

Theory U

From Ego-system to Eco-system Economies

Otto Scharmer

Massachusetts Institute of Technology, USA

Adam Yukelson

Presencing Institute, USA

IN WORKING WITH LEADERS, TEAMS and organisations we noticed that the tools and processes we developed with our colleagues at the Presencing Institute and the Society for Organizational Learning (SoL) worked with some leaders and teams, but did not work at all with others. We began to explore why that was so.

What we found is summarised in a quote from an interview Otto did with Bill O'Brien, the late CEO of Hanover Insurance: 'The success of an intervention depends on the interior condition of the intervenor' (Scharmer, 2009: 27). In his experience with change and development processes, Bill noticed that the awareness or intention that people brought to a situation had a profound impact on the quality of the results they achieved.

The recognition of the deeper *source* level of social reality creation set us on a path of inquiry into the recent findings in leadership, management, economics, neuroscience, contemplative practice, and complexity research. In essence, we found that behaviours within systems cannot be transformed unless we also transform (deepen) the quality of *awareness* that people in these systems apply to their actions, both individually and collectively.

The process of accessing these deeper levels of knowing is what we came to call Theory U (Scharmer 2009). The premise of Theory U is $r = f(a_i)$; that is, the reality and results (r) that a system of players enacts is a function of the awareness (a) that these players operate from. The *quality of results* within a system depends on the *quality of awareness* from which the players in that system operate.

Theory U differentiates between four states of awareness ('field structures of attention') that individuals, groups, institutions, and larger systems use as they operate. By 'field' we mean a set of interdependent connections. Each field state of awareness originates in a different inner place:

- ▶ Habitual awareness
- ▶ Ego-system awareness
- ▶ Stakeholder awareness
- ▶ Eco-system awareness

Table 1 depicts a matrix of social evolution in which these four different states of awareness are applied to all levels of social systems: individual (micro), team or group (meso), organisational (macro), and large systems (mundo).

Columns 1–4 of Table 1 identify four primary processes that players in complex social systems use to collectively bring forth social reality: attending, conversing, organising, and coordinating. In the development of social systems, participants and stakeholders evolve through four stages and structures of engaging with the social field: as a habitual pattern (level 1), as a transactional frame (level 2), as a relational web of connections (level 3), and as a landing strip that allows the emerging future to become present (level 4: presencing). As complexity increases, it becomes possible for systems to move from levels 1 and 2 to levels 3 and 4—if the actors in the system can tune their awareness to these emerging possibilities. There are also instances in which the movement happens in reverse (regression). Table 1 shows how these four states of awareness play out on each level.

Table 1 Matrix of social evolution: four fields of awareness; four system levels

Field: Structure of Attention	Micro: ATTENDING (individual)	Meso: CONVERSING (group)	Macro: ORGANIZING (institutions)	Mundo: COORDINATING (global systems)
1.0: habitual awareness <i>suspending</i>	Listening 1: Downloading habits of thought	Downloading: Speaking from conforming	Centralized control: Organizing around hierarchy	Hierarchy: commanding
2.0: ego-system awareness <i>redirecting</i>	Listening 2: Factual, open-minded	Debate: Speaking from differentiating	Divisionalized: Organizing around differentiation	Market: competing
3.0: stakeholder awareness <i>letting-go</i>	Listening 3: Empathic, open-hearted	Dialogue: Speaking from inquiring others, self	Distributed/networked: Organizing around interest groups	Negotiated Dialogue: cooperating
4.0: eco-system awareness	Listening 4: Generative, open-presence	Collective Creativity: Speaking from what is moving through	Eco-system: Organizing around what emerges	Awareness Based Collective Action co-creating

Practices

Accessing these different levels of awareness requires a process that allows individuals, groups and systems to transform and shift the level of awareness they are operating from. This process unfolds simultaneously at different levels: at an individual level through the art and practice of deep listening, and at a group level through shifting conversational fields. In our work, we found that the process with organisations and larger systems is a journey through the following stages:

1. **Co-initiating.** Bringing together a diverse microcosm of the key players in a system in order to form a core group that can uncover their common intention
2. **Co-sensing.** Diverse stakeholder groups are equipped with methods and tools for suspending habitual ways of paying attention, and are taken to the edges of their system in order to experience it from a new perspective
3. **Co-inspiring.** Connecting to the deeper sources of knowing, using contemplative practices, solo experiences, dialogue, intentional stillness, journaling, and a new method called social presencing theatre¹
4. **Co-creating.** Exploring the future by doing, using rapid-cycle prototyping and a seven-step case clinic process²
5. **Co-shaping.** Evolving, sustaining and scaling the new across an ecosystem; an iterative process requires the participants to repeatedly assess changes across all three aspects of the journey: the personal, the relational, and the institutional

Principles

In working with groups and organisations we identified a set of principles that guide the process of shifting the awareness of a field. The following 10 points are a summary:

- ▶ **Engage the whole system at all levels.** In any change process, all levels of the system need to be integrated, the micro (individual), the meso (team), the macro (institutional), and the mundo (eco-system)
- ▶ **Engage the whole human being at all levels of intelligence.** The U-process integrates three levels of intelligence: the open mind (IQ: intellectual

¹ www.presencing.com/social-presencing-theater

² www.presencing.com/tools/case-clinics

knowledge), the open heart (EQ: emotional and relational knowledge), and the open will (SQ: self-knowledge)

- ▶ **Use systems thinking in order to reintegrate matter and mind.** Traditional social science and systems theories in the West are based on a split between matter and mind in the social field—that is, a split between the results that we collectively enact and the awareness from which we operate. Closing that feedback loop is the essence of all deep systems thinking (Senge 1996; Scharmer 2009). Theory U takes systems thinking beyond the realm of just thinking and into the realm of systems *sensing*
- ▶ **Use deep immersion journeys.** Step out of existing patterns, go to hotspots of disruptive change and connect to the reality that is outside of established mental models (see Scharmer 2009; www.Presencing.com)
- ▶ **Integrate first-, second, and third-person knowledge.** All action science is based on ‘letting the data talk to you’. The challenges of this century, however, require extending the territory of scientific observation from merely exterior data (the third-person view) to the deeper (more subtle) levels of human experience—that is, adding first-person and second-person knowledge to the traditional third-person knowledge view (Chandler and Torbert 2003: 133–52; Scharmer and Kaufer 2013)
- ▶ **Connect to the source of the self.** Presencing practices and moments of mindfulness allow leaders to connect to their deeper sources of knowing and to ask the two questions at the root of all great leadership and creativity: Who is my Self? What is my Work?
- ▶ **Activate the power of intention.** Leadership is grounded in the capacity to connect with the deeper intentions that underlie the human journey. This journey, if attended to, connects us more deeply with ourselves, with one another, and with the living world around us. The power of intention is about the capacity to activate the deeper levels of human will
- ▶ **Prototype in order to explore the future by doing.** Most current practices of action research and organisational learning are bounded by reflecting on and modifying the experience of the past. Yet, all major disruptive challenges in our systems today require us to move beyond modifying the past. They invite us to sense and actualise emerging future possibilities. This practice, learning from the emerging future, makes it possible to translate a sense of possibility into intention and intention into action by creating small living examples to explore the future by doing, and by integrating the intelligence of the head, heart, and hand
- ▶ **Cultivate the power of place.** Social movements, great innovations, and sustainable change are born and developed in places. Today’s global challenges and movement-building dynamics require a blended infrastructure of online communities and a global network of vibrant entrepreneurial hubs

- **Build platforms for global awareness-based action research.** Use massive open online courses (MOOCs) to combine teaching with interactive, personal, and small-group dialogue spaces, in which a global community of change makers can collaborate around common aspirations and challenges (see Scharmer 2014)

References

- Chandler, Dawn, & Torbert, Bill. (2003). Transforming inquiry and action interweaving 27 flavors of action research. *Action Research*, 1(2), 133-152.
- Scharmer, C. Otto. (2009). *Theory u: Leading from the future as it emerges* (First Edition). San Francisco, CA, USA: Berrett-Koehler.
- Scharmer, Otto, & Kaufer, Katrin. (2013). *Leading from the emerging future: From ego-system to eco-system economies*. San Francisco, CA, USA: Berrett-Koehler Publishers.
- Senge, Peter M. (1996). Leading learning organizations. In T. P. F. D. F. Goldsmith and F. Hesselbein (Ed.), *The leader of the future*. San Francisco: Jossey Bass, Inc.



Otto Scharmer is a Senior Lecturer at MIT, and founding chair of the Presencing Institute. He co-founded the Global Wellbeing Lab and is founding chair of the MIT IDEAS program. He introduced the concept of “presencing” — learning from the emerging future — in his books *Theory U* and *Presence* (the latter co-authored with Senge, Jaworski, and Flowers). His new book *Leading From the Emerging Future: From Ego-system to Eco-system Economies* (with Katrin Kaufer) focuses on transforming business, society, and self. He holds a Ph.D. in economics and management from Witten-Herdecke University in Germany and in 2015 received the Jamieson Prize for Excellence in Teaching.



✉ Senior Lecturer,
Sloan School of Management, MIT,
77 Massachusetts Ave., E62-419,
Cambridge MA 02139, USA

💻 Scharmer@mit.edu

🌐 www.ottoscharmer.com;
www.presencing.com

Adam Yukelson is an action researcher, writer, and educator based in Cambridge, MA. In his work with the Presencing Institute he equips change-makers with a framework and methods to reinvent the larger eco-systems in which they operate, and helps them reflect on, capture, and share what they learn with others. He is currently a co-facilitator and designer of the edX course U.Lab: Transforming Business, Society, and Self (with Otto Scharmer).



✉ 20 Waldo Ave #3, Somerville, MA
02143, USA

💻 Yukelson@presencing.com