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Reflections

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PUBLISHER'S NOTE 14.2

Frank Schneider

Statistician George E. P. Box famously said, "All models are wrong, but some are useful." Whether we know it or not, we all hold models—abstract representations—of the world and how it works. These frameworks, in turn, profoundly influence how we work in and relate to the world. Building on our last issue, in which we started the topic of models and model building, in this issue, several practitioners reflect on the models that govern their worldviews and on how these influence their approaches to organizational change.

In the first two articles, consultants Robert Hanig and Grady McGonagill reflect in depth on the assumptions that underlie their practice and evolving understanding of how to provide the greatest impact to their clients. The second two articles outline specific models and how they can guide leaders in managing dilemmas, developing strategies, and fostering innovation. All of the articles in the issue show that by being explicit—with ourselves and others—about the basis from which we are operating, we can better gauge the effectiveness of our efforts and change course as needed.

In "Being of Service: A Capacity-Building Approach to Organizational Change," Robert Hanig explains how accessing and combining multiple theories has lead him to be more conscious of his own tacit hypotheses. He explains how this increased awareness has helped him make explicit his internal mechanisms for interpreting situations and effectively integrate new knowledge and insights.

In "Reflections on Practice Through Model Building: One Person's Experience," Grady McGonagill describes how model building—his preferred form of reflection—has influenced his personal and professional development. For him, the inconsistencies in his practice and the "model clashes" he has inevitably encountered with others have provided the opportunity for increased awareness and growth.

In "Polarity Thinking: The Power of 'And,'" Barry Johnson and Margaret Seidler make a compelling case for adopting a *both/and* rather than an *either/or* approach to managing organizational dilemmas. Because polarities—also known as paradoxes or dilemmas—are everywhere, the more we understand them, the more effective we can be at leveraging their natural power. Through case studies, the authors show how insight into this dynamic can support us in pursuing our most expansive dreams and in addressing our most chronic issues.

We conclude this issue with an excerpt from *Overfished Ocean Strategy: Five Principles That Make It Work*, in which Nadya Zhexembayeva explains why linear business models are no longer effective. She presents a new model that includes five essential principles for innovating in a context of resource scarcity. We learn that the most successful companies today consider the waste from one process as the food for another. By using a cyclical rather than linear model for designing a global value chain, companies can create a new strategic direction and secure a sustainable source of value.

David Kantor, who we featured in the last issue, has said that the journey of building your own model is not for the faint-hearted. It requires courage, perseverance, self-discipline, and above all, honesty. We think the stories of discovery, reflection, and practice described in this issue are testament to that process. ■

Frank Schneider, *Publisher*

EXECUTIVE DIGEST 14.2

Being of Service: A Capacity-Building Approach to Organizational Change

Robert Hanig with Deborah Wallace

More often than not, consulting is regarded as a problem-fixing process. When an organization is challenged by a problem that inhibits its ability to produce the desired results, leaders often call on a consultant to fix the problem, often within a rigidly defined timeframe. Most of the time, the immediate challenge is solved, but the chronic organizational issues remain. In this interview, consultant and founding SoL member Robert Hanig discusses the key elements of his approach to organizational change. He believes that the abilities to hold multiple theories, to hone one's powers of observation, to be transparent with clients, and to understand how to enter an organization's culture respectfully are fundamental for any consultant whose purpose is sustainable organizational change.

Reflection on Practice Through Model Building: One Person's Experience

Grady McGonagill

All consultants have models that shape and guide their work. Most of the time, these frameworks remain tacit—and thus unexplored. But by delving into the assumptions underlying their practice and documenting the methods they have come to adopt, practitioners can test and improve their models. They can also prepare for potential "model clashes" that can occur when encountering someone whose practice and behavior is driven by different assumptions. In this article, Grady McGonagill describes how he used model building to rejuvenate his own consulting and coaching practice and to renew his sense of living a meaningful life. In the process, he illustrates the benefits of self-reflection for any consultant's professional and personal development.

Polarity Thinking: The Power of "And"

Barry Johnson and Margaret Seidler

A challenge in managing organizations is that many dilemmas don't have one right answer. Instead, potential solutions often pull in opposite directions, compelling leaders to choose one response at the expense of the other. Polarity Thinking shows that by adopting a *both/and* rather than an *either/or* approach, organizations can harness the upside—and minimize the downside—of each side of a polarity. Tools like Polarity Maps can help in developing a full picture of both sides of a polarity and in anticipating the natural flow of energy from one side to the other. By learning how to manage seemingly irreconcilable tradeoffs in this way, leaders can increase the likelihood of arriving at solutions that support both short-term and long-term organizational success.

Overfished Ocean Strategy: Five Principles That Make It Work

Nadya Zhexembayeva

Resources are being depleted at an alarming rate, and the cost of raw materials is rising dramatically. The linear, throwaway economy—in which we extract resources at one end and throw them away at the other—is rapidly coming to an end. Nadya Zhexembayeva argues that, as a result, businesses need to make resource scarcity their primary strategic consideration, not just a concern for their "green" divisions. In this chapter from *Overfished Ocean Strategy*, she offers five essential principles for innovating in this new reality. Through examples from real companies, she shows how businesses can find new opportunities by taking the old, linear model and turning it into a circular one.

FEATURE 14.2

Being of Service

A Capacity-Building Approach to Organizational Change

ROBERT HANIG WITH DEBORAH WALLACE

More often than not, consulting is regarded as a problem-fixing process. When an organization is challenged by a problem that inhibits its ability to produce the desired results, leaders often call on a consultant to fix the problem, often within a rigidly defined timeframe. Most of the time, the immediate challenge is solved, but the chronic organizational issues remain. In this interview, consultant and founding SoL member Robert Hanig discusses the key elements of his approach to organizational change. He believes that the abilities to hold multiple theories, to hone one's powers of observation, to be transparent with clients, and to understand how to enter an organization's culture respectfully are fundamental for any consultant whose purpose is sustainable organizational change.

Robert Hanig

Deborah Wallace

DEBORAH WALLACE: Your approach to leadership and change is firmly grounded in theory, but your engagement with clients is anything but theoretical. How do you maintain a strong theoretical base but keep it almost invisible in your client work?

ROBERT HANIG: I really enjoy exploring and applying various theories because they help me make sense of what I am seeing and sensing and what the implications may be for the larger system. Theory helps me be more conscious about the hypotheses and conclusions that I have already made but that are often tacit. It forces me to examine how I make meaning. It helps me to discern and make explicit my own habitual interpretation mechanisms so that I can change, adjust, or suspend them when I need to. It also helps me capture and integrate new knowledge and insights in an effective way.

If you have one or two theories that you've staked your reputation on, you can try to force fit every problem into those prevailing theories.

It's important to be able to access multiple theories or explanations that can describe the same occurrence. The potential danger is playing out the To-a-Hammer-Everything-Looks-Like-a-Nail syndrome. If you have one or two theories that you've staked your reputation on, you can become theory-blind and try to force fit every problem into those prevailing theories. You can even displace or delete data that is counter to or inconsistent with these deeply ingrained theories and beliefs. Having your thinking enriched by the awareness of different theories helps defend against that shortcoming.

In my practice, I also put a lot of emphasis on observation. For me, there's a recurring cycle of observation and evolution of theory. A consultant needs to develop a deep appreciation of and capacity for observation, because observation comes before anything else. Once you start to see what's actually happening and distinguish between observation and assessment, you begin to formulate hypotheses that can explain the occurrence you're observing. When you do that, your behavior and actions become more coherent, organic, and flexible.

Building capacity is helping clients develop the ability to conceive of and create the results they desire.

For example, suppose you're watching a team that is arguing, and you can see they're stuck on an issue. If you observe this argument carefully, you may realize that people are speaking different languages of a sort, that their thinking contains different intentions, data, and reasoning. When you recognize these things and understand that everyone's perspective is equally valid yet incomplete, you become aware that for the team to become unstuck, you need to create a larger framework that incorporates appropriate elements of everyone's perspective. Developing that new, more inclusive framework helps me design an intervention that accounts for the different views and languages and makes the conversation more inclusive, coherent, and productive. This is why observation is so critical to developing new theory and why I continue to work on trying to see things as they actually are. Part of the ongoing challenge, of course, is to discern your own filters and biases and do your best to suspend them for a bit.

There's a famous quote attributed to Dwight D. Eisenhower, "Don't just do something, stand there." That quote has two important messages that translate to my work. One is that you have to be able to set appropriate expectations with the client. You can't just go rushing in, start changing things, and expect an immediate transformation. The other goes back to the importance of observation. You need to have a sufficient amount of data so that you can explain the dynamics of the condition to the clients and what gave rise to them. I want clients to understand what I'm seeing and what I'm doing and why. I want to impart to them this process of observation, reflection, and explanation so that when they leave, they not only know what we did, but why it worked or why it didn't. I want to help educate and to develop their capacity. That's an important part of the work that I do and is one of the core values and intents of organizational learning in general.

Building Capacity

WALLACE: Can you say more about what building capacity entails and why it is important?

HANIG: Building capacity is helping clients develop the ability to conceive of and create the results they desire, and to do so on their own to an appropriate degree. It's more than just helping them navigate around or solve a problem.

I remember working with British Petroleum (BP) and trying to understand what they really wanted to do and how they would ultimately judge success. After interviewing a number of executives and managers, three desires consistently arose: results, capacity, and sustainability. In this particular case, the result they wanted to achieve was to improve performance based on industry-specific indicators. They wanted not just to produce those results, but also to have the ability to produce similar results by themselves in the future. And they wanted sustainability, meaning they wanted to be able to continue to achieve those same results over the longer term. Sustainability requires a capacity to learn and adapt, because what you're going to have to do in three years to sustain those results may be different from what you're doing today.

But building capacity and sustainability takes a lot more time than achieving results alone. If a client says they don't have the time to engage this

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For a client who just wants a result in a short period of time, there's a very low probability of success.

dimension, then that's a client I really have little interest in working with. For a client who just wants a result in a short period of time and isn't willing to explore, understand, and account for the underlying conditions that gave rise to the problem, there's a very low probability of success —and a high probability of generating unintended consequences through taking short-term action alone. There are some clients who don't yet fully understand the need for building capacity and sustainability but who are open to learning about it. These clients know that they have to put the fire out right away, but also know that they really need to understand why these fires keep occurring. At that point, you can begin to tell whether the potential partnership is right and the expectations are appropriate.

Designing a Successful Engagement

WALLACE: How do you determine whether or not you work with a particular client?

HANIG: As I just mentioned, they have to be open to learning. Many clients think they already know what the problem is—and they may—but they often don't have an understanding of what created it, how to fix it, and, however unintentional, what their own contribution to generating or sustaining the current condition may be. They don't know how to coordinate efforts and account for multiple and often conflicting dynamics and points of view. They don't see or know how to account for how they are perceived by others in the system—something that may diminish their ability to express or realize a positive intention. As a consultant, you have to understand a bit about the organization's disposition toward the current condition. You have to understand to what degree people in it are willing to look at how their own thoughts, actions, contradictory initiatives, and incentives may be contributing to the very thing they are trying to change. Once you have a sense of that, you can decide whether or not you can make any kind of beneficial contribution.

This kind of conscious assessment of the client at the outset is essential. You want to build a context, a relationship, and the expectation that whatever the outcome, it will have been a shared effort. You have to trust that you're both going to do your best and that you will challenge each other in respectful ways. Either party should be able to say, "Hold on a minute. Are we doing what we said we wanted to do?" or "How is this related to creating our shared aspiration?" Ongoing mutual assessment not only enhances intelligence and allows for mid-course correction, it can prevent the project from going up in smoke.

Many years ago, I met the top salesman at IBM and asked him how he became such a success. "What I do fundamentally," he said, "is tell my clients the truth. I go in and look at what their challenges and problems are. If I think I have a solution or part of a solution that IBM can provide, I tell them. If I think I don't or that they need someone else, either instead of or additionally, I tell them that too. What's really interesting is that even if we don't work together, they'll often call me a couple of years later for help with something else." I remember thinking, wow, you mean you can actually be successful and tell the truth? That was a very important moment for me, because I realized that consulting is not about getting the sale at any cost, it's about really understanding people's

Consulting is not about getting the sale at any cost, it's about answering questions like, What do you want to create? and How do I need to change and grow?

problems or aspirations and determining if you can truly be of service. It includes answering questions like, What do you want to create? What is the issue here? What are the challenges? Who's the client? Who are you? What's necessary? and How do I need to change and grow? I learned I could have an interesting and successful career without compromising my values or manipulating other people. It is hard to convey how freeing this was for me at the time.

Putting Teams Together

WALLACE: You've mentioned several key elements that have been important in your work—having multiple theories, practicing keen observation, and fostering the client's willingness to understand the root causes of chronic problems. Are there others that you would add?

HANIG: Another important one is learning how to put together teams. On any potential project, particularly a high-visibility one, there are always lots of consultants interested in being on the team. But until I've had an initial planning meeting with the client, I don't know what skills, personalities, or levels of experience will be needed. The risks and consequences of not putting together the right team are considerable and could lead to real trouble down the road. Believe me, I have had trouble down the road. I have my own scars from the process of learning how to put together and develop the right team. But I've been in the field a long time now and have an extensive network of colleagues that I can draw upon, so I'm not forced to have someone on a team who I know isn't a good fit, and I have a sense of what role I can and should play myself.

You've also got to take care of the people you're calling on to help. You have to take into account their needs and aspirations and how being on this team will benefit their development. Additionally, many project and intervention teams either include or should include members of the client system. This creates a particular set of challenges that need to be accounted for as well, including fit, capacity, attitude, and politics. Although having clients on the intervention team can be difficult to manage, the benefits far outweigh the effort required.

A project can be derailed because the team isn't working as well as it should. Sometimes at a certain point in the process, I'll notice that we need more of something or we need a different capability. The team is no longer working as well as it should, and we need to up the ante. Sometimes it's chemistry. Sometimes it's capacity or attitude.

Things happen, and you need to be able to understand and assess the new condition and determine what may be required before you start changing things up and making adjustments to the team. There have been times when I have either ignored or didn't address the team issue and paid for it later. But now I understand that when a team's effectiveness slows or stalls, we need to address and improve the dynamics or we need a different set of capabilities. That's not always easy, especially when you've had somebody working on a project full time and have to replace them or cut back their role.

Defining Success

WALLACE: How do you define success as a consultant?

HANIG: Being successful is not just about working with the client to produce results and understanding the client's culture. It's also about understanding who you are and how well you know the people you've brought together on a team. That's just as important as the client aspect. I've discovered that there are really only a few qualities at the core of my work (see "Simplified Consulting Model"). It needs to be ethical. It needs to actually serve people and the world. It has to account for human beings and the possible impact it will have on them. It has to have compassion. And it has to be able to actually get things done.

WALLACE: What would you say to a consultant whose consulting model hasn't matured or who doesn't even have a model? How do they develop this capacity and deep understanding?

HANIG: I would say what Robert Fritz said to me years ago: You find somebody who knows how to do what you want to do really, really well and you learn from them. It sounds very simple and it actually is—it's just not easy. So that's what I've tried to do. I've learned from a number of remarkable and dedicated people in the field, and I've created opportunities to partner with people who could do things that I couldn't do and teach me things I needed to learn.

Simplified Consulting Model

- Clarify aspirations beyond relief of pain and suffering
- Pair observation with theory to create shared causal explanations of the current condition
- Determine leverage points for change
- Assess client's willingness to experiment and learn
- Develop a coherent process and plan
- Keep clients/partners engaged and informed at multiple levels
- Tell and listen to the truth to the best of your ability
- Be willing to make adjustments to team composition and resources as the intervention evolves

When a team's effectiveness slows or stalls, we need to address and improve the dynamics or we need a different set of capabilities.

It's also important to learn from projects that haven't turned out the way you wanted and to understand where and how they got bogged down or derailed. You need to be aware of how you deal with breakdowns, whether they are things that didn't work or things that someone didn't like. You have to expect breakdowns and failures, and you have to be able to work with them in a productive way, on both the personal and the professional dimensions.

Evolving a Collective Leadership Model

WALLACE: How has your view of leadership evolved over the years?

HANIG: I've come to understand that leadership is not an individual process but a collective one. Leadership is not just a person becoming a leader. Yes, people can become better at it, but how does a system continually sustain a capability for leadership among the entire population? If you want to have collective intelligence in an organization, the people who actually do the work and the formal and informal influencers, not just the formal leaders, need to be appropriately and respectfully included as well. That piece is often completely missed. This is as true for how we as consultants operate as it is for the organizations and institutions we serve (see "Barriers to Collective Intelligence").

I've come to understand that leadership is not an individual process but a collective one.

For a couple of projects—for example, at SABIC (Saudi Basic Industries Corporation) and at BP—we brought together a number of consultants, vendors, and suppliers to collaborate on a large initiative. Most organizations and institutions don't understand the benefit of having their suppliers and vendors collaborate. In a field like consulting, where having a competitive edge is the thing, it can be difficult to create a collaborative context between different providers and vendors. That type of competition can directly diminish the quality of collective intelligence and understanding needed to influence complex conditions and thus the ability to create effective and sustainable solutions. This challenge is just as prevalent inside organizations, where knowledge can be power and sharing information can be seen as self-limiting. Organizations should be willing to see and engage these types of core dilemmas in a way that will serve their ability to continue to grow and deliver on their mission. They are not going to succeed by supporting and promoting people who are unwilling to enter the risky yet rewarding ground of genuine collaboration.

My basic leadership model hasn't changed substantially over the course of my career (see "Aristotelian Leadership Principles," p. 8). In a way, it's become simpler and richer. But my understanding of it and how to apply it has deepened. I have to communicate to people, "Here's what we're actually doing. This is not just a set of competencies based on the latest trends. Let's look really deeply. What are the implications of this model for individual and collective mindsets and behaviors in the specific context of this institution? If we were to take this approach, how would we know that we are creating the future we want and accounting for any unintended consequences and emergent insights and opportunities?"

Entering a New Culture

WALLACE: You've worked in many different countries. How do you adjust to the culture you're working in?

HANIG: Underneath everything, human beings are human beings. People have aspirations. People have fears. People have goals. People have strengths and weaknesses. People are people, so I find the fundamental capabilities and approaches I use are pretty consistent from country to country.

However, you need to "speak" the client's language. There's a verbal language and there's a cultural language, and it's learning the cultural language that's so important. I need to understand how this

Barriers to Collective Leadership

- Lack of shared purpose
- Inability to name and integrate different mental models and worldviews
- Inability to name and account for structural dilemmas and tradeoffs
- Non-systemic understanding of the organization and/or the operation
- Inability to account for reward systems that value self-interest above collective interest and short-term symptomatic improvements over long-term fundamental solutions
- Lack of quality reflection that acknowledges and addresses the perpetual gap between what is espoused and what is practiced in both the individual and the collective context
- Lack of understanding of the distinction between mistakes and negligence

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culture works, so that we can get to the real conversation and not be distracted by inadvertent cultural clashes and breakdowns. For instance, if you walk into some organizations wearing a finely tailored suit, whether they agree with you or not, they'll listen to you. If you walk into that same organization and you're wearing casual attire, that will be a distraction, and there won't be much listening going on. So that's number one: What's the code here? You can think, well, they shouldn't be judging me on my clothes. That may be true, but right now you need to gain credibility quickly so that breaking the code isn't a distraction from the real conversation. The notable exception is when you want to quickly and dramatically frame a conversation about the code itself. And then, when you're inside the organization, you can begin to identify and change that ingrained mindset if you and they wish to.

I don't worship cultures. Cultures are engrained collective habit patterns that mostly operate underneath the normal level of awareness. They have come into being at certain times for legitimate reasons. When the conditions change, behavioral patterns need to change, because they are no longer coherent with the new reality. They may no longer help the group survive and thrive.

In order to crack the code and learn the cultural language, I have to begin with curiosity, respect, humility, and flexibility. I go in with curiosity because I am genuinely curious. I find people fascinating and always want to learn how things can be looked at differently. Then, whether you agree or disagree with the condition you encounter, like it or not, you have to accept it. Once you understand it, you can speak intelligently and respectfully about it and try to shift it if you choose to.

You also have to be humble. Especially in a new culture, I often ask people to be my coach. I'm trying to learn how not to offend anyone while simultaneously being of help, so I'll say, "Please give me pointers if I'm doing something I shouldn't. For example, feel free to say, 'Robert, you have to let

Aristotelian Leadership Principles

- ***Ethos:*** Moral character/purpose, the source of ability to persuade
- ***Pathos:*** Capacity to touch feelings, to move people emotionally
- ***Logos:*** Ability to give solid reasons for action, to move and connect people intellectually

Other Leadership Frameworks

- ***Heifetz:*** Direction/Protection/Order
- ***Senge:*** Aspiration/Conversation/ Interdependence
- ***Kantor:*** Meaning/Affect/Power
- ***Confucius:*** Virtue/Compassion/Action

There's a verbal language and there's a cultural language, and it's learning the cultural language that's so important.

Enrique, the most senior executive, speak first in management team meetings.'" Because of the power of first impressions, if you inadvertently do the wrong thing, it can be hard to dig yourself back out.

Finally, you need to be flexible and be able to make shifts in your behavior. For example, in some cultures, engaging in personal exchanges before the business of the meeting is essential, while in others it is seen as a distraction, a waste of time, or even harassment.

Let me give you a couple of examples. I worked with a Native Alaskan healthcare system, and they had a strong culture that was in a state of transition. Traditionally, they made their living by hunting and fishing, with periods of intense activity and periods of rest and reflection. With the recent introduction of western culture and organizations designed around fixed and consistent timeframes, i.e., 9-to-5 jobs, traditional roles and more natural rhythms began to disappear in their day-to-day lives. The rules of survival and success changed rapidly and irrevocably. In that space of understandable shock, sadness, and uncertainty, and with few tools available to cope with such profound change, issues such as substance abuse and domestic violence began to grow in the community. Although this massive change in circumstances was sad and unfair, the old conditions continued to disappear. The elements of culture and patterns of behavior that formed over millennia needed to be examined and redefined or released. New forms needed to be developed, allowing people to cope and thrive in the new conditions, ideally in a way that honored and incorporated the deep wisdom for what and who had gone before. In fact, I was shown a number of Native-based approaches that began to accomplish this in remarkable ways.

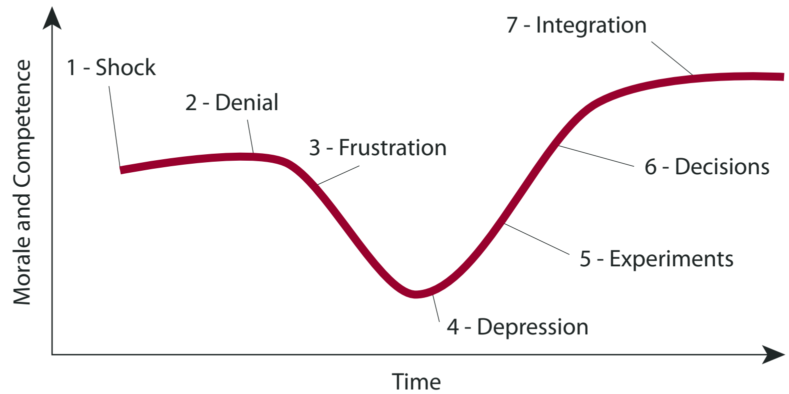
In discussing the nature and challenge of culture change with a group of government leaders in New Zealand, which included some Maori members and some non-indigenous participants, I used this example. I found myself saying, "There are elements of your traditional culture that are coherent to the times, and other elements of your culturally based behavior that may no longer be coherent and beneficial." This caused some tension, and I was strongly and publicly criticized by a person of western European heritage for being disrespectful. But one Maori member stepped in and said, "Just a minute—he's making a good point. We're no longer living in the world of 200 years ago. Our culture—and the way we lived and behaved—was beautiful. But we are in a different world now with many new challenges, including working with new partners and politics, working with new environmental challenges, working with substances and foods that can help and hurt us, and working with a number of emotional and social challenges we hadn't come across before."

I see a lot of cultures like that in organizations, too. The conditions have changed, and what once worked doesn't work anymore. When people accept that, they can change things themselves (see "The Kubler-Ross Change Curve").

Here's another example. When I was working in the Middle East, I realized that one is not supposed to publicly disagree with or challenge the boss. It's a pervasive cultural norm, but it's one that, habitually enacted, reduces an organization's capacity for collective intelligence and ability to perform because legitimate alternative views are not expressed and explored. To be successful, organizations need to create conditions in which disagreement—especially with people in formal positions of power—is not seen as disrespectful but as an expression of loyalty to the overall success of the endeavor or enterprise. This became obvious to me as I watched the team superficially agree with the boss, although I knew there were deep unexpressed reservations about his view and directive. The result was the lack of a shared, committed, and intelligent approach. Team members would go out and do significantly different and uncoordinated things, and the superficially agreed-to processes would fail completely.

It took me a year and a half to get the senior team to understand this condition and its implications, and to start to experiment with respectful disagreement in the service of improved collective performance. They would make an agreement but only after there was an opportunity to dissent and say, "Wait a minute, you're asking me to do what? Do you realize that there will be undesirable consequences unless we consider and account for these additional factors?" So, they learned to disagree with each other during meetings, with the CEO suspending his tendency to jump in and say, "You do this, you do that." Although the meetings took a bit longer up front than before, the amount of time and unnecessary expense that was saved by establishing alignment and collective intelligence was tremendous.

The Kubler-Ross Change Curve



The change, or transition, curve helps in understanding the emotions that people may go through during change and is used to explain the typical order of people's reactions to change. Although there are numerous versions, including Elisabeth Kubler-Ross's Five Stages of Grief model, all confirm that people follow predictable patterns of psychological reactions to change over time.

Source: Edited excerpt from "The Change Curve—Predictable Pattern of Change of Emotion-Reaction While in Change Transition: Modeling Change Behavior," *Bizshifts-Trends, August 14, 2013*.

> **Organizations need to create conditions in which disagreement is not seen as disrespectful but as an expression of loyalty to the overall success of the endeavor.**

So that's an example of where an engrained cultural behavior was inconsistent with learning, inconsistent with being collectively intelligent. It's not right, it's not wrong; it just doesn't work. That, for me, is the essence of culture change. Let me also say that it required tremendous courage and commitment from the CEO and his team to engage in this process and stay with it. It requires a willingness to take personal and professional risk in the service of what matters.

I have come to learn that you can't silence the critics in an organization, nor should you. You have to listen to and engage them, and productively utilize the information they provide. That takes a certain amount of maturity and capacity. If you don't listen and engage them in creating solutions,

You can't silence the critics in an organization. You have to listen to and engage them.

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the criticism is going to go underground and eventually cause an unexpected breakdown or diminish the spirit of the organization and its members in some way.

Supporting Next-Generation Leaders

WALLACE: Where will your work go from here?

HANIG: Right now, I'm working with Peter Senge and a number of amazing people on an initiative called the Academy for Systemic Change. One of its major projects is something we're calling Next Generation Leaders. We are working with mid-career people who are already very successful, and supporting them in making significant change in the world in a number of different domains, including education, the environment, poverty alleviation, culture change, business, and supply chains. Some of us who have been in the field for a long time are trying to give them whatever small benefit our experience can provide as well as connect them with one another and help to build a larger network of relationships and capacity.

I think the next phase of my career is to use whatever I have learned—and continue to learn—to assist the next generation of leaders and change agents to deal with the critical, collectively self-generated issues and challenges our world is facing, on both the individual and the systemic levels. I am also excited about the possibility of being enriched by their spirit, wisdom, and knowledge. ■

ABOUT THE AUTHOR

Robert Hanig is founder of RLH Consulting, a founding member of the Society for Organizational Learning, and a founding member of the Academy for Systemic Change. He currently designs, directs, and delivers management and leadership interventions and programs for clients including the World Bank Group, the International Monetary Fund, and the Institute of Electrical and Electronics Engineers. ***Robert@rlhconsulting.com***

COMMENTARY 14.2

Commentary

SRINI PILLAY

Srini Pillay

Humility should be admired, not because it is a step down from ultimate authority, but because it is a step up into the realm of "not knowing." Not knowing is one of the most powerful drivers of learning, because it drives the discovery process. This discovery process, I believe, is a core theme in Robert Hanig's approach to change.

Brain-Based Learning

In his approach to leadership development, Robert is highly skilled at designing knowledge-based solutions that are sensitive to time, culture, and the collective. At the same time, he is aware that such solutions are viable only insofar as his clients are open to discovery and learning. In my work as a guest speaker at the World Bank and the International Monetary Fund (IMF), I have seen how he integrates multiple perspectives that generate both questions and answers. These questions and answers in turn inspire action through their dance with each other, and not from either one in isolation.

From a brain-based perspective, the value of not knowing is becoming increasingly apparent. Recent research, for example, shows that goals by themselves do not drive behaviors. Instead, the multiple representations of self that we hold in our brains' memory circuits are what drive us to do the things we do.[1] These representations of self are less about knowing and more about becoming. They are often compromised by prior failures and disappointments, and only the deepest self-examination allows us to come to terms with them. Robert and I recently did an exercise with a client that involved curating memories in the "museums of their brains." After first reflecting on the existing pictures of themselves that were stored in their memories, participants had an opportunity to "switch" these out for new pictures that represented their leadership capacities more powerfully and facilitated the accomplishment of the outcomes they desired.

Not knowing is one of the most powerful drivers of learning, because it drives the discovery process.

The Act of Becoming a Leader

One of the most compelling definitions of leadership was offered by Warren Bennis, who said, "Becoming a leader is synonymous with becoming yourself. It is precisely that simple and it is also that difficult."[2] Becoming, although often anchored in goals and benchmarks, is at its core a process without a goal. Because there are no goals, becoming assumes that development will never stop. That is why the Eisenhower quote that Robert cites, "Don't just do something, stand there," is so profound. Robert's ability to inspire "doing" while leaders are "just standing there" is the result of his own capacity to observe and stay with the tensions as people bat around the possibility of self-transformation.

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At a recent program, where I was again a guest speaker and helped co-facilitate, participants told us that although prior programs were very enriching, they left them with no overt skills or perspectives that truly changed anything. Robert and I took a non-defensive stance and explored how the current program could be adapted to ensure that this outcome would be different. In the process of changing the program, we discovered that the participants actually had no inclination to change anything about themselves. When asked, "What one thing might you want to change about yourself?" they struggled to articulate what this would be. This struggle, when met with respect and empathy, facilitated a deeper self-examination than would have taken place had we taken a defensive stance.

"Becoming a leader is synonymous with becoming yourself. It is precisely that simple and it is also that difficult." — Warren Bennis

The principles of keen observation, the use of multiple perspectives, and awareness of collective intelligence and cultural sensitivity can help move leaders from the false framework of goals as drivers to the true framework of internal motivation as the real driver in any strategic process. That is why Robert's approach to a leader's self-discovery is able to support the successful management of any challenge, whether it is managing risk, change, or innovation. Perhaps the single most important leadership challenge has been the unpredictability of economic shifts. No more can leaders simply examine the variables that impact a given situation, estimate the probability of success, and then execute a plan. Instead, they are charged with the seemingly impossible task of dealing with change of unprecedented scale and complexity filled with risk and uncertainty. In his approach to leadership development, Robert relies on multiple perspectives to make meaning. In so doing, he is modeling for others how to make their own meaning from the complexity.

From a brain-based perspective, a recent meta-analysis of 48 studies showed that cognitive reappraisal—the act of recognizing and then changing a thought pattern—activates the thought control regions in the brain and deactivates the anxiety center—the amygdala.[3] In other words, by understanding how they make meaning, leaders are actually building a more adaptive and resilient brain. These shifts in perspective are not a one-time thing—the capacity to shift and adapt must be developed over a longer time.

Authentic Connection

One of the reasons I enjoy working with Robert is that he is excruciatingly aware that all knowledge, even brain-based knowledge, is really only scaffolding for a longer journey. As consultants, we cannot make the journey on behalf of leaders, but we can provide tools to assist them in dropping the facades that block their greatest sources of intelligence. Removing masks is not easy for any of us, but Robert is able to create a welcoming environment that encourages leaders to take that critical step.

It is no wonder, then, that Robert is interested in "helping the clients develop the ability to conceive of and create the results they desire." This desire has profound, far-reaching implications. Rather than relying on what is likely or probable, Robert's approach emphasizes connecting with what is possible and acting upon this deepest vision with a sense of courage, self-connection, and alignment of purpose and action, all of which fuel the motivation to succeed. An "exception," by definition, is a low-probability event. Hence, exceptional leaders must learn how to lead—without prior knowledge or likelihood of success—into what is possible for themselves and their teams. Indeed, a recent review of how the brain works emphasizes that the value of a goal to a business is not enough to motivate a leader's brain. Instead, leaders must be aligned in purpose and action, and must feel as though they can actually control what they need from themselves in order to get to their goals.[4]

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Such alignment and sense of control cannot come from mere cheerleading or what I call "workshop mania," but needs to be deeply rooted in a program of authentic connection to self. In this kind of program, one learns to surf the waves of uncertainty without needing to control the ocean of possibilities. Once again, this is not just a technical understanding but an actual experience that can only come from mindfulness and a deep sense of connection with one's inner needs. This experience does not have to be common to all. In fact, in his programs, Robert always includes skeptics and their alternative views. As he points out, whether our consulting frameworks are held as useful or useless, they have done their work if they have provoked thought and a deeper sense of self-connection.

When we make mistakes, the brain is wired to rapidly adapt, correct, and update information.

Error-Based Learning

At the core of Robert's exploratory approach to leadership is error-based learning. When we make mistakes, the brain is wired to rapidly adapt, correct, and update information.[5] Much of Robert's approach relies on this error-based theory and on developing new competencies that fit the context in which leaders are charged to make decisions.

Instead of obsessional stepwise, error-free thinking, Robert helps leaders develop the capacity for error-based learning, rapid updating, and quick correction. Rooted as he is in delivering sustainable results, he also asks leaders to suspend knowing and instead deeply examine themselves in context so that they may exist in rhythm with the changing universe and express the intelligence of this universe as it passes through them. If every individual in an organization took responsibility for leading himself or herself at the highest level of self-awareness, most organizations would achieve the results they are looking for. This is what Robert is advocating in the interview. And I know from working with him that he practices what he advocates. ■

ENDNOTES

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FEATURE 14.2

Reflection on Practice Through Model Building

One Person's Experience

GRADY McGONAGILL

All consultants have models that shape and guide their work. Most of the time, these frameworks remain tacit—and thus unexplored. But by delving into the assumptions underlying their practice and documenting the methods they have come to adopt, practitioners can test and improve their models. They can also prepare for potential "model clashes" that can occur when encountering someone whose practice and behavior is driven by different assumptions. In this article, Grady McGonagill describes how he used model building to rejuvenate his own consulting and coaching practice and to renew his sense of living a meaningful life. In the process, he illustrates the benefits of self-reflection for any consultant's professional and personal development.

Grady McGonagill

"The unexamined life is not worth living." So said Socrates, we are told. Over my 31 years of practice as a consultant, I've typically made time for some form of self-reflection, to assess my current level of effectiveness and to strive for mastery in my practice. While I have had many teachers, David Kantor—a family therapist turned consultant—has been my primary coach and mentor. In this article, I describe an approach to reflection that Kantor calls "model building" and illustrate its benefits for my practice and personal development. My hope is that the story of one person's personal journey will make vivid to others the virtues of a model-building approach and inspire them to engage in a similar discipline.

In what follows, I make a case for the benefits of model building, using my own developmental journey as an illustration. I also aim to demonstrate the inherently personal nature of a consultant's professional practice. In pursuing these goals, I engage in a degree of self-revelation that is unusual for a professional publication. I do so with the conviction that this will serve others' learning better than a more standard, distanced exposition would.

> **My hope is that the story of one person's personal journey will make vivid to others the virtues of a model-building approach.**

Introduction to Model Building

My first forays into reflection were inspired by my teacher Chris Argyris, whose writings with Donald Schön motivated me to become a consultant. Diana Smith—a protégé of Chris Argyris who was my teaching assistant in a graduate course I took with him—became my first coach. In the late 1980s, Diana introduced me to David Kantor. Since then, I have accessed David's counsel much as I had consulted with Diana, talking through dilemmas in particular client situations, sometimes using the two-column case format that Argyris and Schön introduced and Peter Senge made famous. Periodically, however, Kantor encouraged me to do something more systematic, which he called "model building." His belief is that all practitioners have a model, usually tacit, that guides their practice. Mastery, in his view, involves making that model explicit so that it can be tested and improved. Such a practice also prepares a practitioner for the potential "model clash" that can occur when encountering someone whose practice and behavior is driven by different assumptions.

For a number of years, I resisted Kantor's encouragement to undertake more comprehensive and systematic model building. However, in 2000, I took the leap and spent about half of my time that year delving into the assumptions underlying various areas of my practice and documenting the methods that I had come to adopt. Kantor's "model of model building" contains three principal elements: a Theory of the Thing (i.e., the focus of one's practice), a Theory of Change, and a Theory of Practice (*Reading the Room*, John Wiley & Sons, 2012). I found this framework helpful. Still, I felt a characteristic need to tinker with it, and came up with a revised and expanded tool to articulate my own model (see "Framework for Model Building).

I also articulated the following definitions, which are closely based on Kantor's work:

- ***Model:*** A representation of the distinguishing features of one's professional practice, as shaped by one's personal profile.
- ***Model Building:*** Systematic reflection on one's model, to make explicit its distinguishing features, increase the robustness of those features, and enhance their alignment.

To be sure, I found the model on which I had based my practice to be as full of inconsistencies as I feared. But the opportunity to take stock of it and make it more robust proved both comforting and exhilarating.

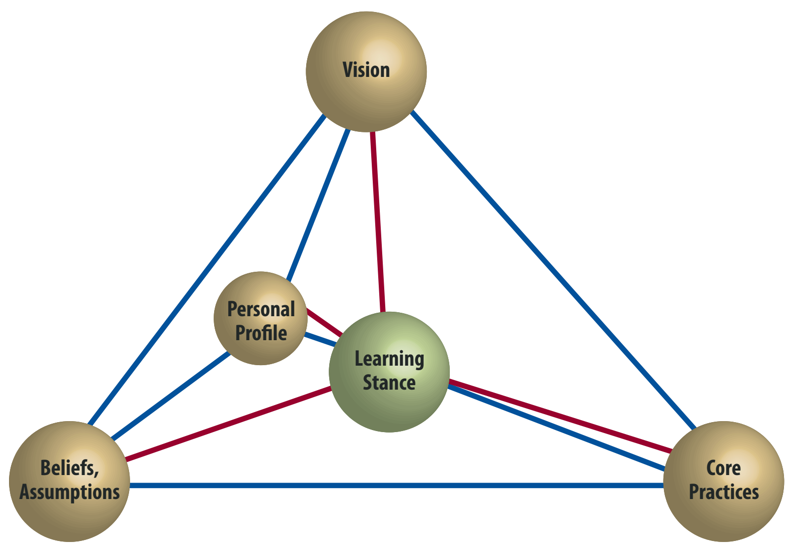
Reaping the Benefits

My own experience, and that of those I've worked with, suggests that there are multiple benefits to intensive reflection on practice:

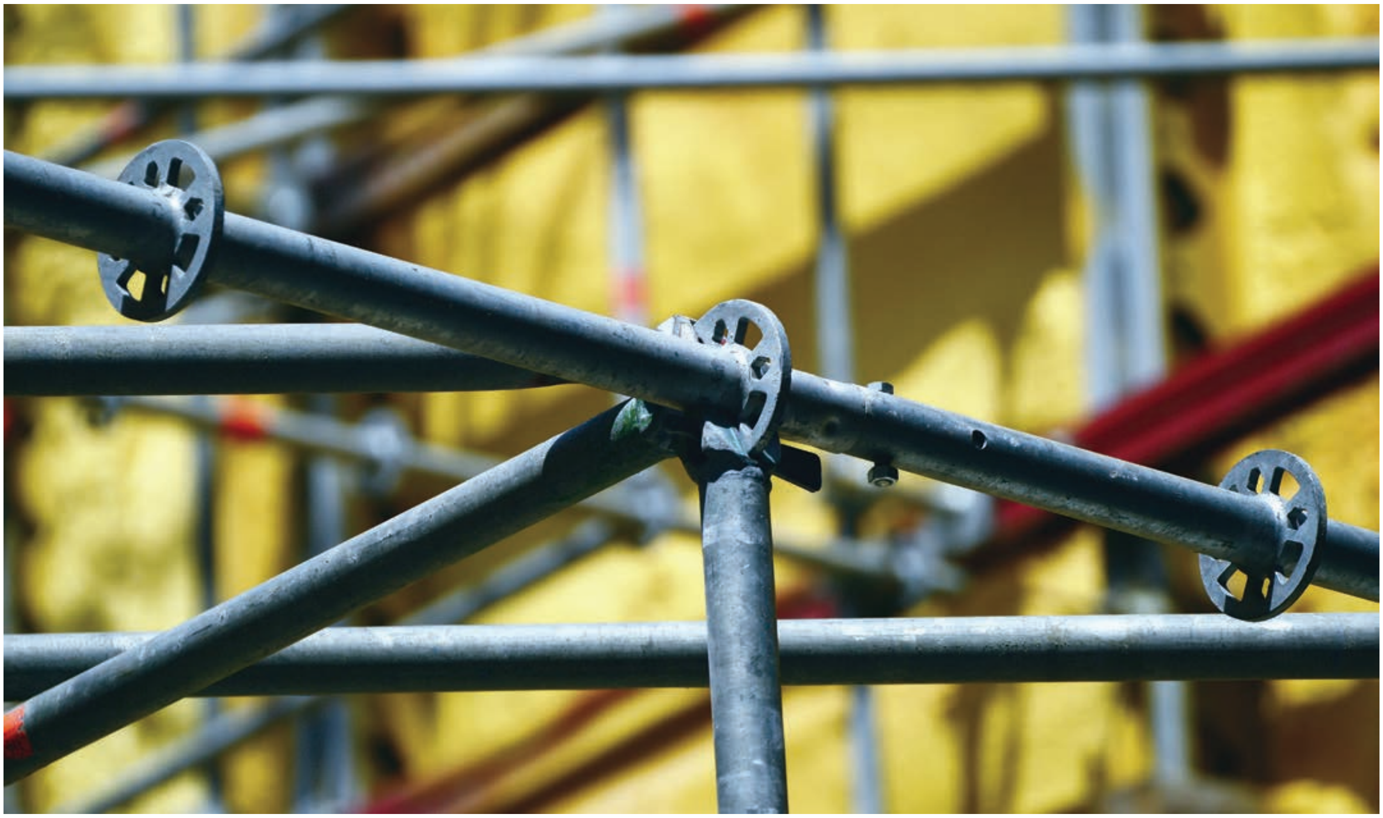
- ***Greater alignment among one's beliefs, practices, and personal profile.*** Intensive reflection typically results in fuller appreciation of synergies among underlying beliefs; more conscious management of tensions among underlying beliefs; heightened awareness of inconsistencies between espoused beliefs and routine practices; and deeper knowledge of the influences of one's personal profile.
- ***Deepening/broadening of the foundations of one's practice.*** Such reflection also is likely to generate a deeper understanding of existing beliefs and assumptions and the discovery of new perspectives.
- ***Renewal of one's practice.*** And such reflection contributes to a clarification of core interests; renewed confidence in the ability to learn and articulate; and a reawakening of curiosity regarding unresolved gaps, puzzles, and areas of confusion.

I found the model on which I had based my practice to be as full of inconsistencies as I feared.

FIGURE 1 **Framework for Model Building**



This framework[1] suggests that a model is comprised of five elements, each of which merits attention in the model-building process. The first element is a practitioner's *core practices.* Next come the *beliefs and assumptions* on which they are based. These two elements serve a vision that benefits from being made explicit. All three are shaped by an individual's *personal profile.* And they will continue to be shaped (or not) by his *learning stance.*



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By recognizing the key assumptions and practices at the heart of my success, I felt better able to create compatible opportunities.

I gained a number of personal benefits as well: the satisfaction of leading an "examined life"; development of a multi-dimensional set of practices for personal development; and stimulus of spiritual inquiry.

One element of this inquiry that stands out as being particularly illuminating was a review and synthesis of the various theoretical influences on my practice. I identified eight principal influences,[2] which I synthesized in the form of a set of four propositions:

1. Individual ways of making sense shape our "reality" and behavior.
2. Our sense making—and thus our feelings and actions—tends to be automatic and limited, especially under conditions of threat or stress.
3. Awareness of how we make sense can loosen the grip of reflexive thought and action, and foster development of the quality of our consciousness as well as more effective action.
4. Enhanced consciousness and more effective action create conditions that further foster learning and development, forming a virtuous loop.

The propositions and the map were not directly useful in my client work. Rather, they served as scaffolding for my own development. By recognizing the key assumptions and practices at the heart of my success, I felt better able to create compatible opportunities. And by recognizing patterns associated with work that was less successful, I gained insight into my limits and vulnerabilities and how to work with them.

I also created a graphic "map" of the sense-making process that I identified as being central to my practice.

This intensive reflection directly resulted in significant shifts in my core practices. I built on the experience to design a leadership development workshop that became the center of my work for some years, along with a practice of supporting others in their model-building practice. However, the primary value of my analysis was that I came to realize that my model had limits of which I had been unaware. Such recognition is an integral feature of Kantor's view of model building and one of the reasons that he passionately believes it to be central to any consulting practice that has integrity. By identifying theories and practices that contradict her model, a consultant is forced to develop and refine her approach. And she improves her ability to manage differences in approaches with other consultants and with clients.

I took particular satisfaction in identifying and resolving some ambiguities and contradictions in my practice. For example, I realized that I had embraced Chris Argyris's modeling of Action Science, which had me be direct to the point of bluntness with coachees when I perceived gaps between their espoused values and their actual behavior. At the same time, I tacitly subscribed to the constructive-developmental perspective described by Robert Kegan, among others, which encouraged me instead to withhold such perceptions in cases where the coachees' actions could be seen as a growth step within an early developmental stage. I concluded that by invariably "telling the truth," I had sometimes not served my clients well. I resolved that, going forward, I would pause to consider the constructive-developmental perspective before offering feedback. This experience made clear to me the ethical benefits of model building. I came to believe that if I didn't subject my practice to intense scrutiny, I risked violating the Hippocratic injunction of "Do no harm."

Revising My Model

In its later stages, my "Model of Everything" came to include a "model of a good life." Here I identified several aspiration gaps. In particular, I was concerned about the degree of alignment between my work/lifestyle and my commitment to social

I came to believe that if I didn't subject my practice to intense scrutiny, I risked violating the Hippocratic injunction of "Do no harm."

change. I realized I was not delivering as fully as I would like on my wish to make the world a better place (see "Illuminating One's Shadow").

The tool that crystallized this insight was the "Immunity to Change" exercise created by my graduate-school teacher Robert Kegan and his partner Lisa Lahey (*Immunity to Change*, Harvard Business School Publishing Corporation, 2009). In this exercise, an individual identifies a commitment he has

Illuminating One's "Shadow"

As an unanticipated dimension of my model building, I became more aware of my "shadow." Kantor uses this term to refer to the patterns of thought and feeling that constitute internal structures that evolve as a result of a person's childhood experiences of love. I use "shadow" more broadly, to refer to any pattern of thinking and feeling that gets in the way of what a person consciously intends to do, either because of lack of awareness of that pattern or an inability to fully manage it.

This view blurs the boundary between model building and therapy. Although I had already invested in a good deal of therapy and personal growth exploration before my work with Kantor, I emerged from my model building with a significantly heightened degree of awareness regarding these unconscious patterns. I came to the view that the core mindsets that comprise one's patterns are in principle changeable, but can be very hard to change and are likely to continue to operate to some degree. This awareness strengthened my commitment to the ongoing journey of loosening the grip of such forces to the extent possible and helped me realize that supporting others on a similar journey was one of my deepest professional passions.

made to change a certain behavior, then reviews how he has fallen short of this goal. The next step is to uncover the "competing commitments" he holds that lead to the discrepant behavior. The person examines these competing commitments to discover the underlying "Big Assumptions" that stand in the way of his ability to change.

My reflective practice had focused only on *retrospective* reflection, attending to the influence of existing mindsets on past behavior.

The transformational insight that I gained from this exercise was that despite my commitment to making a difference in the world, I had avoided taking on large commitments (e.g., "eliminate world hunger"). Why? Because of several competing commitments: my desire to be seen as competent, to avoid failure, to avoid open-ended aspirations lacking a clear measure of success. These "Big Assumptions" bore similarity to some of the core mindsets that I had identified in my model-building process.

Soon after, a chance encounter with Otto Scharmer introduced me to a startlingly novel paradigm: that one could learn not only from the past, but also from the future. Scharmer, Senge, Jaworski, and Flowers later made this perspective explicit in the book *Presence.*[3] I realized that my reflective practice had focused only on *retrospective* reflection, attending to the influence of existing mindsets on past behavior. I was intrigued by Otto's case for *prospective* learning. I resolved to mull over this new paradigm, which had come to be called the U-Process,[4] mentally trying it on for size.

Connections that opened up through Otto led to an invitation to work with a team of consultants whose practice was based on the U-Process and who aspired to address stuck problems of global significance. Their work was driven by an assumption that I found both radical and exhilarating: "The effectiveness of an intervention depends on the interior condition of the intervener."[5] I accepted the invitation, seeing it as an opportunity not only to close my aspirations gap but also to try out a revised core mindset. It was a chance to suspend an existing belief—"If I am not successful, I will have no identity"—and experiment with one that promised to be more liberating—"I can define success in terms of aligning my behavior with my values rather than in terms of my achievements."

In some areas, the transition to this new work was seamless. I learned the practice of "deep-structure interviews"—two or even three hours long—designed to enable a strong personal connection with interviewees and elicit their deepest aspirations for the system of which they were a part. Other familiar practices were the use of meditation and Qi Gong as tools for personal development and for cultivation of the capacity to be fully present. Still other practices were a natural extension of tested tools: Focusing (Gendlin, *Focusing*, Bantam, 1978), for example, was a close cousin to meditation. At the same time, I was exposed to a whole range of unfamiliar paradigms and practices, many of them centered around wilderness retreats and featuring collective intelligence.[6]

My most concrete contribution to the work of my new colleagues was to produce an annotated bibliography of the U-Process. This task was almost too good to be true. I was being paid to explore the novel ideas that challenged my model. Suspending my doubts, I delved into the theories of people whose ideas I had overlooked and might have previously dismissed.

The scholar in me also felt compelled to note the limits I saw in the works I was exploring. In so doing, I embraced the stance taken by Ken Wilber (*A Brief History of Everything*, Shambhala, 2000). In his view, every theory offers some truth; however, it is invariably a partial truth. Typically, the creators of theories are blind to the limits of their own creations. Wilber's perspective was a strong influence on my openness to challenging the boundaries of prior assumptions. I realized that, however invaluable my year of intensive model building had been, my model was quickly becoming obsolete through this subsequent experience. It sunk in that this, too, was an essential feature of model building: It is a journey without end.

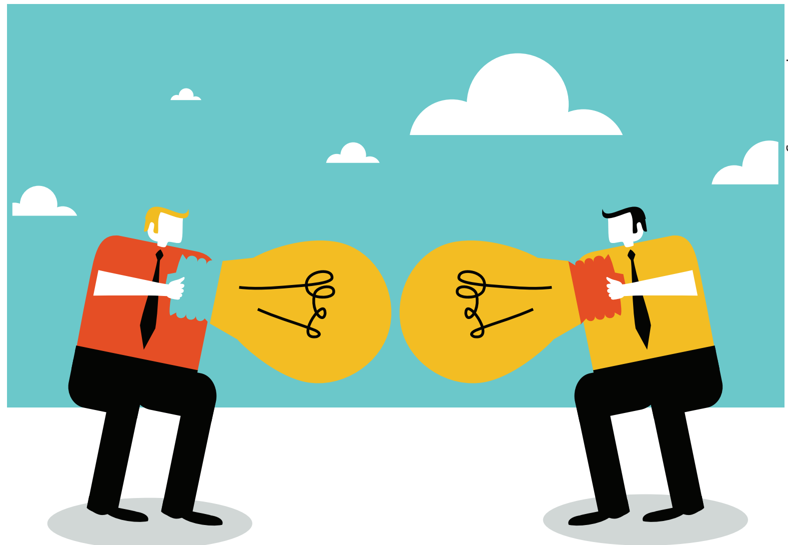
Encountering Puzzles and Personal Limits

These novel experiences introduced an uncomfortable tension into my model building. On the one hand, I found my horizons expanding as I immersed myself in learning about theories and practices I had not considered. At the same time, I was not able to overlook what I perceived as limits in these new paradigms. I resolved to act as if my skeptical stance were valid, while striving to hold that conviction lightly, remaining open to disconfirmation and to opportunities to revise and refine my assumptions.

In any case, it was becoming clear to me that my personal profile limited me in ways that were unlikely to change. I recognized a deep need to think things through carefully, using only approaches that I was confident would work. This need made me ill suited to the core features of work on large-scale, hugely ambitious change projects, such as one project that aimed to reduce childhood malnutrition in India by 50 percent in five years. I was able to carve out a niche in support of the colleagues leading such engagements, but I realized I could not work effectively as a client-facing consultant and facilitator under such conditions. This realization was very disappointing, yet it felt good to get clear on my limits. And the disappointment was cushioned by the obvious connection between those limits and my core strengths. I saw that I was more craftsman than improviser, more synthesizer than creator.

Learning from a "Model Clash"

Another stimulus for reflection was tension in my relationship with a senior colleague for whom I had great admiration; I'll refer to him as "Gregory." The experience of managing those difficulties tested and clarified the boundaries of my model. I include an account of this part of my journey



Models are inherently personal and inevitably come into conflict from time to time with models held by others.

with full awareness that such material is rare in the professional literature. Consultants talk about tensions within client systems but disclose far less about difficulties among themselves. From my view, shaped by Kantor's, this is a striking and disturbing omission. A consultant's model includes that person's embodiment of espoused beliefs and practices in a unique personality. Thus, models are inherently personal and inevitably come into conflict from time to time with models held by others. In this fledgling effort to break the taboo around making an example of such conflict public, I doubt that I will fully succeed in my wish to be balanced and impartial. However, my hope is that even a flawed effort will illustrate the value of making such challenges the subject of documentation and analysis.

The first sign of discord emerged in response to my draft of annotations for the U-Process bibliography. Gregory feared that acknowledgment of limits in the books I reviewed would weaken the effectiveness of the bibliography in validating the

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U-Process. I was troubled by this view, which felt like censoring expression of the whole truth. What began to become apparent was a fundamental difference in models. I noted that, unlike other colleagues, Gregory tended to present the U-Process as a religious journey, and that he insisted that it be the principal tool in all of our work.

We fell into a self-reinforcing vortex, each inclined to fault the other and each inclined to take a moral stance in making those judgments.

Mindful of Kantor's teachings, I struggled to resist the temptation to be judgmental of Gregory's behavior. I strove to practice Kantor's view that "Being able to translate moral stories into structural ones, your own first of all and then those of others, is an essential skill." With the help of this framework, I saw our conflict as rooted at least in part in our differing personal profiles. I had long been fond of the Myers-Briggs Type Indicator and the related lens of "Temperament," as articulated by David Keirsey (*Please Understand Me II*, Prometheus Nemesis Book Company, 1998) and Linda Berens (*Understanding Yourself and Others*, Telos Publications, 2010). Gregory struck me as being well described by the "NF" Temperament (Intuitive/Feeling, or "Catalyst" in Berens's language). Consistent with others of this Temperament, he was given to faith and optimism. People with this orientation are prone to overlooking data inconsistent with their vision. At times, they literally do not see what someone like myself, of a more cautious "NT" Temperament (Intuitive/Thinking, or "Theorist"), would see. This selective perception gives such a person great power to persuade, inspire, and persist when the path is uncertain and the going gets tough. It may also blind them to realities inconsistent with their vision.

As I began to notice differences in our models, I found myself submitting Gregory's behavior to intense critical scrutiny. My model made it hard for me to tolerate the reflexive disposition toward faith, belief, and transcendence that appeared to be fundamental to his model. I found it increasingly difficult to cleanse my criticisms of a moral tone. Paradoxically, I was morally judgmental of Gregory's tendency to be morally judgmental! I found myself unable to apply Kantor's injunction to release ethical judgments through appreciation of personal type structures.

I was aware that my own MBTI type and Temperament (INTP/NT) disposed me to be critical. At the time, I did not fully appreciate how much this critical tendency was exacerbated by an achievement orientation that stemmed from my personal history. This orientation had evolved as my solution to the problem of what Kantor would call my "story of imperfect love." I had tacitly come to use achievement as a means of seeking the love missing in my childhood. As a self-protective mechanism, I had unconsciously trained myself to be on the alert for imperfection in myself. That tendency carried over into my judgment others.

Once expressed, my criticisms of Gregory triggered a tendency on his part (like anyone of strong NF Temperament) to stiffen in the face of what he regarded as a violation of integrity: I was being disloyal to him. Thus we fell into a self-reinforcing vortex, each inclined to fault the other and each inclined to take a moral stance in making those judgments. Of course, from Kantor's perspective, we were both "right"; we simply had differing models. But we did not engage in the cross-model conversation recommended by Kantor as the means of handling such differences. Thus, we were unable to halt the downward spiral.

With the help of a facilitator, Gregory and I were ultimately able to recognize and own up to our respective contributions to what Kantor would call a "model clash." I was humbled by the recognition that I was the more culpable contributor. After all, I was familiar with theories that predicted how model differences could become model clashes, and I was aware of the virtues of cross-model conversation as a tool for exploring how differences can be synergistic rather than problematic. I realized that the strength of my moral judgments about Gregory's model had made it hard for me to broach and discuss our differences in a truly open way. I also realized that I had made it difficult for Gregory to live up to my expectations by projecting onto him positive qualities that I was unable to see in myself. This contributed to my going from adulation to rejection without being able to calibrate my disappointment in a more nuanced way.

Despite these many insights—which deepened my understanding of the personal profile that shaped my model—I was not able to overcome a sense of fundamental incompatibility between the orientation toward belief to which Gregory's model inclined him and the predilection toward agnosticism dictated by my own. With as much humility about the limits of my own model as concern about the limits of Gregory's, I chose to accept rather than try to bridge these deeper commitments to differing "truths." Gregory and I cordially parted ways.

Coming Home

Wiser, sadder, yet with enormous relief, I came "home" to my former independent practice. Yet I was not the same. Pursuing my growth edge, I had bumped up against the limits of my ability to expand the conditions under which I was able to effectively work. While aspiring to make a difference in the world, I recognized that I needed to operate within a set of cognitive and behavioral comfort zones defined by my personal profile. Yet I also identified my growth edge: healing the parts of myself that disposed me to be critical and skeptical as a means of self-protection—or, in Kantor's language—as a response to my story of imperfect love.

I had bumped up against the limits of my ability to expand the conditions under which I was able to effectively work.

Model building encourages generating active hypotheses about the nature of the world, making sense of it skillfully, and acting in it wisely.

At the same time, I had become clearer on my distinctive strengths. Moreover, I had come away with greater intention, courage, and skill to work with clients regarding the level of consciousness they brought to their challenges. All in all, I had no regrets. My professional and personal models had stretched and grown; my practice felt rejuvenated; my world felt larger.

In summary, I have found model building to be an extremely potent form of reflection on practice. For me, it has had highly practical benefits: a sharpened sense of my strengths and limits; a deepening and broadening of the knowledge base of my toolkit; and an enhanced sense of confidence and professional mastery, owing to the greater alignment among my beliefs, practices, and personal profile. In addition, model building renewed my sense of leading a meaningful life. Like any form of reflection, model building does not lead to an enduring edifice. Rather, it encourages a stance of curiosity: an ongoing commitment to generating active hypotheses about the nature of the world, making sense of it skillfully, and acting in it wisely. Not surprisingly, model building has costs. Intense self-examination demands significant investment of time and energy, and it requires a high degree of self-compassion and tolerance for ambiguity. Of course, the need to develop these qualities is in itself a growth opportunity! All in all, I have no doubt that, in my case, the investment was well worth the price. ■

ENDNOTES

1 For a fuller explanation of this framework, see Framework for Model Building.

2 The eight influences were: action inquiry (Argyris & Schön, Argyris, Putnam & Smith, Torbert et al.); brain science (LeDoux, Demasio); constructive developmental theory (Kegan, Torbert et al.); cognitive therapy (Beck, Ellis); systems thinking (Senge, Oshry); theories of mindfulness (Buddhism); theories of organizational culture (Harrison, Schein); and type theory (Jung, Briggs-Myers, Keirsey, Berens). For a "map" with further detail see Sample Model-Building Products.

3 And more recently by Scharmer in *Theory U* (Society for Organizational Learning, 2007) and *Leading from the Emerging Future* (Berrett-Koehler, 2013).

4 It is also known as the "U Theory" and "Theory U" (Scharmer, 2007).

5 Otto Scharmer attributes this quote to Bill O'Brien, former CEO of Hanover Mutual.

6 For a review of these theories and practices, see the Annotated Bibliography of the U-Process.

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Grady McGonagill is an independent consultant with expertise in leadership development and coaching. After 30 years of independent practice, with clients on several continents and in all three sectors, Grady is now devoting himself to supporting organizations and activities that address climate change. He holds an Ed.D. from Harvard University and an M.A. from Stanford.

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COMMENTARY 14.2

Commentary

RICHARD KARASH

Richard Karash

I've always been a model builder, that is, I've always been intensely interested in how things work. Delving into how *complex things* work is the essence of model building.

The Scientific Method

I studied physics and learned well the scientific method: Make a theory that explains phenomena of interest, then figure out how to test the theory. Theories of complex things are never complete—they are always simplified pictures of what's happening—so good scientists continue to examine and refine their models indefinitely. A key point in the philosophy of science is that we can't really *know* the thing, but we can get close, close enough to do practical work.

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My first professional work was creating management science models of markets and consumer behavior to test the effectiveness of marketing strategies. We used data extensively, and we worked to provide our customers with actionable answers to their specific questions. Jay Forrester, John D. C. Little, and Glen L. Urban, all of MIT's Sloan School of Management, were among my most important influences in this work. At this early stage in my career, the models we were paid to build were all about the outside world, not about me, and *in my model*,* that made it easier. We did, however, discuss our methods, and what constituted good work and why—conversations more like the model building addressed in Grady's article.

As I launched into my professional life, I was an aggressive learner. Not content with what "we" already knew, I was always looking for more. For the first 20 years of my career, this search was mostly for techniques, methods, and practices that would help me be more effective in the world. Mindfulness, creativity techniques, and sports psychology were important learning areas to me. The results of my explorations were significant, but I rarely got down to looking at why and how these methods worked.

Rick's Definition of a Model

A model is a representation of reality, necessarily simplified and incomplete, that explains how results come about. All models are incomplete; therefore, in assessing the quality of a model, we must do so against some purpose that the model is to serve.

And then I fell into the organizational learning field with Innovation Associates. At Innovation Associates, our staff had a lot of what we called "model conversations." We debated

* *David Kantor taught us to use the phrase "in my model" any time we assert a piece of theory in our modeling conversations. I do so here in this text. What difference do you think this makes for the speaker? For the listener?*

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extensively about what we were doing, what our clients really needed, how we could deliver it, and what methods were most effective. When we addressed why a method might be effective or not, we were modeling. But much of this conversation was less modeling and more like, "We should do X because it has attribute Y, which we know works."

My point in all of this is that, in consulting work, we have a lot of conversations that get close, but seldom do we carry them into real model building or write out an exposition of our models. Grady argues that we all have models that guide the things we do, but these models are tacit, and we would benefit from making them explicit. Jay Forrester has long expressed the same view, and it's hard to argue against it.
So, what happens when we start to be explicit about the beliefs and practices that guide our work?

An Explicit Model

Meeting and working with Grady McGonagill and David Kantor, starting in the 1990s, pushed such reflections to greater depth and rigor. Now, through our discussions, we were creating models of our work that were similar to the management science models of my earlier career. By being more open and precise about our models, we were better able to subject them to scrutiny and to test them.

Before starting to work with Grady in 2003, I was fully committed to many ideas about organizational learning, including, for example:

- Human beings can do amazing things.
- Our work helps people realize higher potentials.

Notice there's an ambiguity here, a conflict, a blank space: If human beings can do such amazing things, how come the world is such a mess? That's a big question, but it's not a show-stopper. The gap didn't particularly impair my ability to be productive in leadership workshops and individual coaching.

In the model-building process with Grady, I filled in some of that gap. *In my model:*

- Human systems can be remarkably stable in suboptimal patterns.
- Interventions can perturb a system to shift to a new stable pattern.
- Our work is to create interventions that shift to better patterns.

These insights made more explicit my understanding of the human condition, why things are the way they are, how things can change, and how in our work we help create such changes. What difference did that make? For me, model building improved my ability to adjust my delivery methods for differing contexts, to extend the work to new settings, and to teach others.

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Subsequently, my work shifted significantly from workshop delivery to coaching, where I found a greater need to modulate my ways of working to suit different individual clients. In this and in my work in training professionals, deeper understanding made me a more skillful practitioner and a better teacher. *In my model,* model building is especially impactful in these kinds of high-level practices.

The Benefits of Exposition

I want to highlight one key aspect of model-building practice: the act of writing out the model, creating an exposition of it, and explaining it to another person. *In my model,* articulating something for an interested listener is not just a report-out; it's a process of reflection in which our own understanding develops. It's happening right now as I write *this* piece. It certainly happened as I wrote out my model for Grady and again when I later published it on the Learning-org discussion list (see "Theory Underlying Organizational Learning," p. 26). Comments and responses were helpful, but writing it out three times for others was the most significant element in advancing and clarifying my thinking.

Since incompleteness is inherent and fundamental in any model, when assessing the quality or validity of a model, we must do so against some purpose that the model is to serve. *In my model*, the more incomplete a model, the more important clarity about its purpose becomes. For physical phenomena, our models are pretty complete; the question of purpose might be put aside. For human systems, our models are vastly incomplete; therefore purpose is always a primary question.

I created my model for organizational learning with this purpose: to help in designing actions that will be effective in producing desired results in my organizational work. The key parts of my model therefore involve performance, energy, and capacities in a human system. My model addresses the mechanisms by which an intervener (a leader or perhaps a consultant like me) affects performance and other results. If you have a different purpose, your model might be very different.

Reasonable Doses

If the benefits of model building are so obvious, why is it so seldom done with any rigor? A student of Dana Meadows had a good explanation. He told me, "She pushed us to be explicit and rigorous to the point that my head hurt!" This is difficult work, exposing the things we don't know, and that's uncomfortable. *In my model,* it's more comfortable for all of us just to continue on with our tacit models, using our practiced skills to produce results. *In my model,* there's little pressure to make our models more explicit unless there's a breakdown or until we are challenged by someone like David Kantor or Grady. What helps me is remembering that just because a pattern is stable and even sustainable doesn't mean it's optimal.

If the benefits of model building are so obvious, why is it so seldom done with any rigor?

Is model building worth the effort and discomfort? Yes, taken in reasonable doses from time to time. After all, it is rumored that Chris Argyris's wife once told him he didn't need to apply his tools to *all* their conversations. ■

ABOUT THE AUTHOR

Richard Karash is a consultant, facilitator, and executive coach living in New England. A high-tech entrepreneur earlier in his career, he served as a founding trustee of the Society for Organizational Learning. He is a principal in Systems Perspectives LLC and in Karash Associates LLC. *richard@karash.com*

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Theory Underlying Organizational Learning

This is a condensed version of a posting published by Richard Karash on the Learning-org discussion list in 2003. For the whole piece, do an internet search for "Richard Karash LO30797."

In my model:

1. People tend to wallow in shallowness. Unless provoked, few will rise to serious reflection on meaningful issues; for many, life is just to be lived. There is joy in going with the flow.
2. Most people will rise to seriousness if provoked skillfully.
3. Some things are successful stimulation for #2, that is, they succeed in provoking people to seriousness. Some of these serve as useful ongoing exercises for those so provoked:
   Visioning: Think about your life exactly the way you want it to be, talk about what you really care about
   Conversations: Listen to others talk about what they really care about
   Centering: Reaching a meditative state of heightened concentration and awareness
   Great Life Events: Life-changing events can provoke reflection, but these are generally not under our control
4. Personal Mastery: Some ways of thinking are more powerful than others. What we carry in our mind tends to become realized. The "unbendable arm" Aikido exercise illustrates this. This can be developed and strengthened by practice. (See #6 below.)
5. It is more engaging and energizing to figure out something yourself than to hear someone else, even an expert, describe their analysis of the system and its dysfunctions.

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6. Many people are missing capacities (skills, abilities) for learning and for depth. These skills can be developed just as muscles can be strengthened. Practice, instruction in specific methods, and coaching all help develop these capacities. Reading about the theory of doing so has little effect.
   a. The org learning field seems based fundamentally on an assumption that the important skills are developable. This is well demonstrated in our experience!
   b. There is great joy and energy in learning skills. "The drive to learn may be more powerful than the drive to reproduce," Senge, speeches in the mid 90s.
7. Most org learning work is based on the premise that "It's a depth problem (i.e., are we serious enough about it) as well as a learning problem (the need to learn certain behaviors and skills)." The organizational learning approach is distinguished by addressing "depth" as well as "skill."
8. Living systems are structurally determined systems (Humberto Maturana). That is, a wide range of stimuli can cause a living system to make a response, but the nature of the response is determined by the internal structure of the living system and not by the stimulus itself.
   a. A corollary I draw: I cannot reliably cause another human being to do anything significant. I can stimulate a response, but I cannot reliably determine the response.
9. Awareness is curative. Or is it? Several authors say, roughly, "When a gap is identified, people learn to reduce the gap." This is a very contentious theory. . . . It is demonstrably untrue in many examples, where people discover gaps and the gaps are stable. But much work in org learning and knowledge management seems based on the theory that awareness will be curative. I believe it takes more than awareness—it takes awareness, relationships, depth, and skills.
   a. Maslow said that "peak experiences" include these three elements: meaningful goal, realistic appraisal of self, other people caring. Org learning is based on the notion that these provide energy, producing a desirable state: highly energized, clear about meaningful results we are trying to create, highly skilled, and taking great personal reward and satisfaction from the flow.
   b. There is great joy in creating (Robert Fritz).
10. "There is nothing as powerful as a good theory." Daniel Kim, Einstein (?), and Charles Sanders Peirce. That is, by considering our experience in the world, by trying to explain why and how things happen, we can create theories of how the world works that help us be more effective in the world. This is Senge's "fifth discipline" (the discipline itself, not the book).
11. Differential Impact. Our systems present a wide variety of intervention possibilities. Research on dynamic systems shows that interventions in different places have vastly differing effects. In most places, our interventions will be ineffective.
   a. Leverage. In a few places, a small effort can produce a large benefit. This is leverage. The alternatives are brute force (attacking everything) or Pareto (making a list of concerns and addressing these in priority order). In my model, leverage is essential: We cannot be effective today by brute force or by Pareto.
12. Distributed thinking. People close to the problem have essential knowledge that cannot be held at higher levels. Operating in a way that engages and harnesses collective wisdom is more powerful than top-down operation or than an expert model, such as Michael Hammer's reengineering. The Society for Organizational Learning includes this point in its Purpose and Principles as "Localness."

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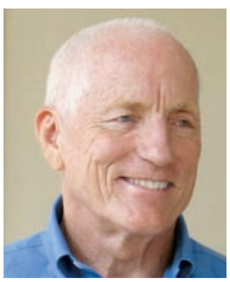
Polarity Thinking
The Power of "And"

BARRY JOHNSON AND MARGARET SEIDLER

A challenge in managing organizations is that many dilemmas don't have one right answer. Instead, potential solutions often pull in opposite directions, compelling leaders to choose one response at the expense of the other. Polarity Thinking shows that by adopting a *both/and* rather than an *either/or* approach, organizations can harness the upside—and minimize the downside—of each side of a polarity. Tools like Polarity Maps can help in developing a full picture of both sides of a polarity and in anticipating the natural flow of energy from one side to the other. By learning how to manage seemingly irreconcilable tradeoffs in this way, leaders can increase the likelihood of arriving at solutions that support both short-term and long-term organizational success.


Barry Johnson


Margaret Seidler

We call it *polarity*. Whether you call it paradox, dilemma, tensions, dual strategies, positive opposites, the "Genius of the 'And,'" managing on the edge, yin and yang, interdependent pairs, or some other name, there is an underlying phenomenon that works in predictable ways. The more we understand about the elements of this phenomenon, and the dynamics by which it functions, the more effective we can be at leveraging its natural power. This leveraging can support us in pursuing our most expansive dreams and addressing our most chronic issues—as individuals, families, organizations, nations, and humanity.

Polarities are ongoing, chronic issues/situations that are unavoidable, unsolvable, indestructible, and unstoppable.

Polarities are ongoing, chronic issues/situations that are unavoidable, unsolvable, indestructible, and unstoppable. Attempting to address them by finding the one "right" answer, as in traditional problem solving, often makes things worse. There is significant competitive advantage for those leaders, teams, or organizations that can distinguish between a problem to solve and a polarity to leverage—and are effective with both. The Polarity Thinking™ model and set of principles are a user-friendly way to deal with all polarities in life.

Polarity Thinking helps us:

- Simplify the complexity without being simplistic
- Convert intuitive wisdom into strategic action
- Address multiple facets of leadership
- Bring clarity to leadership and other complex organizational issues
- Capitalize on diversity without alienating the diverse groups

- Accelerate the speed, attainability, and sustainability of change efforts
- Give voice to resistance and the less powerful
- Manage chronic issues and minimize the unintended consequences of our solutions
- Reach and sustain top performance as individuals and groups

Using a Polarity Thinking approach increases in value as the system or issue:
- Increases in complexity
- Increases in diversity
- Increases in speed of change
- Increases in resistance to change

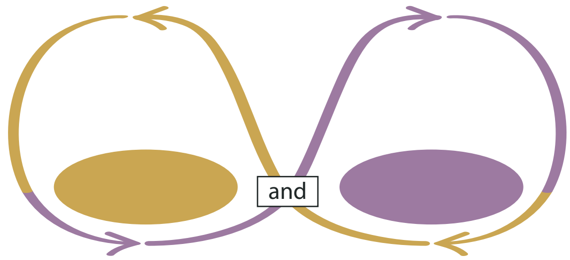
A "Swiss Army Knife" for the Leader's Toolbox

Through a combination of experience, intuition, and hard-earned wisdom, effective leaders have developed the ability to look within complex issues, identify interdependencies in tension, and capitalize on that tension. We all have a degree of ability in leveraging polarities because they are such a central part of our daily lives. We have an implicit understanding that there are many opposites in tension in our lives. Yet most leaders do not have an explicit model and set of principles both to enhance their skills with these issues and to collaborate with others to intentionally leverage them better. In the past, the lack of such a model and set of principles has undermined our ability to teach this core leadership competency to others.

The Polarity Map© and set of "realities" provide a user-friendly resource for effectively addressing organizational complexity and the dilemmas within that complexity (see "What Are Polarities"). The power of the polarity map is found in its ability to convert what is complex and hard to define into something that is simple to see while raising awareness, be it self-awareness or organization awareness, to a deeper level.

Like a Swiss Army knife, polarity maps have multiple applications in a variety of situations. For example, they have been used as a core competency in leadership development; in change efforts as a way to convert resistance to change into a resource for change; to build cross-cultural competence, both domestic and international; in mergers and acquisitions as a way to capitalize on the best of two or more cultures; as a key to integrated healthcare; in identifying corporate values, which are best seen as pairs in tension; in strategic planning; and in addressing polarizing issues in local communities. The situations above have a number of things in common:
- They involve complex issues at many levels of system.
- There are key, underlying polarities within the difficulties.
- The "problem-solving" mindset alone is not up to the challenge these issues present.
- Identifying and intentionally leveraging one or more key polarities has made a big difference.

FIGURE 1 **What Are Polarities?**



Polarities are interdependent pairs that support a common purpose and one another. They are energy systems in which we live and work.

Case Study of "The Expansive Leader"

While interviewing three executive team members to identify current organizational issues, I [Barry] was told by one executive, "Barry, if you really want to make a contribution here, I suggest you just leave as soon as possible and don't look back." I inquired as to whether there was an option "B." He smiled and said, "It's nothing personal, Barry, it's what you represent. You are the most recent in a long line of people who have been invited here by Don [the CEO] because he wanted to try out the latest fad that caught his interest. We keep starting one thing after another and never finish any of them. We are overwhelmed and frustrated with unfinished projects all over the place. So you are a part of the problem."

"If you are serious about helping us out, I can think of one thing that would really help: If you could get Don to be more focused and provide some clear direction. We need to choose a few projects and make sure they are completed. Then people wouldn't be so overwhelmed and would have a sense of completion and accomplishment. Can you help us get Don to do that?"

Since I was asked by Don to come in and help apply Polarity Thinking to a few key challenges, I used this issue to explain Polarity Thinking to the three executive team members who had raised it. I went to a flip chart and summarized what they had been saying about Don by drawing the simple figure "Model One."

FIGURE 2 **Model One**

The executive team encountered resistance as it tried to move the organization from what it deemed "Ineffective Leadership" to "Effective Leadership."

Source: *Polarity Management, Identifying and Managing Unsolvable Problems*, HRD Press, 1992, 2014.

What the three executives were asking was for me to help them get Don to move from area A, which was seen as the problem, to area B, which was their solution. Don would then become a more effective leader.

When you look at Model One, it is quite obvious that an organization with the problems in area A could clearly benefit from moving to the solutions found in area B. This is a very understandable change strategy, which is based on a problem-solving mindset using "gap analysis." First you describe the present state in negative terms and declare it *the problem* = A. Then you describe an improved future state in positive terms and call it *the solution* = B. Finally, you decide on a strategy to bridge the gap between A and B, which is symbolized by the arrow.

When I put the model on the flip chart, they agreed that it summarized their statements. I told them this situation was a good example of a polarity to leverage. I then indicated that if it were treated like a problem to solve, with B as the solution, efforts to get Don to area B would meet with significant resistance and that, even if they could get Don to agree to go to area B, he wouldn't go there.

They looked surprised and said, "Who have you been talking to?" I said, "No one but you three, so far." They said, "You have described exactly what happened. Two years ago, we had a meeting with Don and told him about our frustrations with lack of direction and too many uncompleted projects and the need for direction and completion, and he agreed to move to B, like you've written it on the chart. But in the last two years, we haven't moved an inch in that direction. How did you know that was going to happen?"

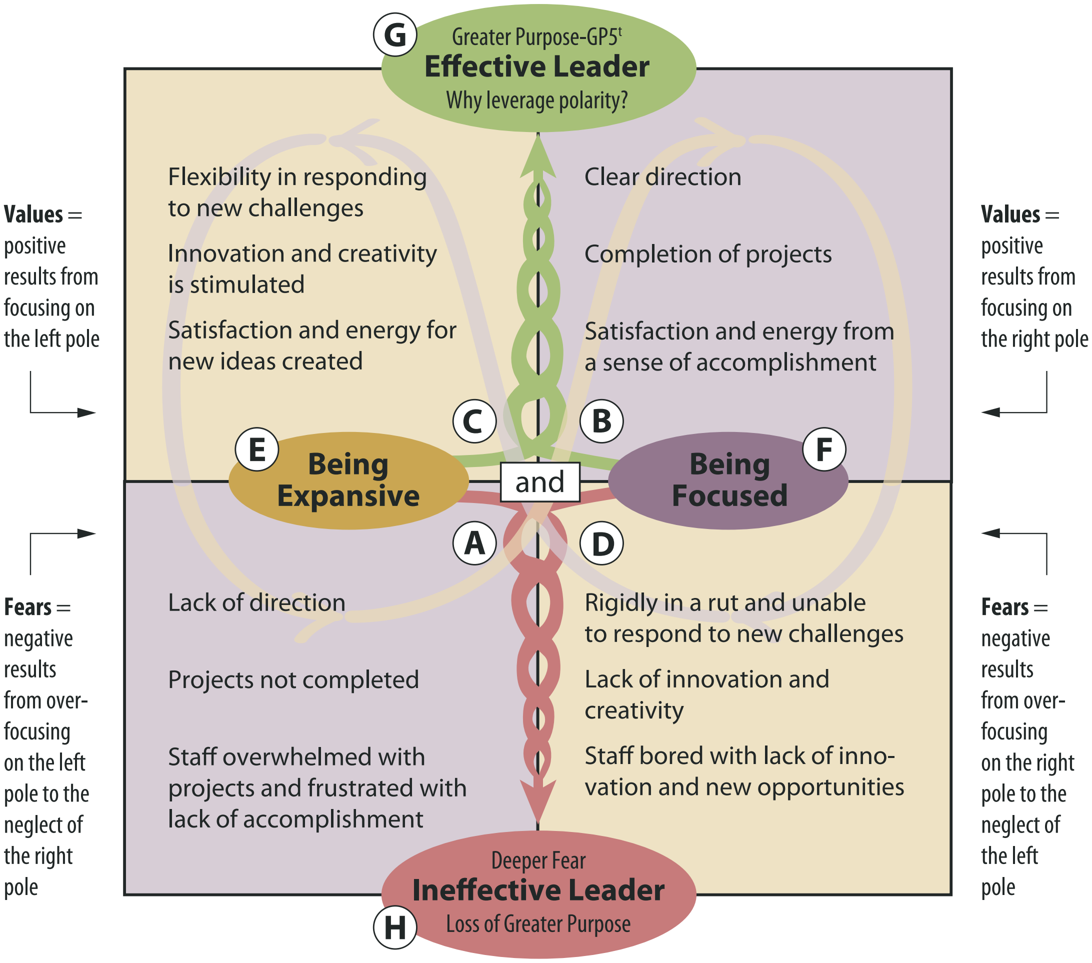
I told them that, from a polarity perspective, it was quite predictable. The problem with the model they were using was with what was missing. It was accurate. If you have a lack of direction, you need direction. If projects aren't completed, you need to complete them. The limit of the model was that it was incomplete. It was based on the assumption that this was a problem to solve when it was actually a polarity to leverage. What was needed was to see the whole picture—to be accurate and complete.

"Model Two" is a polarity map. This is the mental model I was using as I was hearing them describe their problem and their solution.

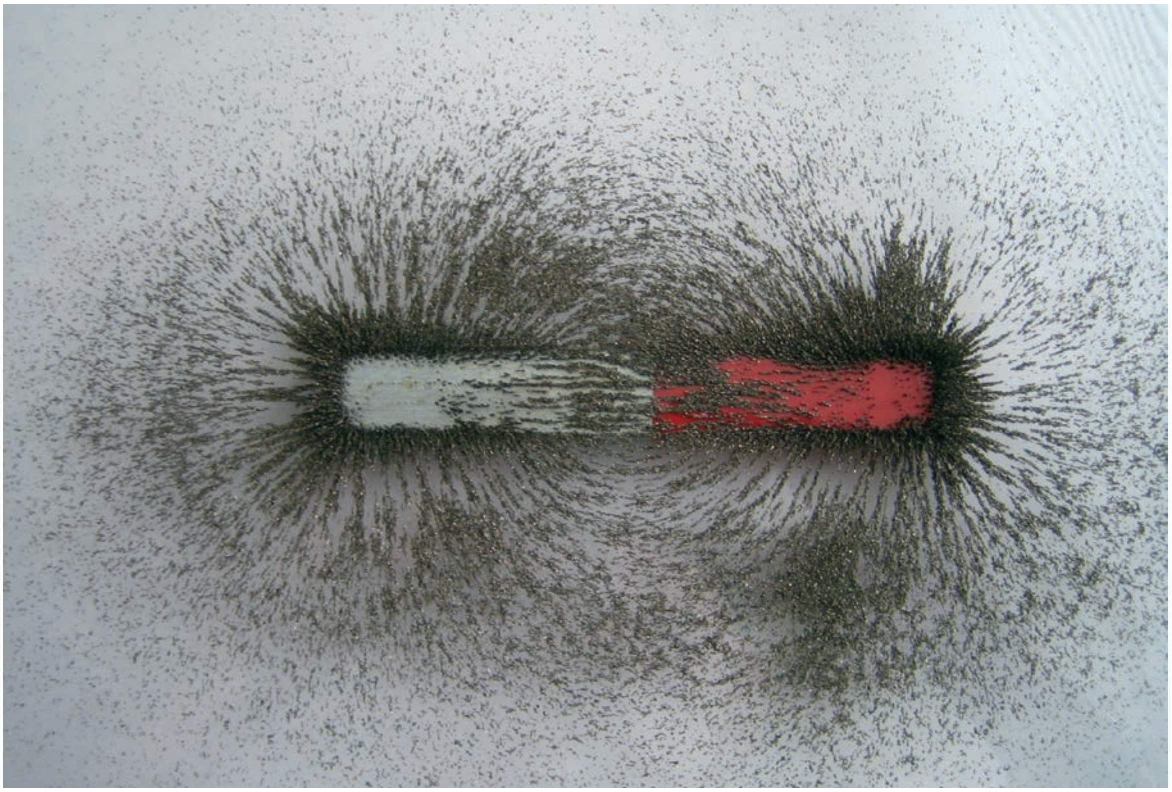
The two poles describing the underlying tension they were dealing with could be called "Being Expansive" (E) and "Being Focused" (F). Don liked being expansive, and they wanted him to be more focused. The reason Don would not go to the upside of Being Focused (B) is because he strongly valued the upside of Being Expansive (C). He liked being flexible and innovative and exploring new ideas and opportunities. And the stronger his value for the upside of Being Expansive (C), the stronger will be his fear of the downside of Being Focused (D). He will do anything to avoid getting

> **The limit of the model was that it was based on the assumption that this was a problem to solve when it was actually a polarity to leverage.**

FIGURE 3 **Model Two: Polarity Map©**



By creating a polarity map, the executive team came to see that their real goal was to get the upside of Being Expansive *and* the upside of Being Focused, which in combination move toward Effective Leadership. ("Being Expansive" (E) and "Being Focused" (F) describe the underlying tension the executive team was dealing with.)



in a rut, with lack of innovation and creativity leading to boredom for him and the staff. The stronger the value, the stronger the fear.

Notice that "Effective Leadership" (G) moved from being in area B, as in Model One, to being on top of the model with an arrow pointing to it, separating the two halves of the polarity map. The goal of effective leadership is not to get Don to area B as the solution. The goal is to get the upside of Being Expansive *and* the upside of Being Focused, which in combination move toward Effective Leadership. Also, "Ineffective Leadership" (H) moved from being in area A, as in Model One, to being at the bottom of the polarity map. This indicates that, within this example, there are two ways to become an ineffective leader: over-concentrating on Being Expansive or on Being Focused will get you in trouble, two different types of trouble.

Once the executives saw the larger picture and began to understand the dynamics of how polarities work, it changed the whole conversation and approach to addressing their concerns with Don. Paradoxically, if you want more focus, you have to embrace the benefits of being expansive and be clear that you are not rejecting expansiveness. Looking at the map together, the shared challenge is to get the upsides of both over time. That is what it means to leverage a polarity well.

Competitive Advantage

There is significant competitive advantage for leaders and organizations that can both solve problems *and* leverage polarities. The research is very clear on this. Leaders and organizations that tap the power of polarities outperform those that don't. Below are a few examples:

- The authors of *Competing Values Leadership, Creating Value in Organizations* conducted empirical research to demonstrate how the tensions in the competing values "Control and Create, Compete and Collaborate," when integrated, improve financial value within organizations and help predict future market values.[1]
- The authors of *Built to Last: Successful Habits of Visionary Companies* identify the "Genius of the 'And'" as a central variable that distinguished the "Gold" companies from the "Silver" companies. The whole book is based on managing

the polarity of "Preserve the Core and Stimulate Progress." This could also be seen as the generic "Stability *and* Change" polarity.[2]

- The "Genius of the 'And'" continues as an important variable in *Good to Great: Why Some Companies Make the Leap…and Others Don't* and is identified as a key characteristic of leaders moving companies from Good to Great. There are 10 polarities identified as central to becoming a "Level 5 Leader."[3]
- The authors of *The Three Tensions: Winning the Struggle to Perform Without Compromise* interviewed executives from 200 companies and identified three important tensions (polarities) central to their organizations' effectiveness: "Profitability & Growth; Today & Tomorrow; and, The Whole & Its Parts."[4]
- The authors of *Lost in Transition: How Business Leaders Can Successfully Take Charge In New Roles* identify eight tensions (polarities) that, when managed well, contribute significantly to being successful in new jobs.[5]
- *Unbalanced Influence: Recognizing and Resolving the Impact of Myth and Paradox in Executive Performance* reports on 10 years of executive research indicating the importance of paradox (polarities) in executive performance.[6]
- Drawing on research and interviews, in *The Opposable Mind: How Successful Leaders Win Through Integrative Thinking*, Roger Martin shows that truly successful leaders are skilled at holding two opposing ideas at the same time and reaching a synthesis that contains elements of both, but improves on each.[7]
- The authors of *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose* discovered that the key indicator for whether a company is a great investment is the degree to which it manages the polarity of taking care of the stockholders and the stakeholders; in other words, attending to "Company Interests *and* the Interests of the Larger Community" in which the company exists.[8]

The Phenomenon Is Everywhere

The phenomenon of interdependent pairs (dilemma, paradox, polarity) has been written about in philosophy and religion for over 4,000 years. It is a central reality in all of life and all human systems. It has only been in the last 60 years that it has been explicitly identified by business and industry as an important dimension to pay attention to, because leveraging the power of this dimension of life gives a competitive advantage. Blake and Mouton were early contributors with their managerial grid in the 1950s.

The phenomenon of interdependent pairs (dilemma, paradox, polarity) has been written about in philosophy and religion for over 4,000 years.

All of us focusing on these wonderful phenomena have been saying that it is both a core leadership competency and a core organizational capacity. As leaders, we need to use our head *and* our heart. We need to show all people basic respect as human beings regardless of performance *and* we need to show respect for good performance. We need to listen *and* talk. We need to manage *and* to lead.

Polarity Thinking practitioners recognize that leaders constantly manage inherent tension within these fundamental leadership polarities:

- Task *AND* Relationship
- Candor *AND* Diplomacy
- Responsibility *AND* Freedom
- Guidance *AND* Tolerance
- Confidence *AND* Humility
- Critical Analysis *AND* Encouragement
- Control *AND* Empowerment
- Grounded *AND* Visionary
- Structure *AND* Flexibility
- Logic *AND* Creativity
- Individual *AND* Work Group
- Planning *AND* Implementation
- Decisiveness *AND* Mindfulness
- Conditional Respect *AND* Unconditional Respect

In *Power Surge, Energizing your Leadership Strengths,* (HRD Press, 2009, 2010, 2014), 98 sets of polarities are identified for leaders to consider in managing for increased performance.

It is not a question as to whether you have any polarities in your personal and organizational life. Polarities are everywhere, and they have been everywhere since the beginning of time. What is an important question is, "How we can learn to see them more clearly and leverage the wonderful potential within key polarities in our life for something constructive and life enhancing rather than have the inherent tension between the poles become destructive and life destroying?"

More Than One Model

There are a host of bright, compassionate people who have been doing some very creative thinking about this phenomenon of interdependent pairs. Our experiences have led to some different models. In each case, the desire is to create more effective organizations in all dimensions of effectiveness: good places to own, good places to lead, good places to work, good places to supply, good places with whom to be a customer, and good places to have in the community (see p. 35).

And it goes beyond just effective organizations. It is about the quality of life with our loved ones, our spouses and families. It is about our relationships as nations and unique groups within nations.

Summary

- The research is clear: Those organizations that are better at leveraging the potential of interdependent pairs (the Genius of the "And") outperform those that are not so good at it.
- Part of what makes good leaders good is that through some combination of intuition, experience, and wisdom, they have learned to leverage the potential of interdependent pairs.
- Polarities are everywhere. You have been dealing with them all your life and will continue to deal with them all your life. The only question is, "How well?" ■

ENDNOTES

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4 Dodd, D., & Favaro, K. (2007). *The Three Tensions: Winning the Struggle to Perform Without Compromise.* John Wiley and Sons.

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Polarity Thinking in Action: Frank Conversations

MARGARET SEIDLER AND JENNIFER HOLLADAY

She stood at the microphone, clad in a tank top with sunglasses perched atop her head. Shoulders and chin down, the woman glared up at the elected official before her.

Shaking a poster of President Obama as Hitler, she asked, "Why are you supporting this Nazi policy?"

Like other members of Congress, U.S. Rep. Barney Frank (D-MA) had called a town hall meeting on healthcare. Unlike his Congressional peers, Frank sniped back at this constituent with a contrarian view.

"On what planet do you spend most of your time?" he retorted, ultimately concluding, "Trying to have a conversation with you would be like arguing with a dining room table."

Despite their differences, these citizens share some things in common: they both care about the future of our country and want healthcare that works. Apathetic people don't show up for town hall meetings, and one doesn't run for Congress without a deep commitment to our democracy.

So, why were these two passionate Americans exchanging verbal blows? Had they simply come down with a bout of bad manners—her talking about Nazis and waving a Hitler-ized picture of President Obama at her elected official, and him equating his own constituent to a piece of dead wood?

Perhaps.

And something deeper, too. There's a conflict unfolding in town halls, living rooms, and bars all across this country: a conflict between our nation's values of freedom and equality. The result is widespread incivility that seems to be more and more accepted in how we disagree.

What if Frank and his constituent had a chance to replay their exchange? What if they assumed the best about each other, rather than the worst? What if they approached the conflict with a genuine sense of inquiry for the other's point of view, rather than with an either/or approach where one must be "right" and the other "wrong"? Maybe, the conversation would have unfolded like this:

WOMAN: "Why are you supporting socialized medicine?"

FRANK: "I don't think I am, ma'am. Still, I'm curious: Why do you support today's healthcare system?"

WOMAN: "I get to make the decisions about my care, and I pay my own way, take care of myself."

FRANK: "Choice and personal control are incredibly important. So, what bothers you about the proposed changes?"

WOMAN: "Well, socialized healthcare feels un-American."

FRANK: "How so?"

WOMAN: "I don't want a government bureaucrat dictating my healthcare. And socialized medicine opens the door for people to freeload on people like me who *do* pay their own way—not to mention the fact that the country will go bankrupt trying to pay for all of them."

FRANK: "I don't support creating a system that's easy to abuse, and I certainly don't want the country to go bankrupt. I just worry that what we have now is not as effective as it could be. For example, many uninsured

This article was originally published in August 2009 and is reprinted with permission.

Americans use the ER for primary care and face unimaginable debt as a result. Those costs are sometimes passed along to taxpayers, too."

WOMAN: "So, this new government program won't run up the deficit?"

FRANK: "I'm not interested in exchanging personal bankruptcy for national bankruptcy. I'm afraid that millions of Americans don't have a choice. They want a choice just like you and me."

WOMAN: "How so?"

FRANK: "Millions lack insurance, not because they don't want it, but because they can't afford it. Millions more are at risk of losing coverage because of job loss. Others can't secure quality coverage because they've been sick before . . ."

WOMAN: ". . . Yeah, when my aunt started her own business, the insurance company wouldn't cover her for like five years because she'd had breast cancer . . ."

FRANK: "And, what a terrible choice for her to have to make—follow her heart, or stay in a job she might not enjoy to keep the health benefits she must have . . ."

WOMAN: ". . . Right . . ."

FRANK: ". . . What we're missing in this country is a safety net and a way to foster new competition within the insurance market, increasing affordability and accessibility for everyone."

WOMAN: "OK, so, you don't want to dictate my choices—you want to expand and improve my options? And, you'll do this only if it's financially responsible?"

FRANK: "Yes . . . And, you agree there's room for improvement in the system we have now?"

WOMAN: "I do. So, where do we go from here, Congressman?"

FRANK: "I'm not sure. What I do know is that, at the end of the day, we both want a healthcare system that works."

This imagined exchange may seem idealistic, yet the actual conversation between Barney Frank and his constituent that day mirrors many national conversations on this subject. We seem stuck in an either/or mindset, where being right is the end game, and we're missing a vital opportunity.

If we want the most robust solution possible, we must approach complicated issues from a both/and perspective, one that acknowledges the merits hidden within our opposing viewpoints. In matters of life and death, the very essence of healthcare, let us rise to a higher purpose, ferreting out healthcare that works—for all of us. ■

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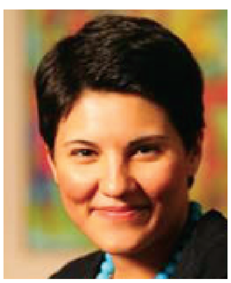
BOOK EXCERPT 14.2

Overfished Ocean Strategy

Five Principles That Make It Work

NADYA ZHEXEMBAYEVA

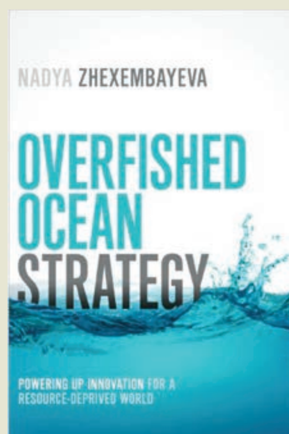
Resources are being depleted at an alarming rate, and the cost of raw materials is rising dramatically. The linear, throwaway economy—in which we extract resources at one end and throw them away at the other—is rapidly coming to an end. Nadya Zhexembayeva argues that, as a result, businesses need to make resource scarcity their primary strategic consideration, not just a concern for their "green" divisions. In this chapter from *Overfished Ocean Strategy*, she offers five essential principles for innovating in this new reality. Through examples from real companies, she shows how businesses can find new opportunities by taking the old, linear model and turning it into a circular one.



Nadya Zhexembayeva

It is green, dense, and surprisingly light. Fitting perfectly in the palm of my hand, it leaves a light, oily residue on my skin. It is fragrant (just a touch of soft, alluring smell) and textured (it looks like thousands of little worms squished together). It goes against everything we are taught by conventional strategy theory. And it is an amazingly powerful symbol of the new era dawning.

Intrigued? While you are trying to guess what exactly I am holding in my hand, let me set the context to spice up the big reveal.



Reprinted with permission from Berrett-Koehler Publishers, Inc. From *Overfished Ocean Strategy: Powering Up Innovation for a Resource-Deprived World*

Nadya Zhexembayeva

Popular strategic thought tells us that to compete well, we need to find the most advantageous position in the crowded market space and stick to it. Michael E. Porter is the guru at the helm of this thinking, and his famous menu of "generic" strategies suggests that in the tough search for ideal positioning, we are to make two primary choices.[1] The first choice is between price and differentiation. Do you compete on cost, striving for the most competitive (read cheap) production on the market, or do you have something unique to offer that differentiates you from other, cheaper competitors? The second choice is about focusing your efforts: do you want to target a specific segment (narrow focus) or the entire universe of consumers (broad, global market scope)? The two choices set into a two-by-two grid will present you with four possible options making up the entire landscape of the market to consider.

Play with brands of your favorite product—say, a smartphone—and you will immediately see which strategy is pursued. Today, Apple's iPhone is conquering the market with a unique differentiation strategy—it can hardly be called the most cost-attractive smartphone on the market, but the company is pursuing a broad market scope. The Vertu cell phone, in contrast, is a differentiation-clad product made attractive to a very narrow segment on the market—a luxury brand for a small slice of the consumer pie. The LG Optimus smartphone is a choice that pursues cost leadership—at a price one-tenth that of the iPhone—with a broad, global appeal. Huawei (ever heard of this one?)—the third-largest cell-phone producer on the market[2]—offers the even cheaper Y-300 model targeted at Asia's "ant tribe community," which refers to young people who go to the city for a better life but get stuck with low-paid jobs and high costs to live there.

> **"It's not that we need new ideas, but we need to stop having old ideas."**
> — Edwin Land, Founder, Polaroid

Once you explore the marketplace and find your own unique position, the question becomes, how do you maintain it? What can you do to preserve your stake? The logical answer would be to keep doing what you are doing—and continue to get better at it. If you are selling a product that is uniquely different, keep pushing it forward and upward; add features; build new bells and whistles, and more of them. If you are going for cost leadership, keep driving down the cost with more efficiencies and better processes. And that is exactly where the problem lies.

"For those of you who haven't made a lot of steel, historically there are two ways to make it. Most of the world's steel has been made by massive integrated steel companies. The other way to do it is to build a mini mill. In a mini mill, you melt scrap in electric furnaces, and you could easily fit four of them in this room."[3] The author of an impressive collection of books and one of the most celebrated strategic thinkers of our time, Clayton Christensen is telling a story of disruptive innovation he has shared with thousands before.

"The most important thing about a mini mill is that you can make steel for 20 percent lower cost than you can make it in an integrated mill. Now, imagine you're the CEO of a steel company somewhere. In a really good year, your net profit will be 2 to 4 percent. Here is a technology that would reduce the cost of making steel by 20 percent. Don't you think you'd adopt it?" The answer to Christensen's question is so obvious, it almost turns the inquiry into rhetoric. Yet why is it that no integrated steel companies anywhere in the world have built a mini mill—even though it would save them from bankruptcy, which caught up with all but one integrated mill by 2012? The answer, as Christensen suggests, is the core dilemma for any innovator in any industry, anywhere in the world.

In the steel industry, as in your own industry, many tiers make up the market. The lowest-cost products are at the bottom of the market: for steel, that would be concrete reinforcing bar, or *rebar*. Any company can make rebar, while steel for cars, appliances, and many other pricier products is much harder to produce. Rebar happened to be the only market that mini mills were capable of serving at the beginning. Then, mini mills used scrap to produce steel, and the quality was low. Reinforcement bars get buried in cement, have almost no specifications, and thus can be made of low-quality steel. And thus, mini mills set off to conquer the rebar market with all their might.

What about the integrated mills? Well, they were happy to give up the rebar market. As a commodity, reinforcement bar is a low-margin product, so dropping it would allow for shifting the focus on angle iron and thicker iron and rods and bring home a higher margin. While the mini mills built-up their rebar capacity, the integrated mills shut down rebar lines—and enjoyed a higher gross-margin profitability. Everyone was happy. The mini mills were enjoying a piece of the pie, while the integrated mills got better performances. And then came 1979.

It was the year when mini mills celebrated their final victory, driving the last of the integrated mills out of the reinforcement bar market. But the happiness was short-lived: the price of rebar fell by a whopping 20 percent. It turned out that a low-cost strategy makes you competitive only when there is a high-priced competitor. With all the high-cost integrated mills out of the game, mini mills had to look for a new way to make money. Making better quality steel was the only way forward—and for the integrated mills, it was a new chance to get rid of another low-margin product. So the story repeated itself again and again.

This climb up the hill to the top of the market—continuous improvement of bells and whistles in products, services, and processes—is what most big companies do as they try to survive. They do exactly as demanded by the customer, trying for a better version of the product, hiking up the market tiers, until there is nowhere else to climb. And at just about that time, a newcomer comes along, offering a completely different—cheaper or more appealing—alternative, sending the big companies down the drain. Remember the story of Kodak, a company that misjudged the charm of digital photography and went bankrupt in 2012? Or how about the struggle of Nokia, once the top-of-the-world producer of cell phones, which failed to notice the growing appeal of smartphones?

As with the slow collapse of the integrated steel industry, they, too, were not too big to fall. Christensen calls this all-too-familiar story of old-versus-new "disruptive innovation."

And it is precisely this kind of innovation that I am holding in my hand in the photo below. So what is it?

Take a close look. A soap bar? A spinach hamburger? A sponge? Some sort of energy tablet? An eco-macaroon? A new-age vitamin pill? A breakthrough detergent? Before you is the equivalent of not one, not two, but *three bottles of shampoo*—all squished into one solid bar. That is the way to disrupt!

Pop Quiz. Is this a beauty product, a fertilizer, or something good to eat?

What do we sell when we sell shampoo? What end benefit do the customers get? What is the value? Clean hair, indeed. What ingredient need not be supplied to ensure this desired outcome, as it is always available? Water, indeed. So why do we pump water, process water, bottle water, package water, store water, transport water, sell water, and waste plastic post-water to wash our hair, when water is the only ingredient that is not necessary to provide?

That was exactly the starting point for Lush Fresh Handmade Cosmetics, a 20-year-old UK brand, when it started working on its solid-shampoo line. According to the company, "The inventors worked with Stan Krysztal"—one of the leading cosmetic chemists of Great Britain—"to create these very clever little bars;

an effective, hardworking shampoo base, quality ingredients, beautiful fragrances and, best of all, require no packaging. Handy for travelling, compact and easy to use, each bar is roughly the equivalent of three plastic bottles of shampoo. These humble bars are (probably) one of the greatest inventions we've ever come up with."[4] The Lush team loves to talk about it. But what about the customers? Naturally, a number of customers would refuse such a strange-looking shampoo option. My baby brother is one of them. Whenever he visits us in Europe, I have to make a conscious effort to restock his bathroom. "I am a normal person," he claims. "I like my soap solid and my shampoo liquid, and not the other way around!"

Yet by any measure other than my brother's comfort zone, Lush's solid invention has been a great success since its launch in 2007, capturing rave reviews and a solid (pun intended!) customer following. Here is one such review from a rather conventional consumer—a Boston.com writer's take:

> Trust me, I was skeptical too. A rock of shampoo, eh? Sounds about as effective as a steel wool pad as conditioner. But after trying it multiple times at an adult sleepover—don't judge—I slowly became convinced. The stone of shampoo seems to last forever (if you keep it in a dry place after use), and it comes in a variety of scents. I recently picked up cinnamon and clove. But most importantly, it's pretty damn effective. The shampoo itself lathers nicely (sorry to sound like a Prell commercial . . . wait, do they still make that?) and at about $10 a rock, it's a better deal than it appears."[5]

But the glowing reviews and growing revenues are not the only business victories for Lush solid shampoo; on the other side of the business continuum, the company is also doing well with costs. As of 2013, Lush has avoided producing, bottling, and distributing six million plastic bottles globally by selling shampoo bars—count in 2.6 ounces (or 75 grams) of plastic saved per shampoo bar, and multiply that by all the savings in energy and labor costs that would have been incurred designing, producing, bottling, and storing the bottles.[6] Annual water savings from producing the solid shampoos are nearly 120,000 gallons (or 450,000 liters) globally, while transportation savings are beyond surprising: when calculated per wash, transportation costs are *15 times less* than those of liquid shampoo. Additional resource intelligence comes in a form of raw-material savings: the bar has no preservatives, as there is no liquid content requiring preservation. And with a scale of 830 stores in 51 countries carrying the product (which nearly doubled from 2007's 438-strong chain), strengthened revenues and intelligent cost structure for the unusual product are a welcome performance outcome for the once-tiny underdog of the cosmetics industry.

The story of Lush solid shampoo is a story of radical innovation. While the traditional majority of cosmetics companies are fighting for a share of the difficult consumer market with more appealing packaging and stronger advertising campaigns, and while the eco-conscious minority is struggling with recycled plastic and third-party "green" certification, Lush goes well below the surface and delivers an entirely new way of looking at a product. Once a barely known company that started with a sausage machine in the messy workshop of a nearly bankrupt husband-and-wife team, Lush has put into question the essential value delivered by traditional shampoos and paved the way for an entirely new way of thinking.[7] Lush's solid-shampoo bar exemplifies the company's production standards. About 70 percent of the products sold require no packaging, much of the product range has no synthetic raw materials, and over 70 percent of the range is totally unpreserved. For Lush, this approach to resources is simply business as usual. For most of us, it is anything but.

In its unexpected take on resource intelligence, Lush is not alone. OMV, an integrated oil and gas company that supplies 200 million people in Central and Eastern Europe with energy, calls it resourcefulness. This term, which smells of ingenuity in the age of the Great Recession, captures the new essence of survival. "As one of the leading European oil and gas companies, OMV faces major challenges to which only innovative thinking can be the answer," OMV explains. "Global energy requirements are increasing significantly. At the same time, environmental protection and social justice are of growing importance. The demands placed on us grow as we expand our operations. This is why we made being careful with our resources one of our basic business principles." OMV Resourcefulness Strategy demands that every one of the company's 29,000 employees face the fundamental question of the collapse of the linear throwaway economy—and take it as a productive challenge.[8] As such, it is a strategy that deliberately tackles both *natural and human* resources. On one hand, the company runs extensive eco-efficiency and eco-innovation programs to reinvent the way it provides for the energy needs of its customers. Hydrogen (fuel cell) mobility, biofuels, and water and carbon management all are under this umbrella. On the other hand, OMV looks at the diversity, skills, and community engagement of its employees as key resources of the future, and runs comprehensive programs to protect and grow this capital. When I visited the company's biggest refinery in the summer of 2013, I was surprised to learn that even the apprentices—high schoolers striving to get trained and employed by OMV—look at the issues of resources in a broader sense. "We sell something that is disappearing. So the question for us is what to sell next, so that all of us don't disappear, too," said a shy 16-year-old.

"We are currently not planning on conquering the world."

— Sergey Brin, Cofounder, Google

Trendwatching.com, the leading consumer trend reporting company, gave the new wave of strategic resource intelligence a catchy name—Eco-Superior. It flagged this trend in 2011 as among its 11 most important consumer demands for the year, and again in 2013 as one that is here to stay. Here is why: "When it comes to 'green consumption,' expect a rise in ECO-SUPERIOR products: products that are not only eco-friendly, but superior to polluting incumbents in every possible way. Think a combination of eco-friendly yet superior functionality, superior design, and/or superior savings." Among the products and innovation highlighted by Trendwatching is the Throw & Grow confetti sold by the Netherlands-based gift store niko niko. The confetti is made of biodegradable material embedded with wildflower seeds; when the confetti is used, it can be left on the ground or discarded onto soil to disintegrate naturally and grow into flowers. Another innovation on the list is a billboard that generates drinkable water—9,000 liters of it in three months—thanks to Peru's University of Technology and Engineering (UTEC). The Torre de Especialidades building of the Mexico City hospital also makes the cut—it now absorbs and breaks down chemicals in the surrounding air. Using Prosolve370e tiles, developed by Berlin-based design firm Elegant Embellishments, the building features tiles painted with titanium dioxide, which interacts with UV light to break down pollution into less toxic chemicals.[9]

Together with Lush, OMV, and Trendwatching.com, Design Hotels elevated the search for innovation for a resource-deprived world to the level of core strategy. A 20-year-old company that represents and markets a carefully selected collection of 250 independent hotels in over 40 countries across the globe, Design Hotels refers to this new strategic effort as Finding Infinity. "We live in the age of sound bites, of short attention spans, of celebrity worship. First-term politicians seem to want

only one thing: a second term." Is there a vaccine against our collective short-sightedness? For Design Hotels, there is. With a goal of replacing today's fuels with clean and endlessly renewable alternatives, the company has initiated a "full-speed-ahead-no-time-to-lose movement . . . setting a path for a future based on infinite resources." The company has joined intellectual forces with a number of inventors and change makers, such as a young Australian engineer named Ross Harding, who created Finding Infinity. The resulting program, named "Design Hotels is Finding Infinity," attacks the essential problem of the disappearing linear economy. [10] "The world is powered by fuels that will run out in two lifetimes. This is not our problem—it's our opportunity!" declares the powerful partnership.

Pursuing this opportunity is what I call the Overfished Ocean Strategy.

Overfished Ocean Strategy

In their 2005 blockbuster *Blue Ocean Strategy*, W. Chan Kim and Renée Mauborgne invited the business world to leave behind the crowded waters of the existing market and instead search for—or create demand in—the uncontested market space.[11] "The only way to beat the competition is to stop trying to beat the competition. In red oceans, the industry boundaries are defined and accepted, and the competitive rules of the game are known. In blue oceans, competition is irrelevant because the rules of the game are waiting to be set."

Kim and Mauborgne's invitation offered a striking contrast to Michael Porter's positioning concept. With the powerful advice of the latter, companies for decades claimed their victory by finding the best spot—a unique position on the crowded competitive landscape.[12] Following the fresh invitation of the former, other companies strived to avoid the crowd by discovering a new market space—swimming into the "blue ocean" waters far away from shark-filled blood-red existing markets.[13] What a great idea! However, at the core, the "blue ocean" companies studied by Kim and Mauborgne operate and invent within the same resource constraints as their "red ocean" counterparts, oblivious to the collapsing linear economy and all the pressures associated with it. As the linear throwaway economy is approaching its collapse, this old economic order is running its course. Whether red, blue, or rainbow, the oceans are getting excruciatingly empty, and those managers who deeply understand and master this shift are able to use the new reality to power up radical innovation and secure a remarkable competitive advantage. As they ride ahead of the wave, new products, new business models, new markets, and new profits follow. Behold the Overfished Ocean Strategy.

A new economy is being born, transforming the collapsing linear throwaway economy into a more lasting, more abundant, more sustainable version of itself. The transformation brings about a new economic reality, where we compete and win using a radically new set of rules. While the companies, people, and projects pioneering these new rules are still rare, there are enough of them to suggest the first few essential principles that allow managers to innovate their way into a new world. Five new rules of the trade—five essential "secrets"—appear increasingly important for individuals and companies eager to power up a new strategic direction and secure the source of a truly sustainable value:

- ***One:*** From line to circle.
- ***Two:*** From vertical to horizontal.
- ***Three:*** From growth to growth.
- ***Four:*** From plan to model.
- ***Five:*** From department to mind-set.

Together, these approaches inspire radical change and drive disruptive innovation across countries and industries—and my task is to make them work for you too. In the chapters that follow, I invite you to explore each of the principles in depth and discover companies that have already mastered them. Here is an introduction to this very different—and very hopeful—future.

One: From Line to Circle

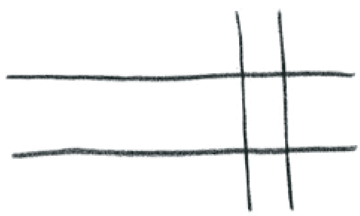
The rapid decline of resources—from coal to tuna to vitamin C in a typical tomato—means that one way or another, all of us will have to find a new path forward. That path, however, is not new at all—indeed, it has been perfected over the course of millions of years by nature itself. You see, nature does not have waste. Waste of one process becomes food for another, in perpetual cycle. When an animal dies, its body is not thrown into a landfill; instead, it becomes a source of valuable nutrition for millions of bacteria that in turn produce waste products that are essential for the formation of soil. Soil in turn churns out vegetables, consumed by those same animals.

Similarly, the line that describes the global value chain of goods and services can be transformed into a circle, where the waste of one process becomes food for another. The "Cradle to Cradle" approach and many other potent concepts have turned companies that have discovered this secret into industry champions. From *line to circle* is the central principle of the Overfished Ocean Strategy, but to make it work, four more "secrets" are essential.

Two: From Vertical to Horizontal

Imagine the global value chain of the industry you're in. This long line consists of many steps: upstream, reaching to your company, and downstream, touching your customers, consumers, and end-of-life entities. This line is also many layers deep, with different industries feeding and interacting with each other. Growing up in business, we are taught to look downstream, paying attention to our customers and consumers. We are asked to pay attention to our immediate suppliers—to make sure that we have secured prices and quantities. But even more so, we are asked to pay utmost attention to the vertical cut in this chain—our competitors.

Surely, mainstream strategic thought invites us to pay attention to the whole of five forces in business



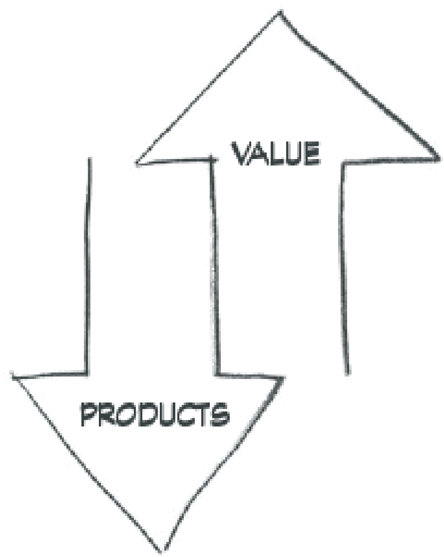
(competitors, consumers, suppliers, new entrants, and substitutes),[14] but in reality, most dig into the competition, positioning their businesses uniquely in that narrow vertical cut of a global value chain. Yet in the world of rapidly declining resources, this choice might just be the one that kills you—along with the entire competitive space. Surely, you might have the best price or the most unique set of product features, but failure to notice changes far away at the left or the right of the value chain might cause elimination of the entire product line, company, and even industry. We must learn to move *from a vertical to a horizontal* orientation, going beyond the boundaries of our company to the risks—and opportunities—hiding within the entire system.

Three: From Growth to Growth

Ask managers in Atlanta, Delhi, or Copenhagen where their growth comes from, and they will give you a clear answer: selling more. Yet in a world constrained by every type of resource, including landfill space, only one type of "selling more" is possible. We are taught to look at our businesses in terms of our products—even the financial services industry uses the term "product." Yet it is precisely in the service of creating more with less—designing a total solution, a unique experience—where growth lies.

The surprise is that once you sell a total solution, rather than get attached to one specific product, you are eternally motivated to innovate with the highest level of resource intelligence. Once we put aside products and start selling relevance, the question changes. It is not "To grow or not to grow?" but "What do you want to grow?"

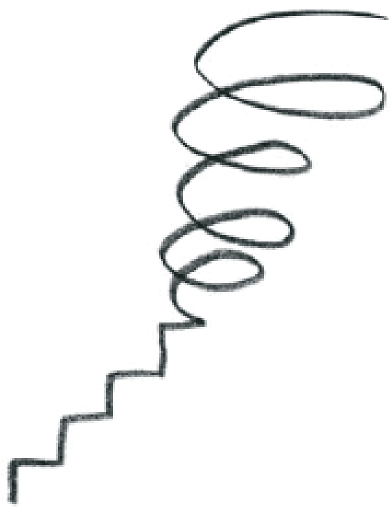
It is precisely in the service of creating more with less—designing a total solution, a unique experience—where growth lies.



Four: From Plan to Model

What do we do when we want to launch something new? How do we turn a hunch, an idea, into a true, commercially successful innovation? The "normal" decades-old path looks something like this: develop a solid, detailed plan (five years seems to be the assumption behind most business plans); get financial backing (budget approval in the existing corporation or investment/loan for a start-up); develop your product to perfection; and sell as much as you can. But for the world of overfished oceans, planning is overrated. In the face of extreme uncertainty, plans become obsolete in no time.

The only way to make the new reality work is to constantly adapt your business to the new reality—treating it as a strategic priority rather than a short-lived sidekick to the core business. For companies mastering the



Overfished Ocean Strategy, business modeling, rather than strategic planning, is the name of the game. Unlike cumbersome, static, and rigid plans, models are agile, evolving, and open to change. Modeling, rather than planning, is the key to turning *line to circle*—and making money in the process.

Five: From Department to Mind-Set

Every crisis calls for a hero—a new department, a new VP, a new project manager is born. Unfortunately, when it comes to the fundamental changes in the marketplace driven by the disappearing linear economy, a few "converted" can hardly make a dent in the way that processes, products, and services are developed and delivered. As a result, the hero becomes nothing more than a scapegoat—a poor soul in charge of meaningless glossy reports and pet projects. The new market reality demands a new mind-set, a new way for the entire company to look at the world, rather than a new scapegoat. As this mind-set takes over all functions and all layers of the company hierarchy, you can learn how to discover value where it was previously invisible and impossible.

For companies mastering the Overfished Ocean Strategy, business modeling, rather than strategic planning, is the name of the game. Unlike cumbersome, static, and rigid plans, models are agile, evolving, and open to change.

The five big secrets I am laying before you are not meant to be a complete and comprehensive set. Rather, these are a few brushstrokes among the many trends that define the background of the emerging Overfished Ocean Strategy. Together, these five principles pave the way for the emergence of the world that is yet to come—one that takes the line and turns it into a circle, channeling the art of resourcefulness into the world of infinity. In the following chapters, we will explore each of these principles, or disciplines, in depth, traveling through the many companies that have invented their way into the new economic order. Trust me, there is plenty for all of us. ■

ENDNOTES

1. For more on Michael Porter's work, see "Porter's Generic Strategies," Wikipedia.
2. Huawei is eager to go beyond its current market focus to capture the global market. For more, see Kristie Lu Stout, "Would You Buy a Huawei Smartphone?" CNN, May 16, 2013.
3. I have borrowed these words of Clayton M. Christensen from a wonderful article by Larissa MacFarquhar, "When Giants Fail," New Yorker, May 14, 2012. You can find much more of Christensen's powerful research in his own book *The Innovator's Dilemma: The Revolutionary Book That Will Change the Way You Do Business* (New York: HarperCollins, 2011, reprint edition).
4. For the story of the Lush solid bar development, see Lush.
5. Christopher Muther, "Beauty Bet: Lush's Solid Shampoo," Boston.com, May 24, 2011.
6. Lush received an important award for the ingenious packaging of its solid shampoo; see RSA, "Lush 'Squeaky Green': Best Green Packaging Award," 2008.
7. For the full story of Mark and Mo Constantine, the founders of Lush, see David Teather, "Lush Couple with a Shed Load of Ideas," *Guardian*, April 13, 2007.
8. For an in-depth look at the OMV Resourcefulness approach, see OMV Group.
9. Eco-Superior was one of five trends described in Trendwatching.com's July/August 2013 Trend Briefing, Trends: Refreshed.
10. For more on the "Design Hotels is Finding Infinity" initiative, see "Finding a Future Based on Infinite Resources," Design Hotels.
11. If Blue Ocean Strategy is new to you, you can start your exploration with Blue Ocean Strategy, Wikipedia.
12. The work of Michael E. Porter, such as *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (New York: The Free Press, 1998), is the best illustration of the positioning approach.
13. For more on this approach, see W. Chan Kim and Renée Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant* (Boston: Harvard Business Review Press, 2004).
14. Michael Porter has advocated for the five forces analysis for a number of decades now; see "Porter Five Forces Analysis," Wikipedia.

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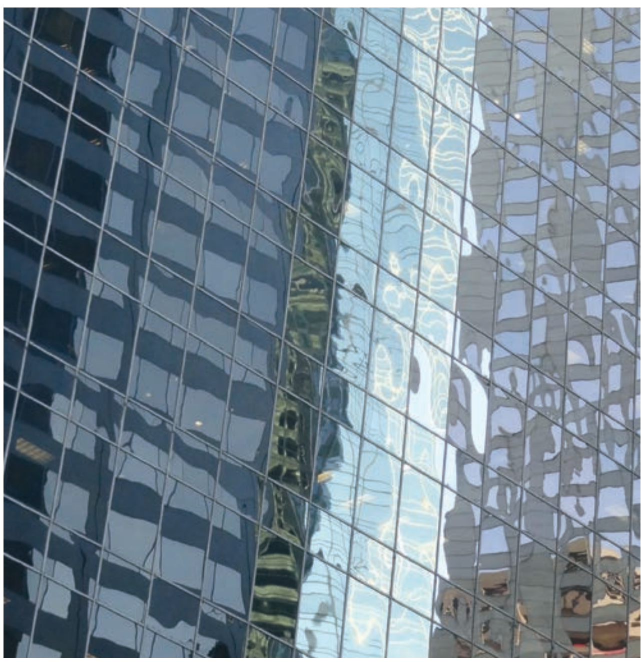

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