

**Transforming Capitalism:
Mapping the Space of Collective Leadership Action**

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Stopping

The crisis of our time is not about a financial bankruptcy. It is about an intellectual bankruptcy. Just as the crumbling of the Berlin Wall in 1989 marked the collapse of a single sided intellectual approach to economics and society called socialism, we can see the current tumbling of financial institutions as marking the end of another single sided intellectual approach to economics and society called market fundamentalism. The fact that almost the entire professional community of economists failed to predict the worldwide collapse of financial institutions in 2008 is reminiscent of 1989, when the political science and economist community failed to predict the collapse of the Berlin Wall and the Soviet Union. Similarly, a decade earlier the same communities had failed to predict the rise of Japan, which suddenly emerged as the first non-Western country capable of beating the West on its own turf: industrial innovation and economic competitiveness. Three decades, three major historic events—and each time the same awkward silence followed by “total surprise” or “shock” type of statements (as expressed by Alan Greenspan most recently). Why do we see this time and again?

The real reason for this has nothing to do with personal failure. It reflects the quality of contemporary social-economic thought. It has to do with intellectual concepts that only scratch the surface of things. They fail to grasp the deeper forces that everyone who deals with *real* change in institutions and communities—which is just about everyone—finds himself wrestling with. The problem with our current global crisis is not the financial breakdown. The problem is that we attempt to create quick fixes with the same type of thinking that created the problem in the first place. Pouring good money into bad structures will not help. The problem is that we have not yet faced the real root issue of the current crisis: the quality of contemporary political and economic thought.

Seeing: Three Fundamentalisms

The current crisis is a crisis of three fundamentalisms that are simultaneously hitting the wall: economic, political, and religious. Fundamentalism is a strict adherence to a set of beliefs that usually come with three key characteristics: one language and Truth, one center and collective, one self and will. The economic fundamentalism that now is on the way out is a fundamentalism that believes in

- one language (money) and Truth (the market) rather than a multitude of coordination mechanisms (including the market, regulation, and stakeholder negotiation);
- one center (Washington, D.C.) and one collective (the top tier of economic development) rather than being inclusive of the 3 billion people at the bottom of the socioeconomic pyramid;
- one self and will (*homo oeconomicus*) rather than a deeper and more realistic view of the human being that includes different levels of awareness and intentionality.

The political fundamentalism that is currently hitting the wall of 21st-century realities is the old-style geopolitical thinking that revolves around

- one language (power) and Truth (the chosen-country syndrome) rather than a multitude of global regions and players;
- one center (Washington, D.C.) and collective (the U.S./West) rather than a more inclusive view of global affairs, a *Weltinnenpolitik* (worldwide domestic policy);
- one self and will (*homo occidentalis*) rather than a more comprehensive view of the human being that includes different worldviews and cultures.

The religious/cultural fundamentalism that is hitting the wall is centered around

- one language and Truth (God) rather than a multitude of pathways to the sacred Source;

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- one center and collective (one's own religious community) rather than being inclusive of other and different communities;
- one self and will—one that tends to be prescribed rather than open and in touch with the postmodern condition of our time (one that connects us with the multiple voices of our evolving self).

The economic, political, and spiritual collapse that we see at the end of the Bush era is a direct result of applying these three fundamentalisms to the complex global realities of the 21st century. Each fundamentalism is doing essentially the same thing: applying a double standard. The double standard in economics is the contrast between what developed countries ask developing countries to do in times of crisis (deregulate, privatize, and maintain strict fiscal austerity) and what developed countries do themselves in times of crisis (re-regulate, massively increase government ownership, and intentionally abandon all rules of fiscal austerity). The double standard in geopolitics is no less disturbing. It basically means that a government applies one set of rules at home (democracy) and a totally different set of rules abroad, particularly for countries that happen to be on the “periphery” (relative to the center of the empire) and/or own “strategic” resources like gas or oil. The economic double standard perpetuates a global distribution of labor that keeps raw materials flowing from south to north while toxic waste continues to flow in the opposite direction. Likewise, the geopolitical thinking of the past eight years in the U.S. has differentiated between (high-income) “core countries” and low-income “gap countries” and has refined strategies to export the risks and dangers of war to the latter group (Barnett 2004, 2005). Both wars in Iraq and in Afghanistan exemplify this strategy and the unparalleled military expenditure of a single country (the US alone accounts for about 50% of the current global military spending) can be seen as outgrowths of this old style fundamentalist geopolitical view. In the case of religious fundamentalism the double standard becomes apparent when one sees how “infidels” are treated.

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Fundamentalism, at its core, is a “freeze” reaction against changes in our environment that we feel we cannot cope with. The problem with fundamentalism is not whether we agree or disagree, whether we think it's morally legitimate or not. The problem is that it isn't working. It got us into the mess that the Bush administration is leaving behind, and it cannot cope with the global realities of our planet right now. These realities are characterized by two main features: a relational shift and a shift in awareness and consciousness.

The Relational Shift

The words of former Czech president, Václav Havel, have resonated with many: “I think there are good reasons for suggesting that the modern age has ended. Today, many things indicate that we are going through a transitional period, when it seems that something is on the way out and something else is painfully being born. It is as if something were crumbling, decaying, and exhausting itself—while something else, still indistinct, is rising from the rubble.”

Although many people agree with this sentiment, it is harder for them to agree on what exactly is ending and what is “about to be born.” The next section offers a view on that question by looking at the evolution of society as a whole. That view differentiates three well-known governance mechanisms and a fourth largely unknown one that we can find deployed in society today. They are: (1) hierarchy and central planning, (2) markets and competition, (3) networking and dialogue, and (4) acting from the presence of the whole.

The British historian Arnold Toynbee conceived of societal progress as an interplay of challenge and response: structural change happens when a society's elite can no longer respond creatively to major social challenges and old social formations are replaced by new ones. Applying Toynbee's framework of challenge and response to the socioeconomic development in the West, we can identify four major challenges and stages (see Table 1).

The Stability Challenge: The Rise of the Public Sector

Think of Europe at the end of the Thirty Years' War in 1648 or the Soviet Union after the October Revolution and World War I in 1918, when the rise of a strong state and public sector provided a vital coordination mechanism that allowed the allocation and distribution of scarce resources in line with the strategic developmental priorities as perceived by the elites of each country. In that regard, we can view 20th-century socialism not as a post-capitalistic stage of the economy (according to Marxist theory) but as a *precapitalist* (that is, mercantilist) one.

The Growth Challenge: The Rise of the Private Sector

The good thing about a state- and public-sector-driven society is its stability; the bad thing is its lack of dynamism. Accordingly, the more successfully the stability challenge has been met, the more likely there will be a shift of focus from stability to growth. To fuel economic growth, we see the introduction of markets and competition. The introduction of markets and competition facilitated an unprecedented era of growth and industrialization in economic development (which in today's terms may be akin to the economic dynamism in parts of China over the past decade or so).

The Externality Challenge: The Rise of the Civic Sector

The good thing about a purely market-driven economy and society is its rapid growth and dynamism; the bad thing is that it has no means of dealing effectively with some of the negative externalities that accompany it.

There are two types of negative externalities: those that affect the players within a system and those that affect those outside. System-interior (Type I) externalities include worker poverty (an issue of distribution), prices of farm products that fall below the threshold of sustainability (an issue of protectionism), and fluctuation of currency exchange rates (an issue of capital destruction). Corrective mechanisms to deal with these issues give rise to labor unions, labor rights, social security, protectionism, and reserve banks, all of which

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are designed to do the same thing: they limit the market mechanism when its results are dysfunctional or unacceptable and redirect governance by introducing negotiated stakeholders agreements as a third coordination mechanism that complements the two existing ones (markets and hierarchy).

Examples of system-exterior (Type II) externalities include the destruction of nature, the destruction of opportunities for future generations, and the current misery and poverty of the 3 to 4 billion people who live at the so-called “base of the global pyramid.” These Type II issues are much harder to deal with because the stakeholders involved do not have a voice in the normal political process, as workers have when they organize in unions or as farmers have when they lobby for protection. Type II challenges have entered the political process through the mobilization of people-driven movements to deal with each of these problems, resulting in the formation of NGOs (non-governmental organizations) or CSOs (civil society organizations) that focus on issues such as the environment (nature), sustainability (future generations), development (developing countries), and so forth. The movement around Type II externalities began to show up as a large-scale social phenomenon only in the last third of the twentieth century and began to result in the emergence of global NGO players only during the last decade of the twentieth century and the first decade of this century, along with a massive wave of globalization after the end of the Cold War around 1989. The 1992 Earth Summit in Rio de Janeiro, and the 1999 “battle of Seattle” at the World Trade Organization meeting, were important milestones in the emergence of a new class of global players: globally orchestrated NGOs or CSOs. Today there exist between 1 and 2 million NGOs worldwide that monitor, watch out for, and address corporate or governmental misbehavior relating to environmental and social externalities. It's probably the biggest movement this planet has ever seen.

The introduction of the third coordination mechanisms (stakeholder negotiation and dialogue) and the rise of the civic sector has changed the geometry of power in our society. This relational mechanism functions on a different source of power: public opinion.

The Global Externality Challenge: Ecosystem Innovation

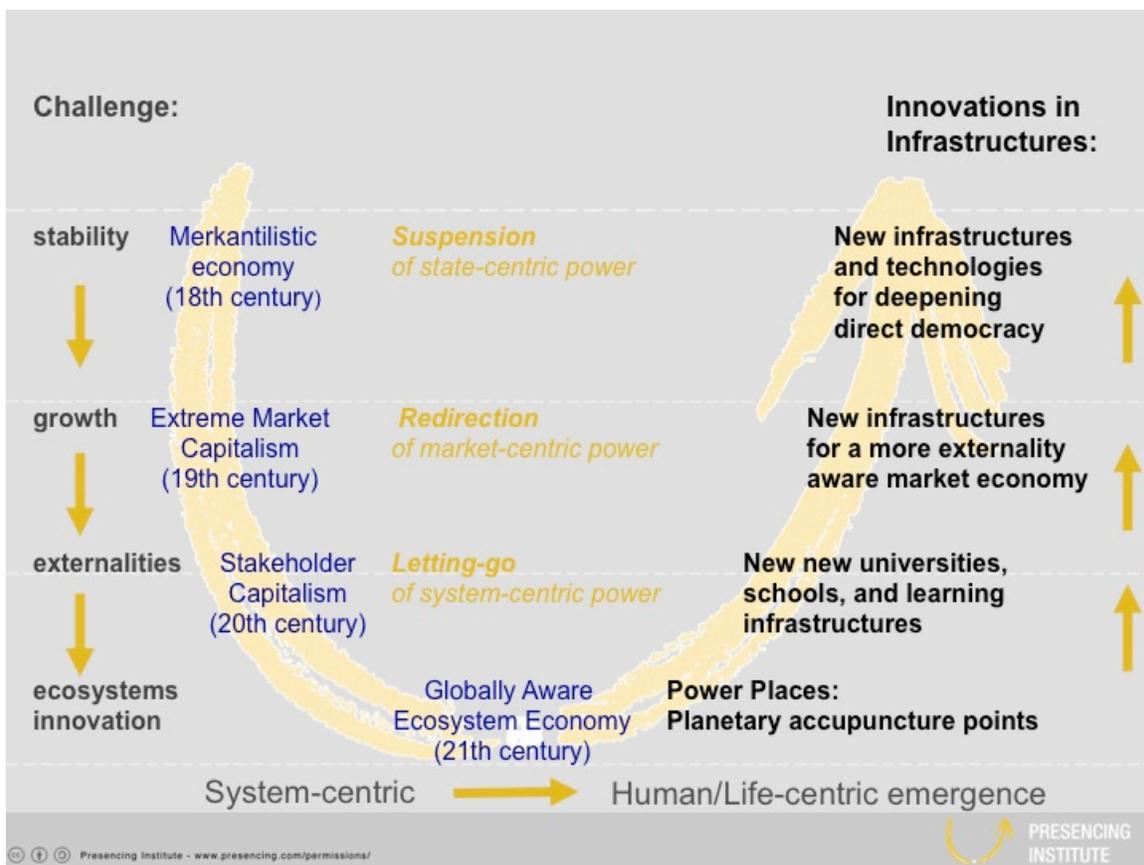
The good thing about the European style of social democratic capitalism is that it deals with the classical externalities through wealth redistribution, social security, environmental regulation, farm subsidies, and development aid; the bad thing is that in the age of globalization and changing demographics, many of these mechanisms are no longer feasible in the long run, particularly if applied to Type II global externalities outside one's current system. Therefore, the challenge that most societies face is how to create ecosystems that deal with both Type I and Type II externalities in a way that supports individual and communal creativity and capacity building rather than subsidizing the absence of self reliance and entrepreneurial action.

Table 1: Four Stages of the Western Market Economy, Its Institutions, and Its Sources of Power

	17th–18th Centuries: Mercantilist State-Driven Economy	18th–19th Centuries: Liberal Market Economy	19th–20th Centuries: Social Market Economy	21st Century: Globally Aware Ecosystem Economy
Challenge	Stability	Growth	Externalities: internal, external	Externality driven ecosystem innovation
Response: New coordination mechanism	Central rules/ plan	Market/ competition	Negotiation/ dialogue	Seeing and acting from the whole ecosystem
Differentiation of new sector and actor	State/ government	Capital/ business	Civil society/ NGO	Cross sector communities of creation
New sources and mechanisms of power	Sticks	Carrots	Norms/ public opinion	Presence of the whole

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Table 1 and Figure 1 summarize the above line of thought. A primary challenge defines each developmental stage; each challenge required society to respond by creating a new coordination mechanism (central plan, market, dialogue), which then led to the rise of a new primary institutional actor (government, business, NGO) and source of power (sticks, carrots, norms). Each of these configurations also came with a unique geometry of power from centralized (central plan and hierarchy) to more decentralized (markets and competition) to more relational (negotiation and dialogue). The fourth column, globally aware ecosystem economy, continues the same developmental perspective into the current age (Scharmer, 2009).



The Current Discourse: Four Major Views

Applying this evolution of thought to the current political discourse, we can identify four types of viewpoints and conversations that tend to show up in just about every issues or policy area.

First, the fundamentalist view. The fundamentalist view frames any given policy situation in terms of only one governance mechanism. There are three types of fundamentalism: market fundamentalism (the view that has become less popular recently), government fundamentalism (which became less popular after the collapse of the Berlin Wall in 1989), and the NGO or community fundamentalism, a deep green view that does not acknowledge the role of markets and government in modern society—a view that, although not very popular, does continue to exist in certain areas of society today).

Second, the dualist view. The dualist view frames a situation in terms of two variables, or two mechanisms of governance. Theories that combine a balance between market and government activity are the most frequent example of this view, such as the Keynesian approach to anti-cyclical fiscal policy.

Third, the triadic view. The triadic view frames a situation in terms of three different variables or mechanisms of governance: markets, government, and CSOs or NGOs. In this view, there will be no sustainable solution to any of the contemporary policy issues unless we find a way of involving all three sectors (business, government, NGO) and the three mechanisms that they represent (markets, regulation, negotiation). The discourse in this type of conversation is not about whether to address an issue with markets or with government or with an NGO type of stakeholder negotiation, but rather how much of each governance mechanism needs to be deployed.

Fourth, the ecosystem view. The ecosystem frames a situation in terms of integrating the three previously mentioned governance mechanisms plus a fourth one: *seeing and acting from the whole*. All major areas of policy innovation and systems change require us to combine the existing three governance mechanisms in new ways (markets, government,

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NGOs), but even more importantly to introduce a fourth, new mechanism: seeing and acting from the whole. For example, in disaster response efforts, we often see that the three existing governance mechanisms are either broken or not adequate, despite the fact that immediate action is required. In such circumstances we see the beginnings of a fourth governance mechanism: people coming together, sharing what they see, sensing what needs to be done, and *immediately* acting from that shared understanding. Even the global financial crisis of 2008 sparked some of that behavior among the G-20, which quickly convened and acted, bypassing a lot of conventional G-7 routines. The problem with this emerging governance mechanism is that it takes two different conditions to work: one is a shared place, where all the key actors from a given ecosystem can meet; and the other is a social technology that helps diverse stakeholders to go through a process of sharing—sensemaking—discovering common intention and then prototyping innovations that will be reliable and effective. More often than not, these conditions do not exist when societies are wrestling with needed change.

Looking at the four types of framing the policy debate, we have seen the mainstream of shifting from Type I (market and neoconservative fundamentalist views) to Type II (balancing government and markets). But all the major issues that the Obama administration will face after January 20th will require something different: a shift from dualistic to triadic frames (that include all three sectors of society), and a shift from triadic frames (which often get stuck in old style multi-stakeholder debates that only repeat old viewpoints) to a new way of operating in which key players across the social ecosystem begin to listen and converse in ways that transform the old habits of thought into new ways of thinking and acting together.

The Shift in Attention and Awareness

The massive challenges of change that societies face in our current time of crisis require a new leadership, a leadership that operates on all levels of systems and all fields of attention. Figure 2 maps the system levels horizontally (micro, meso, macro, mundo) and

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the fields of attention vertically (field 1-4). The main focus of conventional governmental action is on column 4, field 1 and 2: regulatory frameworks for governmental and private sector action. The problem is, that the challenges of this century will require a new forms government action that operates not only from two, but from all 16 spaces of leadership action displayed in Figure 2.

Field Structure Of Attention	Micro: Individual Action	Meso: Group Action	Macro: Institutional Action	Mundo: Systems Action
Field 1: Ego-centric: <i>I-in-me</i>	Listening 1: Downloading habits of thought	Downloading: Talking nice, politeness, rule-reenacting	Centralized: Machine bureaucracy	Hierarchy: Central plan
Field 2: Factual-centric: <i>I-in-it</i>	Listening 2: Factual, object-focused	Debate: Talking tough, rule-revealing	Decentralized: Divisionalized	Market: Competition
Field 3: Relational-centric: <i>I-in-you</i>	Listening 3: Empathic listening	Dialogue: Inquiry, rule-reflecting	Networked: Relational	Dialogue: (Mutual adjustment)
Field 4: Eco-centric: <i>I-in-now</i>	Listening 4: Generative listening	Presencing: Collective creativity, flow rule-generating	Ecosystem: Ba	Seeing and Action from the emerging Whole

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Figure 2: 16 Spaces of Leadership Action: All levels, all fields

Integrating all levels of systems (micro, meso, macro, mundo) and of attention (field 1-4) into a coherent strategy of change will require new support infrastructures that facilitate a profound shift in thinking, conversing and acting together. Let me give an example: the reinvention of the automotive industry.

Example: Reinventing the Automotive Sector

What would the reinvention of the car industry look like if we applied the insights discussed above? The starting point of course would be to *not* pour good money into bad structures. What is needed to reinvent the American car industry is much more than handing money to companies that have a proven track record of getting it wrong. Here is a list of five points to begin the conversation.

(1) Launch a tri-sector strategic initiative on reinventing mobility.

A massive strategic federal investment in the greening and reinventing of the car industry should create a platform of collaboration and innovation that is open not only to the existing players, but also to new players and those from other sectors (municipalities, governments, universities, startups, and green non-governmental organizations). Since several of the emerging core technologies for future mobility—such as battery power—are situated outside the Big Three car companies, it is vital to keep the platform of innovation open.

(2) Create a hub of diverse leaders from all sectors.

In putting together a high-performing team, a few guidelines will be helpful: its members should share the same goals. Focus on people who are young, bring a broad range of skills and experiences, are frustrated about the slow rate of progress toward green mobility, want to participate in a collaborative project, and are senior enough in their own organizations to pull in resources and make things happen.

(3) Build a state-of-the-art support structure that allows diverse players to co-sense and co-create the future as it emerges.

For this blended team to be effective, it will take two things: a place that they own—a Green Mobility Hub, and a journey that takes them to the places of most potential, to the places where they can see the ingredients of the future with their own eyes, where they can make contact and establish collaborative relationships with others who need to be drawn in. The practical innovation work would be a cycle of going to the places of most potential, returning to the Hub, sharing what has been learned, co-sensing and co-creating radical new ideas, and then going out to prototype and test them in order to explore the future by doing. The support structure of the Hub would include highly visible industry and innovation leaders—like Steve Jobs, Larry Page, and Warren Buffett—who could back fragile new ideas and initiatives, particularly when they start to come under attack because they have triggered pushback from the existing automotive industry.

(4) Engage the public and young engineers and entrepreneurs in schools and communities on reinventing mobility.

The Green Mobility Hub would (a) employ a young and committed core team that works full time at the Hub, (b) establish a network of collaborations and partnerships inside and outside the automotive industry, and (c) engage with civil society, municipalities, and campuses across the country in the areas of engineering, management, urban studies, and public planning. For example, the Green Mobility Hub would conduct highly visible 250k competitions at all major institutions of higher education. Interdisciplinary teams of students would generate ideas for green mobility. Every six months the Green Mobility Hub would select the top 5 or so ideas and offer them seed funding and support to prototype their concepts. In other words, the Green Mobility Hub would launch a massive innovation initiative inside institutions of higher education. It would create practice fields for a different type of learning that is student-driven and more practical, more collaborative, and embedded in real-world needs.

(5) Generate capital for selecting, prototyping, and piloting the best ideas.

The Green Mobility Hub would also provide capital and seed funding for the best ideas. While the capital would come from both public (federal) and private sources, the decisionmaking and selection of the best ideas would be done by a committee of experts and thought leaders from all sectors of society. The goal of the Green Hub would not be to bring the products to scale, but to prototype new concepts of mobility and be an incubator for a whole suite of open source-based methods and tools that could be used across industries. In that regard, the function of the Green Mobility Hub relative to the mobility space would be similar to the function of MIT and Stanford in the evolution of the Silicon Valley and Route 128 IT clusters in the 1970s and beyond: to provide an intellectual breeding ground where radical new innovations take shape—first in our minds and hearts, and later through our collective actions.

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