Theory U

Leading from the Future as It Emerges

OPEN
MIND

OPEN
HEART

OPEN
WILL

The Social Technology of Presencing

C. Otto Scharmer

Foreword by Peter Senge

Theory U

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the Future
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THE SOCIAL TECHNOLOGY

OF PRESENCING

C. OTTO SCHARMER

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Dedicated to
Katrin Käufer

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Man knows himself only to the extent that he knows the world;
he becomes aware of himself only within the world,
and aware of the world only within himself.
Every object, well contemplated, opens up a new organ of
perception within us.

– Johann Wolfgang v. Goethe

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Foreword

PETER M. SENGE

A longtime mentor of mine once said that the greatest of all human inventions is the creative process, how we bring forth new realities. Understanding the creative process is the foundation of genuine mastery in all fields. This knowledge is deeply embedded in the creative arts and, though rarely spoken of, defines those moments "where there is magic in the air" in theater, music, dance, and sports. It pervades the mysterious state of surrender whereby, in Michelangelo's words, the sculptor "releases the hand from the marble that holds it prisoner" or, in Picasso's statement, "the mind finds its way to the crystallization of its dream." It plays no lesser role in science; as the economist W. Brian Arthur states: "all great discoveries come from a deep inner journey." Against this backdrop of deeply shared but largely esoteric knowledge, Otto Scharmer suggests that the key to addressing the multiple unfolding crises of our time—and the future course of human development—lies in learning how to access this source of mastery collectively.

Two predominant strategies characterize reactions to the unfolding environmental and social breakdowns evident in climate change, political paralysis and corruption, spreading poverty, and the failures of mainstream institutions of education, health care, government, and business: "muddling through" and "fighting back." Muddling through is the strategy that characterizes most of us in the rich northern countries. It embraces a combination of working to preserve the status quo combined with an almost hypnotic fascination with wondrous new technologies that, so the belief goes, will solve our problems. Fighting back, as is evident in the vocal protests of millions of people around the world opposed to the "Washington consensus" view of globalization, combines a longing for an earlier social and moral order with anger at having lost control over our future.

But beyond surface differences, the two strategies and their adherents are not as dissimilar as they may first appear. Many—perhaps most—of the "muddlers" share a pervasive uneasiness. This is evident in anxiety about the future, growing dissatisfaction with and distrust of virtually all social institutions, and withdrawal from public discourse and civic engagement. Even those who say little about it sense that deep imbalances exist in the global industrialization process and that these threaten to worsen. But there is little hope that anything can be done about them; hence we "carry on carrying on." Perhaps the ultimate irony is that even the most ardent technological optimists feel deep down that the course of technology development shapes itself and that there is little that can be done about it. Likewise, many of those fighting back share similar fatalistic feelings of trying to stop immutable forces, as evidenced by the anger and violence of their actions. As a dear friend and recognized leader in the environmental movement recently confided, "I am becoming convinced that many of the most aggressive environmentalists believe that the human species is deeply flawed and does not deserve to survive." Last, both strategies are anchored in the past: advocates of the status quo future basically extrapolate what they regard as positive trends from the past; opponents fight these trends.

Otto Scharmer's Theory U embodies a third view, one that I believe is growing around the world. This view holds that the future will, inevitably, be

very different from the past, simply because the predominant trends that have shaped global industrial development cannot continue. We cannot continue to concentrate wealth in a world of growing interdependence. We cannot continue to expand the "take, make, waste" industrial model in a world where there is, increasingly, no "away" to throw our waste and toxins to. We cannot continue to put more and more carbon into the atmosphere, when carbon dioxide concentration is already 30 percent higher than at any time in the past 450,000 years and carbon dioxide emissions are already at three to five times the rate at which the substance is being removed from the atmosphere. Second, this view holds that we are not powerless to alter the dominant trends of the industrial age. These trends are based not on the laws of physics but on human habits, albeit habits on a large scale. These habitual ways of thinking and acting become embedded over time in social structures we enact, but alternative social structures can also be created. Achieving the changes needed means nothing less than "creating the world anew," based on a radically different view, as you will see below, of our collective capacity to, as Martin Buber put it, "Listen to the course of being in the world . . . and bring it to reality as it desires."

As a friend and partner of Otto Scharmer for more than ten years now in developing this work, I have been waiting for this book, as have many of our colleagues. Without question, we regard Otto as the premier theorist of the "U methodology." Moreover, his extensive practical experience, especially in long-term systemic change projects, gives him a unique depth of understanding of the challenges and possibilities of applying the methodology.

Those of us involved with this work also have come to appreciate that understanding and gaining proficiency as a practitioner with the U methodology take time. I think this learning starts with thinking seriously about a few basic ideas, and I think the book will help a great deal with this.

First, in every setting, from working teams to organizations to larger social systems, there is much more going on than meets the eye. Many of us have known firsthand the excitement and energy of a team that is deeply engaged in its work, where there are trust, openness, and a pervasive sense of possibility. Conversely, we also have seen the opposite, where fear and distrust

pervade and where each statement has thick political overtones of defending one's position or attacking others'. Scharmer calls this the "social field" and has, to my mind, unique insights into how it arises and can evolve.

Sadly, mostly it does not evolve. The social field of most families, teams, organizations, and societies remains largely unchanged because our level of attention renders it invisible. We do not attend to the subtle forces shaping what happens because we are too busy reacting to these forces. We see problems, then "download" our established mental models to both define the problems and come up with solutions. For example, when we listen, we usually hear very little other than what we have heard before. "There she goes again," calls out the voice in our heads. From that point onward, we selectively hear only what we recognize, interpret what we hear based on our past views and feelings, and draw conclusions much like those we have drawn before. So long as this level of listening prevails, actions tend to preserve the status quo, even though the actors may sincerely espouse an intention to change. Change efforts that arise from this level of attention usually focus on making changes in "them" or in "the system" or on "implementing" a predetermined "change process," or in fixing some other externalized object— rarely on how "I" and "we" must change in order to allow the larger system to change.

When the "structure of attention" moves deeper, so too does the ensuing change process. Here Scharmer identifies three levels of deeper awareness and the related dynamics of change. "Seeing our seeing," so to speak, requires the intelligences of the *open mind*, the *open heart*, and the *open will*.

The first opening arises when people truly start to recognize their own taken-for-granted assumptions and start to hear and see things that were not evident before. This is the beginning of all real learning and a key, for example, for a business attempting to decipher significant changes in its environment.

Still, recognizing something new does not necessarily lead to acting differently. For that to happen, we need a deeper level of attention, one that allows people to step outside their traditional experience and truly *feel* beyond the mind. For example, countless businesses have been unable to change in

response to changes in their environments even though they recognize those changes intellectually. Why? As Arie de Geus, author and former planning coordinator at Royal Dutch Shell, says, "the signals of a new reality simply could not penetrate the corporate immune system." Conversely, when people living inside a shifting reality begin to "see" what was previously unseen *and* see *their own part* in maintaining the old and inhibiting or denying the new, the dam starts to break. This can happen in a company or a country. For example, in my experience, this deeper seeing began to occur widely in South Africa in the mid- to late 1980s and is happening in many parts of the world today. This requires people from many different parts of a society, including many within the power establishment, to "wake up" to the threats they face if the future continues the trends of the past. In South Africa, enough people started to see that the country simply had no future if the apartheid system stayed in place and that they were part of that system.

When this sort of waking up starts to happen, it is crucial that people also "see" that the future could be different, lest they either be paralyzed by the new awareness or react in ways that still preserve the essence of the old system. By this "seeing into the future," I do not mean they are convinced intellectually that something can change. We all know what it means to nod our heads and then go right back to doing what we have always done. Rather, a third level of "seeing" can unfold that unlocks our deepest levels of commitment. This *open will* is the most difficult of the three shifts to explain in abstract terms, but it can be powerful and self-evident in concrete terms. For South Africans twenty years ago, I believe it unfolded in whites' and blacks' discovering their love for their country—not for their government or established systems, but for *their country itself*. I heard this expressed first in many conversations with white South Africans, who, to my surprise, declared that they were "Africans," that they felt deeply connected to the land, and the place, and the people of the country. This deep connection to place existed for most black South Africans as well, despite their oppression. I truly believe that the new South Africa was forged through this common connection, this deep sense that it was an almost sacred duty to create a country that could survive and thrive in the future—and only together could this be done.

The open will often manifests in the sense that "This is something that I (or we) must do, even though the 'how' may be far from clear." I have often heard people say, 'This is something I cannot not do.'" As our colleague Joseph Jaworski says, "We surrender" into this sort of commitment. This is similar to what others have termed "recognizing a calling," although many times I have heard people speak of this without the parallel understanding of the open mind and the open heart. When responding to a "calling" is not coupled with the continual opening of the mind and heart, commitment easily becomes fanatical obsession and the creative process becomes a distorted exercise in willpower. A key feature of Theory U is the connection of all three openings—mind, heart and will—as an inseparable whole.

When all three levels of opening occur, there is a profound shift in the nature of learning. Virtually all well-known theories of learning focus on learning from the past: how we can learn from what has already happened. Though this type of learning is always important, it is not enough when we are moving into a future that differs profoundly from the past. Then a second, much less well recognized, type of learning must come into play. This is what Scharmer calls "learning from the future as it emerges." Learning from the future is vital to innovation. Learning from the future involves intuition. It involves embracing high levels of ambiguity, uncertainty, and willingness to fail. It involves opening ourselves to the unthinkable and sometimes attempting to do the impossible. But the fears and risks are balanced by feeling ourselves part of something important that is emerging that will truly make a difference.

Finally, the theory and methodology of the U have a great deal to say about the nature of leadership, especially leadership in times of great turbulence and systemic change. This leadership comes from all levels, not only from "the top," because significant innovation is about *doing* things differently, not just *talking* about new ideas. This leadership arises from people and groups who are capable of letting go of established ideas, practices, and even identities. Most of all, this leadership comes as people start to connect deeply with who they really are and their part in both creating what is and realizing a future that embodies what they care most deeply about.

Though these ideas are critical elements of Theory U, what is especially important is that they are not just theory. They have arisen from extensive practical experience with the U methodology. Woven throughout the following chapters are stories about and reflections on long-term change initiatives in business, health care, and education. For example, the largest systemic change project I have yet seen, the Sustainable Food Laboratory, today involves more than fifty businesses and nongovernmental and governmental organizations working together to address the forces driving global food systems in a "race to the bottom" and to create prototypes of alternative, sustainable food systems. You'll also find here other examples that cover health care, education, and business innovation. While practical know-how in implementing Theory U is still in its infancy, these projects demonstrate clearly that these principles can be translated into practice and that, when this is done, they reveal immense capacities for changing social systems that previously appeared to many to be unchangeable.

There are many encouraging systemic change initiatives in the world today. Yet what is largely missing is a way to develop the capacity to develop collective wisdom across diverse settings and involving diverse organizations and actors, especially in the context of confronting multisector, multistakeholder challenges. What do you do when confronting such a problem? Theory U suggests that the basic procedure to shift social fields is the same across all levels, from teams to organizations to larger social systems, even to global systems—laid out in a summary of 24 principles and practices in the last chapter of this book. I see these not so much as the "final word" but as an extraordinary protocol to engage many of us who are active in forging a social technology for real leadership.

Finally, a word to the reader. This is an unusual book because it lays out theory and method in equal proportions. Although many academic books expound theories, they usually represent their authors' thinking but not their lived experience. On the other hand, most management books are full of purported practical ideas but very light on where these ideas come from—the presumption apparently being that most practical people are too busy fixing

problems to have much interest in serious thinking. In the pages that follow, Otto Scharmer shares his autobiography with us. And his blind spots. He encourages us to look at the problems we each face, and learn to recognize that they arise from systematic blind spots in our thinking and ways of doing things. When that is the case, new tools and techniques applied from within the same mental models and ways of operating are not likely to produce much real change. As he illustrates, we all need alternative ways forward, and the U model is one.

Integrating theory and method places real demands on the reader, and this undoubtedly is why such books are rare. They require us to be both open to a challenging intellectual journey and to be willing to form our critical understanding based on testing the ideas in practice. Too many books continue the "downloading" of unexamined assumptions and beliefs, even while challenging us intellectually with new ideas. The question is always one of practice—of doing, not just thinking. So consider yourself warned. To truly benefit from this book on Theory U, you must be prepared to undertake *your own journey* of sensing, presencing, and realizing.

In this sense, this is a book for those whom my MIT colleague, Donald Schön, called "reflective practitioners," managers, principals, team leaders, government officials, and community organizers who are far too committed to practical results and dissatisfied with their current capabilities to rest on past habits; pragmatic, engaged people who are open to challenging their own assumptions and listening to their deepest inner voice. For it is only through this listening that we will unlock our collective capacity to create the world anew.

Acknowledgments

D ad, will you ever be finished with that book?" I completed the first draft of *Theory U* when our nine-year-old daughter, Hannah Magdalena, was born. She and her younger brother, Johan Caspar, have lived with it all their lives. In the meantime, they have both produced numerous handwritten "books," graciously reminding me of my own uncompleted project. Now that it's completed, my first and foremost thanks go to Katrin and our children, Hannah and Johan Caspar, who, all three, have never given up on me over the past ten years.

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Cambridge, Massachusetts, March, 2007

Introduction

We live in an era of intense conflict and massive institutional failures, a time of painful endings and of hopeful beginnings. It is a time that feels as if something profound is shifting and dying while something else, as the playwright and Czech president, Václav Havel, put it, wants to be born: "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, were rising from the rubble."[1]

Facing the Crisis and Call of Our Time

Because our thin crust of order and stability could blow up at any time, now is the moment to pause and become aware of what's rising from the rubble.

The crisis of our time isn't just a crisis of a single leader, organization, country, or conflict. The crisis of our time reveals the dying of an old social structure and way of thinking, an old way of institutionalizing and enacting collective social forms.

Frontline practitioners—managers, teachers, nurses, physicians, laborers, mayors, entrepreneurs, farmers, and business and government leaders— share a sense of the current reality. They can feel the heat of an ever-increasing workload and pressure to do even more. Many describe this as running on a treadmill or spinning in a hamster wheel.

Recently I participated in a leadership workshop with one hundred leaders of a well known U.S. Fortune 500 company. The speaker before me had a great opening. He reminded us that only twenty years ago we were having serious discussions about what we should do with all of the *extra free time* that we would soon gain through the use of new communication technologies. Laughter erupted around the room. Painful laughter—for the reality that has come to pass is very different.

As we perceive our own rising pressures and diminishing freedoms, we cross the street to meet the other side of the same system in which several billions of people are born and raised in conditions that will never, ever give them a chance to participate in our global socioeconomic system in a meaningful and fair way. One of the primary issues is and remains that our current global system works for only a relatively small, elite minority of us, while in many parts of the world it doesn't work at all for the vast majority of the population. We all know the basic facts and figures that prove this point:

- We have created a thriving global economy that yet leaves 850 million people suffering from hunger and 3 billion people living in poverty (on less than two dollars per day). The poor of the world—about 80 percent of mankind—live on 15 percent of the world's total GNP.[2]
- We invest significant resources on our agriculture and food systems only to create nonsustainable mass production of low-quality junk food that pollutes both our bodies and our environment, resulting in topsoil

degradation of a territory as large as India (the equivalent of 21 percent of the present arable land in the world).[3]

- We spend enormous resources on health care systems that merely tinker with symptoms and are unable to address the root causes of health and sickness in our society. Our health outcomes aren't any better than those in many societies that spend far less.
- We also pour considerable amounts of money into our educational systems, but we haven't been able to create schools and institutions of higher education that develop people's innate capacity to sense and shape their future, which I view as the single most important core capability for this century's knowledge and co-creation economy.
- In spite of alarming scientific and experiential evidence for an accelerating climate change, we, as a global system, continue to operate the old way—as if nothing much has happened.
- More than half of the world's children today suffer conditions of deprivation such as poverty, war, and HIV/AIDS.[4] As a result, 40,000 children die of preventable diseases *every day*.

Across the board, we collectively create outcomes (and side effects) that nobody wants. Yet the key decision makers do not feel capable of redirecting this course of events in any significant way. They feel just as trapped as the rest of us in what often seems to be a race to the bottom. The same problem affects our massive institutional failure: we haven't learned to mold, bend, and transform our centuries-old collective patterns of thinking, conversing, and institutionalizing to fit the realities of today.

The social structures that we see decaying and crumbling—locally, regionally, and globally—are built on two different sources: premodern *traditional* and *modern* industrial structures or forms of thinking and operating. Both of them have been successful in the past. But in our current age, each disintegrates and crumbles.

The rise of fundamentalist movements in both Western and non-Western countries is a symptom of this disintegration and deeper transformation process. Fundamentalists say: "Look, this modern Western materialism

doesn't work. It takes away our dignity, our livelihood, and our soul. So let's go back to the old order."

This reaction is understandable, as it relates to two key defining characteristics of today's social decay that the peace researcher Johan Galtung calls *anomie*, the loss of norms and values, and *atomie*, the breakdown of social structures.[5] The resulting loss of culture and structure leads to eruptions of violence, hate, terrorism, and civil war, along with partly self-inflicted natural catastrophes in both the southern and northern hemispheres. It is, as Václav Havel put it, as if something is decaying and exhausting itself.

What, then, is *arising* from the rubble? How can we cope with these shifts? What I see rising is a new form of presence and power that starts to grow spontaneously from and through small groups and networks of people. It's a different quality of connection, a different way of being present with one another and with what wants to emerge. When groups begin to operate from a real future possibility, they start to tap into a different social field from the one they normally experience. It manifests through a shift in the quality of thinking, conversing, and collective action. When that shift happens, people can connect with a deeper source of creativity and knowing and move beyond the patterns of the past. They step into their real power, the power of their authentic self. I call this change a shift in the *social field* because that term designates the totality and type of connections through which the participants of a given system relate, converse, think, and act.

When a group succeeds in operating in this zone once, it is easier to do so a second time. It is as if an unseen, but permanent, communal connection or bond has been created. It tends to stay on even when new members are added to the group. The following chapters explain what happens when such shifts occur and how change then manifests in significantly different ways.

The shift of a social field is more than a memorable moment. When it happens, it tends to result in outcomes that include a heightened level of individual energy and awareness, a sustained deepening of one's authenticity and personal presence, and a clarified sense of direction, as well as significant professional and personal accomplishments.

As the debate on the crisis and call of our time begins to unfold, proponents of three distinct positions can be heard:

1. Retromovement activists: "Let's return to the order of the past." Some retromovements have a fundamentalist bent, but not all of them. Often, this position comes with the revival of an old form of religion and faith-based spirituality.

2. Defenders of the status quo: "Just keep going. Focus on doing more of the same by muddling through. Same old same old." This position is grounded in the mainstream of contemporary scientific materialism.

3. Advocates of individual and collective transformational change: "Isn't there a way to break the patterns of the past and tune into our highest future possibility—and to begin to operate from that place?"

I personally believe that the current global situation yearns for a shift of the third kind, which in many ways is already in the making. We need to let go of the old body of institutionalized collective behavior in order to meet and connect with the presence of our highest future possibility.

The purpose of this book, and of the research and actions that have led to it, is to delineate a social technology of transformational change that will allow leaders in all segments of our society, including in our individual lives, to meet their existing challenges. In order to rise to the occasion, leaders often have to learn how to operate from the highest possible future, rather than being stuck in the patterns of our past experiences. Incidentally, when I use the word "leader," I refer to all people who engage in creating change or shaping their future, regardless of their formal positions in institutional structures. This book is written for leaders and change activists in corporations, governments, not-for-profit organizations, and communities. I have been often struck by how creators and master practitioners operate from a deeper process, one I call the "U Process." This process pulls us into an emerging possibility and allows us to operate *from* that altered state rather than simply reflecting on and reacting to past experiences. But in order to do that, we have to become aware of a profound blind spot in leadership and in everyday life.

The Blind Spot

The blind spot is the place within or around us where our attention and intention originates. It's the place from where we operate when we do something. The reason it's *blind,* is that it is an invisible dimension of our social field, of our everyday experience in social interactions.

This invisible dimension of the social field concerns the sources from which a given social field arises and manifests. It can be likened to how we look at the work of an artist. At least three perspectives are possible:

- We can focus on the *thing* that results from the creative process; say, a painting.
- We can focus on the *process* of painting.
- Or we can observe the artist as she stands in front of a *blank canvas.*

In other words, we can look at the work of art *after* it has been created (the thing), *during* its creation (the process), or *before* creation begins (the blank canvas or source dimension).

If we apply this artist analogy to leadership, we can look at the leader's work from three different angles. First, we can look at what leaders do. Tons of books have been written from that point of view. Second, we can look at the *how*, the processes leaders use. That's the perspective we've used in management and leadership research over the past fifteen or twenty years. We

RESULTS THEY PRODUCE

PROCESSES THEY USE

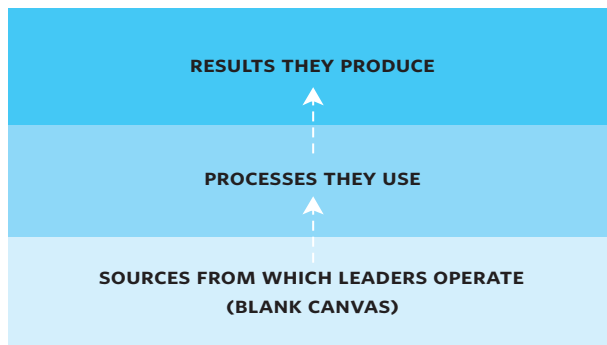SOURCES FROM WHICH LEADERS OPERATE
(BLANK CANVAS)

FIGURE 1.1 THREE PERSPECTIVES ON A LEADER'S WORK

have analyzed all aspects and functional areas of managers' and leaders' work from the process point of view. Numerous useful insights have resulted from that line of work. Yet we have never systematically looked at the leaders' work from the third, or blank-canvas, perspective. The question we have left unasked is: "What sources are leaders actually operating from?"

I first began noticing this blind spot when talking with the late CEO of Hanover Insurance, Bill O'Brien. He told me that his greatest insight after years of conducting organizational learning projects and facilitating corporate change is that the success of an intervention depends on the *interior condition* of the intervener.

That observation struck a chord. Bill helped me understand that what counts is not only *what* leaders do and *how* they do it but their "interior condition," the inner place from which they operate or the *source* from which all of their actions originate.

The blind spot at issue here is a fundamental factor in leadership and the social sciences. It also affects our everyday social experience. In the process of conducting our daily business and social lives, we are usually well aware of what we do and *what* others do; we also have some understanding of *how* we do things, the processes we and others use when we act. Yet if we were to ask the question "From what source does our action come?" most of us would be unable to provide an answer. We can't see the *source* from which we operate; we aren't aware of the place from which our attention and intention originate.

Having spent the last ten years of my professional career in the field of organizational learning, my most important insight has been that there are *two different sources* of learning: learning from the experiences of the *past* and learning from the *future* as it emerges. The first type of learning, learning from the past, is well known and well developed. It underlies all our major learning methodologies, best practices and approaches to organizational learning.[6] By contrast, the second type of learning, learning from the future as it emerges, is still by and large unknown.

A number of people to whom I proposed the idea of a second source of learning considered it wrongheaded. The *only* way to learn, they argued, is from the past. "Otto, learning from the future is not possible. Don't waste

your time!" But in working with leadership teams across many sectors and industries, I realized that leaders cannot meet their existing challenges by operating only on the basis of past experience, for various reasons. Sometimes the experiences of the past aren't very helpful in dealing with the current issues. Sometimes you work with teams in which the experiences of the past are actually the biggest problem with and obstacle to coming up with a creative response to the challenge at hand.

When I started realizing that the most impressive leaders and master practitioners seem to operate from a different core process, one that pulls them into future possibilities, I asked myself: How can we learn to better sense and connect with a future possibility that is seeking to emerge?[7]

I began to call this operating from the future as it emerges "presencing."[8] Presencing is a blending of the words "presence" and "sensing." It means to sense, tune in, and act from one's highest future potential—the future that depends on us to bring it into being.

This book describes the process and the result of a ten-year journey that was made possible only through the support and collaboration of a unique constellation of inspirational colleagues and friends.[9] The question that underlies that journey is "How can we act from the future that is seeking to emerge, and how can we access, activate, and enact the deeper layers of the social field?"

Entering the Field

A field, as every farmer knows, is a complex living system—just as the earth is a living organism.

I grew up on a farm near Hamburg, Germany. One of the first things my father, one of the pioneers of biodynamic farming in Europe, taught me was that the living quality of the soil is the most important thing in organic agriculture. Each field, he explained to me, has two aspects: the visible, what we see above the surface, and the invisible, or what is below the surface. The quality of the yield—the visible result—is a function of the quality of the soil, of those elements of the field that are mostly invisible to the eye.

My thinking about social fields starts exactly at that point: that [social]