

# Chapter 1

## Responding to crisis and opportunity

Smart companies are recognizing that the most effective way to leverage change in our interdependent world is through common endeavor with others. (Charles O. Holliday Jr, Chairman and CEO, DuPont, Stephan Schmidheiny, Chairman Anova Holding AG, and Philip Watts, Chair, Committee of Managing Directors, Royal Dutch/Shell, authors of *Walking the Talk: The Business Case for Sustainable Development*).

[The business and community-based organisations involved in fair trade are] . . . capturing a willingness of the world to move forward. (Raul Hopkins, International Fund for Agriculture Development, interview with author, 2001).

The people behind these statements inhabit very different worlds. The first are major business leaders who are talking about a source of success of their organisations with respect to sustainability. The second quotation comes from a person who grew up in poverty in Peru, works for an inter-governmental agency to address poverty and is talking about the complicated work of fair trade. But both are describing critical elements of the profound society-wide innovation that is essential in order to address the major challenges that confront us. This innovation is reconstructing our world by creating an intricate network or web tying together diverse organisations into a new governance structure that is generating innovation and producing societal learning and change.

SLC (societal learning and change) is taking place when:

- The World Resources Institute and other civil society organisations around the world join together in The Access Initiative to work with governments to give life to a widely ratified United Nations accord that makes participation a primary ingredient in environmental decision-making.
- In Pittsburgh in the United States a bank and local community organisations, with supportive government legislation, find ways to provide loans on a scale that transforms a community's opportunities and yet makes market-rate returns.
- After years of pitched battles, major forest companies, environmentalists, small communities and indigenous peoples on the Pacific Coast of Canada create the Joint Solutions Project to develop their future together.

- The French multinational Ondeo (formerly Suez Lyonnaise des Eaux), the South African non-governmental organisation Mvula Trust, other local companies and communities work together to create sustainable water systems for the rural poor.
- In the Philippines the local subsidiary of the American food giant Dole Foods, local small farmers, a non-governmental organisation (NGO) and the government work together to provide rice for the finicky Japanese market.
- Companies and civil society organisations around the world join together in the GRI (Global Reporting Initiative) to develop and apply an economic–social–environmental reporting framework.
- Major corporations, government and community-based organisations in Bangalore, India, produce agriculture and food-processing innovation.
- The Madagascar government transfers responsibility for roads to Road Users' Associations—NGOs newly created with the support of the United States Agency for International Development.

SLC is about changing relationships in profound ways and producing innovation to address chronic problems and develop new opportunities. These are not just interpersonal relationships, but relationships between large sections of society. Both the depth and breadth of the learning and change that SLC encompasses are unusual. SLC initiatives develop the capacity of a society to do something that it could not do before; they do the same thing for participating organisations.

The realignment involves changing relationships between the core systems of society—economic, political and social represented respectively by business, government and civil society. The goals of the organisations involved are varied: increasing profits, addressing environmental degradation, increasing equity, developing new products and markets, community development . . . But SLC always involves bridging the differences between business, government and community-based organisations (CBOs: see Box 1.1 for definitions of CBOs and civil society). By working together voluntarily, each participating organisation achieves its own goals by changing its relationship with others to co-ordinate their actions and create synergies. SLC is driven both by each group's goal and by a vision of how to build society's capacity to achieve a jointly valued societal goal.

One grand example of SLC is the transformation of South Africa from an apartheid society. To create a racially integrated society requires substantial change in not just the racial complexion of business, but the ways business works with non-whites as employees and customers. Similar to the ending of slavery in the US, ending apartheid restructured the economics of production. For government the end of apartheid meant substantial change in policing and justice systems, and rewriting of the basic governing document—the constitution. And for civil society the change meant shifting from a position of adversary to partner with other parts of society. With all this change, social structures become more closely aligned with the desires of its citizens and its potential for improving their welfare is substantially enhanced.

Civil society is a term in common usage almost everywhere in the world except the United States. The root of the term dates to Greek and Roman times, when it was equated with the state and government organisations. Today the term is used in two ways. Some use it to describe the totality of society and the interactions of its components. In this book it refers to a group of organisations that are ‘a domain parallel to, but separate from, the state—a realm where citizens associate according to their own interests and wishes’ (Carothers 1999). In this usage, the interests of the state are understood to be distinct from citizens’ interests, even though democratic institutions aim to bring them into alignment.

The primary interest of the state is to maintain law and order. That of civil society is the achievement of community justice. ‘Community’ in this sense refers to communities of interest that may or may not be geographic—a neighbourhood group is obviously geographic and formed around the neighbourhood’s interest; Greenpeace is global and formed around the issue of the environment. Although they are often associated with progressive values such as participation, accountability and transparency, they are not always progressive—in fact, they are very often protective of traditional values. For example, the Ku Klux Klan is a civil society organisation.

Community-based organisations (CBOs) are sometimes referred to as the voluntary, third, or independent sector. CBOs are often associated with non-governmental organisations (NGOs)—for example, environmental and neighbourhood groups—but they also include unions and churches. In the United States CBOs are often referred to as ‘non-profits’, but this term is simply a legal attribute among other attributes that these organisations often (but not always) possess. Moreover, not all non-profits are CBOs. See Chapter 4 for more information.

### Box 1.1 Community-based organisations and civil society

By being aware that an initiative is an SLC one, you can substantially enhance its potential for success. SLC provides you with a framework for addressing complexity within a peer-based culture. Frameworks such as corporate citizenship and social responsibility, public policy, community development and corporate citizenship, treat communities, government or business as a privileged centre. In contrast, the SLC framework is one that emphasises ‘we’re all in this together’, that no organisation is privileged and that all are interdependent. With this simple recognition, important barriers to success are overcome and innovation can arise on a grand scale.

SLC is occurring around the world. The examples in Chapter 3 reflect this: one each in Canada, the United States, South Africa, the Philippines, Madagascar and India, while two are global.

As well as being geographically widespread, SLC is happening on a variety of scales and with a variety of targets. The American banking example is organised around community-level concerns; the forest company and the Philippine rice project focus on industries and products; the South African development concerns public infrastructure for water supply and sanitation; and two further cases are global change strategies.

Rather than thinking of stakeholders *vis-à-vis* an organisation, SLC initiatives are stakeholders *vis-à-vis* a jointly defined issue. Each of the examples involves multiple organisations that *own* the issue. Initiatives often begin with a particular organisation, but success is indicated by transforming them into initiatives that are owned by multiple stakeholders. For example, before becoming independent the global SLC

example of the GRI was nurtured for five years as a project of the NGO CERES (Coalition for Environmentally Responsible Economies). During that period ownership was expanded to include hundreds of organisations which jointly own GRI.

The SLC framework provides a disciplined way to approach complex and large-scale change issues. Whatever the change target, SLC action must follow processes that many find onerous. Initiatives need to be clearly outcome-focused and accountable to objectives. Discipline is a critical part of success, but so is experimentation and visioning. You must not think of these potential dichotomies as being in conflict, but rather as different facets of the same diamond. Without an SLC mindset that encompasses paradoxes, ambiguity and learning, SLCs have consumed hundreds of millions of budgeted dollars and innumerable person-hours with poor or mediocre outcomes. Clear, quantitative goals supported by learning processes that build knowledge and capacity for success are critical ingredients.

People find SLC inspirational because it connects their personal highest aspirations to their work of achieving what their organisations value. The tension between the quest to express our highest individual aspirations and the need to do organisationally valued work is an important driving force in producing the important large-scale change and innovation associated with SLC. The SLC approach is about creating the world that we intimately sense is needed, wanted and possible. SLC work holds the design of our visions in creative tension with the reality of what is, and closing the gap.

Higher aspirations include the desire to create wealth more broadly, address sustainable development, see justice and equity, and bring about peace. These were present in all the examples, but so were other more mundane aims about profits and maintaining the support of participating organisations by addressing short-term needs. In comparison to plantation traditions in the Philippines example, small farmers and Dole Foods have developed an agreement that reflects enhanced approaches to worker safety, the environment, and financial equity. The agreement involves core production issues such as how they work together, what they will do for one another as parts of the production chain, and how profits will be divided.

People are also inspired by SLC because it provides a way to work through problems and develop opportunities that are enormously complex and on a scale that can be paralysing. Of course, SLC is complicated and difficult to undertake successfully but, despite its youth as a concept, important knowledge and tools are already developing. And the more that people develop SLC initiatives, the greater the number of tools and capacity.

## **The core ingredients: society, learning and change**

The SLC framework builds on individual, group and organisational learning and change approaches. In fact, SLC *requires* individual, group and organisational learning processes, since SLC success involves development of new individual and organisational capacity. These learning and change traditions are deep and rich, and provide a good strategic base and toolkit for SLC. However, with SLC there is the

important additional level of society and this level has its own unique challenges and requires distinctive tools, knowledge and action.

The SLC framework also builds on the idea that there are basically three different types of individuals and organisations in the world, and these form three different types of *organisational sectors* and *societal subsystems*. Together, these create the SLC change challenge matrix presented in Table 1.1 and further described in Chapter 4. To produce SLC requires successful action at all the levels from individual to societal, and in two or, more often, three of the systems. The challenges produced by deep interaction between these systems are key to generating the deep and broad type of change that is distinctive of SLC. Those challenges help reveal unrecognised assumptions and allow combining unusual resources from the distinct systems in innovative ways.

<b>Societal</b>	Political systems	Economic systems	Social systems
<b>Sectoral</b>	The state sector	The market sector	The social sector
<b>Organisational</b>	Government agencies	Businesses	Community-based organisations
<b>Individual</b>	Mentally centred	Physically centred	Emotionally centred

**TABLE 1.1** The societal learning and change challenge matrix

Regardless of the change target—community, industry, infrastructure or global action fields—SLC involves working with many individuals and dozens to literally thousands of organisations that do not have historic connections. This reflects the maxim that successful change efforts engage those who will be part of the change in defining the change, rather than simply acting on them. In the case of SLC, this means significant change with organisations in at least two of the three societal subsystems and the way they relate to one another. The political subsystem comprises government and its agencies that focus on setting the rules of the game and enforcing them; another is the economic subsystem, which is made up of businesses focusing on wealth creation; and the third is civil society and its organisations, which focus on promotion of their sense of justice and community well-being. Participants in SLC initiatives must understand their relative positions within the societal systems—and their core logics—to be able to work together effectively.

Of course there can be large change within any one of these three subsystems with relatively minor repercussions on the others. For example, the reorganising and integrating of the entertainment–communications industries is having an enormous impact on the structure of our economic system, but much less effect on our social and political ones. Admittedly *intrasectoral* changes can be complicated, but SLC is much more complex because of the diversity of the organisations involved. SLC in the case of the Pittsburgh bank and community, for example, required interaction between the economic, social and political systems as seen by the collaborative actions of NGOs, government agencies and banks.

SLC goes beyond the traditional protest, advocacy and lobbying of business and civil society organisations. Rather than people in one group telling others that they

must change, in SLC all parties accept responsibility for changing themselves and their own actions to address the focal issue. They get together as stakeholders in the issue to jointly innovate to produce the change.

For any particular issue or opportunity, a societal perspective may arise in two different ways. For those who have a broad understanding about societal relationships and its subsystems, it might be present from the beginning. However, usually a problem or opportunity does not initially look as though it will involve societal change. Much more often this perspective arises as people persistently work to address a problem or develop an opportunity. They gradually develop an understanding that the barriers to success involve one of the other three societal subsystems. This can lead to them giving up because of the scale and complexity, or making some tentative futile attempts to bring about change with the conclusion that ‘nothing can be done’, or to a sophisticated SLC strategy that meets the scale of the challenge.

The strategy can include a range of actions. Traditional lobbying of government is a relatively primitive example of an SLC strategy; more sophisticated instances deal with the question of how to combine distinct weaknesses and strengths inherent in the subsystems to optimise outcomes. In the South African example of creating water systems for the rural poor, the SLC strategy overcame several traditional weaknesses such as government red tape, businesses’ inattentiveness to long-term impacts and communities’ lack of capacity to develop water systems on their own. That case also brought together government’s competence to create a supportive operating environment, businesses’ technical production acumen and civil society’s ability to build capacity in communities to take charge.

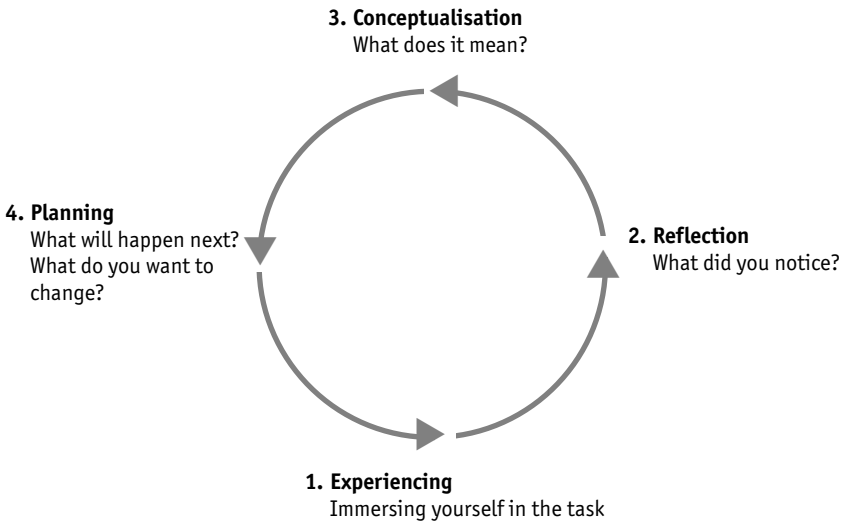
Often the discovery that an issue involves SLC is demonstrated through changes in the definition of a problem or opportunity. On many occasions this change in definition is itself a key goal. Redefining ‘the problem’ was a core part of the process behind the global SLC The Access Initiative (TAI). Rather than simply telling government and business what to do, NGOs realised that one barrier to addressing environmental concerns is that government and civil society do not know how to work together very well, and a solution requires working together in new ways to access each other’s core competences.

Learning as an ongoing process, and a spirit of continual exploration and discovery are part of SLC initiatives. Learning is important because these initiatives are complicated, they require capacity-building since few people have experience with them, and they must develop new knowledge since SLC as a concept and its supportive tools and processes are still in an early stage of development.

Although evaluations and assessments are popular and constitute learning-related activities, on their own they can easily undermine the learning approach that is needed for an SLC. One reason is that evaluations are often deflating, ‘error-seeking’ processes rather than generative learning ones. In SLCs, error- and blame-seeking approaches can be particularly problematic for two reasons. One is that SLCs depend on numerous organisations working together voluntarily in a network rather than a hierarchy, and blaming can easily result in an organisation simply leaving the collaboration. Punishments for exit are few, and participants must be attracted to stay. Another problem with evaluations on their own is that, due to the different languages of the three systems, conversations are complicated and the

potential for misunderstanding is great. In one SLC meeting a physical fight almost broke out over the different uses of the word ‘goal’, which business tends to associate with reward-related short-term performance outcomes and civil society uses more loosely to describe a range of acceptable medium- and long-term outcomes.

From individual and organisational learning we know that there are basically two learning approaches and both of these are useful in SLC initiatives. One is experience-based and draws from the past. David Kolb popularised this as a cycle of experience–reflect–conceptualise–plan (Kolb 1984) (see Fig. 1.1) and it has resulted in tools such as ‘after action reviews’. ‘Experiencing’ refers to looking at what is happening, data gathering and information production. ‘Reflecting’ is thinking about what the data means and turning it into knowledge, often through a group discussion. ‘Conceptualising’ turns the reflection into ideas about what to do differently. And ‘planning’ is putting the new learning into a new action plan.



**FIGURE 1.1** The learning cycle

Source: [www.css.edu/users/dswenson/web/pagemil/kolb.htm](http://www.css.edu/users/dswenson/web/pagemil/kolb.htm)

This emphasises the importance of creating processes and routines that support these distinct stages of learning. It suggests that activities should be accompanied by documentation of what is actually done, and specific time be set aside to review it as a group. These reviews might be set on a calendar basis, or around a particular time in a project cycle. Learning histories can be a useful tool. In the Pittsburgh banking case, this process produced a ‘live’ document that recorded major decisions and milestones.

This learning approach is usefully grounded in what happened, but the past orientation has limitations. Future-oriented processes are particularly important in SLCs. Together these processes actively connect aspirations and work. Future-

oriented learning is focused on possibilities rather than experiences. Planning tools such as scenario planning can be useful, and a whole set of such tools, sometimes described as ‘large group/system interventions’, is particularly appropriate for SLCs (Holman and Devane 1999).

Putting together the learning and the change parts of SLC is core SLC activity. Learning is happening all the time, but it is of negligible importance if it stays with a small group of individuals or in a little-read academic manuscript. SLC emphasises the value of connecting learning to change. Change is always happening all around us, but it usually feels as if it is happening to us and driven by an inexorable confusion of forces rather than as something that can be consciously guided. On a global level, this is the essential critique of opponents of globalisation, who sprang into public view with demonstrations against the World Trade Organisation at Seattle in 1999. Essentially they were saying that they had not been engaged in defining the direction of economic change, and that its design had been restricted to those with economic as opposed to social or political system concerns. This situation indicates that there was inadequate attention to the ‘system boundaries’.

Defining system boundaries means identifying two change dimensions that are particularly important for SLC stakeholders in the action domain. One is the dimension of breadth. This dimension raises questions about the definition of the action domain (Trist 1983) and *who* is affected or could be usefully engaged by the change issue. As described earlier, this might be people and organisations associated with a community, an industry, a specific infrastructure or a global issue, as is common with environmental issues. In the Philippine case, Dole Foods did not traditionally involve small farmers and NGOs in its production; rather, its history is with company-owned plantations. However, land redistribution in the Philippines led the company to rethink the possibilities and bring into its action domain an NGO and small farmers. This reflects a characteristic SLC redefinition of the ‘who’, which is often critical for innovation. It also often involves creating a structure for traditionally ignored voices to be heard.

The other change dimension is one of depth. This is often classified into three categories: single-, double- and triple-loop learning (Argyris and Schon 1978; Nielsen 1996) paralleled with first-, second- and third-order change (Bartunek and Moch 1987). The ‘loops’ involve increasingly deep learning and reflection, and ‘orders’ are ever-deepening change.

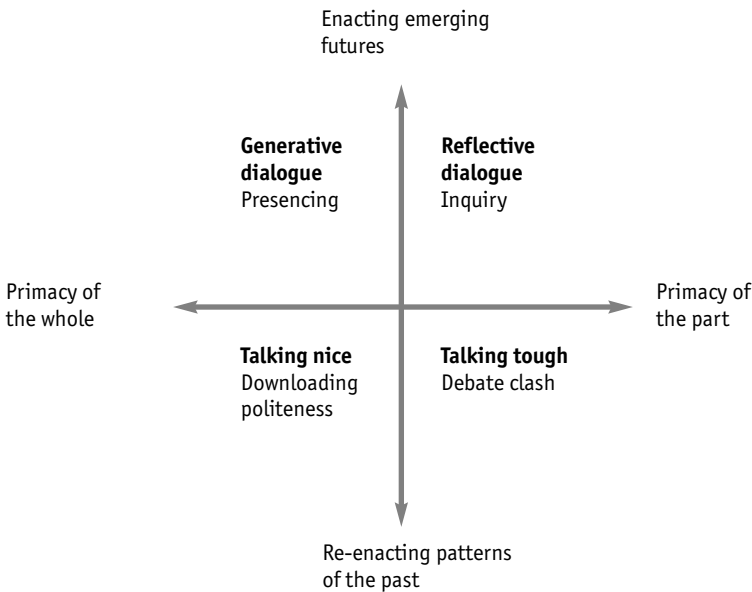
First-order change involves change within the current rules of the game. For example, changing the quantities in a quota system describes a single-loop learning model of change. Something has changed in the operating environment—maybe an industry voice has become louder or imports have grown—and a change in the quota quantity results. The quota system and the way quantities are defined are accepted. The only variable is the number.

With second-order change, the basic decision-making framework remains the same although its structure changes. In the quota example this might mean applying quotas to an import that had never been subject to them before.

SLC always involves third-order change, in which the basic structure and decision-making framework are changed. To carry on with the quota example, third-order change would be reflected in throwing out the quota system altogether with the

conclusion that it was no longer valid or that some other strategy would be more effective. This requires 're-visioning' future possibilities.

This re-visioning process is referred to as 'generative dialogue' (Jaworski *et al.* 2004; Scharmer 2001). Figure 1.2 illustrates the stages involved, moving from the bottom left quadrant, to bottom right, to upper right, ending in the upper left quadrant. It usually begins with 'talking nice', when people are simply civil to one another, and this moves into 'talking tough' where people state their positions and tell each other how they should change. This stage can lead to 'reflective dialogue' where parties move from advocacy into inquiry and from the past into imagining their individual futures. When the relationship develops a conversation about how they can all work together differently through innovation by creating a new whole, they have passed into generative dialogue.



**FIGURE 1.2** Four fields of conversation

Source: Scharmer 2001

SLC third-order change usually starts with government or civil society prodding. In the GRI example, the first move came with the formation of CERES by environmentalists such as the Sierra Club joining with shareholder activists aiming to change corporate behaviour by voting on resolutions at corporate annual meetings. From that base they developed relationships with corporations that led to a shared view that change was necessary at the societal level as well as the organisational level. Development of a more consistent, multi-stakeholder and widely used environmental reporting framework was identified as the vehicle to achieve this. This resulted in the GRI, whose mission is third-order change. In the bank example,

the change began with NGO agitation, which produced legislative changes that in turn spurred some banks to participate in SLC strategies. In the forest example, the companies, environmentalists and communities became worn out from fighting and realised they had to do something different.

However, a potential SLC change can stall with a move by only one of the societal systems. In the TAI example, this occurred when nations signed an agreement in 1992 to make participatory practice a key factor in environmental decision-making. It was only ten years later with civil society action that global progress began. In the banking example, pressure from community activists led to new rules obliging the banks to supply information they had never provided before. New regulations required that banks report on their outreach activities with communities. For a long time, banks treated these demands simply as an additional second-order-change regulatory reporting burden (and many banks still do). However, in some instances, the right combination of people both in banks and in communities made something different happen, resulting in third-order change.

When SLC initiatives begin with a high level of conflict, as in the forests of Western Canada, triple-loop learning occurs after parties talk and listen to each other, and move into a process of learning that leads to innovation (Svendsen *et al.* 2003). Usually SLC starts with organisations taking adversarial positions that challenge the status quo. Parties merely state their positions and concerns. In the forest case, the companies and environmentalists battled for media coverage. When leaders of indigenous peoples came forward and pointed out that they had an interest (redefining the system boundaries), this helped people to start listening to one another and understanding each other's views. Combined with consumer protests, this resulted in movement into a learning mode. Companies signalled this movement with a commitment to phase out clear-cut logging, the most offensive part of their operations. The environmentalists for their part agreed to halt protests while shape was given to the so-called Joint Solutions Project, envisioned as a long-term framework for working together.

SLC initiatives do not have to begin with conflict—although they almost always start after the failure of less ambitious attempts. For example, the South African government had been trying to provide water for its rural citizens for some time. However, within months the new water systems would break down and people would go back to their traditional (often unsafe and distant) water supplies. Eventually, when civil society organisations were engaged, the community gained a sense of ownership of the water system and their capacity to maintain the system was developed.

These change processes are not quick. The banking example occurred over a period of 25 years, although during the first 20 years the parties simply repeatedly declared their views ('talking tough') while the government built a more supportive underlying framework for change with reflective inquiry about the problems. There is often a long incubation stage when parties wear themselves out with fighting or people become frustrated with the results of non-SLC strategies, and finally decide to do something differently. But even when parties decide to work together to do something there are many pitfalls. Even the best-organised efforts take three to five years to produce results of the type reflected in the original vision.

As we learn more about SLC and develop our tools and capacities, this process will shorten. However, most of the time saving will come from reduction in the unproductive declarative positioning stage and fumbling around with solutions designed within one sector and activities disconnected to learning. Change processes of the depth and breadth implied by SLC simply take time. But the mounting demands for complex change, particularly obvious with issues of sustainable development, show that we have no other choice than to press forward with SLC strategies.

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