

Chapter One

Connecting Inner Transformation as a Leader to Corporate and Societal Change

*Subhanu Saxena, Otto Scharmer,
Kathryn Goldman Schuyler*

I (Kathryn) wanted to bring an executive's perspective and Otto Scharmer's work on leading from the emerging future to this book. This chapter uniquely combines the life story of a CEO who brings deep values about purpose and awareness to his daily work with an interview of Otto Scharmer (who developed the notion of presencing along with Peter Senge) discussing what is needed from leaders today.

I met Subhanu Saxena about six years ago and stayed in touch with him because of my interest in executives and consciousness. He is now CEO of Cipla, the second largest pharmaceutical company in India, which he joined after years on the top management team of Novartis. I introduced him to Otto Scharmer, who invited him to tell his story at the first *Mind and Life Europe Symposium for Contemplative Studies* focused on "Personal and Societal Change from the Contemplative Perspective," which was held in Berlin in October 2013.

Subhanu spoke at the opening of two large open process labs attended by roughly one hundred people each. His charge was to talk about his life as both a global executive and a Sanskrit and Veda/Vedanta teacher in ways that might encourage participants to look at their own life stories and listen for new possibilities within themselves and their worlds. He opened the session by

chanting in Sanskrit a melodious, fluid chant that reverberated and echoed around the large concrete space. As he explained, “I thought it was an appropriate way to start this mind and life session with sounds from the Bronze Age, as such mantra allows the person to connect their inner self with their outer self, the universe, and find the universe within.”

We open with Subhanu Saxena’s story, as told at this gathering, and close with Otto Scharmer’s thoughts about how leaders can enable profound shifts in what is possible for us to do together on our planet.

Bringing Life Purpose into Business

yuñjānaḥ prathamam manas tattvāya savitā dhiyah,
agnim jyotir nichāya prithivyā adhyābharat ||
 Yoking first the mind, spreading out thought,
 Discerning light, the sun has brought forth fire from
 the earth

...

Yuje vām brahmaṇpūrvyam namobhir viślokāyanti
patthyeva sūrāḥ,
śṛṇvanti viśve amṛitasya putrā ā ye dhāmāni divyāni
tasthuḥ ||

I place before thee this ancient prayer, which spreads
 wide and far, as the sun’s shining light on its
 path

All the children of immortality can hear it, and
 touch the sacred realms within and without.

(T.S.4.1.1, first six mantras)

I’ve been asked to talk about how I was able to understand my life purpose and bring it into the world of business. Given

the context of our time together today, I thought I'd start by chanting a mantra and explain how this makes one present in every waking second of your life. These mantras are one of the earliest descriptions of the Vedic conception of yoga of connecting via the mind to that which is beyond the mind and turning external yoga to inner yoga—quite appropriate for the *Mind and Life Symposium*! Mantras flow through me all the time. They are always there. There is a mantra flowing through me every second.

You may be wondering why a CEO of an over twenty-thousand-person corporation is opening with Vedic mantras. Let me tell you a little bit about my story and the topic I'm going to address, which is how as a leader, I connect and engage a large organization to a higher purpose, and how my practice, the teachings I've received, help me or hinder me in achieving that purpose. I hesitate a little bit when I come to meetings like this, because I have to remind people that the purpose of the ancient teachings is not to make a better bond trader, right? It's to know who you are, to take you on a journey of inner discovery. It so happens we work; we're husbands, we're wives, we're fathers. We're talking about application in a specific sphere of our lives, but these teachings infuse every part of our lives and make us who we are and show us who we are. So with that caveat first, let me tell you my story.

Yesterday, mantras I haven't recited for ten years (the trisuparna mantras from Mahanarayana Upanishad) suddenly started resonating within me, so I began reflecting on them. Introspection in a leader is a quality that is not seen so often. How can you get to know who you are and what's around you? There is an Urdu verse: *Before you go and meet people, go and meet the person inside.* For me, I think that the ability to introspect helped me find my higher purpose.

In one of the ancient stories, there are a number of questions posed to a wise king. The last of them is important here: "What's

the path that you will follow?" The response always struck me. The response was:

*Śrutir vibhinnāḥ smṛtayaścha bhinnāḥ naiko munir yasya
vachah pramāṇam,*

*Dharmasya tattvam nihitam guhāyaṁ maha-jano yena gataḥ.
sa panthaḥ.*

Religious texts have many varied words. There is no one wise sage whose words are authoritative above everyone else's. Follow the lives of the Great as your path. (*Mahabharata Yaksha Praśna*)

Whatever people say, how they express it could be different. But if you look at the great leaders, how did they live their lives? There are common threads: selfless love, endless passion, uncompromising dedication to the truth.

We follow their stories to be inspired by them. So role models became my way of understanding what I wanted to do. Where I go to find role models for those in the modern world is the ancient texts. The role models who inspired me dedicated themselves to a higher purpose in life, of service, and lived a life of intense external activity coupled with inner calm. Being active, Krishna has been my role model for uncompromising dedication to truth and a clear higher purpose. Everyone looked up to Krishna. He was never a king, but he was above all kings. Why? Because he was the embodiment of truth, dedicating everything he did to a higher calling. And that's my link to what I'm able to do in my life: make a difference and lift those around you to find and achieve their higher purpose. When I look deeper into these role models and how they interacted, they uplifted those around them because they saw the sacred in everyone around them.

I was born in India, grew up in the United Kingdom, and became an Oxford-trained engineer. I'm from a family of Indian classically trained musicians and dancers, and I call my maternal

grandfather my first guru. He taught me Urdu poetry, and he would say, “Son, you’ll find God in this poetry.” So at a young age, I always had a philosophical interest. At university, my friends would ask me, “Tell me about your tradition.” I would say, “One God—don’t hurt anybody,” and I thought they would leave me alone. But they would come back and say, “No, I heard this from this swami, and that from this other guy.” I felt inadequate that they’d made me the token expert and I knew nothing about my tradition.

So I asked my parents to get me some books just to keep my friends off my back. I read them intently. I love languages, by the way, so through the years, I’ve lived in Russia, Switzerland, and France and different places. As I read, I began to feel that the only way I’d really understand was if I studied Sanskrit. So for my graduation present, my parents got me one year of Sanskrit classes at the Institute of Indian Culture. The very first lesson opened this universe of expression that I’d never seen before. I then got lucky: every student dropped out, so I was the only person left. I had an accelerated study program for a year, and then I was asked, “Please help with the teaching.”

I found out that my teachers came from Mattur in India, a village where scholars actually speak Sanskrit. It’s a village of Vedic scholars, and my teachers were the priests in such a village. So I clearly remember sitting one Sunday evening thinking, “Wouldn’t it be lovely to study the Vedas? But I’m here in London. No chance.” That Tuesday I went to the Bhavan Institute of Indian Culture and Dr. Nandakumara, my teacher, my dearest friend, said, “My elder brother’s visiting, and by the way, he’s a Vedic scholar.” I couldn’t believe my luck.

They say that when the student is ready, the teachers appear. I introduced myself to him, and I was lost to him in the first fifteen seconds of meeting him. I just felt this immediate surrender. I said, “Please teach me the Vedas.” He accepted me and taught me. The traditional way of learning the Vedas is to commit them to memory, so that scholars in the village can recite forty-eight hours nonstop. I can only do twelve hours. When he went back

to India, he left me tapes. I studied them and then decided to go and study with him in India, so went to the village and studied Veda and also Advaita Vedanta with the Sanskrit commentaries of Shankaracharya, Gaudapada, and my favorite, Suresvara.

That was my life, and then I got into the corporate world. I would say that the first ten to fifteen years of my life was lived as: there's corporate self and there was Subhanu. And which is the real Subhanu? The more I deepened my practice, the more I understood what those teachings were telling me. It liberated me to show up as who I was and hang the consequences. You live one life, so you'd better live it how you want to be. And over the years, I became more and more interested in just being who I really am, and then I began finding corporations that resonated with that, and that's why I want to tell you the story of Cipla, because it's relevant.

Cipla is one of India's largest companies, with over twenty thousand people. We have a market capitalization of \$5 billion. The founder of the company, Dr. K. A. Hamied, was a staunch supporter of Mahatma Gandhi, who later on went to live in Gandhiji's Ashram. One day Gandhiji approached Dr. Hamied and asked, "What are you doing here? We need a national university." So he requested him to leave the ashram to set up a national university. After the Aligarh Muslim University was set up, he went on to pursue a PhD in Germany in the 1920s, studying under a Nobel laureate. It was also in Germany where he met his wife, a Lithuanian Jewish woman. They later fled Nazi Germany to set up a pharmaceutical company back home in India.

Once he was back in India, Gandhiji gave him a call and said, "I'm going to come and visit you." On July 4, 1939, Gandhiji visited Cipla and said to him, "The British said they'll give us independence if we support the war effort." To which he responded, "Gandhiji, why are you telling me this? I'm a businessperson." And Gandhiji said, "Medicines are not coming to India. I want you to put the health of the nation before profit and make India self-reliant in medicine." Cipla then endeavored to make Gandhi's vision a possibility by putting the health of patients above profit.

Every single decision the company has ever taken since then is around this central principle: no one should be denied medicines at a price they can afford. That's the higher purpose of Cipla.

The most notable example came during the terrible HIV crisis in Africa. Many of you remember what it was like a decade ago. That was a time when HIV combination antiretroviral therapies cost over twelve thousand dollars a year. Only a few thousand patients in Africa were getting treatment. So the founder's elder son, Dr. Y. K. Hamied, the chairman at this point, went on record saying, "If people are dying, and lifesaving medicines are available and they're not getting them, that to me is genocide."

With the help of Greg Perry, then head of the European Generic Pharma Association, Hamied was invited to address a conference on AIDS at the European Union on September 28, 2000. In front of a world audience, Hamied offered the triple cocktail drug—Triomune for AIDS—to the international community at US\$800 per patient per year. Later, with the commitment and support from people, he took yet another bold step of offering the cocktail drug at US\$350 per patient per year—less than a dollar a day.

Cipla took that stand, and we changed the course of the disease in Africa. Today HIV therapy in Africa costs below a dollar a day. Nearly 10 million patients are on the therapy. Collectively, we stopped countries becoming extinct, and we're still only scratching the surface. So to join such a company and to be told by the chairman, "I want you to take the message of Gandhi to the world in the field of health care," well, it petrified me, but this is what I wanted to do with my life. I feel privileged having joined such a company and to be continuing this legacy that was given to me and to the organization.

Galvanize an Organization for Its Higher Purpose

Then the question becomes, "How do you really galvanize an organization to do this?" It comes, I think, from a fundamental

belief that businesses can be transformative and positive for society if they have the right purpose and the right leadership and the right direction. Our mission is to ensure no one is denied medicines at a price they can afford.

How does an organization come to understand clarity of purpose? It's less what you say and more what you do: when you make decisions that are congruent with that purpose, your organization believes it's real and the stakeholders believe it's real. I'll give you one example. We do a lot of work in India to promote and educate doctors in the field of tuberculosis. It's a time bomb in India: one in three Indians has latent TB. This activity is purely educational and not linked to sales, as this is what needs to be done. When our organization, our people, and doctors see that this is happening, then the purpose becomes real, and it stops being just a mission statement.

Dr. Hamied is still involved in being the living embodiment of the purpose. And that's very much the role I see for myself as the leader. The heart of leadership is very simple, but impossible for most, which is this: whatever you want your organization to be, you have to be that person. This comes from a presence, a mindfulness, and an awareness as to the mission, your energy, and the energy you bring to every discussion.

So clarity of purpose is the first priority. And we are an example, and there are many other companies where you can set a higher purpose for a company. This is not rocket science. And guess what? We're not too unprofitable, we make decent money, we're growing 15 to 16 percent, but we orient everything we do to that higher purpose.

The People

The second ingredient as a leader is the people you bring around you to enable that purpose and the discussion with the leadership team: "How does this team enable the higher purpose?"

To do this, you need to have people whose personal purpose is congruent with the company's purpose. When I interviewed, I saw people who have been with the company for twenty years living this purpose in everything they do. So when you hire people, you spend ten minutes figuring out they can read and write and add, and you really try and understand their inner motivations. What's their life goal, and is there a good fit? I've interviewed many who are incredibly smart, bright, agile individuals, who will be very successful in many scenarios, but if their purpose is not aligned with the company's purpose, they'll be unhappy, and they won't perform, and they'll get frustrated by what the company's about.

One of the things we observed is that those who joined the company in the last couple of years integrated very well into the culture, because they were really Cipla people and didn't know it. I felt that. My first day in the company felt like coming home. A month later, I realize I've been a Cipla man for twenty-five years and didn't know it. As I want employees whose inner purpose is aligned with the higher purpose of the company, I want shareholders who also get the higher purpose of the company.

Presence

The third ingredient is what I call presence. When I interact with the organization, if they think I'm phoning it in, they're not going to go that extra mile. They're not going to really step up and do extraordinary things.

I got an e-mail this morning, "There's a cyclone hitting India; we're all very concerned about it." The team members have already said, "If there are problems, here's what we'd lined up that we'll just send." That comes only if you've got engaged and connected people, and when you are with them, you're with them in the room. I think a leader has to show up. In life, you have to show up as who you are and create an environment

where people can show up as who they are. That's the role of presence and the role of being ever aware, mindful of every interaction, and the energy you're giving or receiving from people around you. And that's hard work.

I say that the practice of leadership means that you practice like an Olympian athlete: every day in the office is your gym to become a better leader. There's no simple answer; you've got to keep practicing and working on your craft of leadership.

Live Your Life as a Sacred Offering

How does my practice in that other life (and I'll stop calling it the "other life"; it's my life) from the Vedic tradition inform me as a leader? If you look at the ancient teachings, they come to one central truth, which is to live your life as a sacred offering to a higher purpose—a *yagya*. Find out what that purpose is and dedicate everything you do to that.

So when you look back on your life, don't ask, "What did I take from the world" but ask, "What did I give to the world?" If you take the teachings and boil it down, this is what you have to inculcate and live in everything you do. And all the practices, in the Indian tradition, the various rituals and forms of worship, are practice for giving: either you give flowers or you offer into a sacred fire. The giving must simply be there so it becomes second nature.

There's a mantra in the Upanishads (T.U.1.11.8):

śraddhayā deyam, aśraddhayā adeyam

Give with humility. If it's not there, don't give.

śriyā deyam

Give with plenty.

hriyā deyam

Give with humility. Not like this hands facing down,
but like this, hands facing up.

bhiyā deyam

Give with fear. You may not have a chance tomorrow.

Bring giving into everything you do, and if that comes from an inner deep sense of love and compassion, it becomes easier.

It may be counterintuitive to talk about compassionate leaders. I know no other way but to ask about the welfare of those around me, because that's what my teachings give me. The other piece that my tradition has given me is a discipline. To memorize the Vedas, you can't do it in an afternoon over coffee. So there's something to be said for the discipline that comes from relentless practice. In the Gita 6–35, Krishna says, *asamshayam mahābāho mano durnigraham chalam* (“Without doubt, oh mighty armed one, the mind is hard to grasp, and it wanders”), and *Abhyāsenā tu Kaunteya, vairāgyena cha gr̥hyate* (“But through practice and dispassion, it can be grasped”). That practice has to be present every second of every day, of every moment.

Shankaracharya talks about this practice with mindful presence as *tailadhāravat*, like an unbroken stream of oil. I'll often take one of these mantras and let it just flow through me all day, just to reflect on what it means—for example, *vayam agner mānuṣāḥ* (T.B. 3–5–1–50): “We are beings born of fire.” I just let that flow through me during the day. Even if I want to turn off the Vedic tap, I can't now: somehow it just comes out in everything I do. That's from years of practice. There's no substitute.

Finally there is the notion of seeking out the unique gift in everybody. This is the principle that we are not sheep, we are lions; we already have all the power of the universe in us. You're not going from step 1 to step 2 to step 3; it's already there, and it's always been there. Swami Vivekananda would say, “You cover your eyes and say you're blind.” The teachings say, “Look well—your true nature is already there!”

There's a Sanskrit verse that talks to this, which I think is very important for leadership:

amantram aksharam nāsti

There is no syllable that cannot become a sacred mantra. The inherent potential is already there.

nāsti mūlam anauśadham

There is no plant that cannot become a lifesaving medicine.

ayogyah puruṣo nāsti

There is no such thing as an unworthy person, everyone has their unique gift.

yojakah

The person who draws out these qualities (*tatra durlabhah*), such a person is rare. You must become that person.

Gandhiji gave us a very simple guide as to how the journey of leadership can be the inner journey of self-discovery. Gandhiji said, "If you want to find yourself, lose yourself in the service of others." The job of leadership is the job of service. And anyone who thinks differently is missing the beautiful gift they've been given to make a profound difference to themselves, to people around them, and to society at large.

An Interview with Otto Scharmer

Otto Scharmer designed two highly interactive labs for Mind and Life's first European Symposium exploring the implications of contemplative perspectives on societal change. The labs focused on health care and on business and were designed to encourage participants to develop their own personal action projects. He asked Subhanu Saxena to tell his story to encourage people to talk openly about themselves as leaders and suggested that I include this story in our book. Several weeks after

the symposium, we arranged an interview to talk together about Subhanu, leadership, and societal change.

A New Type of Leadership

Kathryn Goldman Schuyler: What is needed from leaders today, given your perspectives on the change that's taking place in our world, in the economy, in society?

Otto Scharmer: What is needed from leaders today is leadership, and that means a new type of leadership that responds to the collective challenges that we face on all levels: on a local level, on a regional level, and also on a global level.

In most systems today, we face a situation where we collectively create results that nobody wants. We create environmental destruction. We create inequity. We create less and less happiness and well-being in spite of more and more GDP per person. This situation is experienced at a leadership level with a state of collective paralysis.

Most leaders—not only leaders at the top, also grassroots leaders—feel incapable of changing this basic condition of the twenty-first century: that we collectively create results that are completely out of sync with the intentions that we are holding. This mismatch reveals a huge leadership gap. The essence of all leadership is something very simple: the capacity of a system or a community to sense and shape the future. The feeling of collective paralysis that we see so often today signifies the absence or void of leadership on a systems level.

But it's not the old style of leadership that is called for to fill today's leadership gap. We need a leadership that is new in two ways. In the first place, we need leadership that is more connected with the sources of our own consciousness. There is a whole dimension of mindfulness, of presence, of connecting to one's own sources of energy—these open the door for awareness and self to come into the picture. Second, today's leadership needs to link up to the profound societal disruption we currently face.

What do we see in organizations today? We see that people are fatigued by the conventional methods of leadership and change management. They feel this fatigue: they are tired of “same old, same old,” precisely because these two dimensions are missing. Unless these new dimensions are brought into the picture and linked with the strategic reorientation and reinvention of the company or enterprise or organization, we are not rising to the occasion. We are not living up to the challenges that we currently face.

Kathryn Goldman Schuyler: How does Subhanu Saxena’s story help us see what is needed?

Otto Scharmer: Subhanu’s story is a beautiful example of how these two missing dimensions that I just mentioned come into the picture. On the personal transformation or consciousness side of things, he brings his own tradition, the Vedanta tradition, into the organization and into the way he embodies his leadership role. On the societal side, he brings the inspiration that Cipla got through Mahatma Gandhi when Gandhi said, “I want you to put the health of the country first and profit second. I want you to make the health of the country the most important thing as you develop this company and not profit.”

This is a reorientation that links the mission of the company with the well-being of the whole, with the well-being of society. This has led to very different business strategies from those that a pharmaceutical company would have chosen otherwise. These two elements and the stories Subhanu shares illustrate how current conventional business leadership needs to be broadened and deepened to incorporate the dimension of consciousness and the dimension of societal evolution at the same time. This is exactly what many young people are looking for when they look for social-mission-driven or hybrid companies that are professional on the one hand and on the other hand are part of a larger story—a larger narrative that they can feel connected to. Having both of these dimensions present means that not only can people

feel connected as human beings with their deeper sources of creativity and value, but also professionally, their work and career can be grounded on these values and linked to a larger purpose that they choose to be in service of.

A Renaissance of Spiritual Awareness

Kathryn Goldman Schuyler: I hope you'll return to the question of what young people are looking for, as it is so important. However, I am concerned that people may read Subhanu's story as being so unique, with his grounding in Vedanta and Sanskrit and mantra, that it is not relevant for other executives. I know that you've seen many other leaders who are also doing their version of this, as you have described them in your recent book, *Leading from the Emerging Future* (Scharmer & Kaufer, 2013).

Otto Scharmer: Subhanu's story is unique because it is an Indian international pharmaceutical company. In this case, I think it is appropriate to bring in the cultural tradition that comes from India, particularly since historically it has given rise to all other religions in the East and the West. You can see India being at the crossroads and the source of both the Eastern and the Western traditions.

In general, when I work with leaders of global companies and organizations, people are more reluctant than he is to bring in their own spiritual context from a particular tradition. Yet we are currently in the midst of a huge awakening or renaissance of what I would call spiritual awareness—not religious awareness. The difference between spiritual and religious awareness is that religious awareness usually brings the belief systems and dogmas of a particular religion, while spirituality focuses experientially on the degree that you connect to the sources of your own self, your own humanity, your own energy, your own creativity. Spirituality means a shift in the way you experience the world, yourself, and your relationships. It's shifting the inner place from which

you operate. When I did the original research for Theory U, I once interviewed a very experienced CEO who had led many episodes of transformative change in his organization. I asked him what he saw as the most important learning he'd had as a CEO throughout all these years. He responded: "The success of an intervention depends on the interior condition of the intervener." When I heard that sentence I thought: What do I know about this interior condition? Nothing! In management research we know everything about what leaders do and how they do it. But what do we know about the interior condition, the inner place from which leaders operate? Nothing. We know nothing because that inner place lies hidden in the blind spot of our everyday experience.

What I also learned in those interviews is that many accomplished leaders have their own inner cultivation practice. Most of my 150 interviewees had one, and so do I. What people do varies a lot, but most of them practice in the early morning. I have found that when you create an extended moment of mindfulness or contemplation as part of your daily routine, some ten, twenty, or thirty minutes that allow you to connect with what is most essential for you and to let go of everything that isn't, it helps you to stay grounded and calm throughout the rest of the day. The moment I open up my inbox or enter the office I know what is going to happen: chaos and disruption will jump into my face. I can't control that. What I can control is the inner place from which I respond to life. Am I panicked and reactive? Or do I stay grounded in my own intention, in the future that I want to create?

What's interesting is that many of the leaders who use some version of a contemplative practice think, "I am the odd one who is doing stuff like this, and everyone else isn't, so I am not talking to any of my colleagues about this." Each of them thinks he or she is the exception—what they don't see is that many of us are using some type of practice to connect to source. That observation is really what prompted Joseph Jaworski,

Peter Senge, Betty Sue Flowers, and me to co-author the book *Presence* (2004)—to give voice to all these different views. In writing the book *Theory U* (2007), I held the same intention.

Theory U is basically two things: it's a framework and language that brings the deeper levels of awareness and consciousness into view for leaders and change makers. It looks at all levels of systems change through the lens of an evolving consciousness. Second, it provides a method that helps to shift the inner place from which we operate, not only individually but also for teams, organizations, and larger systems. It's basically a how-to method for shifting ego-system awareness to eco-system awareness.

Through the language of Theory U and presencing, I try to bring this profound shift into the picture, because my experience is that a great many leaders worldwide have gone through an experience of change so that they have actually connected with deeper levels of their own experience without fully realizing it. Theory U offers a framework and language that allows leaders to talk about these deeper levels of experience that they already have experienced but usually don't talk about because they seem so different from our usual work life awareness. I find this to be a universal phenomenon across all boardrooms, high-performing teams, and highly innovative teams in most organizations today. I have been surprised by how widespread this experience is. When I put up the Theory U framework and ask people for stories and examples, I have been surprised to see that the stories from across different sectors, systems, cultures, and industries are basically the same. This is really a deeper level of our human condition that we can connect with and tap into. Today it's much more available.

Many young people really have—I don't know what the word is, a yearning. They have a longing to shape their work and life in a way that gives them access to this level of experience and relationship, rather than only experiencing it in a moment of peak performance that happens on very rare occasions. That's what

I see young people and also midcareer people really wanting, but the reality is that the current way of running a business listed on the New York or other stock exchanges makes it very difficult.

Working in such companies brings a set of conditions that make it hard to be a leader like Subhanu. I often ask midcareer executives who join my classes at MIT, “Why do you come to this class?” And they say, “The higher I get in the organization, the less inspired I am by the work I am doing.” These are people who are very successful in this world. Yet, as they progress in the system and have more senior leadership responsibilities, they are required to do things that contradict their deeper aspirations for what they would like to do. They are underinspired by their company. This essentially points at a blind spot in terms of institutional evolution where what we need is a new breed of companies that link profits and the business mind-set with social mission, companies that put business in the service of society, as Subhanu’s company does when he shares the story from Mahatma Gandhi.

Innovations at the Scale of the Whole

Kathryn Goldman Schuyler: In the United States at least, and perhaps this is global, people have been evolving a new form of corporation called the benefits corporation. Does this go in the direction you have in mind?

Otto Scharmer: It goes in that direction and is a great example. I’m very much in support of this, but it’s not enough. This creates a small niche for those socially responsible organizations that meet their criteria. What we really need is to rethink the architecture of the whole system.

The problem with Wall Street is not the top five people who got \$2.5 billion over the past few years prior to 2008. The main problem is not greed. That is just personalizing the problem. The primary problem is the system architecture—the way

we structure the relationship between the financial economy and the real economy. There are systemic design issues that need to be rethought. It has very little to do with whether personally these bankers are particularly greedy.

When we think about the larger leadership changes today, all three are necessary: the awareness and consciousness, the organizational leadership, and the redesign of the economic system. Society is evolving to the extent that we need to reinvent a new set of institutions that can allow us to move the ego-system economy that we are operating today into an eco-system economy. Basically this means that in addition to the useful market mechanisms that we already have, we need to create pre-market areas of collaboration. Areas of competition need to be in balance with areas of collaboration. Such areas of collaboration need to be supported with institutions and infrastructures. For example, in the second half of the nineteenth century, *laissez-faire* capitalism gradually moved into stakeholder capitalism or the New Deal kind of the social market economy in Europe, with lengthy struggles to create a whole set of institutional innovations such as social security, the Federal Reserve Bank, standards for labor and environment, and so forth. Similarly, today we also need new institutional forms, but this time to create collaborative innovations where the key players of the major systems that we operate today come together and begin to innovate not only in small pockets but begin to innovate and evolve the system as a whole. We need innovations at the scale of the whole rather than in small niches of the system.

We need to cultivate mindful leadership not only individually but also collectively. Some people say, "If only we would train all Wall Street bankers and really everyone in mindfulness practices, then the world will be a better place, and then the basic issues that we face today in society would be resolved at a root level." What I believe is that this is not at all the case. I think that bringing mindfulness practices to as many people as

possible is a necessary condition, but it's not sufficient, because what's really missing most today is to apply the process of mindfulness and compassion to transforming the system as a whole, not only to transforming individual consciousness.

The economy, health, education—all of these systems are collective phenomena, systems phenomena, that are much more than the sum of individual consciousness. We need to apply the process of mindfulness and the process of transforming consciousness to this collective level, which is exactly what I have been trying to describe with the U process. It is fundamentally the same process—the phenomenological process of mindfulness, of meditation. But in leadership, we need to apply it not only to individuals but also to relationships, and not only to relationships but also to the transformation of the larger institutions and systems we operate in. This means creating holding spaces and enabling infrastructures that by and large don't exist today. This is exactly the innovation challenge that we face and why we need to bring together all three aspects of the equation, as I mentioned at the outset.

Kathryn Goldman Schuyler: I know that you're trying to do this in your work, but where do you see examples of such spaces being created, or what is necessary for them to be created? We discussed this during the symposium in Berlin, and I thought it was very important.

“Look At What We Are Doing to Ourselves!”

Otto Scharmer: I think in creating these holding spaces, the most important ingredient is listening to each other. It's also seeing the situation through the eyes of another, seeing yourself through the eyes of another. We need to create spaces where different stakeholders of a system can walk in each other's shoes, can be guests in each other's lives, can go through a process of empathy and compassion that allows you to experience the

situation through the eyes of another. All of these are ingredients. If you lead groups and systems through this, and they're walking in each other's shoes, they begin to listen to the situation from different perspectives. It's almost as if you become a collective brain. But we don't just think with the brain. The thinking is stimulated through the senses, through being connected with the world. That is triggering. The same happens on the collective level. What is it that is triggering these "neural connections" on a collective level? It's basically crossing the silos.

After functional differentiation of institutions, of systems, we all operate in silo type of realities. Through what we in the U process call co-sensing or co-presencing, we cut through these silos. You begin to connect and look at reality from different angles, and to do that well, you need a holding place where this can take place. Nature is a very important holding place and one of the greatest allies that we have. Gradually the participants of the system not only see each other, but begin to see themselves. The turning point in almost all of these bigger system stories is when the system begins to see itself.

What does this mean? It means that, for example, a group of engineers or a group of physicians begins to see how they collectively create in patients results that nobody wants and say, "Look at what we are doing to ourselves!" The operative word here is *we*. "Look what *we* are doing to ourselves" is a jump in awareness. Suddenly I no longer see the problem in terms of the others and what they are doing to me. I see the situation and the system in terms of what we are doing to ourselves, which is the starting point for entering a different type of conversation, a more dialogic conversation, a more co-created conversation where new possibilities open up that can be developed, explored, prototyped, and implemented in different ways.

Kathryn Goldman Schuyler: I've seen this kind of process happen in future searches in nonprofits and for-profits and across organizations, but I haven't seen this happen at the level of the

global economic system. Are you seeing ways to work with people that enable the creation of new structures that can change the system itself rather than change companies or organizations within it? Even these are hard to change!

Otto Scharmer: Yes. And yet when you look at the challenges that leaders face today, both in government and also in companies, you can see that there is a very significant parallel between nation-states and companies. You can say companies and nation-states share the parallel that they are too big for the small problems and too small for the big problems. In other words, no government in the world can deal with climate change. No government in the world can deal with any of the big challenges that we face as a global community. The same applies to companies. That's why in management, we talk about the extended enterprise. We talk about the business eco-system. We know that the organization itself is the wrong unit of analysis for most problems and leadership challenges that we face. In order to make a real difference, in order to meet and address the challenges at the level they need to be addressed, we need to bring together the entire eco-system. The same applies to the nation-state. Without the business community, without the international community, and also often without the civil society community, the nation-state by itself has very little means to address the key challenges that we face at the level of source.

In all these cases, I think the bottom line is the same. We need to build tri-sector platforms of collaboration that allow diverse groups of stakeholders to meet each other in order to shift the system to move through a process of co-initiating what they really want to do, co-sensing to learn to see the system from all the different angles, co-inspiring where the whole thing could be going, and then co-creating as a process of learning by doing and exploring the future through small-scale experiments. Then, last, co-shaping where the best results from these small-scale experiments and prototypes are scaled and sustained throughout the system.

This is happening naturally at a local level in some places. Why is it happening locally much more easily than globally? I think it is because all of these issues and all of the big global challenges share that they're often related to what has historically been called *the commons*. Markets work well for private goods. They work less well for commons. For public goods, we have governments usually, but the commons is really where we have a lack of institutional intelligence in our societies and in capitalism today. That's the big challenge. And no single sector—not government alone, not business alone, and unfortunately not civil society alone—can solve that issue. We need tri-sector platforms that organize around the commons.

Where do we see this happening naturally? We see it in disaster response, where everyone is pulling together because the need for collective action is so evident that it happens spontaneously to organize around these needs, and we see it on the local level. Because on a local level, the commons and the issues related to the commons are right in your face. It's not abstract; it's very visible. It's common sense in the most literal sense that is being applied when people pull together and collaborate across the three sectors. But the same natural instinct and the same logical response doesn't exist for problems with higher complexity where we either have delayed feedback or we have a global scale where the impact of my action is on the other side of the planet, so I don't see the damage that I create. This dynamic complexity problem leads to a situation where currently we don't have a good answer about how to deal with those commons that are more regional and global. That's the big institutional innovative challenge that we face today.

Awareness-Based Global Action Research

Kathryn Goldman Schuyler: And to conclude?

Otto Scharmer: When I look at what we are doing today, I am really surprised how open people are toward accessing a

deeper level of our own humanity and creativity and bringing that into a new type of entrepreneurship that is just beginning now. We see a longing and openness by many players inside the old business community and also in the domain of social entrepreneurship. What we have seen historically is that a lot of great things and energy happen in the sector of social entrepreneurship, but hardly ever does any of that scale up and transform the larger systems. Now, those of us who work with some of the larger institutions like government and big companies realize that inside these institutions there are just as many people who would like to bring this kind of movement into these arenas.

I see potential for a second generation of entrepreneurial change, in which these two emerging movements begin to link and connect with one other—those who operate on a grassroots level outside the established system and those who are inside the established institutions. What's necessary for this to occur is for us to have platforms for collaboration that reach beyond the institutional boundary of organizations, that are tri-sector in nature, and that are like a fourth sector, because they link the other three sectors (business, government, and nongovernmental organizations) in a unique way. This would allow the key change makers across all three sectors to collaborate with each other.

All three of these sectors need to let go of certain old behaviors and tune into new and more collaborative behaviors. To establish such new arenas of collaboration and co-creation is a huge challenge and opportunity ahead of us, and it's given many names. I view this as an awareness-based global action research university that builds capacity for transforming ego-system to eco-system economies.

Going forward, I think two things will make a difference. Such collaborative infrastructures are essential: we need to develop the fourth sector institutions on the one hand and, on the other hand, the collective leadership capacity to create such deeper container and innovation spaces. Without the skill

and capacity to develop such transformative spaces, the same old people come together and have the same old conversation, which is of no use.

The bottleneck is the lack of fourth sector infrastructures and the lack of leadership capacity to use them for systems transformation. This is where we, the current generation of change makers on Earth, have a huge responsibility and can make a huge difference. In the generation before us, people were talking about macro changes and doing very little in terms of personal transformation or seeing such personal transformation as relevant to themselves. In the generation after us, today's younger people are often much stronger on the micro, meso, personal, and relational levels, but are not that strong on the macro and political levels. The call for our generation is to bring all these levels together, because if we don't start this, we really mess up big time in this century, and we can't allow that to happen.

Kathryn Goldman Schuyler: I think that there's hope as well. Every time you talk, I feel like I understand more clearly what I've been trying to understand for decades and how to bring this about in the world.

References

- Scharmer, O. (2007). *Theory U*. San Francisco: Berrett-Koehler.
- Scharmer, O., & Kaufer, K. (2013). *Leading from the emerging future: From ego-system to eco-system economics*. San Francisco: Berrett-Koehler.
- Senge, P., Scharmer, C. O., Jaworski, J., & Flowers, B. S. (2004). *Presence: Human purpose and the field of the future*. Cambridge, MA: Society for Organizational Learning.

