mobile, single-minded pursuit. Without a practical means for attuning global capital to local values, globalization is destined to be perceived as just another remote force that robust democracies are obliged to resist.

Democracies "show up" in the give-and-take of civic discourse. The capacity for ongoing dialogue is the measure of a democracy's robustness as a system meant to operate as a marketplace of ideas. The vitality of that dialogue determines the woof and warp from which the societal net is woven. Dialogue is the domain where values are prioritized and meaning is made. It is in those networks of dialogue that democracies reside, and from that realm the system's rules emerge. Democracies succeed to the extent that they evoke those relationships required to ensure that the system grants influence to those its operations influence.

Responsibility via Relationships

Responsible and sustainable commercial behavior is best advanced within a policy environment that views financial capital as a societal tool—and ownership patterns as a *meta-tool* that can help identify and advance societal goals. Currently, globalization's finance-fixated mind-set runs roughshod over an array of values that robust democracies rightly hold dear—social justice, equal opportunity, civil cohesion, fiscal foresight, political equality, environmental sustainability, and so on. No intelligent system would do that. No robust learning system would *continue* to do that. No robust democracy would *dare* do that.

There lies the fast-growing discontent with today's version of globalization, and its seeming inability to align its operations either with the nonfinancial values of those on whom it has an impact or with those broader democratic values in which free enterprise systems are imbedded. The culprit, I suggest, is the current paradigm's indifference to ownership patterns. The alternative is clear. In the US alone, just three money managers (Fidelity, Merrill Lynch, and Barclays Global) hold $1.9 trillion in funds that are indexed—invested to mimic the behavior of capital markets as a whole. More aptly described as "money on autopilot," that phenomenon reflects the inclination of financial capital to operate free of any influence from those its operations affect.

The future favors those leaders—in both the private and the public sectors—who view ownership patterns as a net for sorting good influences from bad. Systems-savvy business leaders are beginning to realize that they must foster more richly textured and personalized relationships within their firms. For instance, US-based Herman Miller, an 8,000-employee trendsetter in furniture manufacturing, has long been a leader in participative management. Early on, the firm embraced decision-making methods meant to enhance the firm's "cognitive competence" and the "collective commitment" of its workforce. Consistent with that stance, its leaders chose to ensure that, in every position, they have both an employee and an owner. That strategy finds support in US tax law that, since 1975, has incentivized employee ownership in more than 11,500 firms covering roughly 10% of the US workforce (www.nceo.org).

Herman Miller's embrace of insider shareholding transformed how its leaders apprise shareholder value because now directors and managers are obliged to poll insiders about their values *as shareholders*. As the company's ownership "net" was rewoven to create a component of "up close" ownership, that relationship gave employees a right to have their values reflected in the company's operations. What did they value? Far more responsible than capital markets, they said we want *our* company—whose operations impact *our* community—to become a leader in environmentally sustainable business

The future favors those leaders—in both the private and the public sectors—who view ownership patterns as a net for sorting good influences from bad.

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practices, a particularly challenging task for a firm whose operations depend on a wide range of products (woods, paper, cardboard, fibers) and synthetic chemicals (paints, plastics, varnishes, solvents).

Yet since implementing its insider-owner strategy, Herman Miller's primary production facility has cut by 90% the trash it hauls to landfills. Reflecting its commitment to *eliminate* waste, the company annually ships 2 million pounds of scrap fabric for reuse as insulation for car-roof linings and dashboard padding, saving landfill fees and creating a new profit center. Luggage makers buy its leather scraps for attaché cases, while its ''AsNew'' program repurchases its used office partitions and refurbishes them for resale.

Herman Miller's commitment to those values now affects others with whom it does business, creating a ripple

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effect. With its insider-induced focus on ''closing the recycling loop,'' the firm prefers green suppliers and recycled inputs whenever feasible (its corrugated-box specs require 40% recycled content). With cultural support from a vision statement describing both the company and its employee-owners as ''corporate stewards,'' Herman Miller evoked environmental values consistent with those communities where its operations generate financial value for *all* its shareholders.

The ''missing piece'' was the dialogue required to tailor the firm's operations to values that are personal and local. Remote, capital market-style ownership is incapable of catalyzing that attunement. Create property relations imbedded in the personal and the local, and responsibility has an opportunity to become imbedded in those who must execute those values. It helps too that the capital structure is designed to ensure that wealth creation is shared with those who help create that wealth. Consistently ranked among the top 25 most admired US companies, Herman Miller also routinely ranks first in its industry across a broad range of performance benchmarks, financial and otherwise.

This systems-design tale is worth telling because corporate responsibility was neither forced from the outside nor dictated from the top. Instead, it emerged from a leadership-initiated blend of property relationships and management practices. That strategy, in turn, was nudged along by a rule-making policy environment that encourages up-close ownership. By combining participative ownership relations with participative workplace relations, the firm cultivated conditions that enabled it to evolve and change in ways that better reflect the values of those most directly affected by the firm's physical operations. Those values (and those possibilities) are typically opaque or invisible to off-site investors and to financial markets.

Leadership in a Globalizing Era

For globalization to proceed sensibly and sustainably, leaders must redesign finance—its driving force—so that globalized capital transforms ownership patterns that are now dangerously detached, disconnected, and ''depeople-ized.'' For global commerce to operate in a manner consistent with the values of self-determination, leaders must imbed influence in those communities where the influence of globalization is felt.

Legislators and executives are the systems architects—the rule makers and the pattern givers. From their decisions, political and commercial tools either grant or deny a nation's people the feedback loops that self-organized systems require. The natural habitat of property patterns is not physical but legal and economic. Executives must rely on policymakers to craft the framework of rules from which the shareholder relations emerge that determine what those executives *do*. Managers and directors are the shareholders' hired hands. If we are to have a more personalized and ''up close'' capitalism, lawmakers must craft rules to evoke that result. Because ownership is now so remote and detached, executive decision making is largely reduced to the question of how best to pursue financial returns, regardless of the broader impact on communities, on nature, or on anything that happens beyond the payback period of current investments. The *systemic* risks that

Examples of Wealth Redistribution

1. **From the bottom to the top.** The wealth of the *Forbes 400* richest Americans grew an average $1.44 billion each from 1998 to 2000, for a daily increase in wealth of $1,920,000 per person. The financial wealth of the top 1% now exceeds the combined household financial wealth of the bottom 95%.[1] The share of the nation's after-tax income received by the top 1% nearly doubled from 1979 to 1997. By 1998, the top-earning 1% had as much combined income as the 100 million Americans with the lowest earnings.[2] The top fifth of US households now claim 49.2% of national income, while the bottom fifth gets by on 3.6%.[3] Between 1979 and 1997, the average income of the richest fifth jumped from 9 times the income of the poorest fifth to 15 times.[4] The pay gap between top executives and their average employees in the 365 largest US companies widened from 42:1 in 1980 to 531:1 in 2000.[5]

2. **From democracies to plutocracies.** Today's capital markets-led, "emerging markets" development model is poised to replicate US wealth patterns worldwide. For instance, World Bank research found that 61.7% of Indonesia's stock market value is held by that nation's 15 richest families. The comparable figure is 55.1% for the Philippines and 53.3% for Thailand.[6] Worldwide, there is now roughly $60 trillion in securitized assets (stocks, bonds, and so on), with an estimated $90 trillion in additional assets that will become securitizable as this model spreads.

3. **From the future to the present.** Unsustainable production methods are now standard practice worldwide, due largely to globalization's embrace of a financial model that insists on maximizing net *present* value (largely what stock values represent). That stance routinely and richly rewards those who internalize gains and externalize costs, such as paying a living wage or cleaning up environmental toxins.

4. **From poor nations to rich.** The neoliberal version of globalization assumes that unrestricted economic flows will benefit the 80% of humanity living in developing countries as well as those 20% living in developed countries. Yet the UN Development Program (UNDP) reports that the richest fifth of the global population now accounts for 86% of all goods and services consumed, while the poorest fifth consumes just over 1%.[7]

5. **From developing nations to developed nations.** In all three ecosystems suffering the worst declines (forests, freshwater, and marine), the most severe damage has occurred in the southern temperate or tropical regions. Industrial nations (located mainly in northern temperate zones) are primarily responsible for the ongoing loss of natural capital elsewhere in the world.[8] In its July 2001 report, the International Panel on Climate Change confirms that relentlessly rising global temperatures—due primarily to hydrocarbon use in the 30 most developed economies—are poised to create catastrophic conditions worldwide. Agriculture, health, human settlements, water, animals—all will feel the impact on a planet that's warming faster than at any time in the past millennium. Throughout the panel's 2,600 pages of analysis, one theme remains constant: the poor of the world will be hardest hit. According to *GEO 2000*, a UN environmental report: "The continued poverty of the majority of the

accompany today's return-seeking myopia suggest that business leaders have a responsibility to lobby lawmakers for rules that favor up-close and genuinely "people-ized" shareholding.

The role of leadership in a democracy is to identify where the forces of globalization are out of sync with the principle of self-organizing systems, because that remains the standard against which the success or failure of both democracies and markets must be apprised. That self-design component—animated by a designed-in preference for ongoing dialogue—is what makes democracies perform better than hierarchical, top-down, and centrally administered systems.

The corporation, as a creature of private property, views shareholding as the required "entry fee" for wielding influence. As globalization's key actor, economic inclusion requires that the architects of globalization craft a *corporate* policy environment that evokes genuinely broad-based and locale-attuned corporate ownership. Otherwise, self-governance will continue to give way to the self-reflective forces of finance, that all-pervasive proxy for off-site ownership rights. A component of local ownership is required to upgrade each firm's learning capacity, drawing on that relation as a "learning loop" to help overcome the faulty, incomplete, and missing information that typifies commercial operations attuned solely to capital markets.

Because property relationships emerge from the workings of finance, the rules governing finance must be redesigned. Historically, capitalism has been designed only to create more capital. Globalization requires that it be designed to create more "capitalists" as well.

planet's inhabitants and excessive consumption by the minority are the two major causes of environmental degradation."

6. **From families to financial markets.** The work year for the typical American has lengthened by 184 hours since 1970. That's an additional 4$\frac{1}{2}$ weeks on the job for about the same pay. US parents spend 40% less time with their children than in 1970.

7. **From free-traders to protectionists.** Nations in the Organization for Economic Cooperation and Development channel $362 billion a year in subsidies to their own farmers while restricting agricultural imports from developing countries and insisting that debtor nations repay their foreign loans in foreign currency, which they can earn only by exporting.[9]

8. **From debtors to creditors.** In 1999, leaders of the G7 nations agreed to a debt initiative for Heavily Indebted Poor Countries, aiming to cap debt service for the world's 41 poorest countries at 15% to 20% of export earnings. By comparison, after World War I, the victors set German reparations at 13% to 15% of exports.

9. **From law abiders to law evaders.** Roughly $8 trillion is held in tax havens worldwide, ensuring that globalization's most well-to-do can harvest the benefits of globalization without incurring any of the costs.[10]

Notes

1. E.N. Wolff, "Recent Trends in Wealth Ownership." (New York: New York University, a paper for the conference on "Benefits and Mechanisms for Spreading Asset Ownership in the United States," December 10–12, 1998). Household financial wealth refers to assets that can be readily liquidated.

2. Congressional Budget Office Memorandum. *Estimates of Federal Tax Liabilities for Individuals and Families by Income Category and Family Type for 1995 and 1999* (Washington, DC: Congressional Budget Office, May 1998).

3. See www.census.gov ("income" at Table H-2).

4. Reported in *The Economist,* June 16–22, 2001.

5. "Executive Pay Special Report," *Business Week*, April 9, 2001.

6. S. Claessens, S. Djankov, and L.H.P. Lang. "Who Controls East Asian Corporations?" (Washington, DC: The World Bank, 1999).

7. *United Nations Human Development Report 1998* (New York: Oxford University Press, 1998): 2.

8. L. Brown et al., *State of the World 2001* (Washington, DC: Worldwatch Institute, 2001).

9. W. Bello, "The WTO: Serving the Wealthy, Not the Poor," in *Does Globalization Help the Poor?* (Washington, DC: International Forum on Globalization, 2001): 27.

10. The IMF estimates that the amount in offshore tax havens grew from $3.5 trillion in 1992 to $4.8 trillion in 1997. Other estimates, also badly dated, put the amount as high as $13.7 trillion. See D. Farah. "A New Wave of Island Investing." *The Washington Post National Weekly Review* (October 18, 1999): 15; and A. Cowell and E.L. Andrews. "Undercurrents at a Safe Harbor." *New York Times* (September 24, 1999): C1.

Relationship-based Risk Management

The problem with globalization is *not* the corporate entity, as some critics insist. Nor is globalization a malady *per se*. The systems dysfunction lies in today's combination of: (1) the narrow bandwidth of values to which the corporation gears its operations; and (2) the current state of corporate ownership—abstract, remote, and concentrated. In effect, the corporate entity is handicapped by a lack of feedback loops. The result is a globalizing force (financial) that has created a world many experience as disconnected, speeded up, and dumbed down.

The sensible prescription: policy environments in which ownership patterns become more personalized, localized, and human-sized. In a private-property system, that's the only sustainable way a globalized private enterprise can adapt its operations to the legitimate concerns of those influenced by its operations. Absent that personalized ''connectedness,'' globalizers have no right to expect relief from regulation, even where it's heavy handed, high priced, and hindsighted. Those influenced by globalization have every right to insist that globalization's net be woven in such a way that it operates in a manner consistent with local values.

The leadership lesson is clear: self-organized commercial behavior—whether global or local—is best advanced with a policy mix that treats up-close ownership as a tool for advancing a broad array of values. Today's returns-obsessive economic model—when combined with today's exclusive and detached ownership—runs roughshod over a vast array of values that people have no intention of forfeiting in order to boost someone else's finance-calibrated values.

Dumbed-down by Design

The risks that sovereign nations face are increasingly complex—global, systemic, interdependent, multidimensional, and transgenerational. The best risk-management strategy lies in a commitment to prove the truth of an age-old axiom: ''If you want peace, work for justice.'' Instead, today's globally dominant, neoliberal economic model charges blindly ahead, its operations governed by a Newtonian-age mental model: Do A, get B. Just maximize financial returns and—trust us—everything will work out fine. If only living systems were so simple. The neoliberals' insistence on a *mechanistic* model confirms that their model is antiquated and prone to mistake financial data for much-needed knowledge.

What globalization now requires is leaders in both the public and the private sectors willing to insist on the wholesale shift to a model that nurtures *relationships* that help the system manage itself. The shift to a self-designed system requires systems-savvy legislators conversant in the role of property patterns as potential feedback loops through which private enterprise learns—and through which its operations can optimize a broader spectrum of values rather than mechanistically maximizing the narrow bandwidth of values (financial values) to which the prevailing paradigm is now attuned. Leaders are obliged to enhance the system's capacity for learning. That's the only leadership legacy that endures.

Today's neoliberal version of self-design insists on a feedback system that grants dominance to a representational rather than a real world. Though neoliberals offer intellectually eloquent theories about their academically elegant models, their maps routinely fail to match the territory. Plus their indifference about ownership patterns ensures that the bulk of globalization's financial benefits are routinely captured by the financially sophisticated few. Critics charge that their preference for a ''people-free free enterprise''— along with their implication that the world revolves around Wall Street—replaces the Divine Right of royalty with the Divine Right of capital markets.

Conclusion

The neoliberal version of globalization urges that nations ally to make the world secure, not for the forces of democracy, but for the forces of finance. That fanciful stance is based on the assumption that the free flow of global capital will evoke fair, efficient, and sustainable free-enterprise democracies. Instead, insistence on that prescription has ravaged the natural world, ignored the legitimate needs of the poor, and fed the unbridled greed of a privileged few. It's instructive that, in historian Arnold Toynbee's search for the common factors that led to the decline of 21 civilizations, he identified just two: concentrated ownership and inflexibility in light of changing conditions. In a systems-attuned world, those would be seen as two sides of the same coin.

We possess the financial know-how to remedy today's concentrated ownership. Plus we now know that locale-imbedded ownership patterns can enhance enterprise flexibility while also narrowing today's fast widening ''democracy deficit''—that yawning abyss between globalization's intended and actual behavior. What the needed paradigm shift requires is leaders willing to view property as a relationship well suited to inject a broader range of values into the current model's money-myopic operations. The future favors those leaders able to evoke the relationships through which the promise of democracy can find its full expression, confident that the globalization of democracy must mean something more than the right to choose poverty.

The immediate challenge faced by US democracy is the urgent need to replace today's neoliberal political leadership, both Demopub and Republicrat, with lawmakers supportive of the shift to a more participatory economic paradigm. In that more inclusive and commonsense world, property relationships will be seen for what they are: a hopeful means for evoking a more just, stable, and sustainable future.

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Commentary

by Arthur Warmoth

Jeff Gates has put his finger on the most critical political and ecological problem of the contemporary world: the systems design flaws in globalization. And he has identified some key elements in the solution. I suggest that there are three additional conceptual threads that might be pulled in an effort to untangle the web of human and ecological tragedy called ''globalization.''

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Thread 1—The Rank and File of Corporate Ownership

Gates's first target is appropriately ''systems-savvy business leaders,'' the opinion leaders in the most powerful sector of the globalizing economy. Although Gates suggests that ''legislators and executives are the systems architects,'' in too many cases, legislators and politicians follow the lead of corporate executives and lobbyists. Forward-looking executives willing to embrace the need for sustainable financial and social institutions are likely to have more leverage in today's world than anyone else.

However, it is also important to mobilize the rank and file of corporate ownership to promote these reforms. According to recent reports, more than half the households in the US own equities. The recent recession has become a crash course in capitalist economics for many. But much of the discussion has focused on the narrow band of issues that Gates correctly identifies as ''simplistic,'' primarily problems of providing better information about accounting practices and financial returns. The crash course middle-class investors need would focus on the broader issues of financial, social, and ecological sustainability.

An important lesson is that speculative bubbles of the dot.com type can generate rapid growth on paper, but not in real economic terms, an inevitable conclusion to be drawn from the enormous growth over the past quarter century of what Robert Reich called ''paper entrepreneurialism'' (Reich, 1983). The successes of paper entrepreneurialism for today's upper middle-class elites have obscured the fact that financial management and services may be exceptionally ripe candidates for enormous productivity gains. These gains could be realized if our financial institutions were managed fairly, honestly, and with the direct connection to the dynamics of real wealth creation and distribution that information technology makes possible. The hard lesson that owners of financial capital must learn—whether they are wealthy individuals, corporations and financial institutions, or workers saving for retirement—is that a return on capital—whether as interest, dividends, or more exotic forms of financial return—is justifiable only when it is tied to the creation of new tangible or intangible wealth.

Thread 2—The Design of Money

The most important system-design issue on which we must focus to get globalization back on track is the design of money, a task undertaken by Bernard Lietaer. Lietaer's definition of money is simple: ''Money is an agreement, within a community, to use something as a means of payment'' (Lietaer, 2001: 41). This definition describes the function of money at all times and places. Its value comes not from the fact that it is a thing, but rather that it is an agreement to use something as a measure of value.

All contemporary national currencies are bank debt-created fiat money. Although governments print bills and mint coins, most of the money supply exists as bank accounts and other financial instruments. Modern governments create money by authorizing banks to create new accounts, based on interest-bearing loans.

The obvious problem with this system is the need to manage the money supply in order to avoid inflation, a task that is assigned in the US to the Federal Reserve Bank. Too much money in circulation leads to inflated prices, with their obvious disruptive effects; too little means recession. However, there are additional, less obvious problems inherent in the design of this system based on
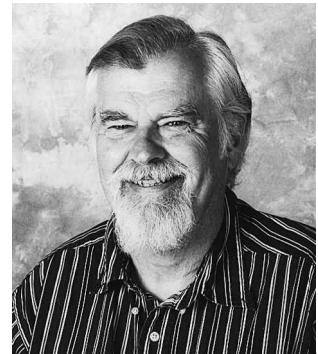
interest-bearing loans. First, because the money required to repay the interest on the bank loans is never created, conventional money is necessarily scarce (participants in the economy must compete for both profits and credit); therefore, the system promotes competition over cooperation. Second, the unmonetized interest requirement promotes the concentration of wealth and the inevitability of a certain amount of bankruptcies. Third, guaranteed compound interest also creates an impossible expectation or assumption of endless (infinite) economic growth. Fourth, because interest has the effect of discounting future real economic returns, the system favors short-term time horizons over the long-term planning horizons required for environmental sustainability. And fifth, because the system is primarily under the control of national governments, it encourages national consciousness and discourages global identity.

This system evolved primarily in pre-Victorian England. Because the system is primarily under the control of national governments, it encourages national consciousness and discourages global identity (Lietaer, 2001: 242–248). Its characteristics seem ideally suited to promote capitalism and the industrial revolution. Can the current system adequately serve a postindustrial globalizing world? While virtually all contemporary money is designed according to one systems model, there are alternative, or complementary, forms of monetary system design, some of which are succeeding in the real world, that can solve these problems. For example, according to Lietaer, there are more than 2,500 community currency systems now in operation worldwide.

Thread 3—Public-Sector Economics

There is limited understanding of the systems dynamics involved in the economics of the public good and, therefore, little clarity about systems redesign. In fact, we do not even have a good label to cover all the various sectors that contribute to our collective wealth and well-being. Economists speak of "public goods" (which includes public services), but we need a concept that includes public assets and nongovernmental public productivity. Many aspects of our collective well-being are attended to by philanthropy and the nonprofit or nongovernmental sector, and they involve our environmental and social welfare. These sources of wealth and well-being, essential to our quality of our life, are "owned" by the public in general and thus suffer from the same poorly designed incentives for responsible ownership that Gates analyzes in the corporate sector.

In the public sector, there is no mechanism comparable to the elegant efficiency of markets for making economic decisions. In fact, individuals tend to want to obtain the benefits of a healthy "commons," while shifting the burdens of caring for it to others. (Garrett Hardin identified this problem; perhaps the "commons" is an appropriate term to embrace all the sectors that produce public goods [Hardin, 1968].)

The scope of the commons can be defined as all activities and ecological processes essential or useful for human wealth and well-being that cannot be produced by and distributed to individuals operating in price auction markets. This includes government services such as public safety, education, transportation infrastructure, public health, and environmental protection.

The debate continues as to the most efficient method of including these costs in the cycle of economic activity: regulation versus taxation/public subsidy versus direct assessment of the actual costs. However, all these goods and services represent real contributions to human wealth and well-being; that is, they involve real productivity. The cliché that the private sector produces wealth and the public sector consumes it is simply not true!

Once we come to grips with the actual size of the commons, we are faced with the problem of how to finance it.

First, we should ask certain basic policy questions: How do we find the right balance between public and private spending? What is the right amount or proportion of collective economic activity? In other words, what allocation of society's resources will help fulfill the broad spectrum of human needs across the population?

Second, how can we provide public goods and services more efficiently? One major virtue of the free market is its economic efficiency. There is no comparable feedback mechanism for the commons. Part of the solution probably lies in providing adequate professional and ethical education for public servants. Another approach, advocated by David Osborne and Ted Gaebler (1992), is to promote competition in the provision of public services, while the legislative function determines the desirable quantity and quality of the services to be provided. The neoliberal privatization movement appropriately understands the value of competition in increasing the efficiency and pro-

ductivity of services, but it misses the fact that the allocation of resources to public purposes is necessarily a collective, or political, decision.

Third, how can we appropriately balance compulsory (taxation) with voluntary (charitable or philanthropic) spending in support of the commons? Philanthropy allows for the direct expression of priorities and encourages a personal sense of responsibility for and participation in civic life. For the very wealthy, it provides the rewards associated with noblesse oblige and, perhaps to some extent, counterbalances the regressive structure of taxes, such as those on sales and Social Security. However, for reasons well understood by Hardin, voluntary individual spending will always be insufficient. What is needed is a comprehensive, sophisticated model of financing the commons that includes a mix of philanthropy, user fees, and progressive taxation on both income and assets.

The challenge of redesigning emerging global institutions to account for the needs of communities and bioregions is indeed a daunting task. Challenging our leaders to rethink ownership, along with the design of money and the economics of the commons, can move us in the right direction.

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Capitalism's "Genius"? Saving the Market from Itself

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The crash of Enron is all over the newspapers. We're awed by the magnitude of its executives' deceptions—from grossly inflating assets to hiding huge debts in fancy accounting footwork. Treasury Secretary Paul H. O'Neill comments on the biggest bankruptcy in US history: "Companies come and go. It's part of the genius of capitalism." Meanwhile, Enron employees have lost not only their jobs but their life savings.

Enron's fall is a jolting alert to what happens when the market is cut loose from democracy, when it operates without being grounded in deeper, nonmarket, social values. What might we retrieve from the implosion of America's seventh largest company? Surprisingly, perhaps, it's a lesson that came home to us as we journeyed on five continents and talked with some of the world's poorest people.

We searched for answers to a most fundamental question: How is it that we as societies are creating the very inequalities and environmental devastation that we as individuals abhor? As individuals, none of us would have wished for an Enron, for a growing hole in the ozone layer, or for the deaths each day of 32,000 children from preventable diseases and hunger. In our explorations, we probed what role the market plays in creating a world so painfully out of whack with our most basic sensibilities.

Throughout most of human evolution, economic life was embedded in community— in family and religion, in nature and culture. In only a blink of time, economic life has been ripped out of the fabric of community and made to stand apart and above all other aspects of life.

O'Neill sees the genius of capitalism in its dog-eat-dog, some win/some lose nature. But the market destroys itself if not operating within a set of public rules and behavioral norms that have nothing to do with what sells and what doesn't—values such as honesty, trust, and mutuality. Certainly Adam Smith understood this. He wouldn't have been surprised by the Enron debacle, since the values underpinning a functioning market have been rapidly disappearing, along with the guardians of those values—public institutions free from corporate control.

Perhaps there's no better place to look for an example of the disappearing market than in the arena of food. Those at the pinnacle of market power over that which provides most of the world's calories—grain—acknowledge that the free market has become little more than myth. The chairman of global agricultural giant Archer Daniels Midland, Dwayne Andreas, has said: "There is not one grain of anything in the world that is sold in the free market. Not one. The only place you see a free market is in the speeches of politicians" (Carney, 1995).

The disappearance of a functioning market is hard to see, though, because the dominant belief system, now spreading globally, is that the public sphere is the enemy of the market. Therefore, the more we reduce government's role, this mental map tells us, the freer and more effective the market. In fact, the opposite is true: there can be no functioning market without the guardianship of accountable, democratic government. Democratic government is essential to creating and maintaining an effective market.

So how do we reclaim the market from the dogma of market fundamentalism that is actually killing it? Media pundits would have us believe there is no alternative to corporate globalization—the current buzzword for giving corporations a free hand. Unfortunately, this mental map is blind to the alternatives that we saw emerging in every corner of the globe—alternatives that don't embrace a new *ism,* but suggest practical, ingenious strategies for reembedding the market in democratic values. Adam Smith would be proud.

Early in our research on food and farming, we sat with Paul Rice, the executive director of TransFair USA, a US leader in the fair trade movement, in his Oakland, California, office. He held up a graph showing world coffee prices over the past several decades. The graph's peaks and spikes were so extreme that it looked like Pinocchio taking a lie detector test. Rice explained to us how fair trade works. The graph, he explained, represents the typical fluctuation of any commodity, with speculation determining prices—speculation in supply, demand, even weather. But why should the lives of small Guatemalan farmers be torn apart by guesses about the weather in Brazil? And by middlemen who cheat them out of money? Fair trade, Rice explained further, puts a floor under coffee prices, no matter what the world price, and eliminates the unscrupulous middlemen.

So how do we reclaim the market from the dogma of market fundamentalism that is actually killing it?

Today, the average Third World farmer sells to a middleman for 38 cents a pound (check a local Starbucks and you'll see that same pound selling for $8, $9, or as much as $13). With fair trade, coffee farmers can count on a floor price of $1.26. ''That still might not sound like much,'' Rice said, ''but the difference in the lives of coffee growers is huge. In practical terms, for many farmers, it means being able to stay on the land, keep their farm, and feed their kids.''

The fair trade movement isn't about restricting the market. It's about facilitating it, ensuring that it works toward the end that true believers in the market themselves proclaim: allowing all who participate to live better lives. As Rice told us, ''It's not a fixed pie, it's about growing the pie.'' And how do you do that? Through facilitation, not intervention. Fair trade is helping millions of small farmers, from Guatemala to Ghana, stay on the land, grow coffee and other products sustainably, and build strong communities.

Far from Oakland in a village near Nairobi, Kenya, we sat with village women who taught us another lesson about moving beyond a form of capitalism that allows only a few players to dominate and puts those vulnerable to its fluctuations at intolerable risk. We met Mumo Musyoka, a longtime member of the Green Belt Movement, a 25-year effort to combat the encroaching desert by planting trees. The movement has grown to become a food-security and prodemocracy organization as well. Standing next to the garden she shares with a dozen other women in her Green Belt group, Musyoka tells us what she learned during her weekend at the movement's Nairobi training center. Along with techniques in organic farming, Musyoka became recommitted to planting the root crops indigenous to the area. ''These are the crops,'' Musyoka explains, ''that have always helped us bridge the rainy seasons. In a drought like this one [Kenya was facing one of its driest seasons in history] the corn might be ruined, but we still have the sweet potatoes protected underground.''

Green Belt's food-security efforts reminded us of another essential element of a functioning market: participants must not be desperate for survival. Desperate people lack bargaining power. And without bargaining power, trade is not trade; it's coercion. By ensuring that all their members grow food to provide for their family's security *before* growing food and cash crops for export, the Green Belt Movement helps ensure that Musyoka and her neighbors have the kind of stability necessary to at least have a chance to be effective players in the market.

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We should add that although the Green Belt Movement is the good news, Kenya also embodies a quickening of the dominant global trend of market fundamentalism. We learned that Kenya nears Holland as one of the world's largest cut-flower exporters. Apparently, cheap agricultural chemicals and weak trade unions make the country an ideal place for such operations to set up shop.

Desperate people lack bargaining power. And without bargaining power, trade is not trade; it's coercion.

In Bangladesh, we saw another innovation in the market. On our first day in Dhaka, the country's packed capital, we wound our way past rickshaws, pushcarts, and cars hidden by plumes of smoke, to the 20-some-story tower of the Grameen Bank's offices. Since the early eighties, the bank has done what no bank had ever done before: built an institution by loaning to the poor.

The bank's charismatic leader, Muhammad Yunus, explained to us how Grameen came to be. After Bangladesh's war of independence in the early seventies, ''Bangladesh was in terrible shape,'' he said, ''a lot of deaths, a lot of killings. I started teaching exactly the same thing I had taught at a university in Tennessee—economics. Instead of getting better, things were getting worse. Then in 1974, a terrible famine hit. People were dying in the streets. That was a rude shock,'' he continued.

''I lived in a beautiful bungalow near the university and would walk by people dying. Then I would come back to the classroom and give my big lecture, and I said: 'What is this?' I felt completely empty. I came to the conclusion that these economic theories were useless. I realized I could help people as a human being, not as an economist. So I decided to become a basic human being. I no longer carried any preconceived notions.''

For Yunus, an admission of ''not knowing'' was the beginning of real learning. Dropping his preconceptions and leaving his theories in the classroom, Yunus traveled into the villages near Chittagong University to understand poverty and hunger—to learn a new economics—by listening to poor people themselves.

What Yunus observed seems, in one sense, utterly obvious. Those most hungry are those with no land. But instead of accepting what he saw, Yunus asked, ''Why is it this way?'' He found that many of the landless struggled for income by making things to sell. But to buy the raw materials, they had to borrow from a moneylender. By the time they repaid the loan, plus interest (as much as 10% per day) what was left was never enough to live on.

Yunus's first ''aha'' moment was meeting Sufiya Begum, a 21-year-old mother who fed her family by making bamboo stools. She bought the cane, her raw material, with loans from moneylenders who made her sell back to them at the end of each day. Her profit? Two cents a day.

Soon Yunus and his students had compiled a list of 42 people in similar straits, and Yunus provided them a loan out of his own pocket. ''My loan of only $27, spread among 42 people, was enough,'' he told us.

Where others looked and saw pathetic, hungry people who needed food, Yunus looked and saw resourceful people deprived of resources. To him, it was clear that, more than food handouts, they needed money to invest in tools of production. They needed a way to free themselves from dependency on the moneylender, free themselves from vulnerability to hunger. Yunus saw credit as the liberator.

Grameen Bank has grown to be a model internationally for microcredit banks that lend to those with no collateral, like Begum and her neighbors. By lending to groups of women, the bank has helped people help themselves, building new homes, starting small businesses, and rethinking social norms governing the role of women in society. The bank is an example of not taking the givens of capitalism as immutable, but looking at the system's failures and daring to ask: Why is it this way? Why can't it be different? (At Grameen, not only are the borrowers poor, but it is they, not the bankers, who decide on loans, and it is they, the borrowers, who own most of the bank.)

At the end of our interviews with him, in his sunny office with a fan whirring overhead, Yunus shared one of his favorite Bengali expressions: ''You can't grow a mango from a jackfruit tree.'' It's a no-brainer: if you want the market to work, you've got to plant new rules that will grow it well.

George Soros, the billionaire financier, has said, ''The development of a global economy has not been matched by the development of a global society.'' In our research, we saw the beginnings of this global society emerging. From the fair trade movement, to local food-security initiatives, to banks by and for the poor, in the corners of the globe that need it most, people are planting mango trees, and some may very well bear fruit. Such breakthroughs are not destroying the market; rather, they are reembedding the market with human values.

Their lessons may come a bit late for former Enron employees, but let us hope that today's spectacular show of market failure and the human misery in its wake will reveal a silver lining: Might the shock awaken more of us to recognize that the market cannot function ''on its own.'' It can be sustained only within a noneconomic value system that we—civil society and democratic government—establish.

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Learning beyond Fear: New Events Seeking New Habits

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T wo of us attended the Society for Organizational Learning Greenhouse, one week after September 11, 2001. As visitors, we experienced the overwhelming sense of loss and disconnection from all that had been secure and previously known. The physical gap created by the destruction of the World Trade Center towers seemed to expose gaps in other relationships, for example, between:

- The US and the rest of the world
- Older and younger generations
- Established and recently arrived immigrants
- Parent and child
- Islam and Christianity
- Wealth and poverty

In times of uncertainty, gaps are often filled with fear and terror. A dilemma that emerged for us during that week was whether these gaps could become generative spaces, filled with something different—spaces that offer opportunities to grow new relationships and understanding. We left feeling deeply privileged at being part of that experience. We also left feeling that the questions and dilemmas Northern Ireland has faced are now perhaps more relevant to those the US faces:

- How do we grow a culture of interdependence in which we become sensitive to the quality of relationships between and within different communities, between citizens and the state, between different political parties, and between different states?
- How can states and the whole world become a learning community, able to tune into voices from outside the mainstream? What structures are required to do this?
- How do we create settings that allow us to remember our own pasts, reflect through new dialogue and meetings, and reconnect to a wider whole?
- How do we learn in a context in which people's fear prevents them from even meeting? How do we generate new habits of meeting?

The challenges of interdependence are universal. These challenges are sharpened and exposed in a place like Northern Ireland, where the costs of ignoring division and separation have been all too apparent. However, following September 11, we are now all embarked on a journey dependent in part on our willingness to trust and learn across traditional identity and sectoral lines. We wrote this article to share some our learnings and thoughts about our work in Northern Ireland in the hope that it will connect to dilemmas you may be facing.

Old Habits

Political and religious tensions have a long pedigree in Ireland, especially in the north. Indeed, division affects the whole structure of society and people in the most intimate details of their lives, including whom they marry and are friends with, where they worship

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and go to school, where they live, and what they dare say to one another (White, 1991). For years, decades, even centuries, Northern Irish people have adapted to their ambivalent predicament of nationhood with considerable ingenuity. These rules of public conduct have served people well over the years:

- Never give offense, and stay clear of anything that might muddy the water.
- Scout out your environment, stay silent in mixed (Catholic and Protestant) company, and be honest only when the door is safely shut on the threat.
- Live among ''your own'' for safety.
- Make sure ''they'' have no say in the education of ''your'' children.
- Don't marry one of ''them''; it is too difficult.
- Be neighborly, but stay close to the cultural core of ''your own people.''
- Leave politics to politicians, but never forget who you are and what your identity is.

Both personally, and as a whole society, we have learned how to survive and negotiate present realities through more than 30 years of open hostility and conflict:

- We learned to call for change, but never to change.
- We learned how to protect the core by being flexible about less important things.
- We all learned to be *for* peace, but somehow produce conflict without ever feeling responsible.

Context of Fear

The political problem in Northern Ireland is not, or at least has not been, violence. The problem is, rather, fear—the deadly fear that arises when small acts of violence are directed at large targets and everyone in the target group adjusts his or her behavior, attitudes, and expectations. This is not to deny the multiple deaths, injuries, and social and economic devastation that have fueled and defined our relationships. But the justification for political fundamentalism and violent resistance that comes from these injuries and the potential that such violence will ensnare people on the basis of their perceived association traps everyone in its web.

If people are killed because they are Catholic, then one death creates fear for many. As a result, all ''Catholics'' fear some Protestants, but without further knowledge, they can't tell which. If people are killed because they are British in Ireland, all the British in Ireland react with hostility. Who is the Catholic you fear? If you can't tell, common sense tells you to assume ''any or all of them.'' Common sense tells you to lock the door. Relationships across these kinds of fear are not relaxed and are shaded with memory and incitement. To trust appears illogical, naïve, and even criminal.

In the midst of these relationships, every abstract concept becomes a tool to secure the safety of one group against another's. ''Peace'' is universally desired, but usually means that ''they'' must stop before ''we'' can do anything. ''Justice'' becomes understood as the successful criminalization of the unjustifiable acts of others. ''Democracy'' is an arrangement of the chairs, which justifies ''my'' majority. Northern Ireland is a nation of innocents in which no one owns guilt and everyone is for peace, justice, and democracy. It's just that ''the others'' keep blocking progress.

Trying out New Habits

Learning in a context such as Northern Ireland requires moving beyond fear to meet in new ways. The learning experience must be an existential interruption, a contradictory or contrasting experience to existing habits and patterns of behavior. First steps will inevitably be clumsy and run against the grain of deeply learned behavior.

"Healthy Center, Sick Periphery"

The Future Ways Program at the University of Ulster emerged from work with voluntary, youth, and interfaith groups since 1965.[1] Our work creates spaces where people from

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different traditions and experiences can develop new understandings, relationships, and structures. With hindsight, the focus of our work at the beginning was mainly on politically marginal groups, such as young people or children, or groups with no real engagement in the structures of politics, such as churches or those on the periphery, the economically deprived or vulnerable.

In 1997, we published a research report, which argued that working toward better intercommunity relationships in Northern Ireland should cease to be a peripheral interest and low-level policy objective and become a core organizational task for public and civic institutions (Eyben et al., 1997). We found that, although different sectors in Northern Ireland widely agreed that greater interdependence was of central importance, there was less evidence of mainstream understanding and practical programs beyond the voluntary and youth sectors.

We embarked on an experimental program with core public and voluntary organizations—the civil service, local government, churches, community organizations, politicians, and the police—as employers, civic leaders, and deliverers of services. Our purpose was to discover what it would mean for those at the center of public and private life to take the building of trust seriously. This meant ''translating'' models of learning and practice developed within the community sector into core institutions.

The greatest possibilities for change lie in those sectors where people may choose to be together. However, the places where major social policy decisions are made, where services are planned and delivered, and where the lives and identities of a vast number of citizens are shaped and directed cannot ignore the long-term reconciliation process that faces Northern Ireland.

There has always been a strong tendency to focus responsibility for repairing community relations on areas where the experience of violence has been deepest. Violence on the margins of society is presumed to be rooted in problems in those areas alone, whereas areas and organizations at the core of Northern Ireland's society and economy are deemed to be healthy, based on a lack of visible violence. By presuming that violence is a problem of relationships in the areas where it breaks out physically, the policy response is overwhelmingly driven by events, focused on emergencies, and similar to our approach to social exclusion or the professional/medical model of intervention in which knowledgeable experts ''help'' sick patients.

We wished to engage critically with this ''healthy center, sick periphery'' mental model, but we needed partner organizations that would be willing to work with us in an open-ended manner. We knew a little about community relations work but almost nothing about organizations' function and development. Conversely, our partner organizations knew about the culture and dynamics of their systems but avoided such difficult issues as identity, politics, and conflict. By combining these two fields of knowledge and practice, we hoped to show that organizations do not function in isolation from their social and political environment and, in partnership, develop ways of engaging with this reality.

Learning to Serve: A Case Study

Legitimacy in politics implies a right to make and carry out the fundamental rules of a society: its laws. In Northern Ireland, the legitimacy of the state has been under permanent challenge. Any agency, such as the police, that draws its authority from the law is automatically contaminated by the crisis confronting the lawgiver. For generations, its opponents treated the police service in Northern Ireland as an illegitimate entity. Some, especially the IRA, regarded individual police officers as legitimate targets for attack.

In 1994, negotiations about the future of Northern Ireland involving most political parties began. Although there was no consensus about policing, it was clear that there could be no overall resolution with a new legitimacy for policing Northern Ireland. A new debate about policing was therefore inevitable, which meant engaging with an overwhelmingly male, Protestant organizational culture.

Policing in Northern Ireland has been so controversial that direct contact between the community and the police (until 2001, known as the Royal Ulster Constabulary [RUC])

was generally avoided. Instead, peace building tended to focus on interpersonal and intergroup contact between Catholics and Protestants, rather than on politics and organizations.

In 1992, the Mediation Network for Northern Ireland (MNNI), with support from Future Ways and others, engaged directly with the RUC when it was invited to design and pilot a program for new police recruits. The aim of the program was to improve the quality of policing by enhancing the self-awareness and community awareness of new entrants. Despite satisfaction at the development of a serious program for recruits, the RUC clearly remained focused on counterterrorism, not learning. Among the nonpolice partners was a growing frustration with the limitations and a wish that future work should focus on the whole organization.

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The long-term practical commitment of MNNI and Future Ways to building peace was critical to the credibility of new development. Both groups understood their vision of reconciliation as a commitment to a future shaped by and for all those with a stake in Northern Ireland. An inclusive stake in the process and in the shape of the outcome preceded any particular political outcome. All were convinced that reconciliation requires new relationships for policing, reflecting the stake of all society in the structures, culture, and ethos of the police.

The project offered access to the police at a senior level, presenting the unique opportunity to build capacity. The challenge of establishing a model in which new experiences bring new relationships that, in turn, change a large organization was both daunting and a privilege.

Setting the Vision

Through contact with officers, we became aware of a continuing paradox: RUC officers were often the direct victims of conflict, while also being part of a system that generated continuing violence. Our vision of the engagement had less to do with specific models of policing than with a wish to generate a new, open relationship between the community and police that would encourage reconciliation in a divided society. The fundamental task was to put flesh on that vision by exploring the possibilities and obstacles presented by the changing political environment and the needs of both police and the divided communities they serve. A more concrete vision was impossible until we met with each other to find one.

The significance of the project was its location at the center of the organization and its program content. Senior officers and others reflected and learned about policing culture, ethos, and relationships with external critical partners who were neither clients nor consultants. Given the lack of previous community-police dialogue models, the aim of the project was widely focused: ''Assisting the evolution of policing and community relations.'' *Evolution* refers to a process of change in which organisms adapt to their environment during continuous change and development. It presupposes the necessity of change as part of stability, differing from *revolution* less in the scale of change than in the mechanisms by which change occurs and in understanding the relationship of the future to the past. The commitment to *policing* rather than *the police* was equally significant; our primary commitment was to the activity (verb) rather than the organization (noun).

Designing a Process in a Context of Fear

Following discussions with the chief constable, we agreed that the police needed to engage in critical dialogue with the community about reconciliation, policing, and the overall ethos of the force. A prerequisite for meaningful dialogue was the development of mutually respectful relationships between our team and officers from a range of backgrounds

in the RUC. The project needed both serious commitment from RUC leadership and demonstrable independence from that same leadership to guarantee integrity. The commitment of the chief constable was always regarded as critical, and the ability to liaise directly with him increased our leverage.

A degree of risk for everyone was inherent. Political and financial independence was crucial for us in maintaining critical distance. We received the endorsement of the secretary of state for Northern Ireland. The project was funded by the Northern Ireland Office, the Ireland Funds, and the US Information Agency (USIA—now within the State Department). Even with clear independence, the conspiratorial nature of Northern Ireland politics implies constant suspicion that any small organization is being ''used'' by a propaganda-wise partner like the police. Independent partners are, however, also a risk for the police, who have grown used to expecting open attack and have developed strong protective defenses.

The project was conceived as a three-year plan, in one-year segments. This was necessary because:

- Policing is central to political conflict in Northern Ireland. A project that did not make a three-year commitment was likely to underestimate the task. At the same time, political conditions in 1997 were so fluid that the past was no longer an adequate predictor of the future.
- Given the uncertain nature of public funding, nobody could commit beyond agreed-on funding periods.
- In dealing with the most controversial issues in policing in Northern Ireland, the project had to elicit real dialogue. In the long absence of any dialogue between police and community, the chance to renew commitments was a question of safety for both partners. (Each party would be able to opt out of the project at an annual decision point with no loss of face. The police also had fixed review points.)

Structures

MNNI and Future Ways established a group to meet weekly and work together on policing. Throughout the project, the working group was the main vehicle for planning and delivering the program, for discussing policy issues, and for resolving disputes. The primary task of the working group was program development. Although the timetable of the program for each year was broadly outlined in advance, the content evolved. This enabled the group to make dynamic judgments about appropriate issues, about relationships within the group, and about relevant techniques.

A senior officer overseen by an assistant chief constable was directly responsible for the management of the project within the police. This structure did not preclude direct liaison between the project and the chief constable. The RUC and the working group together selected officers for the police group, known as the development group. Whereas the RUC was responsible for selecting individuals, the working group agreed on selection criteria and proposed names. The criteria were designed to ensure four core principles:

- Sufficient diversity to ensure breadth of discussion
- Sufficient representation to ensure credibility
- Sufficient safety in numbers to ensure that minority voices could be raised without fear of isolation or career cost
- A legacy of officers who could carry their learning into the upper ranks

What Was Different about the Project?

The project was a departure from previous efforts in many ways. Until 1994, the police had not engaged community elements in any aspect of peace building. The project was not focused on training but on learning about the culture of the RUC, engaging officers from across the organization with outsiders. The project was not intended to enforce specific plans. Initial success was to be measured in a growing capacity to wrestle with

complex issues of historical, organizational, and personal relationships and propose new answers. It was a partnership and dialogue project, owned by two independent partners, each able to maintain its own independence.

Policing in Northern Ireland has traditionally been approached as a managerial matter (dominated by consultants) or as a political matter (dominated by politicians). We aimed to supplement these methods with open dialogue between influential officers, practitioners in the peace-building field, and members of the public. Through changing the traditional model of relationship inside a hierarchical organization, new learning became possible.

The project aimed to build the capacity of both the police and community to think holistically and innovatively about each group's issues. It takes considerable time to develop a possible, desirable vision, while establishing less defensiveness about the difficulties of current reality.

We aimed to break the cycle that categorizes all dialogue with the police either as destructive criticism (the traditional view of police) or as collusion with the enemy (the traditional view of many police critics), developing instead a practice of engaged critical dialogue. We hoped to create a context in which deeply held differences could be expressed and explored, allowing trust to grow. By seeking an environment of trust with difference, difference can become a means of growth, not antagonism.

Policing is traditionally an issue of ''command and control'' where pleasing those in higher rank is rewarded. Our project was a forum where officers of different ranks shared views openly, allowing the recognition of the lower ranks' knowledge and experience, the creation of teams, and the recognition of the commanders' difficulties. The presence of civilians was essential to create this atmosphere. The goal was to raise all issues of importance related to policing a divided society, especially those of greatest controversy, in public debate.

What Did We Learn?

Although it is difficult to describe all that we learned, we can make some core points.

First, insecure conditions incur enormous costs in terms of efficiency. For police in Northern Ireland and outsiders to work together, lengthy subpolitical negotiations were required. Furthermore, a small development group of 15 to 20 officers needed major external political support to survive. In the midst of conflict, those committed to collaborative problem solving found themselves torn by a variety of competing demands. This is particularly true when small external groups meet with large organizations. At times, the working group agreed on the agenda only when we sat down together. Unless there is deep trust among all members, flexibility can easily descend into bickering and chaos. The imponderable element of trust was essential in keeping this potential problem at bay.

Unless there is deep trust among all members, flexibility can easily descend into bickering and chaos.

Second, the level of a group's fear depends on factors beyond the control of any member. External partners must be able to address fears as they emerge and not assume that fear is a constant or given reality. Before the signing of the Good Friday Agreement, the working group had to work hard to establish the relevance and legitimacy of the dialogue with some police members.[2] After the signing, and the publication of the Patten Review of Policing in Northern Ireland, the need for internal dialogue was accepted by everyone within the development group.[3]

Third, there is an important difference between consultancy and partnership in pursuit of public goals. The task was to journey together into unknown territory about which there were many fears, in which all participants—police and nonpolice—had a stake as citizens and participants in events in Northern Ireland. The process involved change in the citizens and in the police. The task was to create the conditions of critical dialogue under which any product could be meaningful. Meetings where people talk with each other in a safe space allow them to see the issues with new eyes. New knowledge and presuppositions surface in unexpected ways. Although ''ideas'' can be dismissed, people

honestly expressing difficult things give rise to a different question: Why do you hold this to be true, while I hold other things to be true?

Finally, there is a huge difference between *knowing about* something and *knowing* something. The value of this project depended on the authenticity of the members and their freedom to express those things closest to their hearts, a true measure of the presence or absence of fear. The task of external facilitators was to help all the members, not only some, by protecting the right of each to tell his or her story.

Civic Leadership and Political Party Politics: A Case Study

Civic leadership in a divided society involves sensitivity and innovation in addressing the needs of different, often separate, communities. It also involves the development of problem-solving practices that recognize these divisions and identify sustainable ways of moving beyond them.

During the past 30 years, many local politicians in Northern Ireland have worked together for the benefit of the whole community, despite their limited powers, and have provided a safety valve for the wider frustrations, pain, and anger. The difficult task of building trust and relationships across political or religious lines was often inimical to the way politics was conducted at a local and regional level.

The task facing local politicians as civic leaders in Northern Ireland is that of building a more accommodating, fair, and stable society—a society in which citizenship and its rights and responsibilities are decoupled from an allegiance to a particular political and cultural identity. How politicians manage the tension between the cut and thrust of politics and the principles of reconciliation is critical, in other words, how they manage the tension between the political party and the civic leadership tasks.

Four years ago, we invited five local government councils in the west of Northern Ireland to each nominate five local politicians on a cross-party basis to participate in a civic leadership program. Because of Libby Keys's work as both a citizen and community worker in the area, Future Ways had built credibility that allowed us to extend this invitation. In addition, the university affiliation of Future Ways gave us a certain legitimacy.

We decided on a regional model—across the five council areas—as a way to create a space for the politicians to speak and listen. They were not on their home turf and so could stand back a little from local battles and interests. We met bimonthly and had a midweek study trip dealing with themes that the participants identified:

- Policing and the new district policing partnerships
- Political differences
- Cultural traditions
- Governance issues about the new political structures
- Violence and fear
- The political context of politicians
- Old wounds
- History and its effects

We tested agenda items for discussion in the workshops by asking:

- Is the theme contentious, and would it benefit from a private discussion?
- Is it a theme that would help councillors develop their civic-leadership understanding and practice?

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After more than a year, the workshops developed into a private space where local politicians could engage in a way that went beyond their public profiles. People began to speak about their early personal histories, how they entered politics, and experiences of difference, of being accepted or rejected and of being valued. They spoke about issues within their parties, with electors, and with each other, such as the timing and location of flag displays associated with different traditions and people's comfort level with their British or Irish identities. They spoke frankly about how they feel they are being used as partisan voices in sectarian incidents. They agreed to try to speak together after such incidents—on a civic platform rather than on a political party platform.

Our purpose was to create spaces where all politicians could describe the difficulties of contested politics. We took their political roles seriously and sought to underpin their work by increasing their understanding of politics in a wider European context.

What Did We Learn?

We learned that local politicians have little opportunity to sit down together to discuss politics. The politicians wanted the space we created in these workshops. The challenge for local councillors is to move between the reality of party politics and the potential for civic politics. Learning to live within and between these two different worlds is the central political task. They may be elected on traditional lines of loyalty yet, while in office, must grapple with the issues and needs of a whole borough.

The participants needed support in moving between these two worlds. In practice, this meant that we performed a social, facilitative function at each workshop. The political party groups often sat together during the break and over lunch, and we had to welcome, engage with, and cajole each. During the workshop sessions, we had to be sensitive to the different fears and choices of each politician about where to sit. We had to be continuously aware of different dynamics and tensions, using humor to bind people together.

Being an elected councillor in a contested society is often thankless. We now understand that people who volunteer their time need affirmation and support. Elected politicians merely reflect the fears of their electors; yet they also have a civic task, which electors often do not demand of them.

Until relationships of trust and mutuality become acceptable in the public arena, politicians will continue to behave in ways that maintain or increase sectarianism.

This regional structure became the start of a learning community for local politicians. The way they meet and refer to one another is qualitatively different from the more formal, adversarial manner they often adopt in council. We learned to respect the value of this private and public space. The public space for politicians has a long, communally fearful history that can be readily replicated and imitated (Girard, 1977). The more recent development of a private space for a diverse group of politicians to meet together as people with all their differing histories and human complexities is a fragile project. Such a space is also needed, yet only gradually built and replicated.

The tension between the politics and the principles of civic leadership was often clearly evident. Until relationships of trust and mutuality become acceptable in the public arena, politicians will continue to behave in ways that maintain or increase sectarianism. Until they believe that playing the sectarian card will lose them votes, ''playing to the gallery'' will involve tugging at the deep fears and mistrust of most people in Northern Ireland. As one person put it, councillors ''couldn't conduct day-to-day politics with these civic leadership principles'' because they would lose votes; public opinion is not ready, or at least the councillors do not believe it is. People often elect politicians to express their fears or to defend them, not to find common ground.

Emerging Dilemmas

We have learned a lot during the past four years about the difficulties and possibilities that people in organizations experience in going beyond fear to try out new habits. We had underestimated the amount of time and effort organizations need to move even one step forward and how easily familiar patterns and old habits resurface. An external

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partner, such as us, is vital to legitimize and protect a different kind of dialogue within the organization.

We have isolated some key dilemmas in four contexts: the public sector, political parties, nonprofits, and for-profits.

Public Sector

A core dilemma for the public sector is whether its task is to cement loyalty to a particular state or to grow loyalty between citizens. Those who were loyal to the British state formed many public-sector institutions such as the civil service and the police. However, in a politically contested society, loyalty to either the British or Irish states immediately creates groups of loyal and disloyal citizens. The question is whether the public task will move from supporting loyalty to a state to supporting greater loyalty between people, eventually leading to the privatization of nationalism.

Political Parties

The process of building sustainable relationships between the citizens of Northern Ireland will undermine politicians' current political base. Voting patterns are predicated on exclusive political or national allegiances; greater interdependence between citizens will blur these lines and challenge the political party base. The dilemma for politicians is that, on the one hand, the process could lead to less predictable voting patterns, and on the other, it is the only long-term possibility for Northern Ireland.

Nonprofits

Most nonprofit organizations were founded on principles of justice, interdependence, and the valuing of differences. However, in Northern Ireland, many became trapped within wider community divisions and ended up servicing mainly one community or the other. An additional dilemma during the past 10 years has been increased government funding, creating a culture of dependency by which the voluntary sector is tied to public-sector legislation and funding criteria. Many struggle in this climate to remain true to their original values and to offer new relationships to those they serve.

For-Profits

Ultimately, flawed relationships and mistrust affect overall business results. However, many businesses have silently factored in these costs during the past 30 years in Northern Ireland. Some have limited their business to one side of the community or the other. Others have profited from substantial government grants. Others have managed to service the whole community.

For-profits have been the most difficult to convince that investing in long-term relationship building will add value to their own operations and long-term sustainability. Most businesses have either responded to legislative pressures, such as fair employment, or reacted to crises, such as sectarian incidents in the workplace. However, legislation by its nature sets minimum frameworks and cannot produce the best results. There are countless examples of local businesses tackling a crisis and, once it is resolved, forgetting about it until the next crisis. Short-termism undermines any attempts at a long-term learning approach.

The core dilemma is the cost-benefit analysis that a company must undertake before committing itself to a long-term approach. When skeptical organizations ask us to prove the costs of not addressing community divisions, we often do not have the evidence. The evidence exists, but in order to quantify these costs, an organization must acknowledge the issues and allow a process of assessment and change. Many organizations prefer to avoid these issues by saying, ''There is no evidence.''

Conclusion

Any notions that we were individual members of a global community before September 11 have now been questioned. When belonging has no costs and all is well within our world, it feels good to belong to groups that are like us, with people with whom we feel at ease, who have similar tastes or interesting, nonthreatening degrees of difference.

To work toward an interdependent society and more sustainable society, as we do in Northern Ireland, is not easy. Interdependence involves acknowledging that people from different political, religious, and cultural traditions share our space. To live in a part of Western society where conflict and violence are often real experiences in our lives is to realize the thin veneer of order that often covers the daily transactions in which trust is assumed.

As businesses, consultants, and researchers, we work in many different contexts in which building new relationships is shaped by histories and memories of hurt, exploitation, and division. Building meaningful relationships must occur in the awareness and acknowledgment of these memories and not hold those responsible who have been historically vulnerable.

As a Northern Ireland clergyman has commented, engaging with difference must involve negotiating in the *present,* rather than subjecting each negotiation to the veto of our ancestors:

> New histories will only take root . . . if they grow out of new relationships which give them meaning. If we explore our histories together with people whose experience is of the opposite side of the deterrence relationships, then new history may eventually flourish (Wright, 1990).[4]

Notes

1. The Future Ways Program, established in 1989, is a charitably funded initiative supported by the Joseph Rowntree Charitable Trust, Atlantic Philanthropies, and the Understanding Conflict Trust. Based at the University of Ulster, it seeks to bridge the gap between the long history of conflict-handling work in the community and voluntary sectors and the absence of any practical developments within a large number of institutions and organizations in Northern Ireland. The origins of Future Ways were within the ecumenical movement in the 1960s and, specifically, in the development of a reconciliation center in Northern Ireland, the Corrymeela Center, Ballycastle, in 1965.
2. The participants of the multiparty negotiations, the government of Great Britain and Northern Ireland, and the government of Ireland agreed to the Belfast/Good Friday Agreement, or peace agreement, in April 1998.
3. The Independent Commission on Policing in Northern Ireland was established as part of the Good Friday Agreement led by Chris Patten. Its task was to review the role of the police in Northern Ireland, including general questions of policing policy and practice.
4. The late Professor Frank Wright was the first professor of Peace Studies in Ireland (University of Limerick) and a founding member of the group that led to the Future Ways Program.

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Why Do They Hate Us So Much?

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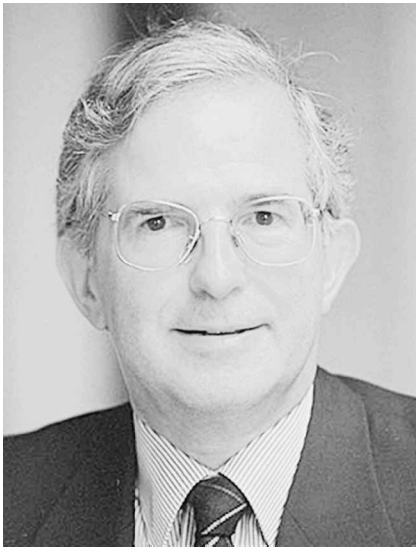
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Western governments and corporations have been making a massive economic contribution toward assisting the development of poorer countries, yet so often they attract the huge resentment on which terrorist violence feeds. Is this simply ingratitude, or does it signify something much more fundamental?

If something more fundamental is in play, we cannot spare any time or effort in trying to understand it. I believe that one of the root causes lies in social identity. Identity is precious to us, providing the sense of belonging and meaning without which most of us would find it impossible to retain our sanity. Paradoxically, it is actually more fundamental than even the basic material provision necessary for physical survival because it defines what we are surviving for. Without appreciating this point, we cannot hope to understand the mentality of the suicide bomber or hijacker.

How does this bear on the tragedy of September 11, and what we might do to remove the root causes? The distinctive feature of the awful events of that day was not that the terrorism was a new phenomenon, but rather that it expressed a significant change in both the level and the focus of savagery. The September 11 terrorists concentrated their efforts massively on prime symbols of commercial and military America.

American multinational corporations lead the world in pumping direct investment and expertise into the developing economies, which so desperately need this help. It does not take long, however, before they and other multinationals come to assume dominant positions in those economies as the result of the considerable resources and know-how they put into them. Even in a huge economy like China's, firms based on foreign investment now account for almost half the country's overseas trade and approach one-quarter of its industrial output value. Companies normally seek to exercise control over the investments they make in other countries and, if possible, to dominate their markets through their powerful international brands. Not only that, there are many instances in which multinationals have used their muscle to push through sensitive policies and gain preferential benefits in ways that the people of these countries have deeply resented.

Multinational corporations, as much as Western governments, are therefore often seen to reflect alien cultures and interests, which become a threat to the identity of people in the countries where they operate. That this sense of threat is not always expressed openly does not mean that it is not keenly and deeply felt. In many cases, nondemocratic rulers suppress such expression, believing that the benefits to their country's interests, and sometimes to their own pockets, outweigh consideration of what their citizens think.

Given this context, we have to consider carefully what drives most extremists. They are far from being just mindless anarchists. Most are succored by popular support within their own communities. While their deeds are evil, their motives may not be. For instance, the Taliban—literally, students of Islam—

was founded in 1994 in order to fight the crime and corruption then rampant in Afghanistan and so restore that Islamic society to a purer way of life. Their first acts were certainly violent, but at the same time expressed a sense of righteous anger. They killed local warlords and commanders who had raped or sodomized young girls and boys. Similarly, in destroying TV sets, they were attempting to banish what they saw as the immoral expressions of modern Western-inspired commercialism. People like the Taliban are driven by a sense of mission that, in their eyes, is infinitely more justified than the materialistic corruption of God-given values that they perceive in the lifestyles of Westerners and the policies of their corporations. Their identity is far from ours, but we have to recognize that it is an extremely powerful, driving force.

Several implications follow. If identity is at or near the heart of the problem, then it is incumbent on multinationals to make themselves just that, as a matter of priority. The more they become truly multinational in their ownership, management, and cultures, the less they are likely to be seen as a threat to the beliefs of people who work for and with them in various countries. In this respect, ''the ugly American'' needs to become ''the invisible American'' (*Business Week,* 2001). While not to be taken too literally, I think that this is a most important point with respect to the manifestations of American power and control around the world. More immediately, we could all make strenuous efforts to learn about the core values and beliefs that constitute the social identities of different countries and ethnic groups. If we do not understand these identities, we cannot adjust our behaviors and policies in ways that appear to respect them.

None of what I have said is meant in any way to justify terrorism. Nor should it be interpreted as giving in to the threat of terrorism—''do this or else.'' It is to urge, rather, that in keeping with the title of this journal, we reflect on the roots of terrorism. We cannot hope to eradicate terrorism unless we learn how to deal with those roots. If we simply beat terrorists into (or under) the ground, that soil will become hallowed in the eyes of their followers from which the shoots of future violence will be nurtured. We all aspire to foster idealism in our young people as they learn and mature. People in other countries share this aspiration, but their deeply held beliefs happen to reflect very different values and so express themselves in very different behavioral and role models. It is when idealism turns into fanaticism that it becomes deadly dangerous and ultimately destructive. This fateful transition is easily made by people who feel morally obliged to turn against and hate the countries whose business and military institutions threaten their identities and what they stand for.

Reference

Business Week (December 3, 2001): 21.

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Commentary
by Lotte Bailyn

John Child makes a wonderful argument that we need to understand national identity and build it into the fabric of American multinational corporations. It's exactly right and so obvious—so why is it not being done? I got a clue from listening this year to a number of American as well as European and Asian business leaders talking to the Sloan Fellows Class at MIT. I can speak only for their rhetoric; I do not know what actually happens in their companies. But the European and Asian leaders talk about the responsibility of their firms to their employees and to their societies. The Americans talk about their responsibility to their stockholders.

As long as American business leaders are convinced that their only responsibility is to increase their share price, they will not be able to follow Child's extremely important and sensible advice. So we need to consider what lies behind this single-minded belief. Is it the structure of our financial systems? Is it the education we provide in our business schools? Are there actually laws—for example, covering pension funds—that reinforce this belief? And what does it say about our values?

There is some anecdotal evidence that the events of September 11 have made people rethink what's important to them. If true, this may represent an opportunity to ask basic questions about the purpose and role of our companies in the whole society. It seems unlikely that we will have this conversation on the national level, but perhaps one could find a few leading business leaders who would be willing publicly to engage these issues. Could SoL provide the venue for such a conversation?

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Dialogue as a Tool for Peaceful Conflict Transformation

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A member of the political action committee (PAC) and a member of the National Party were debating. It was like water and oil between those two. And, of course, the PAC never spoke about the South African government at the time; it referred to the Racist Pretoria Regime. The PAC member was trying to say ''the Racist Regime'' but because of the bonding that had gone on, he could not say that. He was caught between loyalty to a member of a team whom he had come to like personally and the political imperative of not talking about the South African government but rather the Racist Pretoria Regime. When he needed to say, ''the South African government'' or ''the Racist Pretoria Regime'' at one point, he stammered for quite a while. It was clear he was facing a moral trauma. Then the member of the National Party said to him, ''Do you mean the Racist Pretoria Regime?'' We all could see an obvious turning point in their relationship.—*Participant, civic scenario workshop*

This quotation illustrates Gandhi's principle that every conflict resolution starts with a change in how we think about the other person. It also illustrates a critical dynamic in dialogue processes—the formation of human connections—that helps to explain their effectiveness in conflict situations. In the next quote, a dialogue participant describes what he learned. Although this is a very personal statement, it illustrates what transforms conflict into peaceful cooperation. It takes more than a ''solution.'' The participant describes a process of distancing himself from his own behavior and reflecting on the impact this behavior has on others. It implies getting out from behind excuses and facing reality. And it implies a move to action:

> I suppose that subconsciously we were all aware that what was being done to our brothers and sisters in this country was wrong. That people were not being treated with dignity, but . . . somebody else was doing it. I was treating people with dignity. But I was not doing anything to get my brothers to treat their brothers with dignity. So it was like the Germans in World War II. They saw nothing. Heard nothing. It was the Gestapo doing it, not me.
> —*Participant, civic scenario workshop*

These powerful insights into the human experience of dialogue in postconflict situations come from three learning histories of civic scenario projects: Mont Fleur in South Africa, Destino Colombia in Colombia, and Visión Guatemala in Guatemala (Gillespie, 2001; de León and Díez Pinto, 2001; Díez Pinto, 2001). Commissioned by the United Nations Development Program (UNDP) Regional Bureau for Latin America and the Caribbean, the histories are part of an initiative to develop multistakeholder dialogue as a tool for strengthening democratic institutions in the region. The impetus for this project came from UNDP's involvement in Visión Guatemala, which was facilitated by Adam Kahane of Generon (Kahane, 2001). In partnership with Kahane—the pioneer and leading practitioner of the civic scenario process—and with the authors, representing the Society for Organizational Learning (SoL) and the Massachusetts Institute of Technology (MIT), UNDP has both promoted and assisted new civic dialogue initiatives and, concurrently,

developed the knowledge for making dialogue a more effective tool in the arena of democratic governance (Kahane, 2001).

Our joint efforts began with the development of the three learning histories—analytical narratives jointly told by first-person participants and outsider observers—of Mont Fleur, Destino Colombia, and Visión Guatemala. In November 2000 at a workshop in Antigua, Guatemala, UNDP and its partners presented the learning histories as the basis for discussion of civic scenario building and other civic dialogue processes. The Antigua workshop laid the foundation for a broader effort to create knowledge that will have three critical dimensions: collective learning, a learning network, and a tight linkage to practice. Significantly, the Antigua meeting also gave impetus to new civic dialogue projects in Latin America and the Caribbean that will be an invaluable ''learning laboratory'' as the projects and workshops move forward.

What we share here are some rich experiences with dialogue from the Antigua workshop, a brief overview of the continuing effort to create knowledge, and some new understanding of how dialogue works. In particular, we show how the concrete examples derived from practice in the field, illustrated in the quotations above, give meaning to theory on dialogue and change. And, conversely, the theory makes it possible to create a language that can help practitioners discern and express the invisible, relational dynamics in civic dialogue processes—dynamics critical both to conflict resolution and to longer-term transformation in democratic societies.

Linking Theory to Practice

The main objective of the current UNDP initiative is to create knowledge that will make it possible to understand successful dialogue processes more fully and to replicate them. What is missing is a theory to provide a language of competence that will illuminate the often invisible preconditions and underlying processes of dialogue (Fletcher, 1999). This language would enable us, for example, to name and capture the dynamics revealed in the quotations with which we began this article.

In all three civic-scenario learning histories, the participants described the inner changes that the process brought about. Why do some processes alter people's thinking so thoroughly that their behavior changes and they become committed to acting differently? Research on change processes in groups can help us address this question. The classical model, developed by Kurt Lewin and Edgar Schein, emphasizes three phases: unfreezing, change, and refreezing (Schein, 1987, 1999). The most important phase is unfreezing, which makes change possible. The art of facilitation is to design a process that includes spaces and time to allow and encourage the unfreezing. The final phase is action. The change occurs in between (see figure 1).

Why do some processes alter people's thinking so thoroughly that their behavior changes and they become committed to acting differently?

Problems cause reaction, level zero (Scharmer, 2001a). One group violates rules; the opposite group reacts. One act leads to another. As one civic scenario participant stated, ''War produces something very complicated: the absence of tolerance. War as such is a drastic solution for everything—it is the maximum solution—so that when you break your word, you have to take up arms, which makes it difficult to be tolerant of the ideas of others'' (de León and Díez Pinto, 2001).

Action and reaction are determined at different underlying levels. One is the structure or the policies in place that influence individual action. But at another level, structure and policies are based on people's mental models. To use an example from Singapore, the police changed their mission statement from, ''Being a police force for Singapore'' to ''Being a force for Singapore.'' With the second statement, the police hoped to express that their mission was to help instead of to control. The framing of this new mission marked a breakthrough in their change process because it helped them to think differently about themselves and their purpose (Cory and Kim, 2000).

We know from personal experience how hard it is to sustain a change effort. In organizations and corporations, most change efforts fail. For reengineering efforts, the
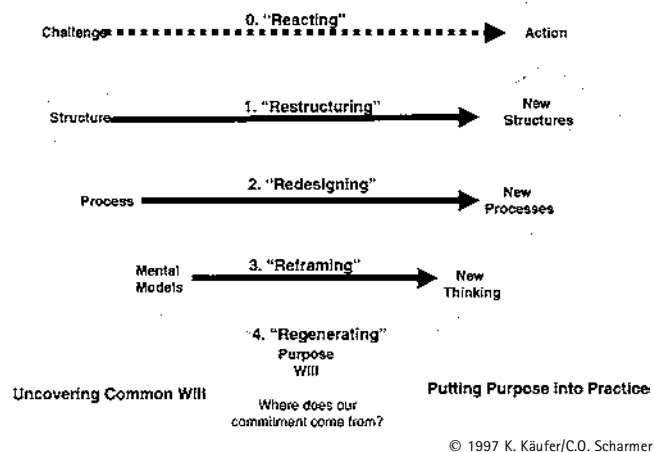
Figure 1 Four levels of change

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success rate falls between 20% and 50% (Strebel, 1996). Change efforts that involve larger entities, nations, or transnational units are even more complex. Constituencies with contradictory goals, shadows from the past that reach out to the present, lack of a communication system, and many other factors make the large-scale change effort a highly complex problem. This complexity requires a change process that accesses the deeper levels of change—levels three and four in the figure.

The deepest level of change touches the participants' will or intent and answers the question: ''Where does our commitment come from?'' The uncovering of will or intent is necessary to ensure that change is sustainable and that the purpose is being put into practice. Not every change process needs to involve all levels of change or access the deepest level, but a methodology that aims at social change has to take the participants through the deeper levels where they become aware of and reflect on their own thinking, and where they can build commitment for social change.

Civic-scenario participants recalled how the level of trust increased throughout the scenario work, how they learned to listen, and how their perspectives changed. According to one participant in the Guatemala project: ''When I finally decided to open my mind and forsake my prejudices, I learned from people whom I would never have approached. I learned from them as persons, at a personal level, but also about some aspects that represented their ideologies. Several businessmen spoke of their experiences with kidnapping. It is then that one begins to understand why these people became hardened and are full of hate and resentment'' (Díez Pinto, 2001).

Participants talked about the different levels of communication they observed (Scharmer and Käufer, 2002; Scharmer, 2001b; Scharmer, 2002) and participated in throughout the process (see figure 2).

Talking Nice

Participants described their interactions at the beginning as playing according to the rules: ''In the first session, the project facilitator informed us that it was necessary to establish the rules of the game, a series of principles that would serve as a basis for our work and discussions. He said that we had to figure them out, so we came up with a list of eight rules; for instance, punctuality, respect for the ideas of others, listening, and so on. After all of us expressed our agreement with the rules, these were written on a board and kept before us all the time. . . . These rules helped us to keep our discussions on a low key. . . . They also helped us to feel free to talk and to expect respect'' (Gillespie, 2001). Communicating according to rules implies that people don't speak up when the conversation contradicts their own thinking.

Talking Tough

Participants told how the group moved from being nice and engaging on only a superficial level toward speaking up: ''At the beginning, it was a little hard. There was much mistrust in the first meetings. No one wanted to talk, everyone limited him- or herself and said the minimum of what he had to say, but little by little, that environment started breaking down, and we were able to have all sorts of things come out—obviously, things that must be worked on'' (de León and Díez Pinto, 2001). That process moves the group to a new level of communicating.

At one moment, the mode of conversation was changed by one participant's introduction of a different perspective: ''The first round in the first session was extremely negative because we were all looking back to the events of recent years, which had left a deep imprint on us. Thus, a first moment full of pessimism was generated. Suddenly, a young man stood up and questioned our pessimism in a very direct manner. This moment

marked the beginning of a very important change, and we continually referred to it afterward" (Díez Pinto, 2001). When people speak their minds, conflicts show up. Participants described how their common work on the scenarios helped them to examine their disagreements and work together to resolve them. In this phase of communicating, conversation includes voicing and listening to different opinions.

Reflective Dialogue

In a next phase, participants discussed a form of listening based on mutual understanding: "We were capable of understanding each other, of talking to each other; we were capable of respecting each other. This is something that I am certain has impressed many people in the country. And one conversation was: Were the people of the guerrillas there? And if so, were they listening? Yes. This is something so simple, but I believe that what might be happening in the country may be influenced by one of these processes" (Díez Pinto, 2001).

Figure 2 Four field structures in conversation

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In the reflective dialogue phase, participants individually and as a group develop an inner voice that helps them focus on what they are doing. They listen more carefully and move away from debate. A lot of interviewees from the civic scenario processes described this new form of communication; for example: "I think that the greatest impact was to discover to what degree you always engage in conversation without listening to what the other person says. And it is something that was so evident that one begins to put it in practice almost immediately. This is something . . . that I took with me" (Díez Pinto, 2001).

One interviewee described the exact difference between mode two, debate, and mode three, reflective dialogue: "So I try to make an effort not to answer but to actually listen, not to be thinking mentally of how am I going to respond but rather, 'What is this guy trying to tell me?' To think beyond what this guy is trying to tell me, to go even deeper and say, 'Why is he saying it the way he is saying it?' . . . Just the exercise of saying, 'Is this what you are trying to say? Am I understanding it correctly?' . . . So this is something that was very powerful and something that is part of my baggage. I take it with me, I go with it, I exercise it, I engage it, and it is good" (Díez Pinto, 2001).

The difference between reflective dialogue and the debate mode of conversation is that the listener becomes aware of the perspective of the person talking and tries to understand it. Participants described the bonding that evolved from the common effort to get to this level of understanding.

Generative Dialogue

Two interviewees described the next level of dialogue: "[One participant had] witnessed an exhumation. It was in a large field, and he was suddenly called to see what they had found. [There was] evidence of the skeleton of an unborn baby who had been buried, perhaps alive or still in its mother's womb, and the mother had probably been buried alive. That is the history. . . . But we were aware of it. I was. I was a politician. . . . It is one thing to know about something and know it as statistical data, and another to actually feel it. . . . And I think that all of us had to go through this process. . . . I think that, after understanding this, everyone is committed to preventing it from happening again. In giving this testimony, he was sincere, calm, and serene, without a trace of hate in his voice. This gave way to silence that, I would say, lasted at least one minute. It was horrible. . . . If you ask any of us, we would say that this moment was like a large communion. No one dared to break the silence" (Díez Pinto, 2001).

When communication reaches this point, the participants recognize their common ground. Their interactions can then occur at a level of connection that transcends
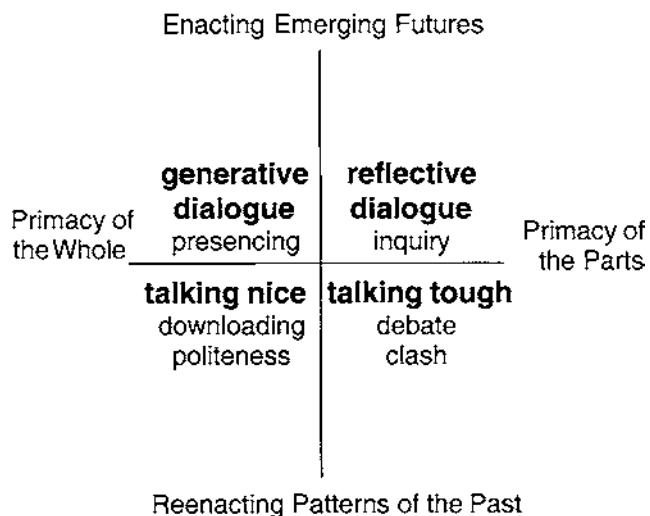
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individual interests. We call this communication ''generative dialogue,'' which allows the participants to experience the whole. Another example of generative dialogue is when a new idea comes up in a conversation and no one can identify which participant had the idea because the idea emerged from the flow of the conversation. Musicians often describe a similar experience when they play together and start listening to the whole, not to their individual contributions.

Another example of generative dialogue is when a new idea comes up in a conversation and no one can identify which participant had the idea because the idea emerged from the flow of the conversation.

Before reaching this phase of dialogue, the group must move through the other levels of communication. But once the group has reached a generative dialogue, it has new opportunities, such as preventing a horrible event from recurring. As one Visión Guatemala participant stated at the Antigua workshop: ''The firefly image [in the scenarios] and the idea of weaving a multicultural entity in Guatemala helped me to focus on healing and reconciliation and made me feel more obliged to participate in the process.'' This commitment is necessary for profound change. Thus we see dialogue as a tool for change that allows individuals and groups to move to yet a deeper level of behavior where intent, will, and commitment are strong.

Relational theory proposes a model of human development—''growth in connection''—that emphasizes the critically important role of social, relational interactions in the growth process (Miller and Stiver, 1997). Table 1 suggests how this theory illuminates the dynamics underlying the four phases of conversation, matching the dominant logic of conversation in each phase with the invisible relational dimension underlying it.

The anecdote about the South African PAC representative and the Nationalist Party member in our opening quotation illustrates growth-in-connection. The story describes how, through interactions, each person had expanded his or her world view and capacity for empathy, providing evidence that the conversations of the Mont Fleur group had reached a generative state. The second quote describes clearly an awakened sense of self-in-relation emerging from reflections prompted by dialogue.

This language for both the logic underlying conversation and the relational dimension in which it is embedded provides tools for understanding and improving dialogue processes. An important part of UNDP's ongoing effort to create knowledge will be to apply these tools to analyze other civic dialogue experiences, including but not limited to civic scenario projects. At the same time, we must address the challenges of using dialogue to strengthen democratic institutions and create the conditions for human development in countries struggling to overcome violence and authoritarian rule (UNDP, 1999). The initial workshop in Antigua, Guatemala, brought many of these questions into focus.

The Antigua Workshop

Unfortunately, we still haven't invented a sort of ''pill'' for transformation of the culture of the country which you could buy at the pharmacies. [This work] is very difficult; the results are not guaranteed, not easy to see, and not short-term. But like an old saying in China, ''Any road, no matter how long it is, starts with the first step.'' And there is no other option.''—*Workshop participant*

The Antigua workshop (November 8–19, 2000) brought together 100 participants from 17 countries—people committed to social development and involved in a wide array of civic dialogue initiatives—to reflect on common issues and challenges and on the future direction of civic dialogue. In contrast to the established workshop format organized around formal presentations, this was both a conference about civic scenarios and other civic dialogue methods and a firsthand experience, facilitated by a team from Generon, of some dialogue tools used in the civic scenario process.[1] From it came the first steps toward a broad methodological platform for civic dialogue work, as well as the foundation of a global community of people committed to this approach to social change and increasingly skilled in using it. Said one participant: ''We are a group trying to reconstruct what

Table 1 Dynamics underlying four phases of conversation

Talking Nice
- Dominant logic: rule repeating, politeness
- Relational dimension: focus is on self as perceived by other

Talking Tough
- Dominant logic: debate, clash, conflict
- Relational dimension: focus on advocacy and self; it is a fight for power and legitimacy

Reflective Dialogue
- Dominant logic: inquiry, listening to your inner voice
- Relational dimension: at least one person adopts a self-in-relation stance; there is potential for mutual learning among some members that might move collectively to next phase

Generative Dialogue
- Dominant logic: self-transcending, cocreating
- Relational dimension: collective growth-in-connection; mutuality

has been destroyed, to make the world better. There are groups like this all over the world. This gives hope to the human spirit.''

What Is This Work About?

The workshop participants formed country teams to discuss and share the most important challenges facing their nations—mostly Latin American and Caribbean countries, but also South Africa, Bulgaria, India, and Pakistan. With the help of simultaneous Spanish-English translation, the teams shared their stories. Although each national story was in many ways unique, collectively they conveyed an overwhelming sense of broadly shared social and political problems. In many countries, historic patterns of class and ethnic divisions and racial discrimination contribute to a lack of trust, an absence of shared vision, and uncertain national identity. Three countries—Colombia, India, and Pakistan—have ongoing armed conflict; others struggle with the legacy of authoritarian regimes, military rule, and violence, even genocide.

Faced with democratic institutions undermined by corruption and political leaders who do not rise to the challenges inherent in these problems, many countries are experiencing widespread public frustration and even disillusionment with democracy. The common characteristic is that the solution requires engagement across the sectors and levels of society, because many people must change in order to break the deep-seated, complex patterns of behavior that maintain the current reality. An underlying assumption in the workshop was that any solution to such complex problems must be grounded in dialogue across boundaries, in part to provide a viable alternative to authoritarianism and the solution of conflict through violence. In the words of workshop participant Rubén Zamora, a leader of popular movements in El Salvador and a participant in the Geneva dialogues that brought peace to his country: ''In societies like ours that have been characterized by authoritarian, vertical, nonparticipatory ways of making decisions and implementing decisions, which has led to a state of war, internal civil war, these sorts of exercises become even more necessary because they are not just an exercise, they are the bricks for building a new political culture. [Yet] participatory or dialogue consensus building is not natural. It is something that has to be learned and developed as part of the civic culture of society.''

What Are the Process Options?

A thorough, systematic comparison of civic dialogue processes was beyond the scope of the Antigua workshop, though the workshop helped to identify the need for it. The participants brought a broad range of experience with different methods and projects, which conveyed a strong sense of process options, even as the discussion focused on issues and

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challenges common to all approaches. Indeed, one strong message from the workshop was that a single project or process cannot be expected to carry the whole weight of the needed changes.

Civic Scenarios

The Antigua workshop conveyed information about the civic scenario process in various ways: through the learning histories of projects in South Africa, Colombia, and Guatemala, offered as preconference reading; through a panel discussion by participants in those three projects; and through the workshop facilitation by the Generon team, which replicated many aspects of its approach to civic dialogue. For example, the intellectual content of the meeting built gradually through layers of small group and large group conversation (breakout groups and plenary sessions), suggesting how scenarios emerge and become increasingly clear and compelling through dialogue. The facilitators also demonstrated a number of tools—including ground rules supporting mutual respect and listening, check-in and check-out exercises that invited personal statements, one-on-one conversations, storytelling, and the support of a graphic recorder—for helping people connect on a personal and emotional level, as well as cognitively. These dialogue-promoting techniques created discomfort for some participants who were accustomed to more formal and impersonal workshops. In contrast, one participant commented, ''I like the civic scenario approach because it is not only intellectual but also emotional. People can express fears and frustrations, and this is important in countries with a legacy of armed conflict.''

In the panel session, participants in the South African, Colombian, and Guatemalan civic-scenario projects shared some of their experiences and reflections on this approach. Members of the Mont Fleur group, for example, reflected that there was a good deal of serendipity, as well as foresight, involved in the project conveners' selection of participants, many of whom went on to become very influential in Nelson Mandela's government and as civic and business leaders in postapartheid South Africa. A small-group exercise on the first evening, in which each group had to brainstorm 10 stories of possible futures in South Africa, helped people set aside the divisions they had brought into the sessions. Ultimately, the messages the scenarios conveyed had legitimacy because of the diversity of the group that was the messenger.

These dialogue-promoting techniques created discomfort for some participants who were accustomed to more formal and impersonal workshops.

When Mont Fleur convened, South Africa was, in the words of one participant, in the grip of ''an incurable cancer, and it looked as though there was no solution.'' This group felt strongly that its work had made a positive contribution to the ''political miracle'' of South Africa's successful transition from that apparent impasse to pluralistic democracy. Yet, in retrospect, the group also reflected that there had been some weaknesses in the process; for example, some important voices had not been at the table—an issue that recurred throughout the workshop discussions (Gillespie, 2001). Moreover, the group had not anticipated problems that now loom large: the impact of the conservative economic policies of the Mandela government, the problem of crime, and, in particular, the threat of AIDS. As the workshop progressed, there was serious consideration of undertaking Mont Fleur II.

The presentation by the Destino Colombia panelists addressed directly one of the most problematic issues identified in the workshop—that of connection to existing institutions. Confronting a situation of active warfare, to which the government was a party, the conveners of this civic scenario process took great pains to make it ''antiseptic'' in political terms. They included people who had influence in the government but did not directly represent it. And in the scenario process, they took care to avoid connection to any particular political agenda. The outcome of this effort was mixed. On the one hand, the feeling that the process did not require making a commitment beyond participating in three meetings was highly conducive to ''free thought'' and creativity. The scenarios that resulted were compelling and, in hindsight, valid. Yet their impact was limited, both in the government and in civil society. Noted one panelist: ''The great challenge that Destino Colombia still faces is to convert this into a day-by-day tool of the citizens. There

is no doubt that [its politically antiseptic character] makes this into something that belongs exclusively to those who participated. This is not right, because, in the end, societies live their daily and common matters in politics.''

In Visión Guatemala, the greatest challenge was to find a way to overcome the legacy of racism and genocide against the indigenous majority. In the context of that terrible legacy, one panelist noted, it was clear ''that the road to consensus is a long road, and it's not necessarily consensus that we need. Perhaps transparency would be more desirable.'' Another provocative question that arose in this panel was, in the context of globalization, what power does ''dialogue, persuasion, and hope'' have to make a difference in a small country such as Guatemala? These thoughts echoed the concerns of others at the workshop about the danger that civic dialogue processes might raise false hopes for the possibility for change. Finally, one panelist brought up the important issue of how to bring about the desired scenario—to make the dialogue count for more than just the ''empathy and friendship'' achieved by direct participants: ''In the end, that is the challenge we have now: how to go from thought to action.'' This concern was widely shared in the workshop.

El Salvador Peace Process
Two workshop participants, Victor Valle and Rubén Zamora, brought experience from El Salvador. Valle had been active in popular movements in El Salvador and was a founding member of the Salvadoran Conciliation for Peace Commission. The Salvadoran factions met in Geneva in 1991 and agreed to develop political agreements based on three key elements: respect for human rights, democratization of government and society, and reconciliation of ''the Salvadoran family.'' Valle pointed out that the discussions took place within the context of the Peace Commission, the purpose of which was to develop principles for creating a new government and methods for monitoring compliance to agreements. These were very concrete goals derived from the immediate experience of civil war.

At the same time, Valle made clear that the dialogue among enemies engendered—and required—personal transformation, a central and explicit aspect of the civic scenario methodology. In Geneva, he said, ''Many of us who had been on one side of the war had the opportunity to sit around with our former adversaries, many of whom would probably have laughed to hear that we had been downed by bullets in El Salvador. But at that time, we were able to deploy personal resources that had to do with courage and love and hope, and [we were] able to accept ourselves as we were and able to discover that we had certain commonalities.''

University of Peace
Valle also attended the workshop as a representative of the University of Peace (UPEACE), an organization affiliated with the UN and based in Costa Rica. He described his current work as part of the dialogue initiatives ''going on all over Latin America.'' UPEACE has convened a group of 100 Colombians to talk about issues underlying the war. They use a less facilitative approach than the civic scenario method, Valle said, simply putting people around tables to discuss five concrete questions. The participants talk and try to reach some agreement, and the sessions are captured by a university recorder. In another initiative, UPEACE has created ''peace zones'' on the borders between Ecuador and Peru.

War-Torn Societies Project
Zamora participated in the workshop as the director of the War-Torn Societies Project (WSP). WSP uses the methodology of participatory action research, associated in particular with the Brazilian social scientist Paolo Freire and widely used in developing countries as a tool for social change. Zamora described the steps for launching a WSP project:

The first step is to scope out conditions in the country for possible dialogue among the parties and for balancing both government and civil society in the process. Next is to choose a local project director and subdirector with the stature and social science skills to carry out the process. For example, the project director of the WSP project in Guatemala was Edelberto Torres Rivas, a sociologist with an international reputation who had been living outside Guatemala for most of the war, so had an aura of impartiality. The director

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and subdirector then create a "country note," or "diagnosis" of the causes of conflict, built up through separate discussions with key institutions in the society, for example, political parties, NGOs, universities, unions, and women's organizations. They identify both the problems and potential solutions, with the social scientists serving as facilitators. The country note in effect "extracts" consensus from these individual discussions and presents it as a starting point for the dialogue. If the institutions then agree to engage in the process, they send representatives to the dialogue.

When the group is assembled, people participate as individuals, not as representatives of their institutions. The method does not emphasize personal change, said Zamora, but it occurs in the dialogue process. The whole group sets the agenda and then splits up into subgroups that focus on specific issues, conceived as "entry points" for dealing with national problems. A social scientist supports each group and is responsible for writing the group's report. Zamora noted, "This is a discussion between actors and people who have scientific knowledge—very difficult to attain." The results are policy-oriented proposals, for example, a policy paper or a suggestion for legislation, presumed to be broadly acceptable to the society because of how they have been developed.

WSP offers a method that involves the government and civil society together, but there are difficult issues to resolve with this approach. Zamora suggested that the main problem is that a government minister in a dialogue process doesn't like to be on equal terms with other organizations—the trade union, the universities, the political parties. So the method forces the government to be in a position that it doesn't like, and as a result, its participation is sometimes quite limited. For example, it may only participate in general meetings. But the government provides a sort of validation of the process whenever it does choose to participate. Noted Zamora, "These projects are profoundly political, but they cannot risk being partisan."

Dialogue Processes in Panama
Raul Leis, a sociologist, president of the Centre for Studies and Social Action of Panama (CEASPA) and a popular writer, described his experience with dialogue processes in Panama. In 1994, the Catholic Church proposed a national dialogue as part of an ethical accord among political parties, following a difficult period of transition to democracy after the US invasion and ouster of Manuel Noriega in 1989. The resulting civic dialogue involved three successive projects. The first, Bambito, in 1994, was a "learning experience," both for the organizers and for the UNDP, which provided technical, logistical, and financial support. Several factors limited Bambito's impact, said Leis. National elections running concurrently were a distraction, and there were questions about whether the dialogue included the right participants—the conveners had invited the leaders of the various civic groups rather than asking the groups themselves to decide whom to send. Finally, said Leis, Bambito was organized around a less than compelling topic: the general question of national development.

The second effort at civic dialogue focused instead on the subject of the Panama canal—a topic vital to all Panamanians. Said Leis, "General Torrijos said that the only religion of Panamanians is the canal, the only thing that has kept us together for years. So [we took] the canal as the topic." Coronado 2000 Panama Encounters was a yearlong process including four "encounters" with workshops in between. The conveners in this instance used a reference-group methodology for selection—that is, as in WSP, the groups were selected and asked to choose whom to send. Participants represented political parties, civil society, churches, indigenous people, and the press. Respected outsiders, for example, Belisario Betancur, ex-president of Colombia, facilitated the dialogues. The Coronado project resulted in two major decisions on Panamanian sovereignty over the canal and the territory the US was returning to Panama. Those decisions, made through the civic-dialogue process, became policy when the legislative assembly approved two proj-

ects, effectively uniting the two parts of Panama that had been so badly divided for many years.

The third project, National Vision 2020, built on the success at Coronado. This civil society assembly developed a vision for Panama's future in 20 years. As a result, candidates in the 1999 elections signed five pacts with civil society on decentralization, women, youth, the environment, and participatory government. At the time of the Antigua workshop, the dialogue conveners were working on a ''visionometer'' to hold the government accountable for the commitments made in these pacts, and municipalities were developing their own versions of Vision 2020.

The civic dialogue process in Panama has successfully linked to political elites, with some significant, concrete results. To develop dialogue methods, it will be important to understand the steps and context that made this possible. It may also be valuable to examine the nature of the dialogues in Panama and in comparison with those in other countries.

Paraguay Jaipotava
The experience in Paraguay provides an example of dialogue on a mass scale: in a country of 5 million people, it engaged nearly 70,000 participants and 2,000 facilitators. Jorge Talavera, who described the project for the workshop, outlined the goals of the Paraguayan Episcopal Conference, which conducted it: ''Given the situation of frustration and desperation in the country, the first objective was to provide hope. The second objective was that all Paraguayans could decide upon and define the country we want, the vision for the future. And the third, as part of this exercise, was to reach a conviction that the Paraguay we wanted was one that only *we* could do. Nobody was going to give this to us.''

In Paraguay Jaipotava, roughly 8,500 groups of eight people each, in four-hour meetings, worked through prepackaged materials, published in both Spanish and Guarani, the indigenous language. Each individual used a list of 26 needs and 22 values to define both current reality and a future vision for their communities. Separate materials were designed specifically for professionals and for young people. When the results were compiled, the most frequently identified needs were health care and education; the values were honesty and faith in God. In a subsequent phase of the project, leaders at the district level—for example, public authorities and teachers—met to develop a common vision for the district. Then a provincial assembly pulled those local visions together into a vision for the whole province.

Talavera reported that the bishops and provincial governors had taken note of these visions, but the political and economic elite of Paraguay needed to be brought into the process. The Paraguayan contingent at the UNDP workshop came looking for methods to help them accomplish that. The Paraguayan experience provides a model for sharing the vision-building exercise on a mass scale through the agency of the church. In the workshop, it was a significant counterpoint to the other dialogue processes discussed, which participants described as suffering from the problem of elitism. As more than one workshop participant pointed out, most dialogue groups are composed of elites, but the need arises in the first place because the elites are not doing what they should do for society.

Meta-Questions

The collective experience from these projects and others—in Bolivia, Chile, Peru, Nicaragua, and Bulgaria—was a rich source of data for comparing and identifying common issues. Two significant ''meta-questions'' surfaced repeatedly throughout the workshop. One was the issue of connecting civic dialogue processes to political institutions, about which there was no consensus in the workshop group. One small discussion group asserted that civic dialogue processes have arisen precisely because weak political institutions do not reflect or respond to social needs. Another view held that national governments and political parties have become scapegoats; people blame them for ineffectiveness and continuing poverty when, in fact, they are constrained by an uncontrollable global economic system. In Latin America, said one participant, the immediate challenge is to strengthen political institutions, not create a parallel, separate track in civil

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society. Another suggested that people in civil society must simply accept the task of engaging with political parties, clean up the system, and get better leaders who may be better able to deal with the problems of globalization: ''What we have to understand is that although we might all be in agreement, none of us will solve anything unless we are in power. And the only way to power is through our political parties.''

A related question was how a dialogue group moves from thought to action. This issue, too, evoked different views. The small group that discussed it suggested that the main actors—civil society, government, political parties—should commit up front to comply with the outcome of the dialogue process. And they should develop a mechanism by which civil society can hold those in power accountable for enacting the dialogue outcomes. Others suggested that the influence of dialogue groups must be through persuasion or through the process, rather than through some form of control. The product of the dialogue (scenarios, proposals), they suggested, must be convincing enough to change public perception of the issues. At the same time, the people who participate in the dialogue and who change as a result must have an impact.

Another meta-question, not formally stated by the workshop group, but clearly part of the discussion, is whether personal transformation as an explicit goal of the dialogue process is a valuable or even essential step in multistakeholder consensus building. For most participants in the civic scenario process, the transformative experience emerged as the defining aspect of the exercise. Yet Victor Valle and Rubén Zamora both suggested that this kind of change occurs in dialogue whether or not it is an explicit objective. Neither Raul Leis nor Jorge Talavera mentioned individual-level change as critical to success; further research needs to explore the dynamics of dialogue in the Panamanian and Paraguayan cases. In all these cases, there is a need to examine the various civic dialogue experiences and, in particular, understand the connections between the changes that individuals experience in the dialogue process and the concrete outcomes it produces.

What Is the Way Forward?

Despite these unresolved questions, many participants in the Antigua workshop felt renewed commitment to starting civic dialogue projects in their own countries. At the end of 2001, Visión Paraguay was largely complete, Futuro Democratico in Guatemala was under way, and projects were in the planning stage in the Bahamas, Jamaica, and Argentina. And the UNDP had launched the regional project in Latin America and the Caribbean to promote the use of ''democratic dialogue.''

From the Antigua workshop, UNDP describes the defining characteristics of democratic dialogue. It is multistakeholder, engaging people from diverse sectors of civil society and from governmental institutions. It includes groups not usually included, for example, women and indigenous people. The issues it addresses are transinstitutional—too broad to fall within the purview of a single branch of government. Finally, and critically, the dialogue is connected to action, as the participants emerge from the process with a shared sense of purpose, commitment to a common future, and agreed-on steps to implement the desired future.

A major piece of the regional project will be to support at least six dialogue initiatives in Latin America and the Caribbean. There is now a UNDP service center, based in Guatemala, which is providing technical support to those efforts in collaboration with Generon. A small team, led by Elena Díez Pinto, project manager for Visión Guatemala and Futuro Democratico, will spearhead and coordinate the regional project and mobilize resources. At its conclusion, the Guatemala office will function as a self-supporting service center, assisting dialogue projects, both in the region and beyond.

Another key element is the process for creating collective knowledge about dialogue methods. In collaboration with its Generon, SoL, and MIT partners, UNDP has designed an infrastructure to support rapid development of both concepts and practical tools for democratic dialogue and to disseminate the experiences, knowledge, and best practices of people in the field. All will build on the foundation established by the Antigua workshop.

Creating Collective Knowledge

A key objective of the cooperation with the UNDP is to develop a tested, proven social technology for bringing a broad range of stakeholder voices—in particular, the voice of civil society—to bear on resolving conflict and building consensus in the democracies of Latin America and the Caribbean. To be useful, this technology must have a solid theoretical basis and be firmly grounded in practical understanding. And it must emerge quickly to meet the pressing need to strengthen democratic institutions in the region. The development process, therefore, must be intensive, bringing an international group of academics and practitioners together in truly collaborative knowledge creation.

The Knowledge-Creation Infrastructure

In the next phase, knowledge creation will proceed in parallel with a number of national democratic dialogue initiatives. The practitioners leading those projects will form the core of the learning group. The aim of this action research approach is to support the work while learning with them from their experiences. Linking practitioners to each other and to a broad network of people committed to advancing dialogue methods in support of democratic governance will support this project over the long term.

UNDP will convene four workshops over two years (2002–2003), bringing together people actively building consensus among multistakeholders, in particular, the practitioners from ongoing projects meeting in parallel under the umbrella of the regional project. This structured interaction between theory and practice is the centerpiece of the effort to produce new understanding of dialogue processes and their use for transforming society. A broad learning network, connected through e-mail and the UNDP website, will expand knowledge creation beyond those people participating directly in the workshops. Building on the 2000 Antigua workshop, a workshop report will grow and evolve over the course of the regional project, its form and content determined jointly by the report writer and the workshop participants. It will help to maintain continuity and momentum from workshop to workshop and will capture key ideas—about useful tools and their application, best practices, problem solutions—as well as the stories of practical applications.

Conclusion

The UNDP has recognized both a need and an opportunity for advancing the methodology of social change. There is no simple formula or ''recipe'' for transforming societies after periods of conflict. A successful civic dialogue process takes time and is rarely a dramatic event, except for the participants—its effects on the larger society unfold gradually. The greatest challenge is to institutionalize dialogue. This is as important in countries such as Panama that have achieved significant cumulative results through successive dialogue processes as it is in countries such as South Africa, Paraguay, Guatemala, and Jamaica that are experimenting with a civic dialogue process for the first time.

Our hope and highest aspiration for this project's future is that it will serve as a platform for participants to reflect on ongoing civic dialogue and together create knowledge on dialogue as a tool for peaceful conflict transformation. There are many practical questions to address, but as long as we lack the language to describe the social process that leads to solving and transforming a conflict, we will not be able to replicate this process or to establish it as the dominant approach to crisis intervention. We hope and believe the UNDP's initiative will help to fill that need.

Acknowledgment

Notes

1. The Generon facilitation team included Adam Kahane, James Butcher, Manuel Manga, Reola Phelps, and Betty Alexander.

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Commentary

by Manuel Manga

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Dialogue has been around since human beings acquired language hundreds of thousands of years ago. What appears new and transformational is that we are placing dialogue at the heart of many of our human relationships, as well as refining and evolving the art of dialogue.

The authors have taken dialogue several steps further in its evolution. As a result, they have gathered a significant amount of experience and knowledge and now offer us a new model of transformational communication. In this new model, we are taken from "nice talk" to "generative dialogue.'' However, in many war-torn societies, "hate and anger talk" is what fuels the conflict. It is generative dialogue that promises to become a tool for peaceful conflict transformation.

Pruitt and Käufer acknowledge that they are also engaged in a process of knowledge creation. Finding a language powerful enough to intervene or facilitate the emergence of peaceful conflict transformation holds promise. I believe that they are almost there. The version of dialogue they propose has the possibility of facilitating human transformation.

As a longtime student and practitioner of language and conversations, I am glad to see dialogue getting more attention and support as a tool for solving our conflicts and transforming society. Our Western culture, dominated by the Cartesian legacy and the rationalistic tradition, has devalued the role of emotions and the central role of language in our lives. Social philosophers like Richard Rorty and Humberto Maturana challenge the rationalistic tradition and remind us to use language and conversations as tools for shaping our human relationships. Maturana explains, "We human beings exist in language and conversations." By focusing on dialogue, Pruitt and Käufer remind us that we are linguistic beings and that we can bring forth a peaceful future through transformational conversations.

The civic scenarios and the Antigua workshop demonstrate the possibility for conflict transformation that dialogue can create. As a member of the facilitator team, I observed and listened to

participants from many countries express their frustration, their emotions, their solidarity, and their hopes and visions for making their countries peaceful and humane societies. We can make a difference with these transformational tools if we choose to share our knowledge, work in partnerships, and create knowledge together.

However, as Pruitt and Käufer acknowledge, although many types of dialogue are being used in different countries as tools for peaceful conflict resolution, a single, powerful language of dialogue seems to be missing. They also recognize that dialogue is only one tool in the process of social transformation. Even the best civic scenarios, those that produce great visions of the future, are limited in their capacity to transform a society if institutions and the population at large do not take other actions. Beyond dialogue, what is also needed are the visionaries or evolutionary leaders at all levels of society, those who can take the process from dialogue to action. These leaders can mobilize the people and the institutions toward the scenario of choice and build a new social reality.

As a result of this new model of transformational communication, I can imagine a meta-model of societal transformation that includes dialogue, civic scenarios, systems thinking, and institutional transformation. Let us be generous with our knowledge and contribute toward a more peaceful world.

Commentary

by Elena Martinez

The UN Development Program (UNDP) in Latin America and the Caribbean has had extensive experience during the past decade with facilitating the use of dialogue as a tool for multistakeholder consensus building in countries such as Panama, Guatemala, and Bolivia. When the time came to codify these experiences, the principal adviser to our Guatemala project, Adam Kahane, helped to connect us to the Society for Organizational Learning (SoL) and to Bettye Pruitt and Katrin Käufer.

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Using the SoL "learning history" methodology, we were able to begin the process of codification by examining three of the many civic-scenario projects implemented during the 1990s—Mont Fleur, Destino Colombia, and Visión Guatemala. Our plan is to continue this process by applying the same methodology to other dialogue experiences, both to those in which UNDP has played a supportive role and to others where we have not been directly involved. The goal is to be able to give UNDP's global network of country offices and its clients in government and civil society a menu of tools for using dialogue to resolve difficult problems and to avoid violent conflict.

We consider this research to be extremely important because we do not currently understand very well why multistakeholder dialogue often fails to bring about positive change. Conversely, on those occasions when conflict is averted or a new societal consensus is formed, it is very difficult to link these positive developments directly to the dialogue process. By learning more about how to make this connection, we can help future practitioners to improve the quality of dialogue (toward a "generative" dialogue, as described in the article) both within our countries but also, we hope, within UNDP's own management processes.

For most countries in Latin America, the main challenge is not the creation of a modern representative democracy with universal suffrage—what Robert Dahl calls "polyarchal democracy" (Dahl, 1971)—because most of our countries have by now obtained all the formal trappings of democracy such as elections, courts, and so on. The problem instead is that none of these institutions actually work. In other words, the "rules of the game" for social relationships (as Douglass North has broadly and influentially defined institutions [North, 1990]) are not clear. And no amount of effort to strengthen individual organizations will have much impact until this broader framework is addressed.

What is perhaps most disturbing is that the political culture in most of our countries does not understand the complexity of deep dialogue and its crucial role in the construction of consensus. Argentina today is only one of the recent examples of the costs borne by Latin American society because of the unwillingness or inability of the political class to undertake the hard work of building consensus. Politicians and civic leaders alike throughout the region continue to defend their own narrow interests, showing little or no understanding of the nature of the "whole," that is, how the shared interests of society, the economic sectors, and minorities can come together into a workable vision of the future.

How can we help leaders in Latin America and other regions move beyond debate to real dialogue? How can we call our countries "democracies" until this is done? The only solution is to change the political culture. And one way UNDP and others can help do this is to bring together the theorists and practitioners of "transformative" dialogue. What we want to do is precisely what Pruitt and Käufer have captured: we want to offer our clients in government and civil society the "state of the art" in democratic dialogue, that is, a choice of options for addressing with precision how dialogue can help to transform conflict into positive change.

We will never, of course, be able to offer "10 Easy Steps to Transformative Dialogue," because it will never be easy and we shouldn't try to mask this fact. But we should be able to further develop the theory to help leaders find their own solutions, using their own political acumen, while getting the fundamentals right. As the authors acknowledge, the "meta-issue" is the hard-to-measure link between dialogue and action. How can dialogue be channeled effectively to influence policy decisions, while at the same time preserving the independence and "sanctity" of the dialogue process? Dialogue for the sake of dialogue will never succeed in bringing change.

As we move ahead with this project, we recognize that what we are doing has no beginning or end. We are just beginning here. In the coming months, we will continue to consult many others who have chosen the difficult path of dialogue over confrontation. There are many cases, and so much still to learn.

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Leadership, Networks, and Large-Scale Change: Topics Emerging from SoL's Research Greenhouse II

Barry Sugarman

O n September 20–21, 2001, the Society for Organizational Learning (SoL) held its second Research Greenhouse (G2). This memorable gathering offered exciting opportunities to learn about and explore current research, to germinate early-stage ideas for research, and to encourage more collaborative relationships among researchers, consultants, and practitioners.

Here, I highlight some significant ideas from G2 and their implications for the theory of organizational learning and fundamental organizational change. My aim is to encourage others to continue the generative conversations, to expand participation beyond those who were present, and to facilitate further dialogue on the emerging topics.

I have selected from a rich, complex array of information and ideas and have organized my selections to suggest connections and emerging questions that may guide the direction of future research. For a more comprehensive, detailed, even-handed survey of all that occurred, please refer to the web archive of the SoL Greenhouse.[1]

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Greenhouse Context and Setting

Learning from our experience with the first Greenhouse, which attracted many researchers but few practitioners, the G2 organizing committee, chaired by Jim Ritchie-Dunham, designed this gathering to increase opportunities for collaborative research among consultants, practitioners, and researchers.

Sixty-five attended, with an equal number of researchers and consultants. Participants from four member companies (Shell, Harley-Davidson, FedEx, and Pratt & Whitney) represented corporate SoL members, with another four from the US Department of Veterans Affairs (a member of the SoL-federal agencies partnership). We welcomed researchers from Northern Ireland, Japan, Israel, and China. In the immediate shadow of September 11, this large attendance was remarkable. Not only did we succeed in attracting a more representative cross section of the three groups, but we created conditions in which the quality of conversations flourished, especially across the boundaries between researchers, consultants, and practitioners.

Pratt & Whitney, a member company, hosted the meeting, thanks to Michael Dreikorn. With their support, fine staff, and a facility that included a real greenhouse, we designed the setting to facilitate more intimate conversations. In addition, we structured the program to include relatively few formal presentations and included "germination" sessions that helped develop new ideas for research. This quasi-open-space format indeed seemed to support cross-pollination and nurturing of embryonic ideas for collaborative research.

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Green–house: (gren hous)—n. Informal. 1. a building with a glass roof and glass sides, in which plants are grown or kept; hothouse; greenery—Syn. 1. conservatory.

Germinate (jer' me nat)—v.i. to start growing or developing; to sprout, bud: *Seeds germinate in the spring.*—vt. to cause to grow or develop: *Warmth, moisture, and oxygen germinate seeds.*

Each day, during the 90-minute germination session, our main meeting space was transformed into a lively, buzzing village garden. At the start, half a dozen or so ''topic owners'' set up posters and signs at various tables. Participants organized themselves into one of the conversation groups, which ranged from 3 to around 20 people (see sidebar for a list of topics and presenters). Some spontaneous topics were introduced, complementing the majority that had been preplanned and distributed.

Most of the cases formally presented resulted from collaborations between practitioners (line managers and networkers) and researchers. In the academic world, this connection is rare, as two G2 participants highlighted in their recent article (Rynes, Bartunek, and Daft, 2001).[2]

The gathering affirmed the community character of SoL, creating a safe place to be in an unsafe time (a mere 10 days after September 11), and we set to work with a special sense of purpose. As G2 organizers, we felt keenly aware of the absence of SoL members who were unable to attend and made special efforts to expand the circle of participation. We documented or videorecorded most of the activities, while publishing daily materials and creating archives on the SoL website.

Emerging Topics

Among the many topics presented, three main areas that command interest within the SoL community seem to stand out:

1. Leadership and leadership development
2. Grassroots knowledge communities and social networks
3. Large-scale organizational transformation

Leadership and Leadership Development

Four presentations that I highlight here helped us explore key concepts of leadership: two plenary sessions, both with a strong theoretical approach, and two germination sessions, both with a more practical approach. The leadership panel, with four researchers and a wealth of recent research data, emphasized the three kinds of interdependent leadership roles essential for organizational transformation—line managers, executive champions, and internal networkers. Introducing the leadership panel, Peter Senge defined the leadership roles and set the context for Katrin Käufer and Ellen Pruyne's presentation of their current research, which supports the hypotheses developed by Senge and colleagues (Senge et al., 1999).

They described the leadership role of the networker—carrying seeds of knowledge and personal connections and building relationships that support trust and honesty. Specialist leaders do this, yet depend on the line manager to support them. And both rely on the protection and guidance of executive champions. The role of the line manager as a leader in a work-and-learning process can easily be confused with the role of the networker, because the line manager also has important networking and relationship-building functions. The difference lies in their official responsibilities: the line manager has accountability for results and costs, whereas the networker assigned to the latter is focused mainly on relationship building and process improvement.

Panelists noted that networkers do not respect organizational boundaries in the way that most employees do. While this is one of the networkers' contributions as innovators, some colleagues seem threatened by it—especially those outside the core of the change initiative.

Networking and relationship-building work are mostly invisible and undervalued.

Networking and relationship-building work are mostly invisible and undervalued. Only the insightful colleague who works closely with a networker (and who favors innovation) can appreciate the skill and the value of that work (see Fletcher, 1999). Panelists cited examples in which leaders did not get promoted or otherwise rewarded for outstanding networking and relationship-building results, even when their bosses saw their contributions. Indeed, panelists suggested that it may be the ''kiss of death'' for a manager to

become known as a good ''people'' person. These findings are even more striking because they come from organizations considered to be enlightened. Are senior executives aware of this invisibility? Should we accept it as inevitable or as a key challenge to our theory of large-scale change?

Roger Saillant, a thoughtful senior executive (at Ford, then Visteon, and now CEO of Plug Power) and a founder of the learning organization work at Ford, provided key insights into these questions. Saillant's after-dinner talk brought into clear focus several core issues about leadership and its development. He began by drawing two visual symbols to represent leadership: a circle and a triangle.

He explained that the circle (like a campfire circle) represents the natural social systems in our organizations, those based on primary human connections. The triangle (or pyramid) represents the formal structure and hierarchy of the organization. The dynamics of each and their interconnections challenge us as leaders; both are necessary for understanding organizations. The leader's key challenge is to manage effectively the integration of the two dynamics, as well as relate to their different demands. Saillant believes that when a leader can deliver the required results at a high level, he or she earns permission or legitimacy from the formal hierarchy (the triangle) to nurture the work of the circle, holding dialogue-based meetings and treating his or her employees with respect and personal consideration. That attention to the circle processes leads to stronger employee engagement and to superior performance. Saillant's willingness to speak openly but modestly about painful experiences in his life added much impact and credibility to his words (see also, Ayas and Saillant, 2002).

In another presentation, Karen Ayas, Philip Mirvis, and George Roth gave a detailed account of large-scale change at a Unilever company where Tex Gunning displayed a leadership philosophy and practice similar to Saillant's. Both were willing to speak openly with groups of employees about their personal struggles. In a video segment, an employee told Gunning that she wished he had spoken openly to them earlier, because that would have made them hear his message sooner. The collaborative study described an ambitious program of leadership development with a strong emphasis on personal mastery, team learning, and shared vision, in which dramatic settings were used (see also, Mirvis et al., 2001).

In concluding the leadership panel, Joe Raelin noted that effective leadership is concurrent, collective, collaborative, and compassionate. Two germination sessions based on leadership involved action-research projects at an early stage of development. Raelin and colleagues Mark Braun and Phil DiChiara from The Boston Consortium shared their plans for a work-based executive development series, using a unique three-stage work-based learning model that engages executive participants in learning applications in their own work environment (Raelin, 1999). With the help of ideas from the session and feedback, this project is currently under way, with early results to be reported within six months.

Project LEAD was developed at another germination session. The project idea had originated at a meeting of liaison officers (of SoL member companies) who identified leadership development as a common concern and top-priority issue for their organizations. Jim Fleming (Intel) and Tim Savino (Harley Davidson) next presented a proposal for a research project on leadership at the SoL Annual Meeting in June 2001, leading to a concept paper. When presented in their germination session, the concept paper produced some lively discussion leading to further action.

The intent of Project LEAD is:

- To conduct descriptive research among member organizations on their leadership development practices
- To create action research to enhance leadership development initiatives within member organizations, based on the collective learnings of the SoL community
- To create a better understanding of leadership roles as SoL liaison officers

Two researchers volunteered to produce a research plan. Four months later, data collection began in six companies. There are firm plans for a first review of preliminary data at a liaison officers' quarterly meeting.

The central working hypotheses that emerged in Project LEAD, shaped by ideas from the leadership panel, were that many employees experience mixed messages about the

Germination sessions

Topics	Presenters
The requisite organization theory of Elliott Jaques	Alison Brause
Work-based executive development	Joe Raelin, Mark Braun, and Phil DiChiara
Project histories: a useful tool for collective knowledge creation in the SoL community	Bettye Pruitt
Projects as catalysts for organizational learning	Benyamin Lichtenstein
Knowledge transfer from universities to corporations	George Roth
New (green) sustainability projects	Kate Parrott and Peter Senge
What would be a SoL-ful response to the events of September 11?	Steve Waddell
Organizational social capital, departmental power structures, and the development of firm-level IT capabilities	Brian Butler
Developing systems thinkers: understanding people's baseline knowledge of the behaviors of dynamic systems	Linda Booth Sweeney and John Sterman
The Proteus initiative	Steve Waddell
The cognitive structures and mental processes activated in effective organizational visioning at the individual and organizational levels	Ellen Pruyne
A theory and tool based on a generalized hierarchy of system needs	Paul Kampas
A theory of action organizational learning model and assessment tool; the George Washington University research program in organizational learning	Carol Gorelick, Margaret Gorman, and Chris Johnson

kind of leadership their employers reward and support, and that the structures in the companies often inhibit learning-based leadership. Should these hypotheses prove to be true, the implications for improved leadership development would be profound. The biggest contribution to developing better leaders for such companies would then come, not from improving the skills and performance of individual leaders, but rather from changing the structures that now undermine the efforts and careers of those individual managers who strive to be better learning-oriented leaders.

Grassroots Knowledge Communities and Social Networks

SoL members share a core belief in the inherently social nature of learning. The Greenhouse featured some strong examples of research in this area. Nick Zeniuk, Dennis Sandow, and several colleagues from Hewlett-Packard (HP) in Corvallis (appearing via videoconference from Oregon) described their recent work on cultivating a social network to develop an area of critical new technology and scientific knowledge. Their efforts involved members from multiple disciplines and sites within HP, as well as two suppliers (who compete fiercely in other contexts) and some affiliates. They described how the collaboration started out formally involving eight players, and grew informally to include 50 to 60 active participants. The knowledge creation and sharing, and the inherent relationships, came to have strong, intrinsic value to the participants. Sandow and Zeniuk credited this achievement to a strategy of facilitating growth factors and removing barriers.

Humberto Maturana's ideas on living systems (Maturana and Varela, 1998; Maturana and Bunnell, 1999) and J.R. Moreno's ideas on small-group dynamics (Moreno, 1960) are seminal to the HP project and to most of Sandow's work. As a researcher, Sandow studies how people within social networks interact in order to coordinate collective action and learning. As a practitioner, he works with them to facilitate this natural development. He combines both roles in an action-science approach, which has some affinities with the

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approach of Chris Argyris, Bob Putnam, and Diana Smith (1985), as well as Ed Schein (1999a, 1999b). Senge commented after this presentation that Sandow's work couldn't be understood without understanding the special craft he has developed, which is more than good process facilitation.

Bill Brenneman, Ed Winston, and Nick Rennie presented a second example of collaborative action research on social networks at a unit of the Shell-Texaco Alliance. Whereas HP set out to create new knowledge for product design by consciously developing a social network, Shell-Texaco started with existing networks where there was a problem, identified on the basis of differences in performance between similar petrochemical-processing units. The questions that guided this inquiry were: How could Shell-Texaco strengthen the weaker unit's performance, lower costs, and prevent serious accidents? The hypothesis was that variations in plant performance occur at the level of the operations knowledge community. Knowledge of operating the chemical process units exists within many fairly isolated communities, each focused on a particular group of units. The knowledge communities included operators, performance specialists, and supervisors, and on-site day support, such as operations specialists and central technical (engineering). Safe, reliable, and efficient units have members who communicate, reason, and learn together.

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Brenneman pointed out that the prevailing approach to learning and improvement in this case is derived from "rigorous, fact-based examination of current reality as revealed in performance failures," rather than being driven by vision. Jean Bartunek called attention to the absence of an appreciative inquiry perspective and invited us all to consider the idea that assessment need not always be based on the concept of a gap or deficit (Srivastva and Cooperrider, 1990).

This case also introduced a connection between information technology (IT) and organizational learning, using the enhanced understanding of network processes to create a software tool to strengthen networks. Rennie illustrated the use of IT to extend the reach of (or even to replace) traditional face-to-face group conversation. He described a causal reasoning group that has been operating in a small part of the organization for more than two years. He also showed how scientific dialogue focused strictly on hard data leads to learning and improved performance. The prescribed causal questions tend to break down the natural barriers between members of knowledge communities and enable them to reason together. A causal-reasoning software application (known as PHRED) that uses a similar question-based approach can therefore be used to enhance learning within and between existing knowledge communities and offers much promise for fruitful developments. The origins of this project and collaboration can be traced to the first Greenhouse, where Rennie and Brenneman first met.

Shigehisa Tsuchiya, in another study, shifted the focus from the creation and sharing of tacit knowledge to tacit coordination. In a dramatic illustration, Tsuchiya showed videotapes of operators in a nuclear power plant, scrambling to deal with a control-room emergency, as several alarms sounded loudly and data indicators poured reports into the control room. He presented training and measurement methods, viable for this context, that increased tacit coordination—a capability required in many kinds of high-performance teams that must deal instantly with complex, unexpected challenges.

Large-Scale Organizational Transformation

In moving from small- to large-scale change, we can apply all that we know about the previous two topics of leadership and learning in social networks. The question is: Are there new principles for change management that occurs across several divisions or business units? Change consultants share a deep concern and frustration because of the so-called organizational immune response. In this phenomenon, a change initiative succeeds

just so far in making significant initial changes with one leadership group, but goes no farther into the organization (see, for example, the AutoCo. case [Roth and Kleiner, 2000]).

Fred Simon (former Ford program manager, change leader, and now a consultant) has suggested that large-scale change efforts should avoid using a pilot-demonstration strategy, but should instead plan for widespread involvement from the outset. Many may disagree with Simon's view, but the learning history that Mirvis, Ayas, and Roth presented shows the benefits of a holistic approach and engaging the whole organization in the process (see Mirvis et al., 2001). Their transformation story of a Dutch food company within Unilever entailed an account of large-scale change over five years, marked by progressively more engaging, memorable events. In a gathering in the Jordan desert, 200 top leaders were called to reinvent themselves, making a five-year time line of events that shaped their business history, and reflecting on their experiences and learnings in order to create their future. They also wrote about and shared what was important to them personally as leaders. Later, around a campfire, they shared their learnings. This process was carried forward at the firm's annual learning conference with all 1,800 employees.

The presenters emphasized the performative nature of the approach used by the company change agents. Their work raises the question of whether a large-scale change initiative needs a holistic integrator—something that enables the participants to cope with the overwhelming complexity of any large-scale transformation. Gunning and his Unilever company took their campfire conversations to some very dramatic sites and worked within a performative framework to stage these events in emotional ways. It seems important to assess the results of such experiments and to think through their implications for our theories of large-scale transformation.

In my research with Susan Hull, we looked at large-scale change issues at Detroit Edison power-generating plants (part of DTE Energy) through the lens of ''assessment,'' focusing on the work-assessment-improvement-learning process. Our initial aim was to understand the role of assessment in organizational learning, defining it to include all situations, formal or informal, implicit or explicit, when people collectively asked, ''How are we doing?'' We visited areas in a number of plants, plus headquarters, interviewing and observing, seeking varied examples of indigenous assessment processes and formal, official ones. Examples of special interest were integrated into daily work activities. The network processes Brenneman and Rennie described at Shell-Texaco seemed similar to those we found at DTE. We see the work-learning cycle as a small-scale energy source (or bio-cell) that powers change in organizations, both large and small. Managing these cells on a large scale involves other factors, however, including:

- Shared vision at wider or higher levels of the organization, involving participation and dialogue, linking local units in nested fashion, coupled with a compelling case for change
- A new approach to leadership at all organization levels, based on developing the work-learning bio-cell and supporting natural knowledge networks (Sugarman, 2001)
- Capacity-building resources to support development of the new skills needed by all leaders
- Alignment of the small-scale elements along the value chain and the internal power structure in ways that offer direction and come together effectively on the large scale

We suggest that alignment is a major factor in understanding the difference between small-scale and large-scale change. Its significance is easy to overlook in the simplest systems (such as a small, single-product business, or a single-cell organism). The challenge on any scale is to align the work of the unit sufficiently with its environment to ensure a supply of essential inputs, such as funds, services, or partly finished products. Within large organizations, the component units must be aligned with many other components along the value chain and the internal power structure—at least enough to ensure the needed inputs. During a transformation effort, the parts of the system must each reevaluate and resolve the alignment issues created for them by the change effort. These occur along two dimensions: (1) the goals of different units must be aligned with each other along the value chains of production or service delivery, and (2) the structures must be aligned with those goals.

A change effort that involves a truly new design for basic operations and new mental models of the business will require different supporting structures, policies, and procedures (for example, in hiring, planning, accountability, performance appraisal, rewards, and so on). The difficulty in realigning an organization occurs because these infrastructures are embedded, not discrete, and hard to disentangle. Seeing alignment as a key leverage point, executive leaders can use their official authority to force changes in the infrastructures early enough to achieve some alignment with their goals and vision. Alignment can also be improved from lower levels, as process-improvement groups and all work-learning cycles assess their systems, find where their efforts are being thwarted, and campaign for supportive changes. Once again, this leads me to the conclusion that the forces of the circle and the triangle that Saillant highlighted need to work together for effective large-scale change.

Additional Topics

Two other sessions highlighted strong theoretical models that deserve further study and reflection. Paul Kampas presented a generalized ''hierarchy of system needs'' that he has developed and used to analyze the evolution of the computer industry, the rise and fall of Digital Equipment Corporation, and others. In their presentation, Carol Gorelick and Chris Johnson built on David Schwandt's theory of organizational learning, based on the sociology of Talcott Parsons (Schwandt, 1995; Schwandt and Marquardt, 1999). Gorelick described how she has used this approach in her study of an on-line knowledge management project at British Petroleum. Johnson reported on a survey instrument that has been developed from this approach at George Washington University.

Finally, our colleagues from Northern Ireland, Karin Eyben and Derick Wilson, evoked a special response. Their professional work (through Future Ways and the University of Ulster) has been dedicated to building a new society, better than the one shattered by two groups of rival terrorists. Eyben and Wilson are attempting large-scale change; Future Ways's efforts involve leadership development and seek to foster social networks to bridge the hostile communities (see Eyben et al., p. 42 in this issue). As we individually began to consider how we would live with terrorism, we noted that they and their community had lived with terrorism for decades. The challenge for me while I contemplated their work was my discomfort in sensing the struggles that may lie ahead for us as we come to terms with the new social-political-security factors that have changed our world since September 11.

As we individually began to consider how we would live with terrorism, we noted that they and their community had lived with terrorism for decades.

Their example helped us to be in touch with the larger challenges we still face as a community. And they assisted us, perhaps, in remembering that, within SoL, there are significant resources for addressing the bigger challenge. Although our work may sometimes appear to be about improving efficiency, product and service quality, and profits, that is only because such work often coincides with the best opportunities to extend dialogue, respect, and honesty among people. Learning and growth in a community, and fostering people's ability to pursue that which really matters to them, is the real context for our three emerging research topics and for organizational learning as we view it at SoL. This work was exciting and worthwhile before September 11. Now the challenge is much greater. I believe G2 was a great success in the old terms, because we moved ahead and continued our work in the spirit of collaboration. It can also move us to see how to respond as a community to the new reality, as Steve Waddell put it, ''In a SoL-ful way.'' Then, perhaps we can aspire to be, in the words of Rita Kowalski, ''*guardians of a new community, filled with purpose and vigilant resolve.*''

Acknowledgments

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facilities, and for the superb staff support. Thanks to Pat Parker-Roach, along with Rick Karash and Jaleel Carter, for making possible the videorecording. Finally, thanks to the G2 Planning Committee: Jim Ritchie-Dunham, Karen Ayas, John Carroll, Charlie Tweedly, Lilly Evans, Carol Gorelick, Lisa Porter, Frank Schneider, Barry Sugarman, and Terri Seever.

Notes

1. The SoL website contains extensive materials documenting Greenhouse II, including more than 10 videos recording plenary sessions, at least six sets of downloadable PowerPoint slide shows, plus dozens of abstracts and session proposals (including germination sessions). The URL is http://forum.solonline.org/WebX?2001GreenhouseFolder. Or, if browsing manually, go to SoLonline.org, to What's Up, to Topics, to Greenhouse II, to G2 Sessions. You will find, for example, John Carroll's overview of research at SoL; Joe Laur's talk on the Sustainability Consortium; the transformation of a Unilever company, presented by Phil Mirvis, Karen Ayas, and George Roth; Derick Wilson and Karin Eyben's account of their community work in Northern Ireland; the collaborative research on workplace stress and aggression at the US Department of Veterans Affairs; and much more.

2. SoL is not quite alone in promoting such collaboration. A small, committed group within the Academy of Management is working to encourage more action-based and collaborative research. Dan Twomey, Joel Harmon (both from Fairleigh Dickinson University), Rita Kowalski, Daniel Kowalski, Robert Petzel, and James Scaringi (all from the Department of Veterans Affairs), and Lyle Yorks (Columbia University) joined us at G2 to report on a large collaborative research project with academic partners from four universities and action teams at 11 pilot sites at the US Department of Veterans Affairs.

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Commentary

by Rita Z. Kowalski

On Wednesday night, we started with a circle. I knew there would be a circle. We had to know where each person was. The meeting almost did not happen. Some did not come. Some were coming tomorrow. The events of September 11 had touched us all. We had traveled through turbulence to reach the Greenhouse; we knew turbulence still surrounded us.

We were told to form a circle, since we needed to check in.

> Thirty chairs in an imperfect circle
> > surrounding a small flickering candle placed on a blue-carpeted floor.

We were told we had to acknowledge September 11 and explain where we were.

> Each had a voice. Each had to speak, even if to simply say, "I have nothing to say" or "I just cannot speak right now." Each had to share experiences and feelings, to step within the circle.

> Each spoke. Each listened. There was silence and respect as each took a turn. Each thought was like a pebble tossed into a quiet pool. It sent a rippled circle across the surface that gently touched each one of us.

> We heard of grief and sorrow, of lost friends and family members. We heard of fear, of lost innocence and safety, and of firm resolve. And even those who said they were not directly affected talked of numbness, of a growing awareness of fundamental world change.

We were told to create a context for our meeting. We needed to build our circle, our meeting space. We were told to build our community, and I was part of that building. And even though I was a stranger, by joining in the building, I was able to enter the SoL community.

Yes, there was a circle.

> Some of the voices talked of flying into Manhattan and seeing the two towers. Staring at the small candle on that blue carpet, I could still see them.

> > Did you ever fly into Manhattan at night? Did you ever notice the dark ribbon of water surrounding the glittering island? An imperfect circle of flickering lights grounded by two towers? Were the towers beacons, lighthouse, calling you home? I remembered times when I saw them glowing in the darkness through the clouds. I had imagined then that I had tied ropes around the towers so that I could always pull myself home.

> And now, voices in this circle talked of how the two towers had once called to them as well. But now, the towers were dark. They were gone as were the people who had worked within them.

The last voice spoke.

> There was silence—respectful, acknowledging the value of all the voices we have heard.

Our speaking had cleansed us. Our speaking had created our community and our place of safety. Turbulent waters still surrounded us, but for a few days we were in a protected harbor.

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During the next two days, there were more circles. They formed, reformed, and merged, creating new relationships and new meanings.

> I heard of social networks and recognized that I was now part of a much larger web.

> I learned about circles forming in the desert, on the Scottish highlands and skating across the frozen waters of the Netherlands, energizing an organization.

> I learned about life created at the germination sessions where small groups discussed new ideas, new projects, brought in from the outer world, or born within our special place. I watched a community treat ideas with respect so the fledglings could become stronger and grow.

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And then there was Roger.

He told us about Ford and business results—the technical triangle.

He told us stories about leadership and how he used circles. His circles tapped into the emotions and values of each organization he had led.

He talked honestly of learning and feeling and tough decisions.

He talked about meeting the bottom line so he could have freedom.
Freedom to build communities filled with people living positive values, learning to accept impossible challenges.

This was my experience at the Greenhouse, where I discovered I was part of a community. One that held itself accountable for inquiry, learning, and growth

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I left the Greenhouse. Left Connecticut. Returned home. I wrote these impressions of the meeting in my journal. As I was writing, the cover of the New York Times Magazine *caught my attention. The issue was about September 11. On the cover was a picture of the recovery site, which the photographer had taken from the Hudson.*

Dark waters met black, silhouetted forms
—The World Financial Center's remains.

Deepened azure, night skies
White floodlights bathing empty buildings

And standing behind them,
steadfast,
now
immutable,

The glowing Spirit Towers

Memorials of that day, those deaths
Guardians of a new community,
filled with purpose and vigilant resolve.