

The future of change management: 13 propositions

Paper submitted to:

Zeitschrift für Organisationsentwicklung

DRAFT 1.0

May 2011

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Leaders across institutions face unprecedented challenges and turmoil related to a new wave of challenges that is washing over the world, including climate volatility, water shortages, energy shortages, food shortages, hunger, social polarization, and institutional failure leading to fragile and failing states.

What is the role of leaders and change management in this rapidly changing context of business, government, and society?

Thirteen propositions:

(1) Integrate change management throughout all levels of systems. Leaders have to link and engage with four levels of systems change in everything they do: (1) self-leadership (through personal growth); (2) leadership of others (through teamwork); (3) organizational leadership (of the institution); and (4) leadership that takes account of the social-ecological context of the whole (the ecosystem).

Of these four levels, the second and third are fairly well developed, and the first is generally less well developed. By far the least developed aspect is the fourth, the conceptual integration of all four levels into an integral frame and practical methodology. Instead, we now have different frameworks, methods, and experts for each level that tend to separate rather than interweave and leverage their connections.¹

(2) Leading change requires the transformation of capitalism. Leading change at the ecosystem level means transforming and strengthening the patterns of collaboration throughout the demand-supply chain in all industries, from local to global. Institutional change today is intertwined with the complex evolution of larger ecosystems of collaboration. That often implies that the source of institutional power shifts from the center of old institutions into networked relationships with a core group of strategic partners and alliances. Looked at from a coordination theory point of view, we see the nature of capitalism shifting from a liberal market economy (1.0: competition) and a social market economy (2.0: competition, regulation) to a system in which coordination is augmented by a third mechanism: awareness-based collective action (ABC), signaling the emerging next stage of the global economy (3.0: competition, regulation, and ABC).²

(3) Companies are too small to solve the big problems and too big to solve the small problems. As a consequence, we will see organizations continuing to differentiate into the following (in part opposing) directions: system-wide cross-institutional platforms on the one hand and localization as well as personalization on the other hand.

The remaining propositions highlight some of these developments, all of which deal with the same underlying shift: a shift of the source of innovation

and renewal and the locus of power from the inside of the organization to the outside--that is, from the institutional center to the institutional periphery, to a sphere of collaborative relationships with customers, users, partners, suppliers, competitors, regulators, civil society groups, and communities.

(4) Companies and organizations need to open up to Gen Y wave of emerging leaders and innovators. As the geometry of institutional power is transformed (from center to periphery), a no less relevant story begins to unfold: the arrival of a new generation of talent, of societal and institutional change-makers. Ultimately the organization of the future will be shaped by that next generation, not by us. So who are they?

Based on my experience working with young people now entering the job market, I would say it's a group that is difficult to stereotype or put into a box. But there is clearly one subgroup in the current generation of 20-to-30-year-olds that has a strong inclination to make the world a better place in very practical and personal ways. They are walking the talk, embodying their core values and the changes they would like to create, being independent and self-reliant, blazing their own path. These people are desperately looking for a way to fit into today's marketplace. What big, traditional companies offer to them in terms of career is usually too narrow, too deadening, too micromanaged for their taste. As a consequence, many are creating their own enterprises, their own blended versions of business and social enterprise. This subgroup has enormous creative power, but the old class of established organizations has a hard time connecting with them. As a consequence, many big companies and institutional players do not even notice that they, although they keep hiring young talent, are missing the boat in terms of attracting the creative core group of the next generation of society's leaders.

(5) Build cross-institutional platforms of learning and innovation. In this century, no institution or sector in society can solve its key leadership challenges alone. We have to work, learn, and innovate together, not only across institutional boundaries but also across sectoral boundaries. This means linking the institutions of government, business, and civil society around specific shared challenges such as food security, health, education, and sustainability. Car companies, for example, cannot respond alone to the root challenges of sustainable mobility. Health companies cannot respond alone to the root challenges of health and well-being. Schools cannot address alone the root challenges of education and learning. And so on. Taking on the biggest challenges requires convening small microcosms of diverse stakeholders to innovate at the scale of the whole system.

(6) Mindfulness: Illuminate the blind spot of leadership. The blind spot of current leadership and systems theory is consciousness. It is the quality of consciousness and awareness that drives the quality of results: "The success of an intervention depends on the interior condition of the intervenor," in the

words of Bill O'Brien, the late CEO of Hanover Insurance. This proposition suggests that personal and collective leadership work concerns the inner place, or the quality of the source from which our actions originate--that is, the quality of our awareness and attention. Put differently: The quality of results in a system depends on the quality of awareness that the players in that system bring to a problem.

This consciousness dimension of leading change has been largely ignored in the past and will be essential in the years to come. As one example, Google's corporate university has a whole school or program area that deals with personal growth methods such as deals with some issues such as meditation, mindfulness, and yoga. While we see more and more examples of individual mindfulness practices in leadership development work today, we rarely see mindfulness practices that address the collective or system-wide dimension of leadership. That's a very rich area of developing new practices in the years to come.³

(7) Build global sensing mechanisms that allow the system to see itself.

What's missing in change leadership today is not vision. It's not strategy. It's not process. It's not core values. What's missing are global sensing mechanisms that would allow leaders and change-makers to switch their perspective by seeing themselves and their system through the eyes of distant stakeholders at the edges of the system.⁴ That's not a game changer but a view changer. When observers see themselves and their system in a larger context, that shared seeing opens up new possibilities, reduces resistance, and inspires and connects them around a joint journey and storyline.

(8) Build cross-sector practice fields for collaborative prototyping.

Innovations happen in places. All profound processes of innovation need a high-quality holding space, that is, a practice field that supports prototyping. The practice field needs to be safe (so people feel free to be honest without fear of retribution or judgment), participant-driven (so people can raise issues that matter to them), and action oriented (for trying out new methods and tools). Today these infrastructures are needed most in fields of cross-institutional and cross-sector collaboration where stakeholders come together to explore future ways of operating. These collaborative learning and innovation infrastructures are difficult to develop because (a) HR wants to be in control and (b) business leaders do not have the time to set up complex cross-institutional partnerships. That is why these infrastructures don't exist in places where we really need them—and why the creation of these practice fields is part of the new leadership work.

(9) The conventional consulting company may be a model on its way out.

As the source of innovation and leadership moves from the organizational center to peripheral web-shaped partnerships, the role of consulting

organizations will also change. Top consulting organizations used to be the primary mechanisms for transferring knowledge across organizations and industries, catering to executives at the center of old geometries of power. In the future, the formation of shared platforms of innovation, learning, and knowledge creation across companies could become the preferred mechanism for knowledge transfer. Consulting companies will need to either evolve (by being less CEO-centric and more ecosystem-holding) or become less relevant to the future of society's institutions.

(10) **Dialogue and the art of accessing collective intelligence are key to dealing with complexity.** The organization of the future, and to a large degree the organization of our present day, is a microcosm of global complexity that blends different functions, cultures, mindsets, and institutional boundaries. The challenge is how to operate in the context of this complexity, how to connect and collaborate across cultural, functional, and institutional boundaries. Crossing boundaries requires dialogue and the capacity for deep listening. Dialogue is not just people talking with each other. Dialogue is the capacity to *see yourself in the context of the whole system*. As such, dialogue helps its participants understand complexities and harness the power of collective intelligence.

(11) **Effective leadership is grounded in the power of intention.** In the past we have seen two types of business strategies: those based on differentiation and those based on cost. In the future we will see two types of organizations. The first one is a group of lean and mean efficiency machines without a soul, organizations that don't connect to the deeper aspirations of their investors, employees, partners, customers, communities, and managers. The second one is a group of organizations that are more inspired, mindful, and purpose-driven. That purpose can be articulated in many ways, but its bottom line concerns the well-being of all.

What we see today is the beginning of a deep civilizational split, in which one group of corporations and institutions is heading down the path of efficiency machines (by not paying attention to externalities) while another group is beginning to explore the path of inspired connections around building the deep human capacity for creating a world that is sustainable, resilient, connected and awake. We will see success and failure on both paths, and it's a matter of choice which storyline you want to be part of.

(12) **Beyond bubble economics: The business school of the future needs to reinvent economic and management thought.** We live in an era of boom and bust. In the booming 2000s, the financial bubble grew unprecedentedly and finally burst in 2008. A second bubble nearing that end is the water-soil agriculture bubble that is expanding as we speak. Both bubbles are rooted in the same problem: that over-focusing on production results diminishes the reproductive capacity (of the soil/water or the real

economy, respectively). A few people are over-extracting benefits now and in doing so are compromising the health and well-being of the whole and of future generations.

While the second bubble is about to explode under the headline of food security, we already see a third one in the making. The third one is orthodox economic theory, which externalizes social and environmental side effects and facilitates a bubble of material intensive production that compromises on the reproduction power of the overall system. The future of change management and the future of organizing will also have to deal with the bursting of this third bubble by developing a new economic framework and learning architecture within business schools that addresses the core problem of our age: the way we think about economics and about economic relationships.⁵

- (13) **Start by attending to the “crack,” or opening, that leads into the future.** I have been arguing that the learning and innovation infrastructures of future organizations need to be more systemic, experiential, personal, mindful, and practical. As a consequence, we, as leaders, facilitators, consultants, observers, and researchers, can no longer delegate the job of change to others. The job of change starts with the self. It starts with knowing oneself: Who is my Self? What am I called to do now? A practical path to that deeper knowing is to attend to what we feel and experience from within: Where in my context do I feel the future? Where do I see a *crack*, an opening or a challenge that could lead to a future that is waiting to be brought into reality? What possibility speaks to you personally? Is it relevant to your institution? To other stakeholders? How can you create arenas of listening that widen that crack and all of the possibilities that it holds?

¹ My book *Theory U* provides one contribution to integrating these four system levels from an attention-based view: Scharmer, C. Otto (2009). *Theory U: Leading from the Emerging Future as It Emerges. The Social Technology of Presencing* (San Francisco, CA: Berrett-Koehler).

² O. Scharmer and K. Kaufer: *Society 4.0: Mindful Transformation of Capitalism* (working title, forthcoming 2012).

³ <http://presencing.com/tools/>

⁴ By “global sensing mechanisms” I mean a two-step process of (1) experiential immersion that allows key stakeholders to see their system from the edges--for example, from the view of the most marginalized stakeholders, and (2) a co-sensing phase that allows participants to synthesize their findings and to sense the emerging features of the system.

⁵ http://www.ottoscharmer.com/docs/articles/2011_uschool.pdf