

# Reflections

The SoL Journal  
on Knowledge, Learning, and Change



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## PUBLISHER'S NOTE 9.1

**C. Sherry Immediato**

As we prepare for SoL's 3rd Global Forum in Muscat, Oman, it seems especially timely that this issue of *Reflections* focuses on the importance of human relationships. I had the opportunity to speak with noted anthropologist Mary Catherine Bateson about her take on how we "bridge the gulf," the theme of this year's forum. She related a story of a session she designed to improve working relationships between Americans and Iranians. In the process, she asked them what they valued most in a relationship. All answered without prompting that they valued both honesty and kindness; however Iranians overwhelmingly ranked kindness first, and the Americans ranked honesty first. She noted that this simple exercise sheds light on some of the roots of our cultural and personal misunderstandings: we assume that others value what we do, and if they behave in ways we don't expect, we often attribute their behavior to bad intentions. Depending on your background, honesty can be considered as meanness, and kindness can be seen as lying. In this issue, our authors present a range of opportunities and problematic situations in which they are untangling the snags in our web of relationships to reveal more opportunities for inspired performance.

In 1998, the International Finance Corporation (IFC), a member of the World Bank Group, embarked on a journey of transformational change aimed at improving and expanding operations, while building the capacity for learning. The highlights of this journey are captured by SoL members Yolanda Hegngi, Dorothy Berry, and Marilyn Darling in "Organizational Learning and IFC's Mission Impossible." To be successful, IFC's unique mission of promoting open markets and creating opportunities for the under-served must be continually adapted in a challenging and constantly shifting global political landscape. Using organizational learning methods such

as dialogue, the organization's decentralized approach focused first on creating a shared vision that would inspire, and shared spaces where innovation could flower.

After an extended absence, we're happy to welcome back SoL researcher Diana McLain Smith as she shares "The Missing Piece to Building Great Teams." In this article, adapted from her new book *Divide or Conquer: How Great Teams Turn Conflict into Strength* (Penguin: 2008), she allows us to peer inside the relationships that so often make or break the success of teams. Her premise is that once you understand how relationships actually work, develop, and change, you can use that understanding to build relationships flexible and strong enough to create and sustain exceptional teams.

Deepika Nath notes in her contribution to the Emerging Knowledge Forum that many of us are asked to intervene with groups that exhibit unproductive team dynamics, and we are often faced with a decision of *how* to intervene. In "Building Trust and Cohesiveness in a Leadership Team," she describes how she applied David Kantor's human structural dynamics model in a client situation. This allowed her to distinguish between addressing the symptoms and causes of a team's dysfunction, and to engage the group in a higher leverage approach. This case is a great example of the reflective practice that Diana Smith and her colleagues have encouraged among SoL members. Kantor's framework can be particularly helpful to interveners in identifying their own role in the set of relationships they hope to improve.

In "Love, Language, and Working Relationships," SoL consultant member Manuel Manga contends that language and conversation are the foundation of all human relationships. Given that conversations are so important to successful interactions, how can we use them to help us construct loving and productive relationships? He reviews some of the literature in this

area and proposes that we can improve our conversations by recognizing different types of conversations, and consciously engaging in them.

George Hall's two-part interview with Peter Senge and Otto Scharmer, "Inside the Theory of the U" concludes in this issue. The authors discuss how we learn about the quality of presence in our interactions with each other.

What and from whom can we learn? In "Learning to Teach, Teaching to Learn," Mary Catherine Bateson offers a personal reflection on learning across differences. In particular she notes that the relationship between who learns and who teaches has been fairly constant in human cultures, guided by notions of age and hierarchy. She shares her personal experience about the need and opportunity to learn, particularly across the generational divide.

This issue closes with a book excerpt from *Being the Change* by Ann McGee-Cooper, Gary Looper, Duane Trammel. "The Power of LUV: An Inside Peek at the Innovative Culture Committee of Southwest Airlines" describes how the quality of relationships within the company affects how it does business, and the positive impact that has on employees, customers, and the bottom line.

As we find ourselves more intertwined across the globe, and less able to rely on some of our traditional structures and rules to govern our interactions, it becomes crucial that we deepen our "relationship intelligence." In addition, if learning is largely social, then our relationships may either limit or enhance our learning. My concern is that we think we know this, but our communications are subject to many mixed messages. I am reminded of the awards ceremony when I got my MBA. With great suspense the winner of the grand award was announced. As the person rose to receive it, the audience of classmates looked around and whispered a barely audible "who's that?" We concluded that the winner was someone who must have lived in the bowels of the library. At that moment, I think most of us were happy to sacrifice the award in exchange for the pleasure of knowing each other. We could hardly know that we would be rewarded with relationships that have grown for decades – a prize we keep on winning.

It is our sincere hope that our relationship with you, our readers, will also continue to deepen and grow. As I'm sure you've noticed, *Reflections'* new design debuts with this issue. We're excited about making the transition to color, and a more streamlined look. We've tried to balance new elements with familiar ones, and hope you feel we've succeeded. As always, we welcome your feedback, suggestions, and comments.

In appreciation of our  
rich and reflective relationships,





## FEATURE 9.1

# Organizational Learning and IFC's Mission Impossible

BY DOROTHY BERRY, YOLANDA HEGNGI & MARILYN DARLING

**Beginning in 1998, the International Finance Corporation (IFC) embarked on a journey of transformational change aimed at serving more people, in new and underserved markets. IFC founded its change effort on the principles and methods of organizational learning. Their decentralized approach focused first on using dialogue to create a shared vision that would inspire, and shared spaces for innovation. Ten years later the results speak for themselves – and the journey continues.**



Dorothy Berry



Yolanda Hegngi



Marilyn Darling

It has been another banner year for the International Finance Corporation (IFC), a member of the World Bank Group that promotes sustainable private sector development. “In 2007, we achieved the strongest financial position in our history,” observed Lars Thunell, our Executive Vice President and CEO.

Not only did IFC produce an operating income of \$2.6 billion in fiscal 2007 (a 6 percent increase from 2006), but we did it while continuing to grow our staff, decentralize our operations, and expand into more frontier markets. Most important, we were able to show how the private sector creates opportunities in emerging markets and helps people improve their lives – whether by assisting small businesses gain access to finance, by making investment that provide clean water to water customers; or by helping people receive hospital treatment.

After weathering some tough times as the world of international finance went through a series of major crises, IFC has seen record results for the past three years. This could lead to a sense of self-satisfaction that “we’ve figured things out.” But because of our unique mission to promote open markets and create opportunities for people in places where low incomes, political conflict, or lack of resources make life a constant challenge, we must figure out how to continue to grow in a challenging and constantly shifting landscape.

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**Many millions of people in smaller, less developed markets and in conflict-affected countries have not yet shared in the benefits of private sector growth.**

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And that is the crucial difference between IFC and other financial institutions: the mandate for growth does not drive us to look for the easiest opportunities, but to look for places where we can make the biggest difference. This means taking on and managing much greater risks in a sometimes volatile environment for international finance. The challenge can seem unmanageable in many different ways.

As Thunell noted, “Many millions of people in smaller, less developed markets and in conflict-affected countries have not yet shared in the benefits of private sector growth. Throughout the developing world, the environment, corporate governance, and social issues all pose challenges to a private sector seeking to become competitive and meet international standards.”

To make that kind of growth possible, we have had to do four things:

1. Doing more in more places – including countries and regions that present a higher business risk.
2. Having a more local presence and not relying primarily on headquarters for business decisions, as IFC has done in the past.
3. Offering new products to meet emerging needs and focusing on clients’ measures of success, not just our own.
4. Creating an organizational culture that fosters experimentation, reflection and dialogue to create and scale-up innovative solutions for clients.

Asking employees to do more with less is a familiar mandate. A few years ago, IFC employees would have responded to these challenges like their counterparts in so many organizations: “Too much.” “We can’t do it.” “That’s crazy.”

But because we have been on a proactive journey to transform the organization over the last decade, our staff now has greater confidence in what we can accomplish and a “roll-up-our-sleeves” attitude. Whereas five years ago, many of them would have balked, now their reaction is, “Okay, we can do that.”

Jyrki Koskelo, Vice President for Africa, Global Financial Markets and Funds, agrees. “We have people who want to make a difference,” he explains, “and you make that difference in the places and industries where the private sector is not reaching the people most in need. We have a critical mass of people in the field that we’ve never had before. We are closer to our clients. There is little doubt to me that we can respond.”

## A Short History of IFC

IFC was founded in 1956 as a private sector counterpart to the World Bank, investing in private enterprises where the Bank lends to governments. In its early days, IFC mainly provided financing to firms from industrialized countries as they invested in emerging markets, and this work was a relatively small part of World Bank Group activity. For a few decades, the market was quite small, and IFC faced little demand to diversify its products.

Debt crises led to more business for IFC beginning in the 1980s, as many developing country governments turned to the private sector to address their needs for capital expenditure, maintenance, and management. IFC developed expertise in infrastructure—including telecommunications, power, transport, and utilities—and grew rapidly in an expanding market with few other players. By the late 1990s, however, other investors awoke to these opportunities. The international banks that had helped expand the market started to take much of IFC’s business away. This challenge to IFC’s market presence was compounded by a second wave of debt crises that hit Russia and Argentina.

By the end of the 1990s, IFC saw its cost base going up, but its revenues were flat. The reason was simple. Larger companies in Europe and North America had enough expertise of their own to invest in developing countries. Either they did not need IFC, or they did not see big political risk in their emerging market investments.

This is the backdrop against which IFC has repositioned itself: today nearly two-thirds of IFC’s client firms are based in emerging markets. As Jyrki Koskelo notes, “When there is more need, and when the political or business environment in a country changes, IFC has two choices. We adapt and find products that are relevant for clients, or we see our business die. IFC as an organization, with the individuals we have, has chosen to keep up with market conditions.”





### IFC in 1998: The Need for Change

In the late 1990s, IFC was losing market share, even though we had a strong reputation as a project finance house. In a growing market, our portfolio had not grown in five years. Moreover, there was increasing criticism from stakeholders about the way IFC conducted its business. Many felt that our work was not focused enough on achieving development impact. In 2000, we were a headquarters-centric organization, with most of our staff in Washington. Recalling that era, Bill Bulmer, IFC's Associate Director for IFC Mining, observed, "Our strategy was really just a list of business opportunities. It was quite superficial and opportunistic."

Our leadership realized that we had to come up with a radical plan either to scale down IFC or find a new client base. IFC needed to go directly to emerging markets, and to do that, we needed more people in these markets who understood the clients. We recognized that we needed to decentralize our operations.

### IFC's Approach to Change

At IFC and the World Bank Group in the late 1990s, the initial response to this need for change was to roll out a formal change management process. But this initial approach was not a good match for IFC's culture. Instead of a complex, top-down change model, what we needed was a more organic model that captured hearts and minds and unleashed the pent-up energy of our people.

What evolved was a journey of organizational change with a strong focus on organizational learning. There was less emphasis at the top of the organization on planning exactly what the change should look like and driving it down through the ranks, and more emphasis on creating a shared vision through dialogue, and on creating the space for people – especially people in the field – to test out new ideas.

Bernie Sheahan, Director of Advisory Services, was asked to lead an early phase of change at IFC. He began meeting with staff every Wednesday.



This grew from an initial plan for three weeks of meetings to hear people's ideas. "I offered wine and called it 'Bernie's Bar.' Thirty people would show up each week, so I just kept it going. Thirty turned into 100 people, and it went on for a year." Bernie's Bar was useful for fleshing out issues. While it did not drive a specific change, it created a dialogue and helped drive a change in mindset that has become central to our way of doing business.

This approach to change was very different from "business as usual" at IFC. The immediate experience of our staff involved in those early change efforts was that "management has no idea how to do this." Everyone was looking for a grand strategy and a blueprint for change. Staff, including some of our directors and managers, would continually ask for instruction, but as leaders we kept throwing the questions back at them. If these initial forays were an awkward phase, this was also quite intentional. The aim was to get people to think for themselves and to take initiative. Because staff members were not expected to sign on to one formal, top-

down change process, it allowed them to innovate.

Another hallmark of IFC's approach was that the senior team took its own medicine. As Robert Hanig, an organizational learning consultant who worked with us through this transition, described it: "The senior team was a microcosm of the culture they wanted to create. It wasn't subject/object. They observed that 'we're perpetuating with our behaviors the very things we want to change. What about us needs to shift?'"

These early years involved lots of small experiments in decentralizing operations, putting more people in the field, creating a commercial mindset, and creating new HR programs that focused on building a high performance culture. Some took root, and some did not. But more important than the individual changes was the fact that everyone experimented and paid attention to what worked.

Just as deliberately, IFC's leaders chose not to call our effort an "organizational learning initiative." We



decided it is better to build organizational learning capabilities rather than to announce that this is the objective.

Our aim was also to stimulate the same kind of cultural change in each region. If IFC was to learn how to adapt to and outperform the market, all regional teams had to learn how to think for themselves and innovate by creating new solutions.

Thierry Tanoh is IFC's Director for Sub-Saharan Africa. His approach to leading the region today reflects the results of IFC's decade of culture change: "I delegate a lot of responsibilities to our managers. I rarely order them to do something. If they consult me, I tell them what I would do if I were in their shoes. But they are the ones making the decision. If they are wrong, they come back to me and we talk about lessons learned. I will give them clear feedback so that we all learn to do better."

IFC's growth in Africa has been especially impressive. As recently as 2003, IFC produced just \$140 million in committed investments in the region. After joining IFC in 2006, Thunell announced that we should be investing \$1 billion a year in Africa. People doubted this was possible. But just 18 months later, IFC's investments in Africa had reached a record \$1.4 billion.

### **A Shared Vision**

A long-standing aim of the organizational learning field is "to make organizations worthy of the highest aspirations of their people." In fact, IFC's mission, and the people drawn to it, are at the very core of our nine-year change effort.

As Jyrki Koskelo describes it, "It is not the organization that made this change happen. It is the individuals. As one person, you can't assume that you can change the world or IFC. But we have a group of people who want to do the right thing. By engaging all of us individually to create change, you actually move the organization."

What is special about IFC is that our vision works both top-down and bottom-up. What started with a leadership dialogue about vision also tapped into the personal vision of a lot of people. People come to IFC because they care about the work. Here they find a financial organization that cares about more than just making money. Our change process has given a voice to what they want to do.

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Dialogue about IFC's vision stimulated a staff that was already passionate about IFC's role in private sector development, and much of the focus from 2000 to 2003 was on sustainability. "How can we help create ethical businesses in our regions?" Questions like this stimulated people's creativity and gave them the freedom to experiment in their own work – a hallmark of an agile organization.

Our dialogue process continues today under Thunell's leadership. It uses a strategic planning process developed in Sweden that provides a common language and tool for vision and values-driven development of business, operations, and projects. After senior management expresses its overall corporate vision, values, and strategy, each department determines its business strategy and budget for discussion and approval. This process allows ample space for dialogue and push-back. In fact, today, unlike nine years ago, our senior leaders really have no choice but to welcome the critical thinking of the people who make up IFC.

### **Bottom-up Collaboration and Innovation**

With our markets changing, IFC found that our traditional, project-based products were not enough. Leaders knew that regional teams would need to find new solutions to meet their clients'

evolving needs. This meant that innovation would need to happen across previously stove-piped parts of the organization. And innovation across departments would require collaboration.

Sometimes innovation just means venturing outside of the boundaries of what is considered IFC's scope to apply best banking practices in new ways to the situations that investment officers face. For most of IFC's history, investment really meant project finance. Combining a shared vision

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### **Staff needed the courage to break through old models of how things get done and the strength to be a role model for others.**

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and collaboration on small experiments has allowed us to shift our portfolio and offer services that are based primarily on what the markets need, rather than what we traditionally financed.

In the IFC of a decade ago, people in the field often felt micromanaged. Jesper Kjaer is Senior Manager of IFC's Advisory Services in the Middle East and North Africa. "The thinking was 'stick to what we know,'" as Kjaer remembers. "It was a whole shift in mindset. It was not a matter of issuing a memo and starting to do something different. It was more about providing the space to allow operators on the ground – like me – to push the boundaries."

In Kjaer's region, IFC invested about \$300 million a year as recently as three years ago. By 2007, the investment had grown to \$1.2 billion. As Kjaer explains it, "One of the reasons we are able to grow the business this way is that we have also been building IFC's brand in the region. Today's IFC presents itself more as a partner and provider of solutions than as a financial institution. A Washington-centric IFC, as we had been in the past, actually drove field-based people into isolation and doing their own thing. Washington didn't seem to care. Now, we are more like a big,

worldwide network rather than a headquarters with satellite offices."

### **Using Bumps Along the Road to Practice Leadership and Learning**

When crises hit, organizations often "circle the wagons" and become risk-averse, retreating to what has worked in the past. When IFC was rocked by the second wave of financial crises in the late 1990s, our response was quite different.

Because of IFC's investments in Argentina, we faced the prospect of writing down \$600–700 million dollars in 2001–2002, which would have caused the first financial loss in IFC's history.

As senior managers, we used the prospect of a loss to challenge our operational leaders to cut costs and proactively go after new business with clients. We used the crisis to focus more on clients and put more people into the field. IFC's first downsizing became an opportunity to trim the staff of underperformers and begin to identify the top people to focus on developing.

Partnerships and client relationships are the glue that holds institutions like IFC together during a crisis. Farida Khambata, IFC's Vice President of Asia, Latin America, the Middle East and North Africa, experienced the impact of Argentina's financial crisis of 2001–2002 first hand. "Our first thought was not, 'how do we get out' but, rather, 'how do we engage with clients to help them weather the storm?'" IFC was able to react and mobilize its resources quickly, committing to its first loan around 60 days after the crisis began. "The key to responding quickly," recalls Khambata, "was knowing our clients, being prepared and being flexible."

Using these bumps in the road proactively has helped our staff become more confident of their ability to tackle unpredictable challenges in the future. "The Asia and Argentina crises actually taught us how important it is to be close to the market," observed Koskelo. "When you have crises, you are forced to react faster than you would otherwise do."

As IFC's senior leaders, we believe that organizational learning helped IFC weather its first-ever downsizing and create the "muscle" for collaboration. In a complex world, we need to build the ability to deal with conflicts. We provided people with the opportunity to practice by dealing with these very real challenges.

### Leadership Development

Because change was not a fully formed plan being handed down from our senior leaders, and because IFC was becoming more and more decentralized, the success of our effort at transformation depended on individuals. In particular, staff needed the courage to break through old models of how things get done and the strength to be a role model for others.

We supported change with a strong Human Resources program to recruit, develop, and recognize the kinds of people who could help transform IFC into an agile market leader. We sent people to the best external leadership development programs and created our own accelerated leadership development programs for high performers. In a quasi-governmental institution like IFC and the World Bank, recognizing high performers is not normally a tool that leaders can use to promote change.

This required a huge change of attitude at IFC. People didn't want an "elite" in the organization and worried about the "middle class." When we started the accelerated program, it was very controversial.

Staff members were initially uncomfortable with differentiation. Since 2000, we have aimed to build a high-performance culture where staff are recognized and rewarded based on performance and results achieved. We have implemented a robust incentive program to strengthen the link between organizational and individual performance, with an emphasis on accountability for results.

### Recruitment and recognition in the field

To reflect our approach to change, IFC leaders have been very flexible in our recruiting initiatives,



giving each region the room it needed to create a program that would work in the markets it serves.

For example, IFC had been struggling to succeed in Africa for years. When the economy there started to strengthen, it created a window of opportunity. Thierry Tanoh was able to promise people he recruited that their work would be visible to IFC leaders, and that they would be strong candidates for IFC's leadership development programs. "This is not a one person effort," as Tanoh explained it. "You need a team of people. The most important thing is to be able to recruit people who have a passion for Africa."

Tanoh was strict about which staff he recommended to the corporate panel overseeing the promotion process, but he has built a track record of getting 100 percent of the people he put forward promoted. That has made it easier for him to recruit talented people. "People here feel like they are part of a winning team."

### **An emerging success: Sustainability**

An example of how our organizational learning

approach to change has played out is IFC's extraordinarily successful venture into championing sustainability.

In the late 1990s, Environment and Social Development was a department of about 70 people that had been treated as a sort of policing function. It was seen as a constraint on business, often blocking projects from happening. As Bernie Sheahan recalls, "This department and the rest

## **By 2006, IFC was able to expand its ability to achieve its mission...**

### **IFC's Reach**

Reach indicators give an indication of the people touched by IFC's activities.

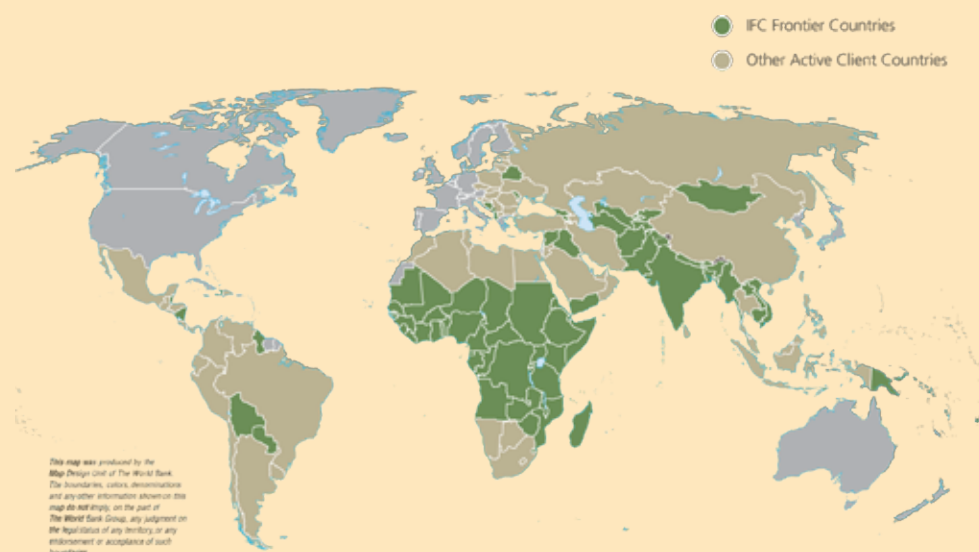
#### **Investments, 2006**

Hospital patients treated: 4 million  
Students educated: 350,000  
Electricity customers served: 9.5 million  
Water customers served: 15.3 million  
MSME loans: 5 million  
New phone connections: 53 million  
Local purchases by IFC clients: \$31 billion  
Community development spending by clients: \$250 million

#### **Advisory services, 2002–2006**

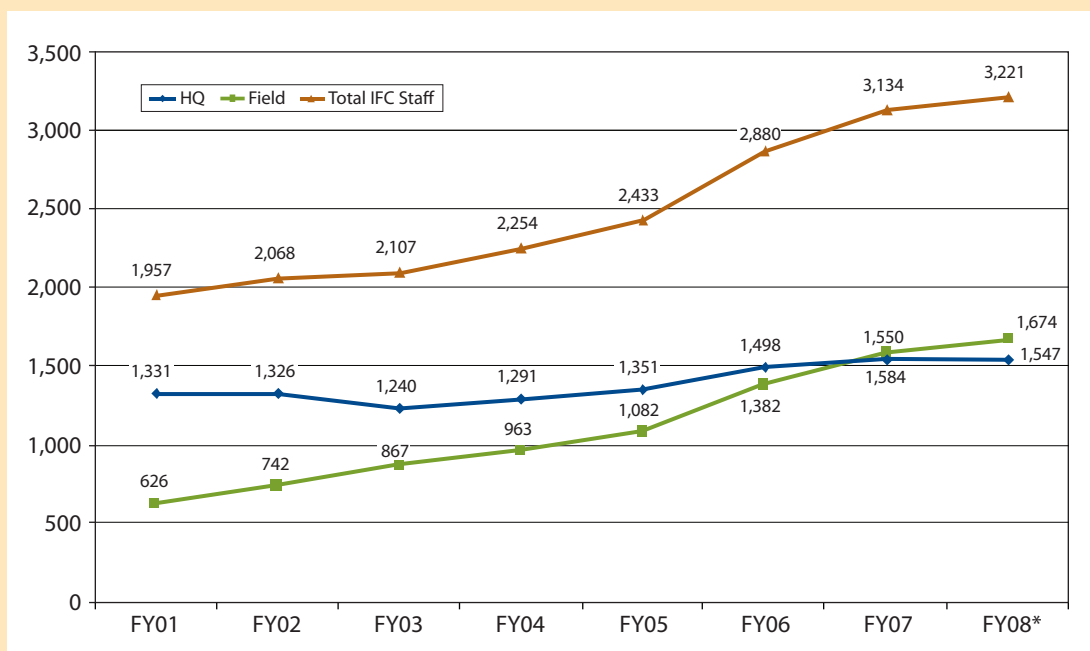
Assisted 1,768 banks  
Assisted 40,000 entrepreneurs

## **...in "frontier markets" with a higher risk profile...**





## ...while growing and aggressively decentralizing its staff...



## ...and still improving its operational performance.

### IFC Investment Operations and Resources (\$ millions) as of 1/31/08

	FY03	FY04	FY05	FY06	FY07	5-year total
<b>Investment commitments</b>						
Number of projects <sup>1</sup>	204	217	236	284	299	1,240
Number of countries	64	64	67	66	69	–
Total commitments signed <sup>2</sup>	5,037	5,632	6,449	8,275	9,995	35,388
<b>Investment disbursements</b>						
Total financing disbursed	4,468	4,115	4,011	5,739	7,456	25,789
<b>Committed portfolio<sup>3</sup></b>						
Number of firms	1,378	1,333	1,313	1,368	1,410	
Total committed portfolio <sup>2</sup>	23,379	23,460	24,536	26,706	30,954	

1 Includes first commitment to projects in the fiscal year. Projects involving financing to more than one company are counted as one commitment.

2 Includes loan guarantees and risk management products.

3 Total committed portfolio and held for others include securitized loans.

\* As of 01/31/2008

\*\* This financing is not included on IFC's balance sheet.



of IFC had seen each other as working at cross-purposes for years. People tried to get around environmental issues.”

To respond to a rapidly changing external environment and to respond to the voices of our stakeholders who were urging us to change how we do our work, IFC’s leaders launched an initiative to transform this constraint into a value stream. Our vision was to create a financial institution that not only builds the private sector but does it in a way that is sustainable for the environment and for the communities it serves. We want clients to come to IFC because we are focused on these issues, not avoid us because we are.

The drive to change IFC’s orientation toward sustainability also changed the tone of discussions with the Board of Directors and IFC’s key shareholders. By shifting from an internal focus on compli-

ance to an external focus on creating value, sustainability shifted from being a liability to being an asset.

As Sheahan recalled the shift, “Sustainability helped us articulate more clearly how the public good fit into our business model, at a time of increased concerns around these issues from both shareholders and clients.” Rather than being a drag on performance, sustainability became an important contributor to growth. It has helped us focus on our real objectives.

Dialogues like Bernie’s Bar helped get the train moving. “We went through a very involved one-to-two year launch process,” recalled Sheahan. “It was very grassroots-driven. Organizational learning was a key part of getting people to buy into the vision and to figure out how to deliver it.”

IFC leaders held a series of breakfasts to talk with staff. These conversations led to large-scale training of 500 to 600 people, to help everyone understand why sustainability was important and how to work with IFC's clients in this area. The process helped develop our thinking about how sustainability would help clients and build on IFC's comparative advantages.

As a result, experiments sprang up in IFC offices around the globe. Jesper Kjaer recalls a key example from his own work. "In 2003, we worked on an expansion of a large aluminum smelter in Mozambique. It was our largest investment in the country up to that time." On top of the investment, IFC provided a sustainability package that included community development and small business supply-chain development. "We developed smaller businesses to supply this larger project. That was considered a very successful project and a role model about how such work could be done."

The strong interest in sustainability led to the publication of a book, *Developing Value*, which highlighted the synergy between sustainability and financial performance. "Our positioning as distinct from other multilaterals helped change our momentum in the marketplace," explains Sheehan. "Now we could add value to what clients were doing, not just be someone else selling them a product."

In 2002, IFC convened a meeting of leading financial institutions that were facing major criticisms from nongovernmental institutions on environmental issues. IFC offered to help these institutions grapple with these issues. Within two months, the discussions inspired a group of banks to come up with joint policies, and they decided that IFC's policies were the best available in the market. Together, we and the banks drafted the Equator Principles.

Bill Bulmer was involved in developing the standards. The whole global finance world was literally waiting for us. "It was something that some colleagues in the World Bank Group said we

couldn't do. Because it was such a political issue, they predicted that it would take eight or nine years. But we couldn't wait that long." The Equator Principles were launched in 2003 with 10 leading international banks. Since then, the number has grown to about 60 Equator financial institutions,

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**IFC will continue to face new major challenges as it continues to become a global entity. "There is no time to sit back and say, okay, we've done that. We need to keep moving."**

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including some key banks in developing countries. IFC's leadership on sustainability and involvement in the Equator Principles has had a lasting, positive effect on employees and IFC stakeholders. This work has raised IFC's profile in the marketplace. "As an institution, we've adopted an approach to sustainability that combines risk management – the bedrock of any successful business – with identifying market-based opportunities to improve overall business performance," says Rachel Kyte, IFC's Vice President for Advisory Services. But it is clear to everyone within IFC that the institution cannot succeed on one good idea. The rest of the financial world has begun to embrace sustainability, which represents a big success for IFC but also poses a new business challenge to differentiate ourselves. It means that we must continue to create the space for innovation.

### **IFC's Future**

Our mandate for 2008 and beyond is simple. In 2007, 37 percent of IFC's investments were in the 81 poorest countries. The mandate is to increase that figure to 50 percent by 2011. This will mean investing in key sectors, such as infrastructure and microfinance, while supporting the integration of regional markets. As described by Thunell, "IFC will continue to create opportunities for millions of people to escape poverty and improve their lives."

Our future success, as the past nine years have demonstrated, will depend on our staff listening to their clients and continuing to create innovative solutions for changing markets. This is an even bigger challenge in an environment where many staff can move to other, more lucrative jobs in the private sector. “The markets have been good,” warns Bill Bulmer. “In the past, we have been able to recruit high quality staff. But for the first time, we are seeing real difficulties in recruiting people.” The factors include stiff competition for talent in emerging markets and, most recently, the weakening of the dollar.

But our senior leaders and regional leaders are confident that, if we stay true to our approach to change, the whole organization can rally around the challenges lying just over the horizon.

“We will be challenged for years to come,” proposes Koskelo. “New frontiers are always emerging. But I’m looking at a much longer historical track. If we set our minds to do something, we can do it, because we have so many highly skilled, motivated staff.”

“With the growth targets we have now,” comments Bill Bullmer, “the ability to learn as we go along is so crucial to the ongoing performance of the organization.” IFC will continue to face new major challenges as it continues to become a global entity. “There is no time to sit back and say, okay, we’ve done that. We need to keep moving.”

Bulmer recalls what he learned while working on the Equator Principles. “We like to have black-and-white answers to everything. ‘Yes, they are in compliance. No, they are not.’ But life is messier than that.” IFC must continue to earn its reputation in the marketplace. “We earn our reputation by addressing risk, not by staying away from difficult issues. We have an expectation that we will do everything perfectly, but we can’t. What we can expect is that if there are problems, we will address them and learn as we go.”

“I happen to think IFC’s glory is still to come,” observes Koskelo. “If I look back at the last 20 years, I’m much more confident in IFC’s ability to create a difference than before. I look at the staff, at our global coverage and the breadth of the organization, compared to what we had before. If we fail now, there’s something really wrong.” ■

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## FEATURE 9.1

# The Missing Piece to Building Great Teams

BY DIANA McLAIN SMITH

In this article, adapted from Diana McLain Smith's new book *Divide or Conquer: How Great Teams Turn Conflict into Strength* (Penguin: 2008), stories from the author's own work and public sources allow us to peer inside the relationships that so often make or break the success of teams. Once you understand how relationships actually work, develop, and change, you can use that understanding to build relationships flexible and strong enough to create and sustain exceptional teams.



Diana McLain Smith

All teams rise and fall on the strength of their relationships. Secretary of Defense Donald Rumsfeld and his top generals; Larry Summers and the faculty at Harvard University; Carly Fiorina and the Hewlett-Packard board; Michael Ovitz and Michael Eisner at Disney; Steve Jobs and John Sculley at Apple in the 1980s; Winston Churchill and Franklin Roosevelt during World War II; Abraham Lincoln and his wartime cabinet. As far back as Agamemnon and Achilles on the beaches of Troy, relationships within teams have determined the fate of leaders and their enterprises.

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**After 20 years of studying and advising leaders and their teams, I've come to believe that every team is only as strong as its weakest relationships.**

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Even so, relationships go largely unnoticed. We analyze group dynamics; we size up team members; we tinker with design and redefine roles and rights; we even consider the larger context within which teams operate. But we don't take a close look at the relationships that turn a bunch of people into a team.

No one today would dispute the idea that relationships matter. Flatter hierarchies, tighter interdependencies, efforts to move decision-making down in organizations all depend on the quality of people's relationships. Yet despite their obvious importance – perhaps because of it – relationships remain largely a mystery. We know *that* relationships matter, but not exactly *why* or *how*. And so despite our best efforts to create collaborative, high-performing teams or flatter, more flexible organizations, many still look as territorial and hierarchical as ever.

After 20 years of studying and advising leaders and their teams, I've come to believe that every team is only as strong as its weakest relationships. How well and how quickly teams make decisions, inspire innovation, tackle performance problems, or learn from mistakes – all depend on the strength of relationships within a team. Some relationships give teams the courage to face tough truths and make bold changes. Others kill every new idea or initiative within their reach. Still others plod along somewhere in between, causing little trouble but failing to inspire or sustain stellar performance. Without a doubt, individuals

and group dynamics figure in all this, but all that figuring takes place in the context of relationships.

In retrospect, the conclusion was inescapable. On many occasions I've witnessed organizations falter – not because leaders failed to grasp the need to change or to design the right strategy or to inspire the troops or to appreciate the importance of culture – but because relationships within their teams prevented them from doing what they needed to do to succeed.

### **“It's the Relationship, Stupid”**

I'd long suspected that relationships played a pivotal role in a firm's success or failure, but the top team at “Elite Systems” convinced me. Long touted by the press as one of America's great manufacturing firms, Elite's performance first stalled, then plummeted after competitors entered the market with knock-off products at much lower prices. Two years later, the team faced choices so fundamental they challenged its most basic beliefs and threatened its identity as a leader in product design. Quite understandably, the executives struggled.

As consultants to the team, my partner and I figured we could best help by gathering data on politically charged strategic questions, facilitating team deliberations, and developing people's knowledge of strategy, team dynamics, and negotiation. After a year and a half, I think it's fair to say we failed. Despite everyone's hard work and best efforts, the team couldn't move quickly enough to turn around the firm's performance. In the end, the board felt they had no choice. They had to take action, and they did, firing the CEO and half his team. Needless to say, my partner and I went out with them, as we should have.

Afterwards, I decided to take a closer look at what had prevented the team from moving fast enough to improve Elite's performance. As I pored over transcripts from over fifty meetings, tape-recorded over 18 months, I began to see the basic flaw in our approach. We were so intent on building the team, facilitating their decision-making, and

developing individual leaders that we completely overlooked the real sticking point: relationships within the team.

Yet the closer I looked, the more obvious it became. Three sets of relationships had made it impossible for the team to move fast or well enough to succeed:

- The relationships among executives from competing business units;
- The relationships between those most central and those more peripheral to debates;
- The relationships between the CEO and members of his team.

In the first set, executives from different business units repeatedly got caught in what they called “point-counterpoint debates” about the cause and the cure of the firm's deteriorating performance. The two executives who dominated this debate, Frank Adams and Ian McAlister, couldn't have been more different. One headed up the firm's newest and fastest-growing subsidiary, the other the firm's struggling core business. One was brash and quick, the other measured and reflective. One believed that the market should shape the products you make, the other that the products you make should be strong enough to shape the market. One appealed to facts and figures, the other to values and beliefs. Unable to resolve their differences – forget about *using* them – they began to accuse each other of trying to protect their turf or to promote their own business. The two went nowhere, fast.

In the second set of relationships, leaders peripheral to the debate watched and waited as those caught up in it argued back and forth, back and forth. Over time, the silence of this peripheral majority led those embroiled in the debate to discount their inputs any time one of them waded in. Angered by the rebuff, those on the periphery withdrew even further, making it impossible for them to alter the point-counterpoint debate that was stalling progress.



Finally, hoping to resolve differences the team couldn't, the CEO periodically stepped in and imposed a solution to get things moving. But this only strained his initially strong relationship with the team, many of whom faulted him for violating his espoused commitment to collaboration and autonomy. Now caught himself, the CEO grew more distant, creating a leadership vacuum that exacerbated the team dynamics and further strained his relationship with the team.

In the end, these three sets of relationships killed the team. With the first set polarizing debates, the second reducing them to a handful of players, and the third destroying the CEO's ability to exert his leadership, the team didn't stand a chance.

### **The Waiting Game: When You Win, You Lose**

No one in the room was blind to these dynamics. Everyone felt their corrosive effects, even complained about them regularly. But no one seemed able to change them, at least not in any enduring way. They kept bumping up against the same problem: They were all looking to someone else on the team to change his or her behavior before changing their own.

It was the old prisoner's dilemma. Worried that any change they made might be misunderstood or exploited by others, no one wanted to risk it. What's more, they all shared the same conventional wisdom about changing these dynamics. Convinced the other guy was the problem, they focused on getting him to change rather than changing themselves (see "Conventional Wisdom," page 16). With no one willing to make the first move, they all got caught in a waiting game that made it hard for anyone to change.

### **That Trapped Feeling**

From years of observing teams, I had long understood how one person's actions – say, an accusation or a threat – could provoke reactions in another (indignation or outrage) that would lead him to act in ways (stonewall or counterattack) that caused the first person to react further. But now, as I studied what happened at Elite, I could see how these patterns, left to escalate, had made even the most irrational actions look downright reasonable, even inevitable, to the person acting. Over time, this sense of inevitability had made everyone on the team feel trapped in relationships that were no longer of their own making. And

## Conventional Wisdom

- Because your behavior upsets me, you must be the cause of my upset. Since you're the cause, you should change.
- My telling you that you're the cause and that you should change is all you need to change.
- If you don't change, that must mean you don't *want* to change or that you *just don't get it*. (It's *not* a sign that my behavior is part of the problem.)
- If you continue to act in ways that upset me, that must mean that I need to try harder to *make* you change. (It doesn't mean I'm trying the wrong things.)
- Because I'm now trying harder and harder, and you're still not changing, you must be uninfluenceable. (It's not a sign that I am uninfluenceable).
- Given that you're uninfluenceable, there's nothing else I can do.
- Given there's nothing else I *can* do, then there's nothing else I *will* do. As far as I'm concerned, the relationship is over – whether I actually leave or stay.

while no one liked the impact these relationships were having on the team, no one had a clue how to change them.

And there's the rub: once patterns of interaction take on a life of their own, relationships seem to operate independently of anything we do or want or intend.

If they go well, everything else goes well. If they go poorly, everything else goes to hell. Which happens, most of us chalk up to a chemistry too mysterious to decode and too difficult to change.

It need not be that way.

### To Change the Game, You Have To See the Game

Relationships are such an integral part of everyday life they're like the air we breathe. Until something unpleasant or unexpected happens, we give them little notice; even then, we're often at a loss as to what to do. We can spot difficulties easily enough and feel their effects even more easily, but few

among us can pinpoint their cause; still fewer know what to do about it. Like a firm's culture, relationships are part of the informal side of organizational life: the soft stuff that's hard to see, grasp, or change.

My clinical research over the past two decades sheds an important new light on old relationship condundrums. That research has convinced me of two things: first, that relationships have an informal structure that can be mapped and changed, and second, that relationships may be the single most underutilized lever for transforming the performance of teams and organizations.

This is especially true for relationships that operate along *organizational fault lines* – interfaces where coordination is as essential as it is difficult: research and marketing at Merck; manufacturing and design at Herman Miller; the president and the faculty at Harvard; business units cooperating and competing in the marketplace; executive and legislative branches at the federal and state levels; top management and middle management everywhere. At each interface, interests collide and conflicts erupt. Whether people can put these conflicts to work, so they create value rather than destroy it, depends on the nature and the quality of their relationships.

This is where most of us find ourselves at a loss. Even the best ideas about teams or interpersonal dynamics fail to bring relationships into the foreground, where we can see how they work and how they break down. As a result, we may know *that* a relationship's in trouble, but we don't know *how* to change it, at least not in any reliable or lasting way.

### Relationships: A Team's Most Basic Building Blocks

Given the right tools, it's possible to build relationships that are flexible and strong enough to sustain stellar performance in teams, both over time and under pressure. Because two-person relationships are the basic DNA that shapes how a team operates and evolves, it's important to understand how relationships work and develop, and how they can





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*"And now at this point in the meeting I'd like to shift the blame away from me and onto someone else."*

be transformed in ways that take practical realities into account.

### **Understanding Relationships**

When it comes to the *formal side* of a relationship – defining roles, clarifying responsibilities, allocating decision rights, calculating financial rewards – we have lots of tools. But when it comes to the *informal side* – the chemistry between people, the balance of give and take, the sense of connection or animosity they feel – here we have only our intuition to guide us. That's because this side of a relationship is hard to see and even harder to understand. But with the proper tools, it's possible to map the underlying structure of a relationship, allowing you to see how the informal side of a relationship interacts with the formal side to determine its fate.

### **Transforming Relationships**

The reason most people change so slowly, or not at all, isn't because you can't teach old folks new tricks (you can), but because we expect them to change independently of the relationships in which they operate. The same goes for teams, even organizations. We expect them to change independently of the relationships that make them up. Trouble is, the vast majority of people will wait for their peers to make the first, second, even the third move. And when it comes to their superiors, well, then the wait will be more on the order of a hundred moves. Meanwhile, a lot of time is a-wasting. People and teams will change a lot faster if you focus on changing relationships so they are flexible and strong enough to support change at all levels – from the individual to the team to the overall organization. When people



work together to turn their relationships into contexts for growth and learning, there are no more waiting games: people help each other create a relationship that supports growth and learning.

### ***Making Change Practical***

When the best-laid plans go awry, it's usually because they're disconnected from the very realities they're supposed to address. Sure, all of us want better relationships in our teams, but what team can afford to invest the time, money, and energy to create them? To make change practical, you need more than a theory of change; you need a tool kit for making change happen in the real world. Among other tools, one tool in this tool kit must help you focus and sequence your efforts so you can create the biggest impact with the least amount of effort.

### **Focus the Change Effort**

At the end of *Annie Hall*, the classic 1977 film about relationships, Woody Allen tells an old joke about this guy who goes to a psychiatrist and says, "Doc, my brother's crazy. He thinks he's a chicken." Horrified, the doctor asks why he hasn't already

committed him. "I would," the guy answers, "but I need the eggs." The point is, as difficult as relationships sometimes are, we need what they give us, even if it's all in our heads. And there's no getting around it. While relationships give us many things, from a much-needed sense of connection to much-needed political support, they also take effort. Sometimes, lots of effort.

But not all relationships within teams require or deserve the same *amount* of effort, or the same *kind*. To help you decide *which* relationships to invest in and *when*, you need two tools: an Investment Matrix that tells you where to focus your investments, and a Sequencing Matrix that tells you when to invest in which ones. Together these two tools give you a way to think strategically and practically about developing greater resilience at the top of your organization.

### **The Investment Matrix**

In any business, people make a basic distinction between two types of costs: operating costs and investments. Where the former keeps a business going today, the latter keeps it going tomorrow. The same basic distinction can be made about relationships.

All relationships entail relatively fixed operating costs. If you want a relationship to go well, you have to raise sensitive topics with care; you have to deal with your own or other's emotional reactions; you have to repair any ruptures. All of these activities maintain relationships, and all of them take time, energy, and money.

In business, investments represent a different kind of cost. On the one hand, they're more flexible than operating costs. You can ramp them up and down more easily. On the other hand, if you don't invest enough, or if you don't invest strategically, you can't keep up with your competitors. New products or services don't get introduced fast enough, causing revenues to fall. Or increasingly inefficient systems don't get updated fast enough, causing costs to rise.

Again, the same basic logic holds for relationships. All relationships require investment to keep up with the shifting demands of any organization. Otherwise, they tend to get in the way: an organizational redesign calling for greater cooperation doesn't work as intended, or a new strategy falls flat because people don't get the right information to the right people at the right time.<sup>1</sup> Just as you can reduce the costs associated with outdated formal systems by upgrading them, so can you reduce the costs of relationships by transforming the informal structures underlying them.

In each case, you replace an outdated, inefficient system with a more effective and efficient one. Only, in the case of relationships, you seek to redesign a relationship's informal structure so it's better able to handle even the most difficult of relationship tasks well – whether it's recouping when things go wrong, or reviving a relationship that's dying.

Making investments is inherently difficult. Whether you're thinking about a business or a relationship, today's pressing demands will always clamor for more attention, and those demands will make a compelling case: if they don't get what they need, there'll be no tomorrow to invest in. So whenever you invest, you have to make choices – sometimes, hard choices.

In making those choices, many people's first instinct is to focus on "problem" relationships. But that focus is far too broad to be practical: most firms would have a very long list of candidates, and no firm can afford to invest in all of them. Besides, by focusing only on problems, you set your sights too low.

At the same time, if you take a more ambitious tack – aspiring to turn every good relationship into a high-performing one – you'll still have far more change on your hands than you can handle, and not all relationships require the same level of excellence.

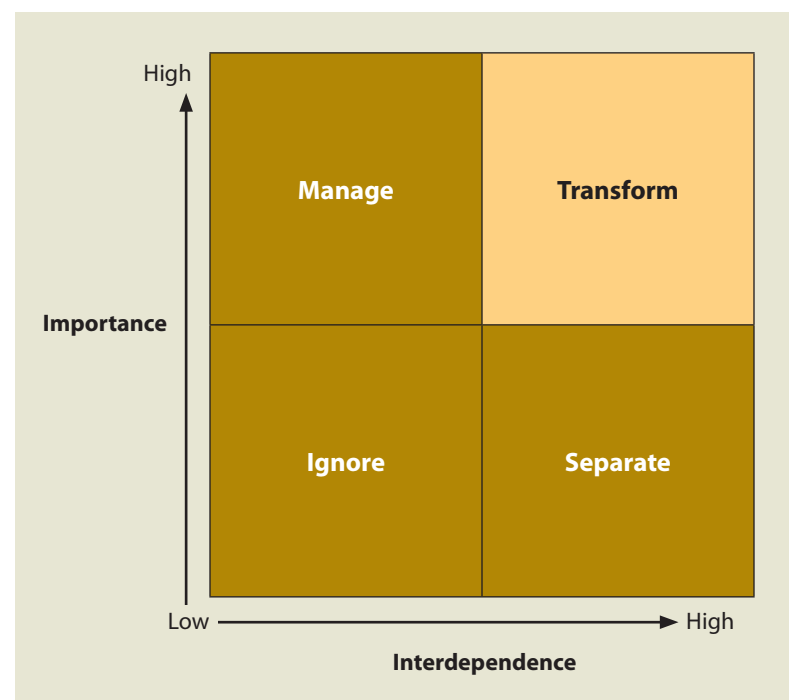
To make change practical, people need a framework that can help them focus their investments. The matrix below groups relationships in terms of their relative importance and interdependence, identifying four segments, each one calling for a different approach.

The basic idea behind the matrix is simple: *invest in transforming only those relationships that are both highly important and highly interdependent*. All other relationships can be handled through more conventional approaches. Below I define what I mean by importance and interdependence and explain how you can assess relationships in those terms.

### Importance

Perhaps it goes without saying, but I'll say it anyway: all relationships are intrinsically important. They make or break our sense of well-being, our effectiveness, our self-esteem, our sense of ourselves, our connection to others, even our purpose in life. So when I speak of importance here, I do so only relative to a firm's limited investment resources. In this narrow sense, you can assess the importance of a relationship along three dimensions –

FIGURE 1 **Investment Matrix**





*strategic, symbolic, and developmental* – each dimension posing a question and imposing a constraint:

### **Strategic**

To what extent are the people in the relationship uniquely qualified to fulfill a strategically critical role? The more vital people's talents, knowledge, or experience are to a strategically critical role, the harder it is to replace them or to redefine the role.

### **Symbolic**

To what extent do the people in the organization look to the people in the relationship, or to the relationship itself, for meaning, guidance, or a sense of purpose? The more symbolically important a relationship is, the faster events related to that relationship will travel throughout the organization, shaping the way people interpret things, including the future, the firm's strategy, and leadership's commitment to it.<sup>2</sup>

### **Developmental**

To what extent does a relationship either reveal a leader's liabilities or showcase her strengths? The more a relationship has the potential to bring out the best or the worst in a leader, the more impact it will have on her development as a leader as well as others and the firm.<sup>3</sup>

### **Interdependence**

Any expert on the formal design of organizations will tell you the same thing: the more interdependent people are, the more they rely on their rela-

tionships – not on formal mechanisms – to get things done and to resolve conflicts along the way.<sup>4</sup> What they don't tell you is that the more people rely on their relationships, the more demands they put on the informal structures underlying them. It is in the context of these informal structures that people will resolve their differences, make decisions, learn, and so on. In assessing interdependence, and thus the demands a relationship will have to meet, three dimensions are critical: *information, coordination, and decision-making*. Each one poses a question and implies a demand:

### **Information**

To what extent do people in a relationship need to share information quickly and fully to accomplish key tasks?<sup>5</sup> The more that people depend on one another for information, the more their relationship must facilitate the flow of reliable information, including sensitive information or "undiscussables."

### **Coordination**

To what extent do people in a relationship need to coordinate key activities to get things done? The more that people need to coordinate, the more a relationship must be able to navigate situations where the need to cooperate (to achieve joint goals) collides with the need to compete for limited resources.

### **Decision-Making**

To what extent do people in a relationship need to be involved in the same decisions? The more that people need to be involved, the more their relationship must facilitate timely and wise negotiation of differences, even fundamental ones.

### **Segment-Specific Approaches**

The matrix identifies four different ways of approaching relationships, depending on their degree of importance and interdependence: *ignoring, separating, managing, or transforming*. Below I explain what each approach entails and the circumstances under which it's effective (does the job best) and efficient (at the lowest cost):



### Ignoring

If two or more people don't depend much on each other and their relationships aren't strategically important, you can ignore these relationships and any negative effects they create, at least until circumstances suggest otherwise.<sup>6</sup>

### Separating

If people's roles are highly interdependent but the people aren't uniquely qualified to fulfill those roles, structural separation is often the best way to handle relationship problems, especially those that resist resolution. Here leaders might transfer or promote one of the people into a new role, create a new structure that reduces interdependence, or even fire one or the other person. As long as you view this approach as one of several, it can be used well and fairly.<sup>7</sup>

### Managing

If people are vital to their roles but the roles themselves aren't that interdependent, you can manage any negative effects a relationship creates, because they should be infrequent. When applied appropriately, this approach can reduce the impact of the occasional relationship snafu by avoiding them, insulating people from them, or protecting one or the other person in the relationship.<sup>8</sup>

### Transforming

This approach makes sense when people are vital to strategic roles *and* their success cannot be achieved without depending on one another. When importance and interdependence are high, it's much harder to ignore a relationship, to manage its ill effects, or to separate people structurally. Under these conditions, it makes the most sense to invest in making these relationships as resilient as possible, so they accelerate rather than stall the growth of people and their firms.

Relationships that are highly important and highly interdependent are those that operate along organizational fault lines – interfaces where coordination is as essential as it is difficult. It's on these critical few relationships that a firm's leadership should focus its limited resources.

### Sequencing Matrix

Once you've identified those relationships most in need of investment, you can use the matrix below to sequence those investments over time (see Figure 2). As the *Sequencing Matrix* implies, it's best to start with high-impact relationships that stand the best chance of succeeding.

### Impact of Success

In terms of impact, you can assess any relationship along two dimensions:

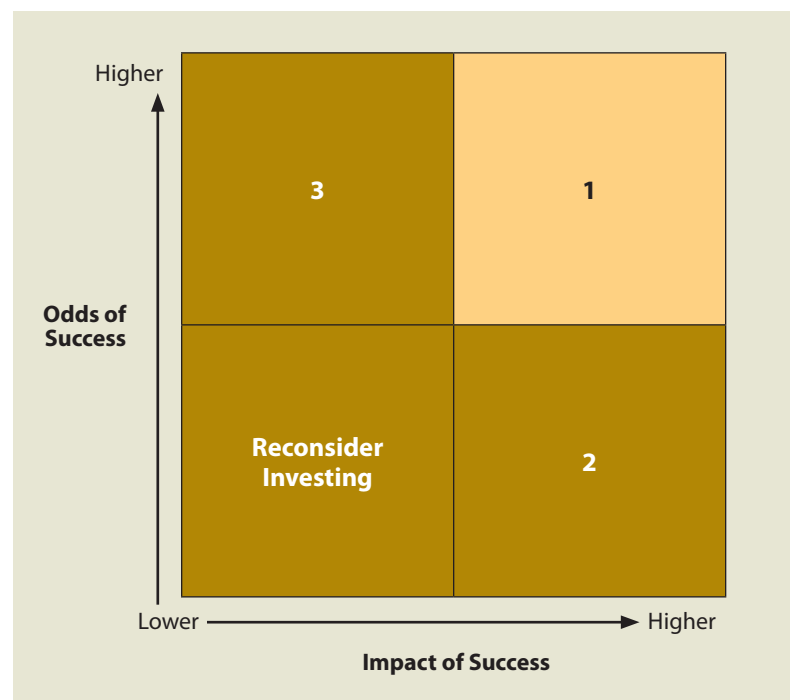
#### Impact on People

To what extent will changes in the relationship free people up to do their jobs more easily and effectively? The more the relationship prevents people from doing key jobs well, the sooner changes should be made. To what extent will the people in the relationship be more effective and fulfilled? The more people's relationships are undercutting their effectiveness or their well-being, the sooner changes should be made.

#### Impact on the Business

To what extent will changes in the relationship make it easier for people to make decisions and

FIGURE 2 **Sequencing Matrix**





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*"O.K., if you can't see your way to giving me a pay raise, how about giving Parkerson a pay cut?"*

take actions together more quickly and wisely? The more people's differences are harming critical decisions or the pace with which they get made, the sooner changes should be made. In terms of success, you can assess a relationship along three dimensions:

### **Motivation**

To what extent do the people in the relationship see important benefits for themselves and the firm? The more benefits they see, the more willing they'll be to change.

### **Readiness**

To what extent are the people in the relationship willing and able to invest their time and energy *relative to other things*? The less hampered they are

by business crises, whether self-imposed or created by circumstance, the more able and willing people will be to invest their time and energy.

### **Difficulty**

To what extent do the people in the relationship think it's possible that they played some role in creating circumstances they don't like? The more aware people are of themselves and their impact, the more willing they will be to change.

*Keep in mind that odds can and should be changed.* So while you're focusing on relationships in the first cell, you might turn your attention to increasing the odds of success for those in the second cell – for example, by pointing out the changes people in the first cell are making. Soon after, you might launch some type of programmatic intervention for people in the third cell. Although less customized, well-designed programs can prepare people for more significant investments later by increasing their awareness of themselves and their role in relationships. The fourth and last cell is a bit odd. By definition, this matrix focuses only on those relationships you consider worthy of investment. So, in theory, no one should show up in this cell. But chances are, when pressed to choose among the chosen, some will show up here. If so, you might reconsider whether these relationships really are worth the investment.

### **Conclusion**

All relationships require effort to work. But not all relationships within teams require the same amount or kind of effort. When it comes to relationships that operate along organizational fault lines, people should invest in making them strong enough to handle the tensions that will build up and the conflicts that will erupt at each of those interfaces. ■

## ABOUT THE AUTHOR

**Diana McLain Smith** is a partner at the Monitor Group, a global management consulting firm. For nearly three decades, she has advised hundreds of leaders while doing research on teams, leadership, negotiation, and organizational change. She has taught at Boston College's Carroll School of Management, and guest lectured at Harvard Law School's Program on Negotiation. A founding member of SoL, she is also the coauthor (with Chris Argyris and Robert Putnam) of *Action Science* (Jossey-Bass, 1985). [www.dianamclainsmith.com](http://www.dianamclainsmith.com)

## ENDNOTES

- 1 Michelle Conlin, "I'm a Bad Boss? Blame My Dad," *BusinessWeek*, May 10, 2004: page 60. "[There's] a new frontier in productivity: emotional inefficiency which includes all that bickering, backstabbing, and ridiculous playing for approval that the mark of the modern workplace."
- 2 At one firm, people further down in the organization looked to the head of product design and the head of sales to assess whether the firm was really serious about becoming more commercial, as their new strategy espoused. Every time these two executives fought, the word got out and spread like wildfire, even when their fights occurred behind closed doors.
- 3 The relationship between John Sculley and Steve Jobs springs to mind. Over time, their relationship brought out the worst in each of them. This exacerbated their liabilities as leaders and made them more evident to others. See chapter 2 in *Divide or Conquer*.
- 4 See Henry Mintzberg's thoughts on "mutual adjustment" in *The Structuring of Organizations* (Englewood Cliffs, NJ: Prentice Hall, 1979). Also see Daniel Goleman, *Emotional Intelligence: Why It Can Matter More Than IQ* (New York: Bantam Books, 1995). Also see Conlin's "I'm a Bad Boss?" (Note 1, above). The greater interdependence found in today's organizations has sparked an increased interest in emotional intelligence (Goleman) or emotional competence (Conlin).
- 5 In thinking through the formal design of an organization, experts have long advised managers to focus on information as key design variable, determining the desired degree of interdependence required. See Jay Galbraith, *Designing Organizations: An Executive Guide to Strategy, Structure, and Process* (San Francisco: Jossey-Bass, 2002). I'm arguing that what formal interrelationships offer in terms of information flow, informal interrelationships can quickly take away if neglected.
- 6 Like all strategies, when misapplied, this one becomes problematic. For example, if people start ignoring the ill effects of relationships that really are critical to a firm's success, sooner or later it will take a toll on the firm's effectiveness.
- 7 This approach breaks down when you feel your only choice is to impose a structural separation, no matter what the circumstances. When that happens, you end up creating whacky structural arrangements or making personnel decisions that harm a firm's performance.
- 8 If you use this approach to manage the ill effects of highly interdependent relationships, you'll soon run into trouble, because those effects will be so frequent and so widespread that it will fast become more costly to manage them than to change them.

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## EMERGING KNOWLEDGE FORUM 9.1

# Building Trust and Cohesiveness in a Leadership Team

## A Practitioner's Perspective

BY DEEPIKA NATH

Many OD practitioners are asked to intervene with groups that exhibit unproductive team dynamics, and are often faced with a decision of *how* to intervene. In this case study of a senior leadership team at a Fortune 100 company, Deepika Nath describes the application of David Kantor's human structural dynamics model. In seeking to address behavioral dysfunction that was hampering this team's ability to work effectively and further a strategic agenda, she used an approach that focused not only on addressing the behavioral manifestation of the dysfunction in the team, but also at making visible the invisible source of this dysfunction i.e. the beliefs and mental models that contributed to the behavior. This two-pronged model was a powerful approach that resulted in positive outcomes for the organization and for the team. We hope this case study contributes to the shared learning of the community.



Deepika Nath

### Background

Over several years, I had developed a strong relationship with the leadership team of a \$3 billion division of a Fortune 100 organization. A shuffling of portfolio and responsibilities had precipitated a 360-review and new leader assimilation and coaching process for the global senior vice president (SVP) of manufacturing, Sam Allard. As part of the coaching process, Sam invited me to observe a business meeting of his global manufacturing team in which they were discussing key priorities and agreeing on the strategic agenda for the year ahead.

It was a long day of heated discussions with little agreement or progress against a very ambitious agenda. Sam asked how I thought it had gone. I recall saying, "It depends on your desired outcome. If success meant getting through the agenda and getting resolution on the issues, you did not meet that objective. If however, you wanted to get a view of the team dynamics, I believe you had a very successful meeting." He laughed and said, "What should I do about this situation? I need a team of VPs who can work together to deliver against a very aggressive plan to create uniform standards of manufacturing that are necessary for us to achieve our revenue and profitability targets. Can you help me?"

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One of the executives commented,  
"I had no idea we were so disruptive  
in the way we operated."

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### The team's current state and my mandate

In the meeting I attended, I observed a team that was ill equipped to work in a collaborative and productive manner. Some of the behaviors I observed included:

- An inability to focus on an agenda and make decisions
- A lack of willingness to engage in dialogue
- Poor capacity to listen to one another
- An apparent lack of respect for one another's ideas
- A tendency to personalize the conversation and get defensive

These observations led to some preliminary hypotheses – that the group lacked trust and the willingness to operate as a team; that they were more focused on furthering their individual agendas and that they would be unsuccessful in creating a standardized manufacturing platform for the company unless they were able to come together and operate with mutual respect, trust and a willingness to listen to and learn from each other.

During conversations with the team members concerning Sam's 360-review I had developed a rapport with each member of the team. I leveraged this to have open and honest discussions on what I'd observed during their business meeting. One of them commented, "It was embarrassing to have you witness that meeting. That is so typical of the way we operate. It's a challenge to get through an agenda with this group." These one-on-one conversations helped validate my hypotheses around specific concerns, and enlisted the executives in Sam's overall objective – of creating a cohesive team who could work well together in executing an aggressive and critical element of the organization's strategy.

I also used a team effectiveness questionnaire from Schein (1988, p. 57–58) to get the team to self-assess and have a structured view of their current effectiveness. When I shared the results of this assessment, one of the executives commented, "I had no idea we were so disruptive in the way we operated."

Based on the assessments, and with Sam's agreement, my mandate for a 12-month engagement was to create a team that:

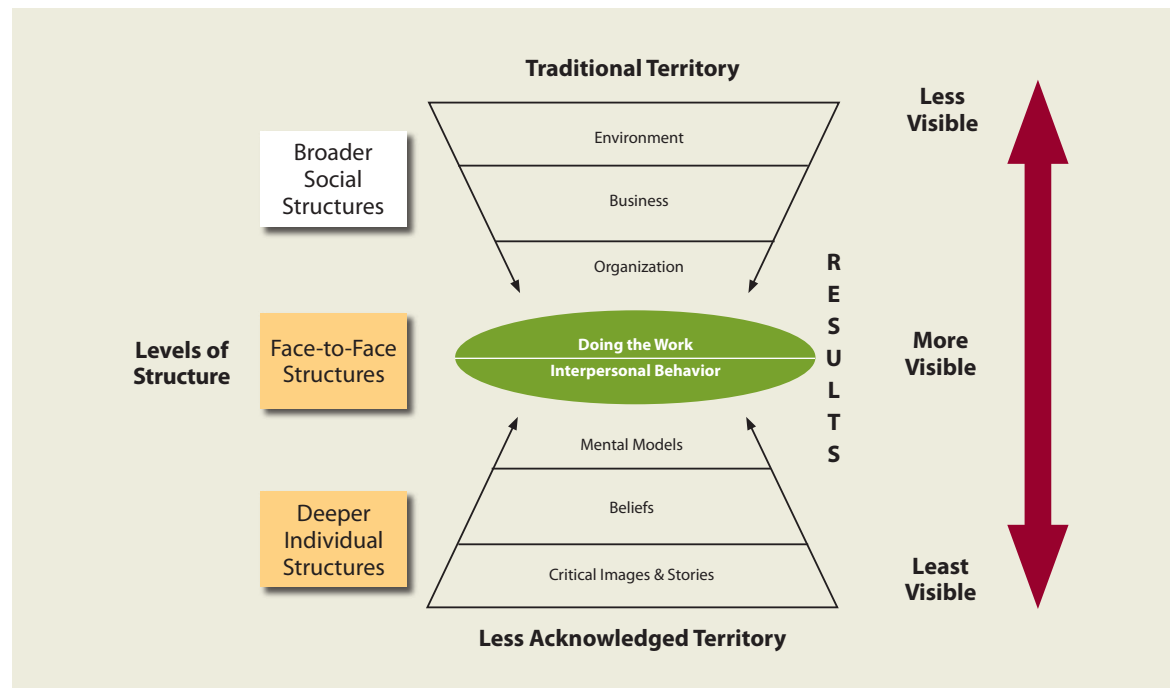
- Made sound business decisions in a considered and timely manner
- Had the ability to work together to solve critical production and quality issues
- Engaged in meetings that were productive, energetic and constructive in dialogue
- Showed evidence of listening, collaboration, and mutual respect
- Set aside personal agendas and depersonalized the conversation
- Collaborated to develop implement a world class manufacturing strategy

### The framework that guided the design of team interventions

I saw this as an amazing opportunity to delve into territory that is typically not explored. I based the design of my interventions on a model of human structural dynamics (Figure 1) based on the work of David Kantor, that suggests human interactions are a function of the social context in which the interactions are taking place, and the inner workings of the human – what goes on in their hearts and minds (Ober, Kantor, Yanowitz, 1995). I chose to focus on two aspects of this model – the team or what is described as the face-to-face structure, and the deeper individual structures and how they might influence the team's interactions, either one-on-one or in the team.

I chose to include individual-level interventions because they cover ground that is typically less acknowledged and yet significantly impacts individual behavior – what we see at the face-to-face level. It also meshed well with my belief as an OD practitioner, that all change starts with individual change, and our behavior as adults is strongly influenced by our mental models, core beliefs and stories – many of these arising from experiences in our formative years. I had a sense that if I was able to allow for a space for the surfacing and (at some point) sharing of deep imagery from each individual, it would help this team coalesce and begin the process of trusting each other.



FIGURE 1 **The human structural dynamics model that framed interventions**

Source: Ober, Kantor and Yanowitz, 1995

### The intent behind the interventions

I intervened at two levels – the face-to-face or the team and the deeper individual structures. My work at the individual level was intertwined with the work I did with the team. While the presentation of the interventions is separated for the purpose of this paper, much of my work with the team was informed and shaped by what I was observing and learning through my interactions with them as individuals, and vice versa.

### The team interventions

At the team level, the interventions were designed to help develop trust and connection, and start to develop the capacity for listening. The following models, beliefs and assumptions influenced the choice of interventions:

- A high performing team is characterized in part by strong personal commitments to the growth and success of each team member (Katzenbach & Smith, 1993).
- Appreciation of individual experiences and gifts is a powerful foundation for transformation and allows for creation of powerful

outcomes (Cooperrider and Whitney, 1999, Elliott, 1999)

- The ability to listen deeply allows for connection and a foundation for collaboration and “thinking together” – the essence of dialogue (Isaacs, 1999)
- Dialogue fosters and maintains the high levels of openness and trust that is present in healthy teams.

Figure 2 demonstrates how the different elements were integrated to guide the team’s progress towards trust and cohesion.

There were essentially six building blocks towards creating a team that was able to sustain behavioral changes that enabled an environment of trust, collaboration and cohesiveness. Table 1 (page 28) summarizes the issues that were present and the interventions used to address them.

### Establishing structural elements

There were basic housekeeping issues that Sam wanted the team to own and follow. This set of interventions was aimed at establishing a process

by which the team could focus its discussions and deliberations and make decisions in an effective manner. It involved clarifying roles and responsibilities, delineating decision rights and setting up operating guidelines between Sam and his team, as well as within the team.

### ***Developing the capacity for deep listening and dialogue***

The more challenging aspects of this engagement were around creating a safe container for the team to have strong dialogue. To achieve this, I introduced the principles and intentions of council to structure the meetings (Zimmerman and Coyle, 1996; Baldwin, 1994). These principles included always being seated in a circle and using a talking piece that the team co-created. The intentions of council are: speaking from the heart or being honest and authentic; listening from the heart or being deeply present and attentive when another spoke; being “lean of expression” and learning to be succinct; and allowing for silence as well as spontaneous expression.

To facilitate their interactions within this structure and to help them make the distinctions that would

allow them to realize the intentions of council, I introduced the four behaviors of dialogue (Figure 3) – voicing, listening, respecting and suspending (Isaacs, 1999). At one level, the intention was to help the team develop a capacity for listening (without judgment and reaction) and at another it was aimed at helping them experience how deep listening could result in more powerful outcomes and decisions. Above all, it was aimed at building trust within the team.

Over the course of my engagement (and subsequently), the team adopted sitting in a circle as part of their meeting protocol. Initially they struggled with some of the practices of council – in particular with holding a silence. There was a tendency to reach for the talking stick before the person who was speaking had finished. Over time, as they became more comfortable with the practices, the use of the talking stick as a mechanism to allow “one voice at a time” and to help “hold the silence” evolved from a forced behavior to a more natural and comfortable one. Their discussions went from individuals fighting to say their piece, to comments that were more indicative of listening and building on what has been said. The reac-

FIGURE 2 **Guiding the team’s progress towards trust and cohesiveness**

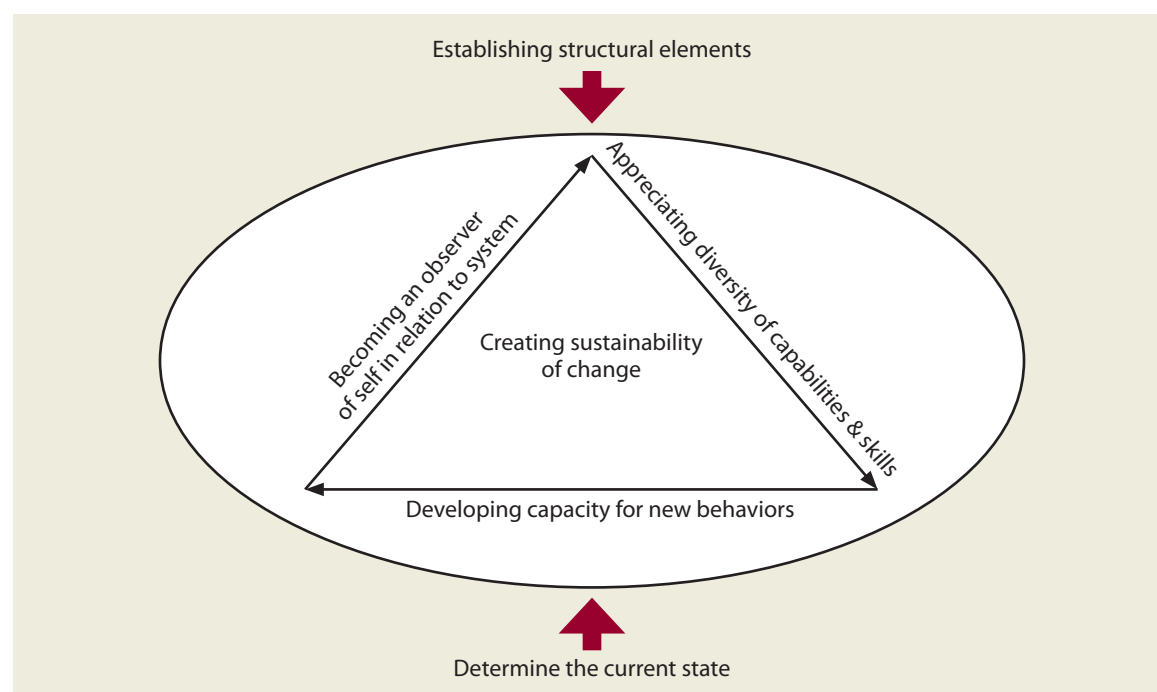


TABLE 1 **Summary of interventions at the team or face-to-face level**

The issue I was trying to address with the team	The intention behind the choice of the intervention	The specifics of the intervention used
<b>Determine the current state</b> <ul style="list-style-type: none"> <li>Understand the current dynamics of the team</li> </ul>	<ul style="list-style-type: none"> <li>Provide both objective and qualitative data on the current state of the team</li> <li>Create an awareness among the team for the need to change</li> </ul>	<ul style="list-style-type: none"> <li>Observation of team meetings</li> <li>One-on-one informational interviews with the team</li> <li>Team effectiveness questionnaire (Schein, 1988)</li> </ul>
<b>Establish structural elements</b> <ul style="list-style-type: none"> <li>Absence of a core structure guiding the team's meetings and decision making</li> <li>A need to have an efficient and effective process for running meetings and ensuring decisions were made</li> </ul>	<ul style="list-style-type: none"> <li>Provide a framework that they could fall back on during meetings that were not formally facilitated</li> </ul>	<ul style="list-style-type: none"> <li>RASCI as a way of delineating roles and responsibilities</li> <li>Decision rights and rules across the team</li> <li>Operating guidelines between the team leader and the team, and within the team</li> <li>Basic rules of running efficient and effective meetings</li> </ul>
<b>Identify &amp; appreciate diversity</b> <ul style="list-style-type: none"> <li>Lack of mutual respect among several members of the team</li> <li>Some team members openly critical of the skills &amp; experience of others</li> <li>Not seeing the power of the team</li> </ul>	<ul style="list-style-type: none"> <li>Provide a mechanism whereby the diversity of skills and experience is respected, valued and drawn on by the whole team</li> <li>Create an environment where there is openness to hearing different points of view</li> </ul>	<ul style="list-style-type: none"> <li>Appreciative inquiry to value the other members of the team for what they brought to the team and the power of the team</li> <li>Margerison &amp; McCann Team Management Profile to understand how well the team was set up for success, and what was missing</li> <li>The Team Management Profile and DiSC as tools to understand how different members of the team operate and to create a shared language and understanding for how to work effectively together</li> </ul>
<b>Develop the capacity for new behaviors</b> <ul style="list-style-type: none"> <li>Poor listening skills and poor ability to engage in a productive conversation</li> <li>A lot of lobbying for a point of view, a lot of opposing what was proposed and very little genuine inquiry or attempting to understand the other's point of view</li> <li>Jockeying for the attention of the leader and deferring to him to resolve differences and/or make decisions</li> </ul>	<ul style="list-style-type: none"> <li>Provide a framework to shift behavior – from judgment and reaction and to one of genuine listening, inquiry and curiosity</li> <li>Deepen the ability to listen for what is being said and what is not being said</li> <li>Create an environment where each person is heard and the diversity of opinions is respected and valued</li> <li>Develop the capacity for trust and reliance on one another</li> </ul>	<ul style="list-style-type: none"> <li>Principles of dialogue and the four behaviors of dialogue – voicing, listening, respecting and suspending</li> <li>The practice of council including holding meetings in a non-hierarchical structure of a circle and the use of a “talking stick”</li> <li>Core principles of council: i.e. speaking from the heart or being honest and authentic, listening from the heart or being deeply present and attentive when another spoke, being “lean of expression” or being succinct, and allowing for silence as well as spontaneous expression</li> </ul>

TABLE 1 **Summary of interventions at the team or face-to-face level** (continued)

The issue I was trying to address with the team	The intention behind the choice of the intervention	The specifics of the intervention used
<b>Become an observer of the self</b> <ul style="list-style-type: none"> <li>A lack of self awareness and poor ability to “self-correct” behavior</li> <li>A need for the team to be self sustaining in their development post-engagement – shift the reliance on an external facilitator</li> </ul>	<ul style="list-style-type: none"> <li>Develop the ability to be an “observer of the self”</li> <li>Identify behaviors that are empowering vs. those that enable unproductive dynamics in the team</li> <li>Create an environment of continuously evaluating and improving the team’s interactions with each other</li> </ul>	<ul style="list-style-type: none"> <li>David Kantor’s boundary profiles and the “four player model” which describes typical roles that occur in a conversation – mover, opposer, follower and bystander – and how these roles can facilitate or hinder the group’s capacity for genuine and productive conversation</li> <li>Replay of actual meetings, analysis of “what was going on” and “what might be a different approach” – becoming more aware and conscious of behavioral choices.</li> <li>Use of a team effectiveness questionnaire based on Schein (1988) – at different points in the process</li> <li>The practice and discipline of a +/Δ process – what went well, what can be done differently – as a regular part of the meeting protocol</li> </ul>
<b>Create sustainability of change</b> <ul style="list-style-type: none"> <li>Shift the focus from “learning new skills” to applying them in the service of shared goals and objectives</li> <li>Continue the process of becoming a “self-regulating” system</li> </ul>	<ul style="list-style-type: none"> <li>Create a shared vision of the guiding principles and core values of the team</li> <li>Identify behaviors that would govern their interactions going forward</li> <li>Provide reinforcement of the different skills experienced and learned over the course of the engagement</li> </ul>	<ul style="list-style-type: none"> <li>Visual image storytelling process that incorporated principles of dialogue, appreciation, knowledge of self &amp; other, and self observation, to create a shared vision of the team and the behaviors that would guide the achievement of the vision</li> </ul>

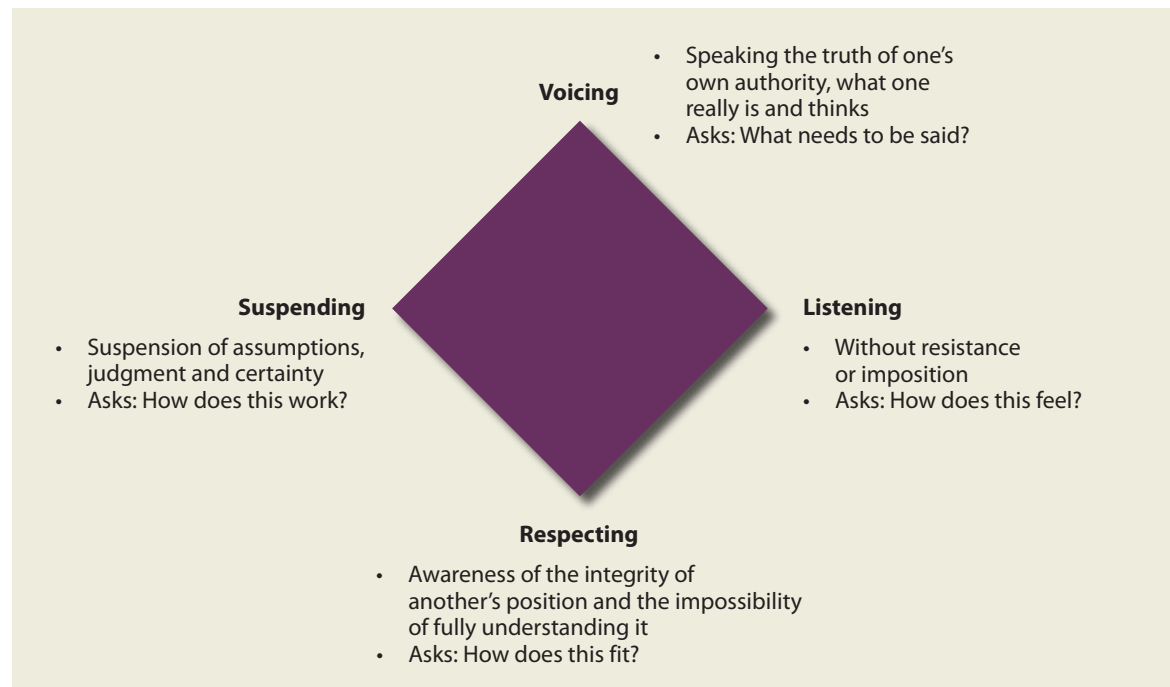
tion to silence went from a rush to fill it, to actually asking for a moment of reflection during the course of a conversation. Although there was evidence of progress, it was more of an iterative process than a linear progression. The awareness and reinforcement of dialogic behaviors was one that continued throughout my 12-month engagement with this team, and continues to be a core part of the team’s operating model.

### ***Appreciating diversity of skills and capabilities***

While most of Sam’s team had been at this company for many years and had deep roots in the industry, some of the more recent additions were brought in with very different industry experience. They also brought strong experience in creating

world class manufacturing organizations, which was a crucial element of this organization’s strategy. The input of these individuals was often not considered and valued by their colleagues. As Sam put it, “I hired Joel and Charisse for their expertise in Lean Manufacturing. I am concerned the rest of the team is shutting them out. I suppose I could be more directive by simply telling people we have to rely on their experience, but I don’t want to add to the resistance.”

The team needed to operate in an environment of respect and appreciation for the diversity of style, skills, experiences and contributions. They also needed to understand how to work effectively with this diversity and leverage the strengths of each other. To create this culture and capacity,

FIGURE 3 **Developing the capacity for new behaviors**

Source: Isaacs, 1999, p. 419

I used interventions derived from appreciative inquiry, team role preference (Margerison & McCann, 1985), and individual assessments such as DiSC as building blocks on the foundation of dialogue.

These interventions had the desired impact. For instance, the appreciative inquiry exercise used as in the first session, allowed for a breaking of the ice in the team. The team found many points of connection – shared experiences, interests, hopes and desires. After that session, there was a dissipation of some of the sources of tension e.g. the resentment of the role an individual played, or the lack of industry experience. In addition, the resistance to being seen as and operating as a team started to fall away as they worked through their stories of positive team experiences.

In using the Team Management Profiles (for instance), the team was able to appreciate the different work preferences and styles that were present in the room. It allowed them to identify strategies that would be most effective in interacting with this group of individuals, and it allowed them to value the different roles each member of the team tended to prefer in a team setting. It also gave

them a snapshot of what might be missing and how they could develop those roles as a collective.

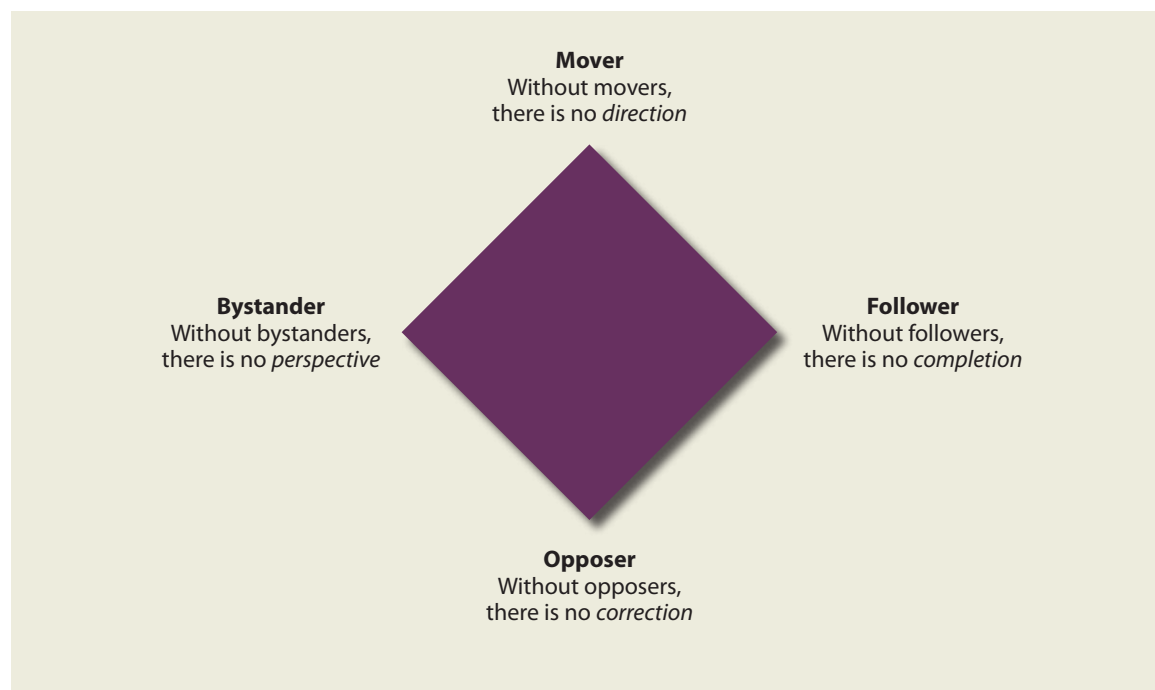
### ***Becoming an observer of the self***

As I worked with the team, I felt it was important to facilitate the development of their own capacity for diagnosis and action in order to make them self-correcting and self-sustaining after I had transitioned out of the process. I also wanted them to have a greater awareness of how to facilitate a dialogue by understanding the roles they tended to (individually) gravitate to in a conversation. I introduced another element of structural dynamics – that of boundary profiles and more specifically, David Kantor's "four-player system" (Figure 4 in Isaacs 1999, p. 192-202, and Kantor & Lonstein, 1994).

My intention was to get this team of individuals to "see" their patterns of interaction. I believed if they were conscious of their operating tendencies, how these impacted their effectiveness, and what roles were being played out in their team interactions, they might be able to shift the roles they played and engage in more productive and effective dialogue. It would help them notice whether



FIGURE 4 Kantor's "four-player system"



Source: David Kantor in Isaacs, 1999, p. 418

their conversations were dialogic in nature or at the level of discussion and debate. At a minimum, it would increase their self-awareness of how they showed up and help them develop a capacity to become observers of their own behavior. To facilitate their learning, I videotaped some of their meetings and had them analyze their interactions afterwards.

One of the insights that emerged was the difference in expectations of how the team should operate. For instance, Sam expected his team to be his equal partners in the decisions they made. There were some members of the team who would defer to Sam's decisions. Another insight came from seeing two members of the team frequently engaging in a move-oppose dynamic, and how it stymied the progression of the conversation.

### ***How the team interventions unfolded and interacted***

The emphasis of each intervention was to help them not only become familiar with the skills but also to practice and develop a level of mastery with that skill. Each session built on the previous ones. The final intervention was a visual image

storytelling process (Reeve, 2005) where the team incorporated the various building blocks (i.e. practices of dialogue, appreciation and knowledge of self and other, and observation) to co-create their vision for their team. It required them to collaboratively create the guiding principles and core values of the team, and the behaviors that would govern their interactions going forward by building on the values and vision of each individual in the team. I chose a visual process to shift the context from verbal, left brain activities that this team was very facile with, to a process that would invite them to activate (in a positive way) some of the drivers of their behavior – their beliefs, values and mental models. As the team moved from sharing individual values and beliefs to co-creating a shared set of guiding principles and vision, there was evidence of respect for individual ideas and the diversity of opinions. There was a remarkable absence of the heated arguments that had characterized the first meeting I'd attended. In its place was an energy of collaboration and partnership, resulting in the creation of a shared vision that each individual had contributed to, owned and had personalized through the storytelling process.

### The individual interventions

While working with the team as an entity, I was also coaching individual members of the team. A core outcome for the coaching sessions was to help the individual become an observer of the self and understand what drove behavior so they were able to *choose* how to act, rather than acting from a place of habitual tendency. Although the ultimate goal for the model in Figure 1 is authenticity, insight, mastery, and alignment are intermediate stages that lead to authenticity. In an effort to be pragmatic (and recognizing the journey toward authenticity is a lifelong one), I focused on a realistic goal of building the capacity for insight (through self awareness and inquiry into the underlying causes of behaviors), and varying degrees of mastery.

Using a subset of the human structural dynamics model (Figure 5) as a base, the intentions I held were to help the individual become aware of his/her feelings, mental models, belief systems and deeper stories that governed his/her behavior in the team context. Specifically, the intent was to make visible those factors that were invisible or less visible, and enable the individual to act in an authentic manner.

As I used this model to guide the individual coaching sessions with each executive, my role evolved in the following manner:

- Help the individual become aware of feelings, mental models, belief systems, and deeper stories
- Create and strengthen their capacity for embracing these deeper structures
- Facilitate their understanding of how these structures impact their behavior and how to recognize the shadow aspects
- Help them develop the ability to reframe and choose the internal structures that influence behavior

### The interplay between individual and team interventions

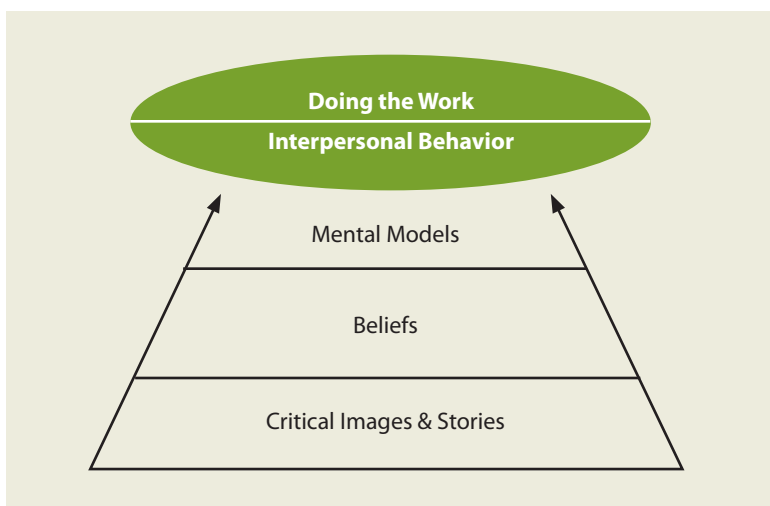
Having simultaneous interventions at the individual and team levels and playing a dual role as facilitator for the team and as personal coach allowed me to observe shifts that occurred as an individual gained insight into her/his behavior and changed how s/he interacted with the team. The team meetings also provided me with insight and direction on how to intervene at the individual level with different executives.

### The results of my work with the team

Over the 12-month period, there were many visible changes at both the team level and with individuals. For instance, the team's interactions were much less fractious and chaotic. Their discussions resulted in key decisions being made in a timely manner with each individual feeling heard even if their idea was not included. They had greater appreciation and respect for what their colleagues brought to the team – "I had no idea Charisse had such wide ranging experience. It is quite refreshing to have someone who hasn't grown up in this industry."

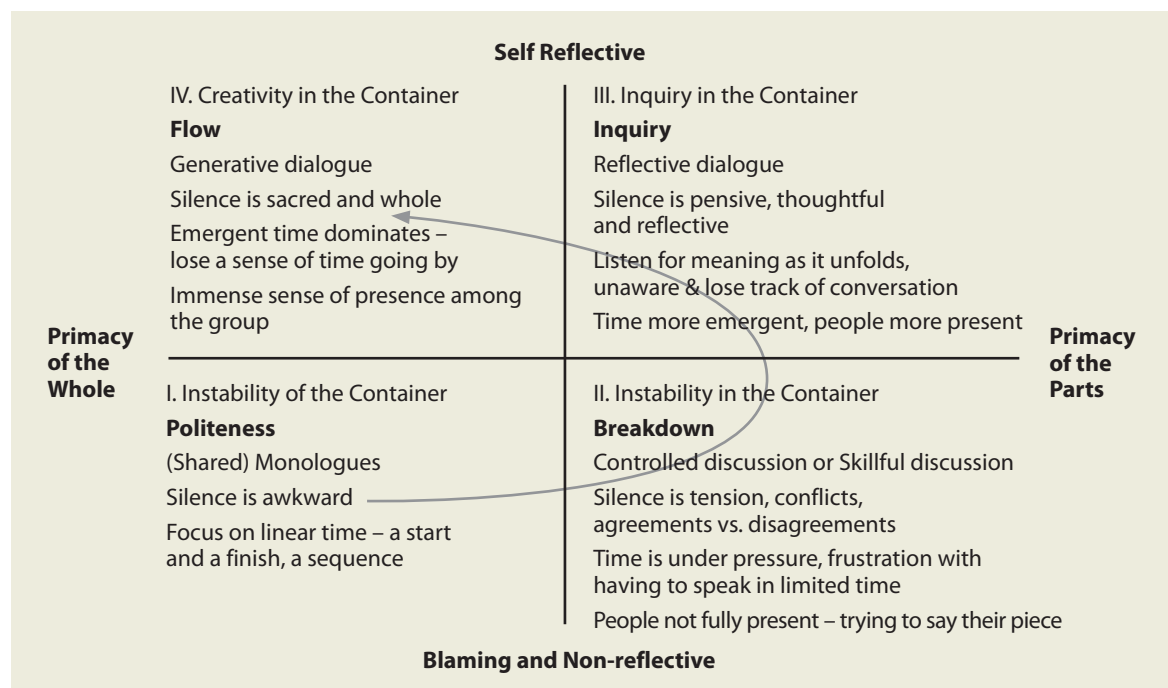
They were able to appreciate silence and the quality of reflection and insight that came from it – "I realized how much of my time is filled with doing things – meetings, conference calls. I never get time to think. I was actually able to think about and find a solution to this problem." There was a greater sense of camaraderie and trust amongst them. In self-assessing their progress on the team effectiveness instrument used at the beginning

FIGURE 5 **Making the invisible visible**



Source: Ober, Yanowitz and Kantor, 1995

FIGURE 6 Mapping the progress of the team



Source: Isaacs, 1999, p. 261

of the process (Schein, 1988), on all measures, the team had moved from a "below average" score to an "above average" rating.

When I started my work with the team, I would have described members as exhibiting behaviors characteristic of “breakdown” (Figure 6). Probably one of the more profound changes I saw (and that was significant for me) was their ability to maintain a quality of inquiry and at rare moments, particularly in our last session together, there were moments when their interactions had elements of flow as described in Figure 6.

At the individual level, the changes varied depending on the individual. Certainly some of them moved more than others. As their capacity to observe their own behavior grew, it created greater awareness and ownership of their own issues, and led to more courage and honesty in their communications. As they stepped in to appreciate and value their own contributions and role on the team, their insecurities went down, they developed more confidence and demonstrated a greater sense of presence as leaders. The awareness and legitimizing of their individual stories allowed them to

have respect for and appreciation of the same in others. By practicing compassion for themselves, they developed the capacity for compassion towards others. This in turn allowed for a level of trust and a commitment to each other's success, which provided a strong basis for collaboration.

### Critical success factors

I was operating at two levels of the system simultaneously and addressed not only the behaviors that emerged in team interactions but also the underlying triggers of these behaviors. One reason I was able to successfully take this path was Sam's uncompromising sponsorship and support, as well as the trust we had built as a result of our long standing relationship and my candor in the early stages of the engagement. Over the course of the 12 months, he allowed me tremendous creative freedom to introduce the ideas behind council practices and dialogue. He'd been exposed to the practices and was a great believer in the notion of "going slow to go fast."

Although some members of the team were initially resistant to the team process, because of my work with them individually, they grew to trust

## Being a reflective practitioner

In the course of this engagement, I found myself engaging in a great deal of reflection around my capacity as an OD practitioner. At various points during the engagement, I explored different questions, including:

- What is my typical stance with clients?
- How am I showing up? How does it feel?
- How do my own inner stories and mental models influence me?
- How can I consciously choose to shift from my “tendency”?
- What will it take to shift my stance to what is needed?
- What is the impact if I shift my stance? What is the risk if I don’t shift my stance?

The process of being both coach and facilitator provided me with a powerful illustration of the importance of having a strong container for individual and collective transformation. I was constantly stepping into a place of modeling the behaviors I introduced to the team – e.g. learning to honor silence; bringing a mindset of appreciation to the conversation; making the invisible visible in my own context; acting with courage in situations that challenged me personally, such as not being compelled to have all the answers, or not taking their resistance to some of the ideas I introduced as personal criticism, and being a mirror for them when situations that contributed to the dysfunction in the team came up.

I used this engagement to expand my comfort zone. Since I was working closely with this team over a significant period of time, I took a reflective stance for each encounter and expressly asked “What could I have done differently to make this session more effective for you?” It allowed the team to see that it was acceptable to not be perfect, it gave me a chance to get real-time feedback that could improve my capacity as a facilitator and helped me explore my own growing edge around feedback and criticism.

Another area I consciously worked with was to develop my ability to let go of managing the outcome. I actively practiced being present to and responding more in the moment – operating with a greater sense of connection to my own insight and intuition, with powerful positive outcomes. This engagement built my capacity to be an observer of my self and of the system. It has strengthened my ability as an intervener and has contributed significantly to the development of my voice and my own transformation.

me with their inner stories and thus trust the process I was taking the team through. Their cynicism and resistance started to wear down as they experienced having a voice in the conversation and being heard as a result of using council and dialogue practices. One of the early breakthroughs in getting them engaged in dialogue was having them “create” their talking piece. “I’m having so much fun making this, I can’t wait to use it” was a com-

ment from one of the more structured individuals in this team.

One of the other unexpected contributors to the success of the engagement was my knowledge of the organization, its business, and the dynamics within the industry. It allowed me to connect the interventions aimed at strengthening team effectiveness to core business issues the team was

dealing with, rather than have “stand-alone” team-building sessions. By integrating business issues into the design of the interventions, the team had an immediate context for applying and practicing their new skills, which enhances the capacity for retention and recall of new behaviors.

### Challenges encountered

There were some challenges I encountered in the course of this engagement. Even as they saw the value of the practices of council and dialogue in being given a voice and being heard, some aspects were not readily embraced. It took a while for the team members to honor silence and not jump into the fray – “I find it so difficult to sit still and not say something when no one is speaking. It makes me wonder if I did something wrong,” said one of the executives early in our sessions. While this reflected the challenge of holding silence, it was also a

powerful example of how our inner story shows up in our behavior. Over time, and with the help of reflective practices in their individual coaching as well as in their team sessions, they started to see the value of having silence and silent time, in their process.

Another difficulty that was more present in earlier sessions than in later ones, was a desire to be “in action.” This is reflected in the comment from a team member that “we talk a lot and I enjoy our sessions, but when do we make decisions for the business.” Fortunately given Sam’s experience with dialogue, he was able to support me and provide a context of “we *are* making decisions. By talking about and resolving the issues, our decisions are becoming clearer.” It took them a while to realize by being in dialogue they were “in action” around decisions.





In creating the experience of being an observer of the self and using the four-player model, there were some unintended consequences. During the debrief, one of the team commented “We sure were on our best behavior today. I suppose we knew we were being watched.” Had I anticipated this better, I might have introduced a disturbance to the system to raise the stakes, because when the stakes are high, there is a tendency to revert to “default” or typical behaviors especially in early stages of behavioral change.

### Summary

The human structural dynamics model provided a valuable set of lenses to examine this team’s issues. At the same time, it allowed for improvisation in the choice of interventions used to address different team issues. The occasion to work with an intact team over an extended period of time helped create a robust foundation wherein the skills introduced had a chance of taking hold. It helped build trust with each individual and created a space for personal growth. This systemic approach presented a powerful learning opportunity for all of us engaged in the process. ■

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### ABOUT THE AUTHOR

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## PERSONAL PERSPECTIVE 9.1

# Love, Language and Working Relationships

BY MANUEL MANGA



**Manuel Manga**

In order to create more harmonious societies, humans desperately need to discover better ways to relate to each other. Doing so will foster more loving relationships, and the creativity, dialogue, and learning we need to create a sustainable and prosperous environment for future generations.

This may sound utopian to some, given the current state of our world. But despite all its problems and unintended consequences, the scientific knowledge of our modern world can also provide us with a new base of understanding. Scientists and thinkers such as Humberto Maturana, Ximena Davila, Ashley Montagu, Riane Eisler, Daniel Goleman, Thomas Lewis and others have created a body of knowledge that can impact how we construct working relationships, teams, and organizations. Together, these thinkers examine the often-forgotten dimensions of human love. Their analyses help us to see that when these important dimensions are not incorporated into our work situations or communicated to others, we are often left feeling incomplete and unable to bring forth our full human potential in our work and lives.

In *The Biological and Cultural Matrix of Human Understanding*, Maturana and Davila depart from the standard Cartesian-mechanistic ontology, in which mind and body are separate, rationality and emotions are seen as antagonistic, and a subjective and objective fragmented view of reality prevails. Maturana and Davila offer a different perspective from which we can expand our understanding of the range of human possibilities. Their work invites us to consider ourselves as multidimensional beings, playing varying roles as:

- Living systems
- Emotional – Loving animals
- Linguistic and rational beings
- Relational and social animals
- Part of the whole human family

Each of these dimensions has implications for how we want to interact with other individuals, teams, organizations, and cultures.

If we begin to understand ourselves as living systems, then our sense of self begins to expand, revealing our interconnectedness with all living systems, including the planet's biosphere. From this we can also begin to imagine our organizations and institutions evolving from machine-like systems to living institutions, as Peter Senge and others have proposed.

If we examine our relationships from the perspective of ourselves as emotion-loving animals, then the pull of our emotions strongly impacts our relationships, teams, and organizational culture. Dr. Edwards Deming claimed that

the organizations in which we spend most of our time working are ruled by the emotion of fear, which impedes learning and productivity. In order to improve working relationships (and, consequently, productivity) he asked that managers work to build positive relationships that reduce fear in the workplace, and replace fear with more nurturing aspects of human interactions.

Humberto Maturana offers an abstraction of love that can help guide us in creating loving relationships. In his article, "The Biology of Business: Love Expands Intelligence," written with Pille Bunnell, he notes, "Love is the domain of those relational behaviors through which another (a person, being, or thing) arises as a legitimate other in coexistence with oneself." In addition, Maturana states that love is visionary and expands our intelligence. As such, incorporating love in our relationships not only improves them, but also expands the dimension of the self.

Author Daniel Goleman in his book *Emotional Intelligence* and Thomas Lewis in *A General Theory of Love* also encourage us to integrate love into our daily lives. They invite us as leaders, managers, and parents to pay attention to how our emotions shape our conversations, our behavior, and our interactions with others. And they also invite us to transform our negative emotions, such as anger, into more constructive interactions with other people.

Another important dimension of being human is language. Language has been used primarily as a descriptive tool, or a tool for communication of words and symbols. The full power of language in its capacity to be generative, and to have generative conversations, has been underutilized. The prevailing conversation in meetings tends to be one of debate and confrontation, or abdication to the leader or person in authority. Generative dialogue among the team members that challenges the existing mental models or brings forth breakthrough thinking is the exception.

Language and conversations are the foundation of all human relationships. The quality of our conversations determines the quality of our relationships, and the quality of our relationships determines the quality of our work. This systemic nature of language and human beings is how we construct our relationships and our societies. Given that conversations are so important to successful interactions, how can we use them to help us construct loving and productive relationships?

The following types of conversation can bring about better and more productive human relationships, used individually or all together.

- **The Relationship Builder** The most important conversation to have is a conversation for building a relationship based on mutual understanding, trust, and some sense of shared concerns. The relationship is the foundation to all types of human conversations and activities. These are the conversations that are often taken for granted in professional or project teams and organizations.
- **The New World-opener** This conversation allows people to explore new ideas, new possibilities and new visions. Human beings are uniquely equipped with the capacity to use our imaginations to expand our horizons. But because humans find it comforting to stay within the bounds of familiarity, often people settle into repetitive conversations that keep them stuck in the same reality. Having the "new world-opener" type of conversation helps to nurture creative relationships, expanding intelligence and creating possibilities.

- **The Making Things Happen Conversation** This conversation encourages action. Most of our institutions are driven by people committed to some kind of action or project. This conversation is perhaps the most common conversation in daily life. However, while we all engage in this type of conversation, we often leave out certain key elements that diminish its effectiveness, such as the specific time when something is to be done or completed or the conditions of satisfaction attached to the action. For example, if I ask someone for a cup of coffee and I forget to say my conditions of satisfaction (i.e., decaf coffee, skim milk, and no sugar), then my request for this action will not produce the desired result. Given that most of our working relationships are based on conversations for action, becoming effective in this conversation could produce greater amount of satisfaction and results.
- **The “I-Thou” Conversation** Our culture does not give us many examples of people engaging in dialogue, a thorough, two- (or more) sided conversation that facilitates the fluid exchange of ideas. Most of our TV shows are designed for debate and most of our public leaders engage in monologues. Our educational system fails us in teaching us the importance of dialogue, instead focusing on how to construct one side of a debate. This creates polarity: winners and losers only. Instead, the “I-Thou” conversation is based on a foundation of love, in which the other person is perceived as a legitimate other. Without this foundation of love, we listen to the words but not the other person’s goals and aspirations. Based on the capacity to see the other as a legitimate other we can listen deeper to the other persons’ concerns and together build or generate a new reality and/or relationship.
- **The Mirror Conversation** This conversation encourages feedback and learning. Everyone talks about the importance of giving and receiving feedback, but in reality this conversation seldom takes place, because of the emotion of fear in our workplaces, and our lack of emotional intelligence. The stronger the relationship’s foundation (based on conversations of relationships) the greater the capacity to listen to feedback and to learn from each other. Knowing that the feedback is being offered on a foundation of love improves the chances for accepting the feedback and for reflecting on its potential for learning and development.

These conversations are the foundations for building effective and productive relationships, and can provide a deeper understanding of where emotions and conversations come from. Thomas Lewis and his colleagues (in *A General Theory of Love*) have given us a map of our limbic brain, and its direct influence in the operation of our daily lives and its implications for our relationships. Without this emotional understanding, we will continue to misunderstand ourselves and misunderstand others, creating suffering in the world.

The biology of cognition developed by Humberto Maturana and Francisco Varela in their book *The Tree of Knowledge* offers a new way for each of us to understand how we perceive and bring forth our human worlds. According to Maturana, each of us is a unique observer that perceives *our own* world, but not necessarily the whole world. It is this understanding of human cognition and its implications for our relationships that are needed in order for us to construct positive working relationships. Take the case of receiving feedback from another person. If we understand that the person giving us feedback is sharing their perspective of a situation and that this is not necessarily the truth of the situation, in the context of a loving relationship, chances are both of us are going to be more open to giving and receiving feedback, as well as engaging in more generative conversations.

This is the essence of what it means to be human. We are loving animals, but often don't use our emotional intelligence. We are linguistic animals, and often we don't take the time to listen or to converse with each other. We are relational-social animals, yet we pretend that we are isolated individuals.

The new scientific knowledge offered by thinkers such as those mentioned above provides us with hope for the possibility of building new organizations and new human relationships, and to imagine living institutions, loving cultures in our organizations, and cross-cultural dialogue. The future that we can build together depends on our ability to love each other, and to have generative conversations that produce loving and productive relationships in every aspect of our lives.

**Manuel Manga** is the co-author with Jaime Garcia of *Relational Intelligence* published in Chile 2007.  
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## FEATURE 9.1

# Inside the Theory of U

## Interview with Peter M. Senge and Otto Scharmer (PART 2)

BY GEORGE HALL

In *Presence*, Peter Senge, Otto Scharmer and their coauthors Joseph Jaworski and Betty Sue Flowers provided an intimate look at the development of a new theory about change and learning. The theory was further refined in Otto Scharmer's subsequent book *Theory U* (SoL: 2007). In both books, the authors seek to explain how profound collective change occurs. Ultimately, they tackle universal and persistent questions – What are we here for? How would the world change if we learned to access, individually and collectively, our deepest capacity to sense and shape the future? What do we really care about? How can we serve an emerging future that averts environmental degradation and species destruction—including our own? In this, the second half of an interview conducted by George Hall, Peter Senge and Otto Scharmer share their views on leadership and being present.



Peter Senge

**George Hall:** *In your book you state that, “a life of wisdom consists of being constantly engaged in letting go, and letting the fragility of the self manifest itself. When you are with someone who really has that capacity to a full-blown level, it affects you. When you meet these kinds of people, you enter into a kind of resonance with them. You relax – there’s something very enjoyable about that way of being. There’s a joy in that kind of life.” Can you describe some of the people you’ve met who are like this, and talk a little more about how they affect you?*



Otto Scharmer

**Peter Senge:** I think we have all experienced that phenomenon, at least in some degree, through the people who have inspired us by their ability to be both committed and vulnerable. W. Edwards Deming is a wonderful example of someone with these qualities. There was a tangible force to his personality. It wasn't that you had to agree with him or that he had “the” answer, but rather that he possessed a powerful life force that you could feel. It was not the kind of power to make you do anything, it's a transformational kind of power. For example, when you are near people like this, you realize they have something to give and their primary concern is with giving. The word “charismatic” is frequently used in the leadership literature but, unfortunately, few seem to appreciate what the word means. The word “charisma” is actually a Latin word that comes from the church and means “gifts.” Someone with charisma is someone who is really in touch with their gifts, what they have to give. Again, are you here to serve the whole? I think that “charisma” in this sense taps into a certain quality of power with which we resonate. It is not a heavy thing. It is actually, ultimately, a very light phenomenon. It can be full of humor and play. If you are not playing you are not learning; you are attached. It is a kind of paradoxical balance of deep caring, real commitment,



George Hall

and on the other hand, this playfulness. It's a very attractive mix. In our book, Francisco Varela, who you quote in your question, said that when you are around someone who is "presencing" continually, you can actually feel this phenomenon, a powerful life energy that both transcends and connects us.

**George Hall:** *After reading your book, I was left with the impression that presencing generates the tangible force of personality you just mentioned. People don't see enough presencing in their everyday lives and when they do see it, they are attracted to it.*

**C. Otto Scharmer:** That's right. When you are face-to-face with someone like this, you realize that this person has tapped into a deep resource within herself or within himself. In the presence of that person, you begin to notice something different about yourself. They help you bring your uniqueness into the foreground. In fact, when you are in their presence, such an individual can make your own sources of inspiration become much more accessible. For example, the Dalai Lama of Tibet is widely recognized as someone who has this strong presence. His unusual presencing ability can partially explain why people seek him out in such numbers. People speak of this as spiritual power or spiritual strength. We are interested in understanding the distinctive capacities through which it arises, this ability to tap more deeply into who we truly are in the context of what we are here to do, individually and collectively. Our hope is to help you take significant, lasting steps toward developing your own capacity more methodically.

**George Hall:** *In your book you comment that "the cultivated self is a leader's greatest tool. This idea is a cornerstone of traditional thinking in ancient China and India." Can you elaborate on the role of the "cultivated self" as the leader's greatest tool?*

**Peter Senge:** What does it mean to develop as a leader? One view is that leadership is a combination of skill, knowledge, and experience. Another view, which we champion in our book, is that while skill, knowledge, and experience are indeed

important, it is your understanding and connection with who you are that is most important. Warren Bennis, for example, in his writings about leadership, talks about the "management of self." Regardless of your definition of leadership, however, the question - "How well do you know yourself?" is critical. You can say you know your own personality, which you've lived with for decades, for example, and that is important. You need to know your strengths and weaknesses. Ultimately, however, being satisfied with that sort of behavioral knowledge is part of the trap of materialism: we define who we are by what we observe. I think there is much more.

Eastern traditions use the word "cultivators" to speak of people committed to realizing who they are. You find similar notions in many Western traditions. The cultivated self represents someone on a path of deep self-development, moving beyond the form, beyond the habit, beyond the personality, beyond even the thought "who is my self"? Almost all the answers that come to us are thoughts. They are thoughts about our past, our beliefs. They are thoughts about people who are close to us, because in some sense this is about relationships. What would happen if you could go beyond all thought? What is there? Finding answers to these questions would bring you a little closer to understanding "the cultivated self." Again, the key is understanding the developmental process and how to access it and the disciplines it requires, and to relate it to our efforts collectively to create a better world. This is no longer the time when cultivators go off into caves or seek a life of withdrawal. I believe the new cultivation traditions of this era will center around deep engagement in the forces shaping the practical world.

**George Hall:** *"Moving up the U involves bringing something new into reality that comes from a source that is deeper than the rational mind. The magic of it all involves the capacity to sense something new and to act instantaneously in accordance with what that 'felt' knowledge dictates. Operating from this larger intention brings into play forces one could never tap from just trying to impose our*

*will on a situation.” Could you talk about people’s tendency to impose their will on situations or to over-control an outcome? Is luck, fate, or serendipity involved?*

**Peter Senge:** This is, in many ways, one of the primary motivations for writing our book: to try to talk about this mysteriousness in some coherent way and to promote a lively discussion of subtle processes that often escape our attention. Many of us have had the experience of synchronicity. There are many traditional, religious ways of talking about synchronicity but I think the phenomenon is simply a phenomenon. As such, I think the first thing to do is to try to appreciate it just as a phenomenon. Synchronicities occur. We often find ourselves guided by “helping hands” and you look back after something has been accomplished and shake your head and say, “Gee, I can’t believe all these different things came together to allow this to have occurred.”

Synchronicity is a strange phenomenon. It may not be what we experience every day, although there is no reason in principle that it couldn’t be. Synchronicity is something that most of us have experi-

**The cultivated self represents someone on a path of deep self-development, moving beyond the form, beyond the habit, beyond the personality, beyond even the thought “who is my self?”**

enced at some point in our lives. Some of us may have had many experiences. I think that we need to talk about synchronicity in a way that doesn’t depend solely on traditional religious interpretations or language, and thereby make it more universally accessible. We also need to talk about synchronicity in a way that does not trivialize or

FIGURE 1 **The Theory of the U**

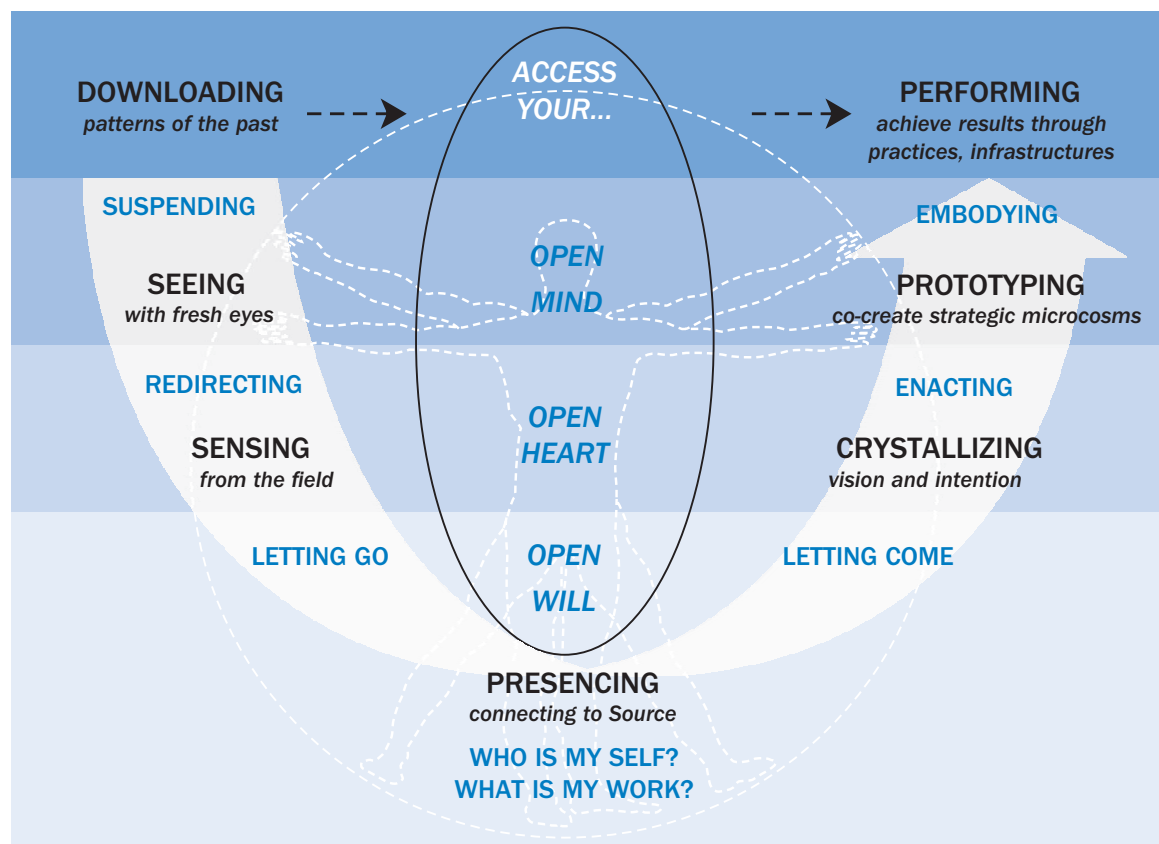


Figure from Otto Scharmer, *Theory U: Leading from the Emerging Future*, SoL, 2007.

reduce it. The universe is mysterious. Einstein once said that, "the most beautiful experience is the experience of the mysterious; it is the source of all art and science." In our present day culture, we have done much to destroy this sense of mystery and the capacity in each of us as individuals to connect and work with that mystery. When we destroy this awe of the universe and our place in it, we reduce ourselves to self-centered objects trying desperately to manipulate things toward our desired ends. This is where the over-controlling comes from.

**George Hall:** *I get the impression that once you have gone through all of the steps of the U Theory, it gets easier to do it again and again. Over time, it seems that you can build up a capacity to move through the U-process naturally and to do so skillfully.*

**Peter Senge:** Yes. This is one of our core assumptions. In our book, we talk about researching the U-process to build some appreciation for what is happening. There are ways in which we can be unconsciously competent, but to gain any sense of mastery, you have to become consciously competent. You have to have some idea of the underlying principles and processes that are in play to become consciously competent. That is one of the features of having mastery; the relevant principles and the process are not just unconscious anymore.

**George Hall:** *In your book you comment, "At the bottom of the U lies a sort of inner gate, which requires us to drop the baggage we've acquired on our journey. As we move through it we begin to see from within the source of what is emerging, letting it come into being through us." Why is it so difficult to let the emerging come into being through us? What is the challenge here?*

**C. Otto Scharmer:** To use the words of Brian Arthur, when you approach that threshold, everything that isn't essential must go. That threshold is, I believe, very much related to the essence of leadership. The definition of leadership can be traced back to the word's root – the Indo-European word root of

leadership is "Leith." The literal translation of that word is "to go forth across the threshold" or, in a different translation, "to die." In this context, "to die," means that you let go of the world that is known to you and go forth into another world that you may not be sure exists. This other world only comes into being after you step forth into this nothingness. Leadership is the ability to cross that threshold. The challenge you meet in the process is the challenge of fear, the fear to let your old self, your old identities, your old context, die in order to move into that which is wanting to emerge through you. Consequently, the heart of this challenge is really the essence of leadership. We believe that this potential is available to each and every human being and community. Education, socialization, and other factors can obscure this process by downloading "layers" that we need to remove if or when we want to further develop and cultivate this capacity.

**George Hall:** *Most of us imagine an ideal future that we would like to see unfold in our life. We day-dream and make plans. It is easy to become attached to our imaginary future – just as you might be to a possession like a house or boat. In your book, you wrote that such attachment "takes us out of the present moment. Developing the capacity to let go allows us to be open to what is emerging and to practice what Buddhism and other meditative traditions call 'non-attachment.'" What happens when we get too wrapped up in our attachments? Would such attachments block "real" opportunities from manifesting themselves?*

**Peter Senge:** Yes, that is what the point of developing and cultivating non-attachment is all about. Non-attachment is a never-ending practice, a mental discipline: it is not an optimum state of inner peace that one achieves. We will always become attached. Consequently, it is more a question of, do we understand this and are we working at it. In Buddhism, for example, there is an ideal of no thought. But only a block of wood has no thoughts. Human beings have active minds, which continually generate thoughts. As such, there is no such thing as a permanent state of no thought. The

further developed you are in your practice of non-attachment, the more aware of your thoughts you are, the more able you are to distinguish the thoughts in your mind from what is going on around you or from your larger awareness. In that spirit, you are simply cultivating the discipline of letting go. It is that simple – just let go. Whatever you have in your life, ask yourself, “Are you willing to let it go?” If you are unwilling to let the things in your life go, then there are only two gods to serve here: (1) the god of your ego and (2) the god of what is trying to occur that serves the world. Ultimately, the choice is yours to make.

**George Hall:** *How does one avoid becoming too attached to things, such as your past or a projected future? Could you live your entire life having made a series of poor choices, and never reach the level of awareness you describe?*

**Peter Senge:** Yes. A series of poor choices can easily block other more meaningful, better fitting alternatives from emerging. To avoid falling into the trap of becoming too attached to things, you should realize a few key issues about the nature of attachment. To the degree that we are attached to things, we are focused on the past. We are not really here in the present moment. Rather, we are still attached to something from our history, something from our habits of mind, our habits of thought. Attachments are, of course, merely habits of thought. The strength of an attachment can vary: to whatever degree we are attached to something, we are in the past to that extent. As such, we are not fully available to serve what might need to occur now.

**C. Otto Scharmer:** That’s right. It is one’s attachment to the past or to a projected future that causes us to be distracted, not fully available to serve what needs to occur now. When we interviewed various business leaders, for example, we asked them to tell us, “What was it like when you were operating at your highest point, when you did your most effective work?” We found that one characteristic (usually but not always) tended to show up: a sense of non-attachment to the final

outcome. Many people would share, “When I was operating at my highest potential, when I was fully focused on the now, I had no attachment to the outcome. That is when I became much more effective, when real outcomes were much more power-

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**The challenge you meet in the process is the challenge of fear, the fear to let your old self, your old identities, your old context, die in order to move into that which is wanting to emerge through you.**

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ful.” As such, if you are neither stuck in the past nor stuck in a projected future to which you are then a slave, then you can be fully present.

**Peter Senge:** Non-attachment is a paradoxical state. It’s not an “I don’t give a damn” attitude. You give a considerable “damn,” yet you also realize that whatever image or, as Otto said, projection you have about the future is at best approximate. It is important to appreciate that we are not describing an idealistic state, a perfect state of “non-attachment.” The underlying theme here is simple: the more we are able to *not* be attached, the more we will *allow* something to emerge. But it doesn’t mean we don’t care. We can easily test our state by asking, “Am I happy?” So often people strive mightily towards something they care a great deal about. They are trying to save the world; they are trying to save their company; they are trying to save their children. But they are not very happy. I think that their unhappiness is actually the weight of being attached. This state of mind is not unlike carrying around a heavy backpack because you feel that life has got to work out a certain way for you. But this is not about indifference. You can’t be engaged in any of the things in your life if you don’t care deeply about them. Yet, non-attachment is embedded in the realization that larger forces than my ego are at work, and as we said a minute ago, the willingness to let go.



**GH:** *Do you imagine that there is another process or level of mental development beyond the Theory of the U? Do thought leaders like Dr. Brian Arthur or renowned pioneers like you see other levels to aspire to?*

**Peter Senge:** Absolutely. I see the U Theory more as a big connector block, like a Lego. There are lots of other mental “Legos” out there. The U Theory is an effort to synthesize a variety of different, important areas around this, at least for us, transcendent question, “How are we going to understand the world we live in and act productively in service of the whole?” Now, insofar as the world we live in is dominated not by individuals but by institutions, all kinds of complex systems and networks of systems and networks of institutions, it is far beyond the influence of any individual. With that in mind, how do we gain a greater ability to really influence fundamental change at the systemic level, locally, and globally?

Going “down the U” is the territory of all the major spiritual traditions, East and West, contemporary and native, and addresses questions such as:

- How do you come to control the mind?
- How do you stop the flow of thought?
- How do you suspend your habitual way of viewing the world to actually be present?

The bottom of the U is also treated by many spiritual traditions, but going up the U is much less so:

- What does it mean to act in the service of the whole?
- What does it mean to act creatively together?

I think the deepest knowledge, in my judgment, of the right side of the U is found in the creative arts, where people have experience working in groups that are collectively creating. These groups are able to act in very innovative ways because somehow they have connected, come together. In summary, I see the U theory as a big connector trying to point in all kinds of different directions, and not in any way a substitute for deeper knowledge of personal and collective development. In the very challenging times in which we live, hopefully, it will help people with the question: How do we create the world anew? ■

#### ABOUT THE AUTHOR

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## PERSONAL PERSPECTIVE 9.1

# Learning to Teach, Teaching to Learn

BY MARY CATHERINE BATESON



**Mary Catherine Bateson**

Adults are being taught by their children in a time of breathtaking change. High-tech gear is obvious, but there are subtler shifts, too. When my daughter was ten, she took me to a video arcade to learn Pacman. More recently, her son (age three) introduced me to a prehistoric creature I had never heard of called *Platybelodon* (dinosaurs are a bit like technologies and diseases; they keep discovering new ones). Meanwhile, I need a teenager to adjust my Wi-Fi and show me how to edit digital photos.

But in addition to teaching their parents how to deal with new technologies, kids today also are teaching them profound ethical lessons about protecting the natural world and respecting themselves and others. Here are some of the examples I have heard from schoolchildren that go beyond technology or popular culture: A girl: “I taught my mom to recycle.” A boy: “I taught my dad to enjoy rap.” A boy: “I taught my mom to be independent.” A girl: “I taught my dad not to interrupt me.” A boy: “I taught my dad not to make cracks about gays.”

It used to be that older people knew more than young people did. In a relatively stable culture, this was the basis of their authority. So when Junior argued, parents could say, “I know better because I’ve lived longer.” That doesn’t necessarily follow these days.

The relationship between who learns and who teaches has been fairly constant in human cultures for millennia; you looked to the previous generation to learn how to live. Of course parents and teachers still do a huge amount of teaching, from life skills to grammar, but today children increasingly are teaching their elders, as well. To thrive under conditions of accelerating change, you have to be learning all the time.

A whole series of relationships are becoming two-way streets: The boss has to listen to the employee, the manufacturer has to listen to the customer, the professor has to listen to the student, and the political leader who doesn’t listen is likely to be out of a job. Change means that the nature of authority also is changing all over the world.

At the same time, more and more young people are growing up in homes where their parents are used to adapting to change and used to being helped by their children in that process. This was always true of immigrants, who have sometimes needed lessons in riding escalators, and often, in dealing with bureaucracy through multiple-choice automatic phone systems. More and more corporate leaders are realizing the necessity of agility and innovation, so there are people at the top who value their own capacity to learn and to listen rather than assuming they are there to lay down the law.

The truth is that parents don’t know all the answers, and now are less likely to pretend they do. So when their sons and daughter become adults, they will assume that they can learn from their children, as well.

The transition I'm talking about takes a couple of generations and is moving unevenly through society, but it is already well under way. I think we are now, in this country, beginning to have a college population whose parents already understood that they didn't know all the answers and were curious and ready to learn from their children, so that the kids grew up in a kind of dialogue. That's not to say that it's true of everybody, but there's a shift in ethos.

I can see this process working itself out in my colleagues and students. I rarely encounter a student now who doesn't take for granted that it's appropriate to question authority. The ethos on campus is that classrooms should be more interactive. There should be more discussion; there should be more room for divergent opinions.

Not surprisingly, there is a backlash, where people are trying to stop this pattern and reestablish traditional hierarchical models of authority. One of the elements that underlies fundamentalism around the globe is the insistence that the only valid knowledge is the knowledge that the older generation still controls. A lot of what's happening in American schools through high-stakes testing has the effect of limiting the attention to time-tested certainties rather than encouraging questioning. New technologies, foreign customs, changing moral standards – all of these are disturbing to those whose hold on authority rests on learning that is not constantly renewed.

At the same time, young people also may resist learning. Those who have grown up with dogmatism are likely to become dogmatic about new ideas as well as old ones, true believers of either the right or the left. The intoxication of new certainties can lead to arrogance, whether in the form of political correctness or born-again dogmatism.

If we as a society adopt values related to change and adaptability, listening and responsiveness, we're going to need to look for the constants that underlie them. Listening and learning carry with them a respect for other people – my conviction that you may tell me something worth knowing. That applies to the Parisian or the Laotian who moves into the building next door, the Sufi or the Seventh-day Adventist down the street, or a grandchild in kindergarten. If I see myself as a lifelong learner, I need to be able to listen respectfully to all of the above.

The slogan I use is, "You are not what you know but what you are willing to learn." Willingness to learn demands respect for others across difference. Puzzling and even disturbing ideas are invitations to curiosity, and the greater the difference the more there may be to be learned. The world is a rain forest of variety full of promise that is at risk of being lost. If one teenager could give his father an appreciation of rap, another may be interestingly articulate about body piercing and baggy clothes. I have argued that the willingness to learn is a form of spirituality. It is a stance of humility, because there is so much to be learned.

Even as parents are learning from their children, they also need to teach them to listen with respect and to be curious – but the best way to do that is by setting a good example. So when my daughter said to me, "Stop using the VCR as your pet example, it's totally old," I figured it might be time to face up to an iPod. ■

*This and additional essays can be found on the author's blog at [www.marycatherinebateson.com](http://www.marycatherinebateson.com).*

#### ABOUT THE AUTHOR

**Mary Catherine Bateson** is a cultural anthropologist who has long been fascinated by how humans understand, create and adapt to the world in which they live. In her most recent book, *Willing to Learn: Passages of Personal Discovery*, she chronicles her enduring quest for such knowledge dividing her rigorous inquiries into sections such as "Age and Gender," "Culture and Conviction," and "Ways of Knowing." [mcatb@attglobal.net](mailto:mcatb@attglobal.net)

## BOOK EXCERPT 9.1

## The Power of LUV: An Inside Peek at the Innovative Culture Committee of Southwest Airlines

Seven years ago, Ann McGee-Cooper and Associates, Inc. invited nine Dallas organizations to form a learning community to share the successes and challenges in creating servant-led organizations. In this excerpt from *Being the Change*, which profiles many of those organizations, the authors focus on the role of servant leadership in the success of Southwest Airlines.



**Ann McGee-Cooper**



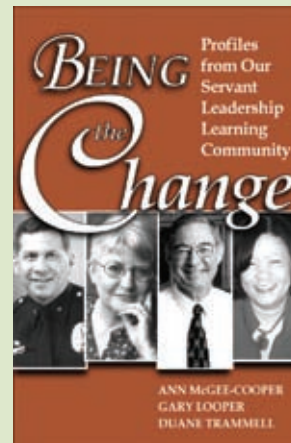
**Duane Trammell**



**Gary Looper**

Southwest Airlines (SWA) has long been known for setting and achieving incredible records of performance in their industry. Recognized as #1 and #2 by *Fortune* magazine's "100 Best Companies to Work for in America," Southwest has been consistently profitable every quarter for 34 years. The Company's net income for 2006 was \$499 million, with 96.4 million Customers and over 32,000 Employees. Southwest is the only airline to win the Triple Crown (#1 in most on-time flights, least lost baggage, and fewest Customer complaints) for five years in a row. How is Southwest able to sustain its unmatched record? Southwest would tell you it's the magic of its People. "If the greatness of a Company is measured by the hearts and souls of its People, then we are

indeed the richest Company in the world," says Colleen Barrett, President of SWA. Colleen's own servant leadership can clearly be seen inside the amazing Culture Committee of Southwest Airlines, one of her many innovations that nurtures hearts and minds and keeps SOUTHWEST SPIRIT thriving.



### Being the Change: Profiles from Our Servant Leadership Learning Community

Ann McGee-Cooper,  
Gary Looper, Duane Trammell  
AMCA Books, 2007

So what is the secret, the DNA, of this legendary company so well-known for Positively Outrageous Service, the industry's best record of profitability, and ranked by its Employees as one of the best places to work in America? Many would credit its culture, which the Company defines as:

- Warrior Spirit
- Leading with a Servant's Heart
- and a Fun-LUVing Attitude!

These are the hallmarks SWA works hard to keep alive in the hearts, minds, and daily actions of every Employee.

But there's more to the story. Herb Kelleher, the chairman of the board, and Colleen Barrett, president, are both important catalysts. Yet with 32,000 people, the culture has to go beyond two Leaders, and they would be the first to insist that it does. Indeed, there are countless noteworthy contributors, but one – the Culture Committee – is the foundation from which so much originates.

### The Queen of Culture

*You can't really understand the Culture Committee without understanding Colleen Barrett, often referred to as "Corporate Mom." Colleen inspires the vision, empowers Employees at every level to become a family, models the way of servant leadership, and gives abundant recognition to others, encouraging the hearts of 32,000 Southwest Employees.*



Colleen joined Herb as his legal secretary in 1967. She discovered that Herb worked out of two offices, one to meet with clients and the other a room piled high with papers. Herb went on vacation shortly after hiring Colleen, and she went to work organizing all his loose papers into labeled folders. A Senior Partner in Herb's law firm walked by the office as she worked and was aghast. "Who are you and what are you doing?" he asked with alarm. "I'm Herb's new secretary and I'm organizing his papers," Colleen replied. "You can't do that! He won't be able to find a thing. Why, he'll fire you!" he exclaimed. "He can't if he wants to be able to find things!" she replied confidently. And she was right. Herb took Colleen everywhere after that and she has been his partner and understudy ever since.

Colleen earned a two-year associate's degree and then demonstrated the capacity to keep learning from all those around her, integrating their knowledge with her own remarkable qualities. First, she always looks for

what needs to be done and takes ownership. But she also brings humility and a big heart to her work. Early in the history of SWA when the Company was struggling to stay alive financially, Colleen brought up the future of the People, and Herb gave her responsibility for the People Department and Customers. She has contributed remarkable vision, innovation and servant leadership to both.

One hallmark of Colleen's genius is finding creative ways to honor People on a very sparse budget. Colleen is known internally for her "Bible," a growing list of words, terms, and writing guidelines approved by Colleen for internal and external documents. This includes correct spelling, punctuation, and words to capitalize, such as People, Employee, Customer, Leader, and Company when referring to SWA. She discovered this was a great way to show respect while not costing a penny.

As the Company kept doubling in size, Colleen, then Executive VP of Customers, formed the Culture Committee. At first, it was made up of approximately 38 opinion leaders from all levels and departments of SWA, each of whom was handpicked as exemplifying



**Southwest Airlines' Halloween Celebration**



SOUTHWEST SPIRIT. I (Ann) was lucky enough to be invited to join this group, the result of a letter I wrote suggesting ways to improve Southwest's image from a Customer's perspective. I asked to come inside the Company to learn all I could about what makes it so unique. Today, the Culture Committee is a vibrant team of 120 dedicated Employees – the lifeblood and heartbeat of the Spirit of Southwest Airlines.

### The Culture Committee's Mission

*To help create the SOUTHWEST SPIRIT and Culture where needed; to enrich it and make it better where it already exists; and to liven it up in places where it might be floundering. In short, this group's goal is to do "WHATEVER IT TAKES" to create, enhance, and enrich the special SOUTHWEST SPIRIT and Culture that has made this such a wonderful Company/Family.*

Each member who serves on the Culture Committee does so as a volunteer. We all commit to four all-day meetings once a quarter. For most, this also includes the time required to travel to and from the Dallas Headquarters, so it is no small effort. In addition, we commit to participate in at least three Spirit events each year, and most members pitch in to help with many more. From the beginning, I was tremendously impressed that attendance was 100 percent, and everyone delivered on their promises. I had never served on a committee with such high accountability.

I soon learned that holding people accountable is another of Colleen's unique traits. A member who fails to attend without a valid reason is politely replaced, no hard feelings. When the first members rotated off after three years of service, they collectively declared themselves Alumni Members and stayed active in support of Culture Committee initiatives. This has been the tradition ever since. I find this extraordinary, and yet this is the fabric that keeps SWA so strong – another example of leading with a servant's heart!



**A few  
Fun-LUVing  
2006 Culture  
Committee  
Members**

None of these initiatives came from MBA graduates or other traditional sources. An important aspect of SWA is that it grew out of the instincts of its Leaders, approximately 40 percent female and 30 percent minority. Below are some of the qualities Colleen has woven into the Culture Committee that have produced incredible results. Note that all of these qualities are also characteristics of servant leadership.

### Qualities of SWA Culture

**Leading with a servant's heart.** Colleen, known as the mother of Southwest, works passionately to lift up others and grow their skills. She holds herself and others accountable, and she's there in the hour of need. In short, Colleen has always strived to model the selfless spirit of service that she believes so fervently grows a strong, unmatched culture of service. She encourages all others to care for their station or department Employees with the same loving spirit.

**Be the change you want to see in others.** Colleen cites the Golden Rule, "Treat others as you want to be treated." "It is so simple," she says. From the beginning, Herb and Colleen knew that for Employees to deliver what they describe as Positively Outrageous Customer Service, Employees had to experience this same loving spirit and generous support from their leaders and their colleagues.

**Customers come second.** From the beginning, this principle has been an important part of the uniqueness of SWA. Herb and Colleen were clear that Employees could only serve their Customers with exemplary and memorable Customer service if Employees were confident they were supported in the same way. They reasoned that the Customer is not always right. In some cases, a Customer can be abusive. In those situations, Leaders have politely but firmly stood behind their Employees, asking abusive Customers to take their business elsewhere. Colleen sees this as applying the Golden Rule. If Employees know they will be supported if they err and are leaning toward the Customer, they are more likely to make on-the-spot creative decisions to solve problems and delight their Customers.

**Case in point:** A Gate Agent told the story of a Customer breaking her leg when she slipped on the ramp while boarding a flight. It was late at night and the Gate Agent leased a private plane to fly the Customer to emergency medical care. This Employee was supported and honored by her Leaders for exemplary Customer service!

Another inspiring example is the story of the Customer Service Agent in Baltimore/Washington who was still in her probationary period. When a late flight from BWI to Long Island, New York, was cancelled due to weather, the agent hired three buses to get her Customers safely to their destination that evening. She was commended by her Leaders.

These examples illustrate the trust Leaders have in their Employees to do the right thing, and the authority they give Employees to act. This is a hallmark of servant leadership in action.

**Deep listening with no agenda.** When I asked Joyce Rogge, retired Senior VP of Marketing, why Colleen and the Culture Committee have been so successful, she cited Colleen's unique gift to listen very intently with

no agenda. So much of each Culture Committee meeting is about listening to the members (now grown to 120 People, plus many alumni). "What problems do we need to address this year?" Might be an opening topic. With representatives from all 63 stations and all parts of the airline present, Colleen can quickly take the pulse of the business. Top Leaders always participate, so this has been an extremely effective way to identify challenges early and get at them proactively before they gain momentum.

**Follow up. Don't ask if you are not going to act on what you learn.** Joyce Rogge shared another observation about her mentor, Colleen. Colleen has earned huge trust from being reliably consistent in her follow-through. She can be surprisingly generous in her support for what may seem like small ideas. Equally, she can be tenacious, listening to get to the root of complex problems. Recently Southwest conducted a thorough Employee Satisfaction Survey. With support from her leadership team, Colleen formed cross-functional teams to address and report back on each issue. The results of the survey are shared monthly in LUV LINES, the internal Company newsletter, with Colleen addressing each major issue, point by point. Her bottom-up strategy is to address every concern with such integrity that when the next survey comes along in two years, the percentage of responses will be even higher. More Employees will trust that this is a safe way to provide honest feedback and all will know if the solutions are working. Colleen is endeavoring to ensure it is safe to be 100 percent open and honest when responding to the Employee Survey. She believes that trust must be earned on a daily basis. This is another tenet of Southwest Culture and Leadership.

**Seeing things whole. Gathering people on all sides of an issue to explore solutions.** Some years ago, Flight Attendants, Pilots, and Crew Schedulers were polarized. It's not fun to be the person calling others back to work when someone is ill and needs a substitute.



This Southwest Airlines jet  
Is dedicated on Valentine's Day 2007 to  
Colleen C. Barrett,  
There from the Beginning:  
Corporate Secretary 1978 – Present,  
Vice President Administration 1986 – 1990  
Executive Vice President Customers 1990 – 2001,  
First Woman President 2001 – Present  
Member Board of Directors,  
Member Executive Planning Committee,  
And  
Our Heroine of the Heart Forever

Nor is it welcomed to have your personal plans suddenly interrupted if you are crew. Rancor was brewing. Colleen quickly formed a team of people on all sides and charged them with coming up with solutions. A big part of the team's solution was to bring empathy and appreciation to each other's positions by changing places. With some creative education and leading with a servant's heart, this problem became an opportunity to go the extra mile for a colleague needing help!

**Constantly teaching the complexities of the business.** There is no better champion of this than Tonda Montague, Senior Director, Employee Communications, whose team creates LUV LINES, the award-winning internal newsletter. Tonda and her team create games, charts, and endless ways to draw readers into understanding the complex facts of their business. This

## TAKE AWAYS TO PONDER

1. Who might you pull together in your organization to begin to define, model, and nurture the spirit of servant leadership?
2. Where and how can you practice "seeing things whole" by gathering People from all sides of a concern to listen respectfully to each other and generate win/win solutions?
3. How can you bring a spirit of fun and appreciation to your work and to those you work with?
4. How can you create fun ways to teach the complexities of your business so that every Employee can learn to think and act like an owner?
5. Southwest created the Triple Crown Challenge, to make it a spirited game to become first in three important metrics in their industry: most on-time flights, least lost baggage, and fewest Customer complaints. How could you create a similar challenge to focus your Employees on critical business goals in a way that highlights fun and teamwork?
6. Southwest looks for ways to make holidays special for their Employees and Customers. Who could help you brainstorm ideas for transforming holidays into creative Employee- or Customer-appreciation events?

includes a mock scandal sheet called "Plane Tales," and "Coloring Outside the Lines," a fun directory of Leaders pictured as little kids, providing lots of fun, personal facts such as nicknames in grade school. Some years ago they worked to raise awareness of how small acts contribute to very large results. For example, they showed the interior of one of Southwest's planes filled with bags of peanuts, with the caption, "We could buy

2.2 million bags of peanuts with what we pay for one day of health care. The plane fact: health care costs are attacking Southwest.” That same year they changed their policy to trust their Employee’s word when he or she took sick days rather than requiring a doctor’s note. This simple decision has saved huge amounts of money each year since.

On Valentine’s Day 2007, Southwest celebrated their 16<sup>th</sup> annual Heroes of the Heart event. Yet another innovation from the Culture Committee, this is a time each year when a group of unsung heroes, those who work hard behind the scenes, are surprised and honored as the Heroes of our Heart. This year, the Internal Customer Care Department was chosen, a group of seven women who make sure that every special event in the lives of 32,000 Employees is appropriately honored and recognized. Among other things, this group has sent special care packages to all those in the military serving our country abroad. The Customer Care Department name flies on a special SWA plane for one year in the group’s honor.

This year Herb Kelleher made a surprise tribute naming Colleen Heroine of the Heart, with her special insignia painted on a Southwest Airlines jet to fly in her honor for a year. The tribute reads:

Over the years many skeptics have doubted that Southwest Airlines could keep such a warm, big-hearted, personal culture alive while the Company blossomed like a Texas bluebonnet in springtime, doubling in size again and again. But Colleen and Herb teamed with everyone to make every challenge an opportunity for a new creative solution. Not long after the Culture Committee began, the members expanded this idea to each location and started 63 local Culture Committees built on the same concepts. So now there is a vibrant network teaming to keep work fun, identify and solve emerging problems, ask for help, offer support, and keep alive that unmatched spirit that sets Southwest Airlines apart.

Servant leadership is about developing and encouraging others to lead. Colleen Barrett has an enormous task to keep a Company of 32,000 Employees motivated and 96.4 million Customers happy. How does she do it? She grows, inspires, and supports others to become the Warrior Spirit, lead with a Servant’s Heart, and do all of this with a Fun-LUVing Attitude. That’s servant leadership in action. That’s the Spirit of Southwest! ■

## ABOUT THE AUTHORS

**Ann McGee-Cooper, Ed.D.**, is a founding partner of Ann McGee-Cooper & Associates (AMCA), a team of futurists and consultants. She is an international leader in researching and applying servant-leadership in the workplace, having served on the Culture Committee of Southwest Airlines since 1990 and with TDIndustries since 1976. She has counseled national business leaders, governmental officials and college presidents on servant-leadership, team-building, life/work balance, time management and creative problem solving and is author of several AMCA books including *You Don't Have To Go Home From Work Exhausted* and *The Essentials of Servant-Leadership: Principles in Practice*. [ann@amca.com](mailto:ann@amca.com)

**Duane Trammell**, founding partner and executive Vice President of AMCA, has been working with Ann since 1982. He manages the operations and finances of the company. Duane has a special interest in writing, researching, and developing materials in servant leadership. Trammell led the development of 14 modules designed with an interactive approach to teaching servant leadership. He has co-authored several books including *Time Management for Unmanageable People* and *You Don't Have To Go Home from Work Exhausted!* [duane@amca.com](mailto:duane@amca.com)

**Gary Looper** serves as Director of Client Services and Publications at AMCA. He is project leader of the pacesetting Servant-Leadership Learning Community, a consortium of 11 organizations that meet together during the year to develop unique leadership cultures incorporating the learning organization disciplines. He co-authored *The Essentials of Servant-Leadership: Principles in Practice*. [gary@amca.com](mailto:gary@amca.com)



# Reflections

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