

Interconnections

Issue 3 2009 Perspectives on international management practice

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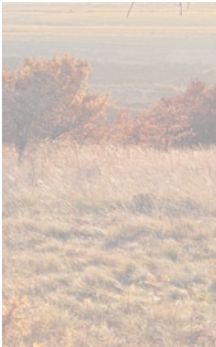
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# Editorial

## Martin Reynolds

Martin Reynolds is Dean of Ashcroft International Business School.



**W**ELCOME to this edition of *Interconnections*. We hope our theme of international management practice provides interesting and stimulating reading and is successful in provoking thought and debate. As with the two earlier editions of *Interconnections*, our contributors are connecting the insights provided by academic theory into the challenges and issues facing international management practitioners, just as the experience of practitioners feeds back into academic theory.

One of the innovative aspects of this journal is its ability to respond swiftly, but still at depth, to the changing nature of our global landscape. This is a feature of the emergent new business climate, and should equally be part of the business education that we offer our students and our business partners. *Interconnections* is developing into a community of practitioners and educators interested in dialoguing and at the same time participating in the emergent world view. As we said in Issue 1, this is a challenging but also potentially exciting time, as we all adjust to the changing landscapes. Whilst there is still a place for methodological and rigorous research that can inform the debate, there is an urgent need, as we recognised, for bridging the theory practice divide, and one of these characteristics needs to be dialogue that is not weighed down by the time constraints of standard academic research. Equally, this is not a time for a panic response – but for measured and timely dialogue.

Inevitably, we have had to be selective in exploring a diverse and complex set of issues but there are some core cross-cutting themes. In times of financial and environmental crisis, organisations and businesses across the world need to strive to innovate their management practice. We require new ways of leading and managing organisations that reflect the context of the challenges of our times. These innovations in management practice will help

drive improvements in efficiency and performance and will hopefully provide some pointers for organisations wishing to find the balance between competitive advantage and sustainability.

Innovation in management practice has implications for business educators. There has been a regular flow of criticism of the activities and work of business schools in recent years in terms of the relevance of courses and research to organisations and the practice of management. Innovation in management practice needs to be supported by innovation in management education.

Our various contributors in this edition will explore the current business environment from a number of different angles, providing a valuable insight into a series of different perspectives that reflect various issues across industries, economies and cultures.

One of the emergent issues from our first two editions has been that of systems thinking, and the importance of looking holistically at organisations within the relevant technological, social, political and historical context of their operations. This theme remains strong in this edition.

Times of rapid and difficult change require managers with new and imaginative skills to enable their organisations to survive and prosper. An important area of management capability is the ability to work collaboratively and reflect on their own practice. The value and contribution of systems thinking in recognising things are interconnected is an important aspect of management capability for driving effective management action in the context of where management decisions are likely to have wide ranging systems impact. This perspective and understanding has been powerfully underlined by the current credit and financial crisis that has had a global impact on economic, social and political systems across many different countries. The commitment to co-ordinated and collaborative action by governments and businesses in trying to address this crisis has emphasised the value of understanding differences and similarities across international boundaries.

The educational imperative associated with these changes should be clear and evident. University business schools have a key role in timing and aligning their own strategies to the changing needs of businesses and organisations. Innovative management education has a key role to play in supporting innovative management practice. It is important to understand the differences and

similarities in management practice across international market places – how businesses respond to the innovation of management practice is likely to be different given the market, economic, social and political context. A good illustration of this challenge is the assumption of market dynamics based on growth and the assumed business strategies necessary to exploit growth opportunities. By contrast the need for sustainable business models that challenge

conventional business assumptions is going to require new management education initiatives to support innovations in management practice.

The scene is set with an article by Marcus Incledon-Webber who outlines the characteristics of a civilisation based on systemic thinking. In it, he outlines the dynamics of adaptable organisms, and what the implications of this are for economic and financial leadership. He concisely sets out the key ingredients of an East/West fusion of ideas and practice. Systems thinking shows the interconnections between human beings as organisms, the organisation in which they work, and the outer environment. This means that the

skills and competencies required are different from that of the more fixed 'knowledge-based' economy – our knowledge is actually changing all the time. This has considerable implications for the training of our managers. These will come from the environment and the internal and external conditions and will include the states of mind, and actions of employees, the customers, and the other systems within which the organisation works, such as the social and political system.

Professor Raymond Saner and Lichia Yu show how important it is for leaders to have training not just in business skills but also in diplomacy through an exploration of the practices of Shell. Professor Paul Turner discusses the nature of corporate reputation, and how this may be managed.

In our 'From the Field' section, Professor Sebastian Green presents a radical new consulting approach drawn from the leading edge work of Bert Hellinger in family systems. Here, organisational diagnosis takes place through examining, and working with the dynamics of teams that are energetically constellated in the organisational system.

*“The commitment to co-ordinated and collaborative action by governments and businesses in trying to address this crisis has emphasised the value of understanding differences and similarities across international boundaries.”*

Greg O'Shea then offers up some practical examples of his work with chaordic organisation – finding ways in which organisations can be enabled to 'self-emerge' whilst taking care that power dynamics do not lead to uncreative hierarchical situations. He provides us with some good practical working tools for any organisation wishing to survive in this rapidly changing state.

Finally, to provide a broader picture of the different contexts in which managers and leaders operate, Jasper Garland describes the changing face of business in Eastern Europe from his perspective as major brand developer. He suggests that this may be the place where dynamic ideas may emerge, as this area is itself emerging from the shackles of its past.

The research and practice forum covers the in-depth discussion that took place in Budapest, on the changing face of economics, and its implications for business education. Joel Magnuson ends the issue with some further timely reflections on the credit crisis, setting the scene for our next issue.

Although the articles in this edition come from different parts of the world and offer a mix of differing and similar perspectives on a range of issues – they share an understanding that management practice needs to evolve in response to range of international and global issues. This edition of *Interconnections* offers thoughts and ideas on key areas for these innovations and associated innovations in the area of management education. We hope this generates further debate and dialogue.

In 2009 we are running a series of breakfast seminars on these and related issues and will be inviting you to contribute and collaborate with our writers. This is part of the on-going approach to develop dialogue and debate between academic colleagues and management practitioners as we seek to extend the activities of our *Interconnections* community.

Colleagues within Ashcroft International Business School are using the debates and discussions within our *Interconnections* community to help feed into our new courses to ensure that Ashcroft International Business School becomes one of the UK's leading practice-based schools.

## Section 1

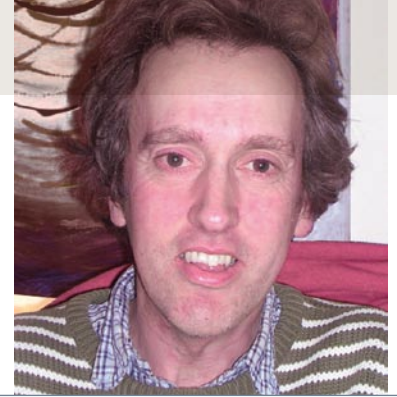
# Views from the ivory tower

A top-down perspective from Marcus Incledon-Webber shows us how to connect broader systemic issues into a **programme of economic and financial leadership**. Raymond Saner and Lichia Liu highlight the need for **diplomatic and political education** for our corporate leaders, and Paul Turner discusses the changing foundations of **corporate reputation**.

# The Gentle Art of Civilisation

## Marcus Incledon-Webber

Marcus Incledon-Webber is a social entrepreneur, green economist, writer and publisher.



**We are at a momentous time in our civilisation as the ripple effect of the current crisis spreads through the globe. Never before have economic and financial leaders needed to find some common organising principles. Marcus Incledon-Webber discusses.**

**E**THICAL systems, spiritual disciplines and religious traditions show no shortage of ways to tell us how to behave and what we should do. However, in the current economic climate, there is a global 'freezing' as we struggle to shift from a Newtonian, linear and rational way of behaving and organising to one which takes into account the empirical realities of our world that have been shown to us through advances in physics, biology, psychology, but which have not yet found their way into our main organising vehicles: business and government.

Our challenge is to develop a critique amongst competing claims for loyalty to allow a resilience and adaptability that makes sense of the problems of living in a complex multicultural society.

We need societies that can self-organise and resolve disputes without escalation of conflict. At the same time they need to be able to design appropriate non-disruptive strategies. Clearly, what is needed is access to awareness of how to harmonise, and lead a life of choice and meaning that accords with the lived needs of man, woman, child, community and Nature. Idealistic or impossible? Not if we grasp the bull by the horns, and carefully analyse the conditions, drawing on our own innate wisdom and wisdom traditions, rather than 'knowledge' which has driven our society and the world economy into its current predicament.

### **The story of civilisation: exporting the problem**

'From the time our ancestors started to settle down and build cities, problems arose... If crops fail because rain is unpredictable, the solution is to build irrigation canals. When they silt up, the solution is to organise clearing crews. When there are too many for



*ad hoc* repairs, install a management bureaucracy and tax people to pay for it. When they complain, invent tax inspectors and a system to record sums paid. This much the Sumerians knew.' (Mackenzie, 2008)

This strategy shows that problems are not solved, but exported to another level. However, exporting the problem, and increasing complexity produces diminishing returns and can generate alarming strains. Unfortunately (to put this mildly) it is unclear whether the lessons of previously unstable civilisations have been studied, learned or appropriately understood, as these strains are beginning to manifest right now in our system.

The danger point is reached when all the energy and resources available to a society are required to meet its level of complexity. Western industrial complex society has become bigger and more complex than any before it by exploiting fossil fuels, oil and coal, sources of energy not hitherto available to it. Instability arises when we abandon human-scale self-organisation and self-regulation for industrial scale models of growth with no capacity for self-government and no limits to restraint, or regard for the conditions on which its prosperity depends. Demands on resources have become unprecedented in recent times to maintain current levels of complexity, without addressing the issues of practical ethics which can be used to inform both scale and sustainability as components of future resilience. This is a fragile and brittle state to be in, for institutions can break down and order collapses. (Mackenzie, 2008)

Clearly, this is what is happening in our financial markets and with climate change, so what can we do to learn from our ancestors' mistakes?

### **A complex adaptive system**

By viewing life on Earth, and the life systems that the Earth supports as a complex adaptive system we can come towards seeing in clear focus the strategies and level of readiness that we need to cultivate if the challenge of adaptation is not to overwhelm us with its complexity. A self-organising natural system evidences its ability to self-regulate when it is provided with care and supported according to its energy needs. Health, in order to be maintained, demands a supply of natural non-toxic energy. By enabling that which is useful and contributing to the health of the system, that which is toxic or harmful can be readily identified and released in such a way as not to contaminate or contribute to toxic culture.

*“Instability arises when we abandon human-scale self-organisation and self-regulation for industrial scale models of growth with no capacity for self-government and no limits to restraint, or regard for the conditions on which its prosperity depends.”*

These life systems or natural systems (eco-systems) can easily become dysfunctional when denied appropriate care. When instability occurs, the result can be a change that brings a greater degree of adaptation or resilience – when the system is overloaded break down can occur and the result is overwhelming chaos. When there is food shortage, riots occur. When denied support, manipulated or interfered with, the delicate balance of homeostasis can break down and dysfunction ensues.

Adaptation is much easier to realise immediately at the micro-economic level, whereas at the macro-economic level the benefits are strategic and include the needs of future generations. Indeed, adaptation at household level is key if the household is to meet the challenge of sustaining itself. It is further up the ladder that the export of problems manifests itself, hence instability can readily manifest at macro-economic level when sustainability is not sufficiently understood or practised at a household level. One of the pressing problems that we face today is that government and business have become so complex that individuals and households do not have enough information or resources to develop their own sustainable living, and the decisions made at a macro level are based on unlimited growth and have not till now included the needs of future generations.

The failure to grasp the nature of the complex adaptive process can result in strain for the system that is felt at the individual and collective level. Stress management, people-ready organisation and continued responsive awareness have never been more important.

### **Fragility and awareness**

We have to be aware of the fragility of living systems and eco-systems on which life in our towns and cities depends. This kind of awareness is essential to avoid the kinds of natural catastrophes that are the hallmarks of living adaptive systems.

A key feature that is often overlooked is that a complex system, such as a society, an economy, a community, an enterprise actually *behave* like living systems. This is not just an abstract formulation or analysis. It is overlooked that the outcomes of economic activity are governed by perception and awareness, which are the key feature of living systems. This is where predictive models and models based on mechanistic, logico-deductive principles fail to provide satisfactory explanatory power. The turmoil in world stock markets

and economic instability that we see around us in recent months are all evidence of a systemic failure to grasp the nature of economic and financial activity as essentially purposeful self-directed activity, governed by mind and awareness for which no amount of number-crunching or bean-counting can help to restore stability.

What is needed is a fresh and practical approach that combines astute economic analysis at macro and micro levels, underpinned by clear ethical principles that have been agreed by participants in the system. A common feature of ethical principles is an underpinning that includes attaching value to that which is beneficial for the health of body and mind and prohibition of that which is harmful, which would imply removing that which is toxic. The religions of the world agree on the importance of the health and welfare of people, young and old, of the natural world and the need to maintain respect for the resources that are the support of life-giving systems. By building this into our economic and social thinking and action, we can embrace a holistic life style that does not escalate out of control.

### Green economics and chaordism

This highlights the essential feature of effective economic thinking at both macro- and micro-level. Equipped with an understanding of complex adaptive systems, the role of economic understanding can be practised and taught simply by enabling investors and entrepreneurs to evaluate and appraise on a continual basis the stability or instability of any proposed course of action, investment, project or undertaking.

Chaordism provides some guiding principles for this evaluation. These are derived from Dee Hock's work in setting up the VISA network as a collaboration between banks and shops, traders and financial institutions, enabling customers to pay for goods and services anywhere without cash. Chaordic principles identify the 'givens' of human life as the ground of economic activity. Chaordic principles work from the testable realities of what people need, and what is required to meet those needs. A key component of this understanding means addressing the mis-match between real need and perceived need. Of course, this is easier said than done as the article in the research and practice section indicates – most of what we consider to be 'need' has been constructed by the large tentacles of consumer marketing (pp. 57–61).

*“Dealing with paradox is an essential part of effective thinking in the scientific or technical disciplines as it is in the fields of communication, leadership and education.”*

This is an area where mindfulness and awareness, personal knowledge and reflection – contemplative enquiry have an important (all-important) part to play. If we can combine this level of economic thinking, with a deeper and personal analysis of individual and collective needs, then these chaordic principles have a stabilising effect in that the benefit to be realised is the ability to create order from disparate elements (to bring order out of chaos).

### Assessing stable investment strategy

Chaordic principles enable a cluster of values to inform investment criteria and enable the varying levels of complexity to inform one another enabling capital and resources to flow where they can yield maximum benefit and realise appropriate long-term reward. This impulse requires a mix of new thinking and fresh awareness, combined with a conservative impulse to identify blockages, with the consequence being resilient adaptation, including the capacity to deliver benefits for future generations.

### Creative consensus and adaptive enterprise

This gives us a clue as to how to enable consensus between competing claims of different philosophical and religious traditions. By focussing on what is 'good for' the physical needs of people and planet we can come to appreciate the thinking behind the ethical judgment that often accompanies prescriptions for living. At the same time we need to be aware of the limitations of 'judgement-style' thinking that allows no appeal to reason, intuition, logic, feeling, choice or experience, or the felt needs of individuals and future generations.

Here there are methods, strategies that we can learn from the worlds of complex problem solving; we need to learn to be adept at holding a polarity of views and allowing a creative solution to emerge as a matter of course. Dealing with paradox is an essential part of effective thinking in the scientific or technical disciplines as it is in the fields of communication, leadership and education. Far from being beyond human capability, it is the innate gift that we can learn to draw on, and which will be needed to lead happier, saner lives.

The principles of adaptive enterprise require a mix of capabilities and responsibilities that can be found in cultivating awareness, enabling feedback loops to inform the stability of the adaptive process, and a capacity to rely less on predetermined outcomes, but allow for a multiplicity of outcomes at the same time.

### Aligning with ‘flow’

This is the characteristic of natural systems and ‘flow’. Flow is found in the brain activity that accompanies complex human problem solving and behaviour at the same time. A brain surgeon performing in the operating theatre can experience flow mental state as readily as can a rock-climber ascending a vertical cliff-face. Flow state characterises the performance of any challenging task, from flying an aeroplane, to driving a car, to riding a bicycle. An important feature of flow state is that it demands physical engagement. It is a mental state that demands embodied awareness. It is not purely intellectual and ‘in the head’.

Contemplative activity can just as readily be in the flow, that is, contemplative activity that includes embodied awareness and is informed by what the physical body is telling us.

### Enough of ‘more’ and real ‘business fitness’

To enable this flow to come about requires us all to do less, rather than more and to take action not to obstruct the adaptive process of living systems. Far from being passive, the call is for a response of care and attention, above all else, listening to the needs of those around us, cultivating the respect and loyalty of workers and customers through a commitment to awareness and responsibility. Thus we see a demand for traditional loyalty combined with values that may not be readily found in the corporate workplace hitherto, but which can be highly successful in realising the rewards of adaptive business. What is needed – simply – is to enable complex chaotic disorder to self-organise, to ‘flow’ into stable self-organising healthy outcomes to the benefit of people and life on Earth.

### The characteristics of economic leadership

In this process, the road to economic leadership and financial independence is a personal journey: an undertaking of psyche and awareness of the lived experience that has considerable appeal to the stressed executive or aspiring business school graduate who wants to view the world with informed awareness, without needless stress or anxiety. This has many implications for the teaching of leadership: rather than passing on ‘knowledge’ which is merely learnt, we need to find a way of engaging prospective leaders with ways of working with flow – with understanding the organisation

*‘We need to find a way of engaging prospective leaders with ways of working with flow – with understanding the organisation as a natural living system.’*

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as a natural living system, as part of a wider whole. This is as much about listening carefully as it is to do with wielding the sword or inspiration – and it needs to be modelled by those who teach. The ‘death by power point’ that infects so much of our business schools may be replaced by depth silence, as students connect with their inner strength, and learn to read the conditions which surround them, and to understand how these are co-created. We need to encourage leaders to question unchallenged assumptions – about the demand for continual growth, continual expansion and to drill down to the underlying movement and flow and create relationship with the living systems which we inhabit. In short, to align with the natural flow of the universe – harnessing and working with, rather than against, the flow of Nature. This is the most natural strategy in the world – but one which has become lost with the current brittle complexity of our civilisation.

The challenge we all face is whether we choose to work with, or against Nature. By harnessing natural power we can realize abundant benefits. By disregarding the needs of the natural world we risk alienating ourselves and damaging our prosperity, not just for current but future generations. Working with Nature and harnessing natural power will become the hallmark of the powerful and gentle civilisation that is currently emerging from the death-throes of the old...

### Principles of economic and financial leadership

Concisely laid out here then is an East-meets-West hybrid of thought and action informed by natural systems. This is part of the characteristics of mindful economics or conscious capitalism carried out as part of the research at Ashcroft International Business School.

- Chaordism: adaptability
- Goodwill: the mainstay of sustainable enterprise
- Embodied reflection: learning from experience; listening; identifying opportunity
- Systems thinking: holistic perspectives
- Green Economics: an understanding of economy as living system
- Work-life balance: realising the rewards
- Community responsibility: tapping into the power of social enterprise
- Harnessing creativity: learning from multi-culture; continuous improvement – *Kai-zen*



# The business of diplomacy: key for a sustainable future

Raymond Saner and Lichia Yiu

Raymond Saner is Professor in Organization and International Management, University of Basle, Switzerland, and teaches at Sciences Po in Paris (Master in Public Affairs).

Lichia Yiu is the President of the Centre for Socio-Eco-Nomic Development in Geneva, Switzerland and Partner of Organisational Consultants Ltd

**Over the last 30 years, businesses have operated in an ethical vacuum. The authors draw on the example of Shell in Nigeria to argue that our global leaders need to be trained in business diplomacy as much as operational and strategic capacity to meet business imperatives and social needs.**

It has become a truism that the world is becoming connected in increasingly complex ways. To survive, global companies must be competitive in the business they are in and at the same time show dexterity in managing multiple stakeholders at home and abroad. However, global managers and leaders not only need to deliver competitive products, but they need to be able to inquire into and respond to the conditions in the outside world which are outside of their immediate control. This calls for powers of diplomacy and ethical insights that are not traditionally the domain of the global manager. This has considerable implications for what is offered in the business school or on business training courses.

The size of the modern multinational is such that it can carry as much weight, and sometimes more than, a national government. It is imperative both from a business and ethical perspective, that bridges and networks are built between global companies and the complex socio-political landscapes within which they conduct business. Global managers have to deal with any number of differing groups and situations such as civil society groups, tribal leaders, NGOs, foreign multiple domestic and foreign pressure groups and media. Recent examples of such cases are the compromise on intellectual property rights concerning HIV/AIDS medication (e.g. Abbot Inc. and other pharmaceuticals vs. Thai and Brazilian government); the violent conflicts around water rights (Suez and Bechtel in Bolivia and Argentina); powerful consumer backlash against child labour (Nike); contaminated products (Coca Cola); destruction of production equipment (sabotage of Shell Oil's pipelines in Eastern Nigeria by dispossessed and oppressed minority tribes); hostage-

taking (Sinnoc in Ethiopia); and the now questionable report of contaminated baby formula from Nestlé.

This requires skills and competencies that go way beyond those currently taught in the business schools. Indeed, many of the challenges met by current global managers are akin to those met by a political diplomat. Traditionally, the skills needed to meet these challenges are only gained through a long and prestigious training that includes in-depth social, political and historical analysis and awareness and language learning, amongst others. Perhaps one of the reasons that the world is in such a difficult financial and political imbalance is due to the fact that the perspective of the business-school trained manager is limited. Global managers can no longer afford to work from this limited perspective – both for the business they serve, and the various situations in which they operate. It seems that diplomacy needs to be an inherent part of this training. Let's look at the consequences of not taking this account through the experience and conduct of Shell Oil Company in Nigeria.

### Shell Oil and the Ogoni People in Nigeria

For many years, Shell Oil refused to consider the claims and misgivings of the Ogoni people who live in Ogoni, a region in Rivers State, Eastern Nigeria. Approximately 500 000 Ogoni people live in an area of 650 square kilometers on fertile lands of the Niger delta. The Ogoni people started to experience problems after Shell discovered oil there in 1958. At that time, Nigeria was under British colonial rule, and the Ogoni had no say in the oil exploitation. With the coming of independence in 1960, the Ogoni situation did not improve – being a minority ethnic group in a country which has a current population of 88 million, the Ogoni never had an effective say in Nigerian politics.

Under the 1989 Constitution, Nigeria's mineral rights are held by the federal government which directly negotiates conditions for oil exploitation with foreign oil companies. Shell Petroleum Development Company (SPDC), in a joint venture with the Nigerian National Petroleum Corporation (NNPC) owns most of the 100 oil wells in Ogoni territory. From the point of view of the Ogoni people, their own oil wealth has been plundered by the Generals who run the country and the foreign oil companies, without any trickle-down effect for their own population.

*‘Indeed, many of the challenges met by current global managers are akin to those met by a political diplomat.’*

Further, environmental disasters due to oil spills, contaminated water supplies, and air pollution has led to a massive deterioration of the Ogonis' living conditions. In the 1990s, this resulted in a rebellion in which the Ogoni people sabotaged some of the Shell oil wells. This rebellion was harshly put down by the Nigerian government under General Babangida. The ensuing bitterness soon became part of the on-going call for democracy which continued to shake the country over several years reaching tragic proportions with the hanging of eight Ogoni activists in November 1995.

Many NGOs openly accused Shell of colluding with the Nigerian regime in violent repression of the Ogoni rebellion. Ogoni people continued to sabotage Shell's oil wells and the effective advocacy of NGOs resulted in damaging Shell's international image. Shell finally decided in 1997 to reach out to the depressed Ogoni community. Meetings were organised with Ogoni groups to find ways to alleviate economic hardship through Delta-wide community development programs – building of roads and market stalls, and water renovation projects.<sup>1</sup> Belatedly Shell recognized the Ogonis as a crucial non-business stakeholder in their operation in Nigeria.

However, this was all too late, and the situation worsened. A militant group emerged about three years ago, calling for more federally controlled oil-industry revenue to flow to the southern states where the petroleum is pumped. These militants focused attacks primarily on the country's oil infrastructure, seeking to heighten pressure on the government. Other armed groups emerged to attack oil rigs, kidnap foreign managers and technicians. A loosely organised group called the Movement for the Emancipation of the Niger Delta even threatened war on the government and foreign oil companies on 14th September 2008 after being attacked by government troops. The group, which is a loose alliance of various armed gangs operating in the southern Niger Delta, attacked military positions, destroyed pipeline-switching stations and blew up pipelines that carry crude oil from wells to export terminals in southern Nigeria. According to the Nigerian state oil company, daily production is down about 40 percent from Nigeria's normal daily output of 2.5 million barrels, helping send crude prices to historical heights this year in international markets.

1. Shell's point of view can be accessed at [www.shellnigeria.com/info/People\\_env/html\\_versions/relations\\_t.htm](http://www.shellnigeria.com/info/People_env/html_versions/relations_t.htm)

It was only after appeals from elders and politicians in the region that hostilities ceased. Thus three years of attacks have cut Nigeria's oil production from 2.5 million barrels per day to around 1.5 million barrels.

### Who was responsible?

But the situation was not clear cut: much of the political justification for the kidnapping and violence has been seen by many foreign observers as a cover up for mostly criminal activity aiming at self-enrichment of violent gangs to the detriment of oil companies, government officials and the local communities in whose name the violence was being committed.

Of course, it is all too easy to see the mistakes made in hindsight. Shell initially lacked the political foresight and diplomatic skills in dealing with a population directly affected by their business operations. The Shell headquarters were not equipped with the skill base required to alert its Nigerian subsidiary of possible conflict. In addition, Shell should have at least questioned its close relationship to the previous dictator and kleptomaniac régime build on violent oppression of all forms of democracy. At the very least, to be seen so close to the central corrupt powers makes a large transnational company vulnerable to reprisals especially if it is present in the oppressed regions of the country, not to mention the ethical rights of the Ogoni people.

Of course, this raises many questions, both operational and ethical. Should a large multinational venture into countries which have military dictatorships? What is the political and ethical responsibility? How can this be handled? We can't answer any of these questions for each needs to be taken on its merits, and on a case by case basis. But what is clear is that Shell would have benefited from having someone on the ground, investigating the conditions, and negotiating where necessary with the government, the local tribal leaders and concerned international NGOs before the situation deteriorated into a full crisis. These problems in Nigeria were linked to its inability to interface proactively and simultaneously with government officials, regional opposition leaders and local community groups. Shell's organisational myopia towards its external environment would not have been so damaging had the company been equipped with adequate diplomatic know-how, political foresightedness and social competence.

That way, it may have been possible that equitable solutions for all stakeholders could have been reached rather than hiding behind quasi-legal arguments which were totally unacceptable to the

non-business stakeholders. At the end, the company's reputational capital was also diminished.

What was a political struggle turned into professional criminal activities similar to other conflict-ridden regions where prolonged political struggle attracts armed groups who turn their political struggle into mafia-like criminal activities, as was the case in Liberia and Sierra Leone. The lesson here to learn is that foreign enterprises involved in raw material extraction in countries where corruption reigns and minorities are systematically oppressed are prone to become targets by

local armed groups who learn to turn political strife into criminal violence. Ultimately this turns both foreign business and local communities into hostages of indiscriminate violence. Finding remedial solutions are almost impossible now. In hindsight, preventative actions focusing on equitable distribution of wealth to local communities generated from locally sourced raw material extraction would have been less profitable in the short term but much more beneficial in the future for all parties concerned. This shows the importance of finding long-term sustainable solutions.

*“Of course, this raises many questions, both operational and ethical. Should a large multinational venture into countries which have military dictatorships? What is the political and ethical responsibility? How can this be handled?”*

### Why global companies need to develop diplomatic skills

It is clear from the above example, and many others we could cite, that global businesses play a major social and political role in the countries in which they operate. There is a gulf here between the skills of diplomacy and politics, and the operational and strategic requirements of business. While the foreign services of most OECD countries make great efforts in teaching diplomats the functioning and needs of business, the opposite is not true. There are only a few global companies which consciously make an effort to understand the world of international relations and diplomacy and fewer even are the global companies who train their managers in diplomacy and international relations.

Instead, global companies prefer to hire either professional diplomats as full-time or part-time advisers on a punctual and

opportunistic basis. The given objectives are mostly narrowly defined – those hired are expected to provide the company with contacts or use their extensive regional experience to help a company manage difficult relations with foreign government officials. Former diplomats might also be hired by a global company for their contacts and experience in a specific industry – for instance, aviation or GM food.

Referring to the examples of Shell, it appears that outsourcing this business diplomacy management function to security firms or foreign consultancies is not enough. Instead, the global companies need seriously to build up their own proactive diplomatic competency. This is as much an ethical as a business requisite, as business managers need to be able to balance the short- and long-term consequences of their actions.

CEOs of global companies need the competencies of Diplomatic Know-How to carry out an increasingly large number of 'diplomatic' missions. Traditionally, expatriate managers were expected to handle these diplomatic assignments as part of their job portfolio. However, with increasingly vocal and self-assured host country governments and interest groups, and the proliferation of information over the internet by NGOs and opinion-making by interested bloggers, business diplomacy should no longer be left alone to former ambassadors serving as 'temporary' business diplomats for the global company. To include former professional diplomats in top level staff positions is certainly already a great help, but more needs to be done!

For instance, global companies need to anticipate environmental conflicts, communicate effectively with non-business interest and pressure groups, influence decision making of foreign governments, maintain and cultivate constructive relations with external constituencies and negotiate on behalf of the company in foreign countries with non-business groups. All these competencies are too important to be left to advisers from the foreign service alone.

Faced with the challenges of globalisation and its multiple business and non-business stakeholder interfaces, global companies need to expand the traditional concept of public affairs and acquire diplomatic know-how which goes beyond what is normally expected of public affairs officers. In particular, global companies need to be able to forecast, plan and manage international issues, cope with multiple crises, influence and work with intergovern-

mental organisations and operate appropriately within diverse cultural and societal environments.<sup>2</sup>

Such business-oriented diplomatic skills would safeguard a multinational company's reputational capital and could also assist in seizing proactively business opportunities embedded in non-business environments (influencing of standard setting, utilising trade rules, negotiating with governments and intergovernmental organisations).<sup>3</sup>

As companies own more foreign assets, and create complex global value chains which often impact many different countries, there is an imperative for a radical shift in the training of business managers, who need to be as well versed in international and social relations as they are in business operations and strategy. Diplomatic skills would be essential here in order to meet business imperatives, along with a mapping of the social and ethical conditions in order to meet increasing public scrutiny and call for accountability. We live in a world that is constantly shifting. The current credit crisis and recession shows us that an alertness and willingness to respond to the conditions are prerequisites of those leading our global organisations. Awareness, and care for, the many groups affected by their activity is crucial if they are to maintain a sustainable position. In business terms, global companies need to acquire a new core competency – Business Diplomacy Management – as part of their reputational capital strategy.

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# Vision, courage and the ability to execute strategy – the foundations of corporate reputation



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## **Is corporate reputation important?**

There is growing interest in corporate reputation and its contribution to business success. Corporate reputation is 'the overall estimation of a firm by its stakeholders, which is expressed by the net affective reactions of customers, investors, employees and the general public.' It is based on how a company is publicly perceived to perform in a wide variety of business areas; leadership, financial soundness, quality and the workplace amongst others.

This interest stems from recognition that there is a relationship between corporate reputation and corporate performance. Research has shown that:

- A superior reputation often goes hand in hand with superior financial performance. According to *Fortune* magazine 'A ten year investment in most admired companies ... across industrial winners and high growth services would have returned almost three times the shareholder value of the Standard & Poor's 500 stocks.'
- A favourable reputation encourages shareholders to invest in a company
- It contributes to the attraction of good employees
- It helps to retain customers

And given that up to 75% of a company's value can be derived from intangible assets, then corporate reputation, as the company's most important intangible, will be high on the strategic agenda.



### What information exists about corporate reputation?

There are three main sources for measuring corporate reputation.

First, there has been a British survey of Most Admired Companies since 1990. And over the years more than 600 British companies have participated first in the *Economist* and then in *Management Today* surveys. In the early years of Britain's survey it was a 'consistent, stable core of world class companies,' that seemed always to be on top and the correlation between 'financial performance and admiration is indisputable'. Then, as the years went by, the scope of reputation became broader – innovation was increasingly recognised, so as were the clarity of the company's strategy, the quality of its management and quality of goods and services.

In America, *Fortune* Magazine has run the Most Admired Companies awards, since 1983. Winners have included IBM, Dow Jones, Coca Cola, General Electric and Procter and Gamble. The Annual survey has become a feature in the America's business firmament and it has grown as an event over the 25 years of its existence. In the early 1980s America's Most Admired surveys covered around 250 companies; by 1992 this was up to 307. In later years this figure increased to over 500. By 2007 thousands of managers responded to the surveys with their views about American companies. The results provide a unique insight into the perceptions of America's business leaders into the performance of their leading companies – which also happen to be some of the leading companies in the world. The results showed that the survey was dynamic from one year to the next. In 2007 'having fresh ideas and being green were among the qualities that distinguish this year's winners'. In 2006 companies that took the long view received a boost and in 2005 it was the companies that 'avoided commodity hell.' The results of America's Most Admired survey reflect both a deep and wide view of American economic success for the past 2 decades.

And there's a world-view to complement these. Since 1997 Hay Group, on behalf of *Fortune* Magazine has conducted research to try and answer the question of which is the most admired company in the world.

The three surveys ask executives to rank each participating company against a series of characteristics. The ranking of the nine characteristics in order of importance in the British survey is as follows:

- Quality of management
- Financial soundness
- Quality of products
- Ability to attract, retain and develop top talent
- Value as a long term investment
- Capacity to innovate
- Quality of marketing
- Community and environmental responsibility
- Use of corporate assets

The American and World surveys use a similar approach though there are slight variants (the American survey doesn't have quality of marketing; the World survey adds 'globalness'.)

*“The tide of admiration ebbs and flows with each annual survey and only those companies with the greatest awareness of their own perceived position in their chosen markets are able to sustain their reputations in the face of this unyielding pressure.”*

### The Most Admired Companies in the World

In our book *The Admirable Company*, we have analysed the performance of over 1000 companies that have participated in the Most Admired surveys over a 20-year period and highlighted which companies have been at the forefront of corporate reputation. In Britain, for example, Tesco has built a formidable corporate reputation over a ten-year period. In America, General Electric, one of the first 12 companies in the Dow Jones Index in 1896, and more recently led by managerial icons Jack Welch and Jeffrey Immelt, has forged an equally impressive path to reputational advantage. These two are joined by, amongst others, Berkshire Hathaway, Microsoft, Toyota, BP, Nokia and BASF as exemplars for corporate reputation.

But the democracy of admiration ensures that no one company or business sector achieves an unassailable position over time. And so Steve Wynn's Mirage Hotels in Las Vegas, The New York Times and Manchester United Football club have been able to achieve 'admired' status. The tide of admiration ebbs and flows with each annual survey and only those companies with the greatest awareness of their own perceived position in their chosen markets are able to sustain their reputations in the face of this unyielding pressure.

Taking all of the results and out of the 1000 or so companies that have participated, around 50 have won in more than one category or for more than one year and include such companies as Dow Jones, Philip Morris, Cisco, Procter & Gamble, Unilever, Toyota, Astra Zeneca, Smiths Industries and Vodafone. Some

companies, such as Merck and IBM have a strong historical legacy achieving enormous success in the 1980s and 1990s, but have not won outside of their specific industry sectors since the year 2000. Others, such as Google, are fairly recent entrants into the most admired survey rankings. And yet others – BT and Unilever for example, are notable for some successes over time – often in a specific category of measurement.

However, a few companies have been able to build on historical success (before 2000), sustain this and come top in categories in the past few years as well. These companies have demonstrated that they have staying power as well as the ability to deliver in the short-term.

### **The Most Admired Companies in the World – Most Admired surveys 1983–2008**

- Microsoft
- Berkshire Hathaway
- Exxon Mobil
- Citigroup
- General Electric
- Wal Mart
- Tesco
- Cadbury Schweppes
- GSK (or Glaxo)
- BSkyB
- Shell
- BP
- Marks and Spencer

### **The Most Admired Companies in the World – conclusions**

Our research sought to identify which factors had made these companies stand out from others in terms of securing a high level of corporate reputation. A few key points stood out.

*First, a reputation, hard won over decades of successful business, can fall like a stone. Keeping that reputation is something that is a constant challenge to even the best companies. To do so means recognising that admirability isn't just about one big putsch but*

*“Globally admirable companies learn as they go and their strategies evolve, even though the principles on which they have built national success may remain the same.”*

*about processes enabling a long term, constantly improving approach.*

*Second, admirable companies learn from their performance and make adjustments to improve it; positively building barriers against competitors for the things it does well and remedially fixing things that aren't going well. Globally admirable companies learn as they go and their strategies evolve, even though the principles on which they have built national success may remain the same. And admirable companies are able to cope with and adapt to adversity, evolving their business strategies accordingly.*

*Third, winning Most Admired status is a platform on which to build. Admirable companies are able to do that in the long run, even if they have short-term difficulties. Admirable companies invest in the areas for which they are admired and eliminate or improve those for which they are not.*

*Fourth, there are some basic principles in Most Admired companies such as strategic focus; a commitment to the long term; increasing utilization of assets whilst controlling costs and leveraging economies of scale.*

*Fifth, admired companies instill the principles of partnership in the company. They also see shareholders as partners. In particular admirable companies pay close attention to their customers because if a company loses sight of its customers' needs, then it will fail, regardless of its reputation.*

Finally, to be successful in world markets requires both vision and courage. But even these two things aren't enough... the ability to execute strategy is also paramount.

The cataclysmic events in the world's stock markets at the end of 2008 prompted by the credit crunch and sub prime mortgage crisis will test the ability of companies to sustain their reputations. Following these key principles will be important contributions in this regard.

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## Section 2

# Views from the field

Continuing the theme of **managerial innovation**, we present some leading edge **practical methods**. Sebastian Green presents the **radical Hellinger** method of organisational consulting. Greg O'Shea shows us how we can create a balance between **creativity and stability** in organisations by working at the edge of chaos. Finally, Jasper Garland explores the current climate of business in **Eastern Europe**.



# Creating organisational flow: using Hellinger constellation work for unblocking the past

## Sebastian Green

Sebastian is an Anthropologist and Professor of Strategic Management at University College Cork, Ireland.



**Bronwen Rees interviews Sebastian Green, organisational anthropologist, on the work of Bert Hellinger and its application in organisational change. This radical approach offers us a systemic 21st century approach to organisational consulting.**

**I**HAVE worked in the area of organisational change for 20 years, as both editor and academic. Practices and methods have come and gone, but rarely have initiatives been seen to work, or if they have done, then the perceived immediate benefits have disappeared soon after implementation. One of the reasons is that the change itself is introduced as a concept, and more often than not imposed from the top-down – indeed it has become an organisational truism that change will not happen if it is not supported from the top.

This often means that superficial changes are enacted which may well affect organisational hierarchies, without taking into account the emotional and psychological shift that employees need to make so that their hearts are truly aligned with the espoused values of the organisation. How often have you worked in an organisation where, while the top management changes, and their systems change – it is simply ‘work as usual’ in the ranks, but with an added layer of cynicism as one level is replaced by another? This leads to passive resistance, disempowerment and the emergence of disciplinarian hierarchies.

The increasing numbers of depressed people in the workplace, financial crisis and global warming has been setting off alarm bells for organisations, as they struggle to find ways of motivating staff and encouraging creativity. It has become clear, as we have been pointing to from the first issue of *Interconnections*, that the world is changing, and so too are our paradigms for organising, and thinking about organisation. Radical measures and approaches are required in these times of turbulence; it is no longer about changing organisations; rather about how organisations can adapt to the rapid flow of change.

*One approach that is growing in importance is the work of Bert Hellinger – which has been developed in therapeutic settings, but which is now being taken up in the corporate world. Central to this approach is the ‘Constellation’, a potentially powerful method for enhancing our ability to become aware of, and recognise the impact of systemic relationships on organisation structure and process.*

*Hellinger and others working in this tradition maintain that we need to become more sensitive to the phenomenon of the energy field created and sustained by relational systems and to the hidden dynamics therein. This energy field can be likened, but also experientially evidenced, as the elusive ‘culture’ that has engaged organisational scientists for over 50 years. Whilst Hellinger himself would not necessarily want to theorise too much about this ‘discovery’, it represents a potent force for healthy change, drawing as it does on understandings of tribal systems, quantum physics, psychodynamics, cognitive behaviours and humanistic therapeutic schools, in a unique fusion of past, present and future.*

*This has enormous potency in creating and recreating organisational cultures that are based on health rather than pathological conditions. I talked to Sebastian Green about his experience of working with the Hellinger method, and what he believes it offers for current organisational praxis.*

**Q When did you first come across this method, and how have you been using it?**

I was relatively late to Hellinger’s work, first coming across it in the early 2000s. I attended a family constellation workshop given by Philippa Lubbock and then went to a workshop given by Hunter Beaumont. At these, I experienced family system dynamics in a totally new way. I saw how people have unconscious and often divided loyalties to their families that have an effect on their health and well-being and affect how successfully they and their families lead their lives. I began to appreciate how relationships can be reordered via re-examining the family dynamics through enacting the family constellation, and how people’s energies can be unblocked and flow more freely. I learned how when a person has been excluded from a family or when an event or a history has been ignored, denied or marginalised, the very fact of bringing it to light may allow members of the family to soften, to relax and to begin a forwards movement that was hitherto blocked.

*‘What Hellinger’s approach brings is a distinctive, phenomenological and systemic approach that is quite different to those informed by say, classical systems theory and intentional social engineering.’*

*‘His insights and constellations methodology can bring a powerful new dimension to professional and organisational development, and business consultancy.’*

Very taken with the work, I enrolled in what was then the first Hellinger training in London given by some highly skilled constellators: Barbara Stones, Philippa Lubbock, Richard Wallstein, Judith Hemming, Karen Hedley and Jutta ten Herkel. Through this I was acquainted with organisation constellations and then attended a workshop in Cambridge given by Gunthard Weber, who had been responsible along with Hunter Beaumont for translating Bert Hellinger’s work into English and bringing it to a wider public.

At the outset, it is important to stress that as a system, organisations are quite different to families. People do not choose their families and the loyalties to organisations are of a different order to those pertaining in families, yet some of the same principles that Hellinger has deduced for families, also have relevance within organisations. His insights and constellations methodology can bring a powerful new dimension to professional and organisational development, and business consultancy.

**Q What are the differences between these methods and traditional organisational change programmes?**

I don’t think there is one, traditional, organisational change programme rather there are as many varieties as there are different organisational paradigms and different consulting models. What Hellinger’s approach brings is a distinctive, phenomenological and systemic approach that is quite different to those informed by say, classical systems theory and intentional social engineering. His method privileges the unconscious and hidden dynamics in organisation life. He brings a creative and challenging way of working with executives which, in my experience, always reveals something new that I had not anticipated in advance but which in retrospect seemed intriguing, subtle and, with the benefit of hindsight, obvious.

Hellinger’s principles as applied to organisations, support a way of working with executives which is deeply respectful of people and their contribution. It is highly ethical, holistic and non-intrusive. The latter is implicit in the phenomenological stance required of consultants who choose to work in this way. What is often construed as a personal issue – e.g. someone, or some group blocking or resisting change – is often shown to be a systemic one. (This approach to organisations was not, of course, the first to acknowledge this: there is a long tradition emerging out of the work of psychoanalyst Bion and others which explains why, ‘Within or-



ganisations, it is often easier to ascribe a staff member’s behaviour to personal problems than it is to discover the link with institutional dynamics.’ (Halton 1994:16).

Hellinger is also deeply respectful of historical and ancestral roots, and of function and hierarchy. This contrasts with much of the prescriptive organisation change literature which talks of up-rooting old skills, getting rid of dead wood (tree surgery metaphors abound) flattening hierarchies, starting with a clean slate, rejecting traditional and outmoded ways of doing things, reinventing, reengineering, and renewal. Hellinger’s work shows that if you don’t acknowledge the past and respect what people have contributed, then the effects may come back to haunt those who have ignored or tried to suppress this. You have to say goodbye properly to the old before you can embrace the new.

**Q What are the main principles of the work and how did Hellinger develop it?**

Perhaps what Hellinger has catalysed through the medium of the Organisation Constellation (which to a large degree has been developed by his followers such as Gunthard Weber, Barbara Stones, Jutta ten Hekel, Jan Jacob Stam and Judith Hemming), is a systemic, rather than analytical, approach to consulting:

‘Using systemic constellation, you can tap into the informing field of your business. You can select what you need from this network that receives all relevant information about the web of relationships in the company’. (Horn and Brick 2005: 18)

Recognising these allows us better to model a wide variety of organisational phenomena: corporate culture, morale, strategy (including mergers) and organisation structure through more clearly identifying the nature and process of relations between stakeholders, leaders, managers, staff and important others outside the organisation. These relations are generally obscured by complexity and by hidden dynamics. Hellinger’s work also suggests powerful, unconscious and often invisible ‘laws’ (Horn 2005: 16/17) – I prefer the terms: ‘heuristics’ or observed ‘rules of thumb’ – adherence to which allows the possibility of more effective management and leadership.

There are so many principles in his work that I hesitate to privilege some over others. Some of these have already been mentioned

*“Hellinger’s work shows that if you don’t acknowledge the past and respect what people have contributed, then the effects may come back to haunt those who have ignored or tried to suppress this.”*

*en passant*. What Hellinger gives us is a dynamic, continually emerging, overarching framework, wherein each part relates to each other, each building block equally important. In a previous article (Green and Green, 2003) we inferred the core principles for organisations from those suggested by Barbara Stones for families. These along with some minor editorial improvements are shown in Table 1.

Table 1: *Family System Principles applied to organisations*

FAMILY SYSTEM PRINCIPLES*	ORGANISATIONAL QUESTIONS
1 Everybody in the system needs to belong.	Who is missing: ignored, forgotten, marginalised, or excluded? Have people been dismissed unfairly? Are people who have ‘energetically’ left still present in the system? Do we know of and respect our predecessors and their achievements?
2 Everybody needs honouring and to be in their right place.	Is the past honoured and acknowledged? Are people treated as objects or with dignity? Is length of service acknowledged?
3 Those who come later take from those who came earlier. This order of precedence must be honoured.	Is the hierarchy of role and responsibility respected? Do those with privilege and power accept their responsibility to those they serve?
4 Hierarchy between parents and children; parents give; children take.	Do the senior staff work in the service of the company and its stakeholders?
5 In a relationship between parents, the giving and taking needs to be in equilibrium.	Is work/life balance equitable? is there a balance between what people are asked to do and the rewards they receive? Is there mutual respect?
6 Guilt and merit belong with whoever earned them.	Do people take responsibility for their actions and are they held accountable? Is recognition given to those people, at all levels, who go the further mile?

Weber, as reported by Alun Reynolds (2006: 47) compared the family and organisation principles. He shows how in families, membership is unconditional and timeless whereas in organisations it is conditional on competence and commitment and time-limited. In organisations, as in families, other things being equal, those who join earlier have greater weight than those who come later, although the new system has precedence over the old. Leadership in family systems arises out of birth, whereas in

organisations it arises out of appointment and ability to lead. Both family and organisation constellations are solutions focused.

To these, might be added, at least four other core principles for organisations.

The first, is acknowledging ‘what is’, the title of one of Hellinger’s books. Popular management discourse has long favoured a search for best practice and a preoccupation with heroic behaviour rather than a willingness to acknowledge what is, warts and all. The hyperbole of management gurus aims to seduce us into believing that an ideal (that is, *their* ideal) is possible. To avoid the dangers of idealisation, we need to delve below the surface rhetoric to reveal what lies hidden, out of awareness, unconscious. Hellinger is following a well-worn path here, one which has become the hallmark of those applying psychoanalytically informed approaches to organisations, most notably those writers from the Tavistock school. These allow us to see more clearly and more quickly organisation defense mechanisms: suppression, denial, idealisation, and blame. In turn this redirects our attention away from simple dichotomous, categories of say, victim and perpetrator, organisation blockers and organisation champions to the systemic conditions that thereby find expression.

Following on from this, another core principle is that if an organisation (or someone or a dominant coalition in an organisation) benefits from ‘unethical’ actions, then experience from constellations and their aftermath suggest that there are systemic consequences (Hellinger, 2006). This is an implication of principle 6 in Table 1, but in today’s post-Enron world, we see the systemic consequences of greed, not just in high profile fraud cases but everywhere, most recently in the current global financial meltdown. Hellinger’s work on the different types or levels of Conscience is particularly helpful here. He shows how the need to belong to one group can allow one in good conscience to do unspeakable things to other groups. It also shows how better attunement to Conscience at the broader societal level, raises new possibilities and possibly orient people to avoid systemically disastrous consequences. (One has to be careful here, for Hellinger’s views argue the limitations of intentionality, the importance of fate and a non-moralising conceptualisation of Conscience).

The third principle is somewhat abstract, but nonetheless important for organisation consultants, especially those engaged

*“To avoid the dangers of idealisation, we need to delve below the surface rhetoric to reveal what lies hidden, out of awareness, unconscious.”*

with family businesses. The principle is that different systems need to be separated, at least conceptually, such that enmeshment between them can be highlighted and care taken to accord each their rightful place. In a recent article on Family Business (Weber cited in Reynolds, 2006; Green and Green 2008), Colette Green has described how one might do this through the combination of psychodynamic and Hellinger approaches. In setting up any organisation constellation, it is crucial to choose the right system for the question. In family businesses this becomes particularly problematic due to the overlap between family and business issues. The enmeshment of family and business matters here is itself systemic: the two systems are intertwined. In family business constellations, we cannot excise the family system from the business system and just focus on the business issues. How this can be done is still an emerging area of inquiry though one way is described in the article just mentioned.

Recognising this systemic interdependence has important implications for those working with and in family businesses. Contrary to received business wisdom, you can’t sort out family business issues without first understanding and addressing the relationships and family entanglements which so often lie at the heart of business conflict. As Jutta ten Herkel (2002) points out: ‘In the family business the underlying family system has more weight’. If you put the needs of the business first, you subordinate the family to the business, and you privilege the material over the social with potentially disastrous effects. The family system is the most important system to which we belong, it answers our need for belonging and our need for relationship, and it should be honoured as such. Saving or growing the business must not be done at the expense of damaging or destroying the family.

#### **How is this work carried out?**

Jan Jacob Stam (2008) has noted four emerging directions for organisation constellations: (1) Organisation Constellation workshops with people from different organisations who bring an issue from their own organisation (2) In-Company Constellations with people from the same organisation, an outside facilitator and ‘clean’ representatives from outside the organisation who don’t know about the company and its issues, (3) In-Company Constellations with an internal facilitator and ‘knowing’ representatives,

and (4) Systemic consulting without the use of Constellations. Each involves differences in procedure and process according to different contextual factors and the interested reader is referred to Stam's (January, 2008) article in *The Knowing Field*.

There are many different ways of 'setting up', 'enabling', 'conducting', 'facilitating', or 'leading', an Organisation Constellation indeed the variety of ways used to describe this speaks to these differences. But just for illustrative purposes, let's use a simple case of type (1). (This is an edited down and amended version of what we have described elsewhere [Green and Green 2003; 2007] and it doesn't deal with all the contextual factors identified by Stam, Weber, and others.)

In an open workshop, the client is invited to describe to the constellator his or her problem, issue or concern. The constellator then explores or decides or affirms with the client, which is the central issue to be explored. S/he generally asks the client to choose a small number of people (depending on what is relevant to the issue) to represent certain members, groups or stakeholders of the organisation or its competitors. This could even take the form of abstract constructs such as organisation values or generic strategies, (or in the case of project management constellations: Scope, Quality, Time and Cost). The possibilities here are endless. The constellator then places these people physically in relation to each other in a constellation.

These open workshops have the advantage of constellations being done with independent representatives rather than with the actual people involved, but even so, they are in relationships to one another. If actual colleagues are involved, then there is the real danger of people: clamming up through fear of being exposed or of being seen as heretical; making matters worse; or of subordinates trying to impress senior management and vice versa. As Weber, cited in Green and Green (2003), cogently suggests: 'Everyone is wary of bringing up taboo topics or exposing secrets. In these situations, the art of concealing the truth and the fear of getting serious flak from co-workers or triggering further arguments by showing precisely what is happening in the system causes team members to set up harmonious, but less than truthful, pictures of the system, and representatives to make non-committal or vague statements.' Of course, this raises issues of the action of power, but this is an on-going inquiry.

*‘Following on from this, another core principle is that if an organisation (or someone or a dominant coalition in an organisation) benefits from ‘unethical’ actions, then experience from constellations and their aftermath suggest that there are systemic consequences (Hellinger, 2006).’*

The constellator then listens and watches with the client as an underlying story is revealed. By observing where the representatives have been positioned and what they report from that position within the constellation the dynamics become visible.

New representatives for people or abstract constructs may be introduced by the constellator, depending on what occurs. The focus of the constellation is on relationship dynamics and the systemic forces that underpin them. 'We start with a small story but as the work progresses the story is amplified... Stories remind us of the complexity of life – as we complete the story we include people who are forgotten' (Beaumont, 2002).

What happens next depends on what has emerged. Some Organisation Constellation specialists feel that the constellator should stop the constellation here rather than move to the resolution stage (i.e. attempting to show what may be required for resolution). If entanglements are revealed or if someone or something important which has previously been ignored is now brought to light, it may be appropriate to see whether a movement toward resolution is possible within the constellation. Sentences such as 'I value your support' or 'Thank you for your help' may be suggested to representatives or representatives may be moved to new positions, or representatives may do this of their own accord.

Yet, it may also make sense to work with the client in a more private setting at a later date and outside the workshop. The consultant can then revert to In-house constellations and may, of course, combine the Organisation Constellation with a theory or recipe-based intervention (many management consultancies have a uniform business model from which they derive scale economies) to try to resolve issues highlighted by the constellation. But to do this is to mix paradigms. If one is to stay within the spirit of the phenomenological stance implicit in Hellinger's approach, the consultant seeks to avoid preconceived notions of what the client should do next to try to resolve the situation. Instead/s/he helps the client to interpret what has emerged, and to explore options. And s/he may run a further constellation unencumbered by the previous issues.

#### **Q In what contexts can it, and has it, been used?**

By context, here I will take the business issue explored in a constellation rather than the way the constellation is to be set up.

People used to say that it should be restricted to systemic (as opposed to purely personal) organisational or management issues but this begs the question as to what is and is not systemic and whether a non-systemic issue has systemic aspects. I have found organisational constellations useful in a variety of settings dealing with such diverse topics as strategic positioning, mergers and acquisitions, organisation conflict and morale, corporate culture, family business and organisational structure. Some constellators also suggest that the motivation of the client (for example, expressed desire for a forward movement rather than a desire to remain stuck in victim mode, blaming others) and the seriousness or substantiality of the issue are important determinants of whether or not to proceed.

### Q Can you give us any examples of this work?

Recently, I have been working mainly with Constellations in two areas of management inquiry. The first is Project Management. Constellations are, I think, very helpful for project managers who, being more naturally drawn to scientific modes of management, can be challenged in a positive and safe way by Constellations to acknowledge the interpersonal, human and emotional side of management. For example, resorting to rational analytic management helps little with political or cultural problems such as the need to bargain for resources from different functional areas of the organisation. (Typical PM solutions such as 'refer problems to the Project Sponsor' ignore the complexity of interpersonal relations and corporate jockeying for position). I have found it useful to set up representatives of the parameters that influence PM decisions, such as Cost, Time, Quality and Scope, or for the key players such as Project Sponsor, Functional Heads and Project Leader to explore why text book solutions contained in the Project Management Book of Knowledge (PMBOK) don't always work.

The other area I have found particularly suitable for Constellations is strategic decision making. The Constellation can be presented to senior executives as a way of modelling decisions in a creative and, for them, highly novel way. Strategic decisions revolve around what are called 'wicked' rather than 'tame' problems because there is no single criterion to define a best solution; there is always room for improvement. The problem is a symptom

*"The other area I have found particularly suitable for strategic decision making. The Constellation can be presented to senior executives as a way of modelling decisions in a creative and, for them, highly novel way."*

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of another problem, and once a solution is attempted, there is no going back. This uncertainty and complexity provides an ideal setting for the Organisation Constellation. In my experience, representing key strategic decision variables such as assets or core competencies alongside key strategy stakeholders (Customers, Competitors, Suppliers, Shareholders) or setting up generic strategies (Cost, Quality, First Mover, Reactor, Defender) alongside environmental forces of competition (Buyers, Suppliers, New Entrants, Substitutes) always throws up new and engaging solutions which either challenge existing conceptions of what is going on or points to new ways of moving forwards. It also generally throws up factors which haven't even been considered which creates an immediate engagement and interest in the possibilities opened up by the constellation.

There is not room here to provide an actual case study, so I would refer interested readers to the journal: *The Knowing Field* which has published quite a number of organisation constellations.

### Q How long does it take to train to be able to carry this work out?

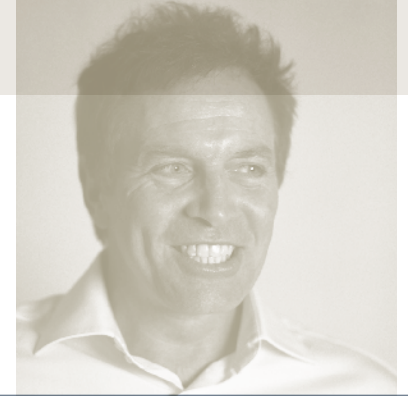
How long is a piece of string? If one is new to the sort of work and ideas that inform Hellinger's approach, I think it takes a minimum of five years' immersion in Hellinger training to come to a workable understanding of his ideas and methodology. It also takes much time to develop the skills to do the work safely by which I mean avoiding the risk of exposing, demeaning or humiliating someone. (I must admit to failing this myself in one of the first organisation constellations I ran). It may be that a solid grounding in both psychotherapy and organisation theory or strategic management are required. For those with good business and organisational knowledge, it is also takes quite a time to abandon the knowledgeable, consultant as expert role for that of the informed observer adopting a phenomenological stance which combines humility with fearlessness. Yet, having said this, some people dive in quickly and do better work than others who have been training for years. There are constellators, and unfortunately I am not one of them, who just seem to have the innate skills to discriminate which issue is worthy of exploration in a constellation and an intuitive grasp of what to do, and what not to do in setting up and working through a constellation.



# Leadership and managing complexity: harnessing the power of a self-organising community

Greg O'Shea

Greg O'Shea is an organisational consultant working throughout Europe, currently carrying out doctoral research into chaotic organisations at Ashcroft International Business School.



**A**LTHOUGH the terms 'chaos' and 'complexity' have become a regular part of the academic literature in the last couple of decades, this has been primarily in a theoretical sense. It is only recently that people have begun to take seriously the possibility

that the idea of chaos in organisations may be developed as a practice, or indeed incorporated into strategy in a way other than its common-sense meaning of 'non-control' or 'anarchy'.

However, companies and their markets are increasingly characterised by hyper-complexity, unpredictability and uncertainty. As an organisational consultant concerned with developing this notion for many

years, I have been pleasantly surprised during this year to see management teams prepared to experiment with different ways of working, founded on insights from complexity theory, in order to cope with this uncertainty and ambiguity. Such ways of working contrast dramatically with the traditional view of the organisation as a clockwork-like machine, with fixed teams of people and pre-programmed work. It has become quite clear in today's turbulent business environment that this traditional model is far too slow in reacting to changes and too rigid to survive, yet alone thrive.

## Key concepts in complexity

Let's identify some key characteristics of complexity: first, an understanding that phenomena emerging from human interaction can rarely be forecast – all living organisms are self-steering within certain limits and their behaviour can be steered from the



outside only to a very moderate extent; second, there is a tendency to self-organise under certain conditions; and third, the continuous emergence of new levels of organised complexity within society.

Given these understandings, what might this mean for human organisations and global management? If we assume that human organisations are complex systems, then this implies a huge shift from the strategic planning approach that is taught in many business schools, and means that we have to take into account many different levels of experience in organisms – from the complex human psyche, to the nature of groups, along with the products and services that are delivered.

Can we, either as organisational practitioners or consultants, begin to create organisational conditions in which a large number of individuals are able to interact locally in a dynamic, non-linear fashion so that order and patterns of behaviour emerge rather than being imposed? In complexity language, in this self organised, emergent, intelligent organisation, how can we get ‘order for free’? This type of organisation would need to be based on some form of **purposeful self-organising**. For this to take place, we would need to have organisations which support the open expression of ideas and participation in decision-making leading to the release of motivation, experimentation and creativity.

### Agile team working as self-organising tools

Much of my work is with teams which are producing software. Of necessity, they have to be continually flexible, adapting to the changes in the environment. When the work is predictable and repeated, then the fixed, hierarchical approach is maintained. But in this swift moving sector, where tasks and objectives are more fuzzy, networked clusters of people need to come together to define the task and negotiate with each other on what needs doing. As consultants, we have developed a system called ‘Agile’ style teamworking. We help teams conceptualise what is involved if they want to shift to self-organised working. Initially the team is facilitated and coached to agree a common purpose and then to draw up a mutual strategic roadmap. The team then agree on common, important principles or values by which they must all live. Team leaders are asked to give the participants in the team organisational ‘space’ and freedom to discuss what it is that they need to do rather than allocate goals and timetables.

### 6 STEPS TO CREATING SELF-ORGANISED TEAMS

- 1 Give participants in the team some space and help them primarily by constructing a common, deep purpose and creating mutually agreed important principles of how to work together.
- 2 Encourage members of the community to be self responsible and self dependent.
- 3 Create small pairs or cells to help learning, reflection and to create a feeling of safety and courage where risks can be taken.
- 4 Create a diverse team in terms of technical experience and personal work styles.
- 5 Because the ambiguity and uncertainty of their work can lead to stress and frustration, be prepared to support individuals whilst they are working at this ‘edge of chaos’ and in a diverse group.
- 6 Try to ensure everybody’s full participation using sensible and sensitive facilitation and problem solving techniques

Team participants then agree their own roles and their own individual and pair goals. The team selects how much work it believes it can perform within a time iteration (a week or two), and the team commits to the work and starts. The team is motivated both

*“Can we, either as organisational practitioners or consultants, begin to create organisational conditions in which a large number of individuals are able to interact locally in a dynamic, non-linear fashion so that order and patterns of behaviour emerge rather than being imposed?”*

by creating mutual responsibility and then for fulfilling commitments that it made for itself. There is no ‘manager’ in the traditional sense, but every member is considered a leader, leading him or herself.

There is however a need for new roles such as team coordinators/supporters who focus on helping others make sense of the greater purpose of their work, how it fits with the purpose of the organisation

and how they identify with the organisation and how they connect with others in the work community.

In such a working environment, everyone is given a chance to use their full potential and is expected to contribute to the full in order to fulfill the purpose of the team. The team self organises based on its strengths and weaknesses to do the work at hand.

Everyone in the team creates the product, contributing whatever he or she has to what is needed. Each individual has varying skills to apply to the problem and technology domain. It is however expected that each individual also has intelligence, determination, and focus with which they will apply and share their skills. Every day, everyone in the team must coordinate his or her own individual self-organisation with the rest of the team. The important point is that the members must take responsibility and action, helped in this by working in small cells (pairs or threes). They need to be risk positive and move forward into the issue that they are working on in order to learn more. They cannot be directed in the traditional sense.

### Can we do without managers?

If the team is assuming responsibility for managing the work, can we get rid of the managers? In short, no. Managers are still needed. Not so much for their planning and controlling ability, but for the important job of interfacing on the team's behalf with the rest of the organisation and connecting the working cells within the team or community. In addition, a team self-organises over time and usually follows a stepped approach to assuming responsibility for self-managing. During this time, the manager plays several important roles, including the incremental letting go of management tasks as the team becomes more adept at performing them. The manager can also help to support members through the bouts of anxiety caused by the constant feeling of uncertainty and the mass ambiguity which is not to be underestimated, and requires a great deal of support. Because members are self-organising, they are likely to produce many possibilities in how to go forward; thus at certain points managers may also work as deal breakers to stop too much analysis and too many ideas or options. It is here that they need to give the authority to a manager to make unsticking decisions on their behalf when they are stuck (rather like a group of friends 'give' authority to someone to referee when they are having a Sunday morning football kickabout).

### The 'enlightenment' moment

We nearly always find, using some of these insights from complexity theory, that a period of 'enlightenment' follows when groups realise that their traditional method was based on a

military model where people needed to follow orders – and that that model is probably only now valid in times of deep crisis when there is little time for a more 'democratic dialogue'. In this moment, they open to a new perspective, and the current hierarchy in their organisation may appear rather strange. This is truly a significant shift, that has both an emotional as well as an intellectual component. It demonstrates to us that complexity theory is not merely a theory, but works in practice.

### From hierarchy to self-organised systems

However, even though we have witnessed time and time again the natural 'self-organising' tendencies towards a point called the 'edge of chaos', we still need to bear in mind and accommodate existing structures. This is not a moment of anarchy, but of balance between the old and the new. In this fluid way of working, we are constantly in the process of transforming to self-organised systems, so the energy of this work is maintained through dialogue and action. It is important that we find a way of working that is self-organised for the mutual benefit of ALL participants in the system, and that this does not soon become rigidified into the former hierarchical structures.

The real barriers to self-organised work organisations are not now a lack of methods, tools or frameworks. Rather they are the challenges to the political status and reward structures which imply that important work (and therefore valuable) is done by a narrow elite who oversee and organise the other participants in the organisation. But if the participants don't need to be overseen and organised – what do we do with the narrow elite?

*“Because members are self-organising, they are likely to produce many possibilities in how to go forward; thus at certain points managers may also work as deal breakers to stop too much analysis and too many ideas or options.”*

*“This is truly a significant shift, that has both an emotional as well as an intellectual component. It demonstrates to us that complexity theory is not merely a theory, but works in practice.”*

# How far West is East?: reflections from Central Europe

## Jasper Garland

Jasper Garland has been living near Budapest for the past 7 years and has worked extensively in Russia, Czech Republic, Poland, Ukraine and Hungary since the late 80s.

**Jasper Garland reflects on his impressions on the evolution of business practice in Central Europe over the past 20 years. He surmises that, with its rich intellectual and spiritual heritage and inventiveness, Hungary could be set to be a hub of new sustainable business practice.**



**W**HEN I came for my first business meetings in Eastern Europe, nearly twenty years ago, the environment was austere. I was greeted by dour-faced, grey-haired men in drab formal suits sitting behind large wooden desks in vast dark offices.

Women in the building were confined to serving small espressos in rattling china cups upon flimsy tin trays. The air outside was thick with the rich hum of two-stroke exhaust fumes from the Trabants that spluttered through the streets.

Whilst the iron curtain had pretty much completely disintegrated, the business community seemed uncertain of where to turn.

If you come here today, that uncertainty seems to have evaporated. Your host is likely to be an open-necked Adonis. You'll help yourself to coffee in a plastic beaker from a tall shiny machine. The corporate headquarters will probably have moved from the long, dark downtown corridors to a swish glass and steel monolith out of town on the edges of 'Ikea-Upon-Motorway'. The only Trabants you are likely to see will be prized restorations as you are whisked past in one of the many prestige German executive wagons that adorn the highways.

On the surface then, Budapest, Kiev, Prague and Warsaw are transforming themselves into homogenous Euro cities. International brands are everywhere, hoisting their logos high and proud, offering their formulaic sheen to the aspiring young marketing man or woman who is all too flattered to be mistaken for a Berliner, a Londoner or a Parisian.

It is only when you get deeper into the content of your meeting itself that you realise some things are swifter to change than others.

Before there's much chance to discuss the benefits of your mutual cooperation, the topic of conversation is likely to turn swiftly to price. Whilst at first glance this may seem expedient for markets that have neither the population sizes nor income levels to justify the kind of capital outlays witnessed in Western Europe's big five markets, it goes much deeper than this. Price *far* supersedes quality in the decision making process. This is connected to endemic short-termist thinking: the profit delivery over the next 12 months is infinitely more important than the next 60 months. Since quality will tend to reap benefits over the longer term, it is hard to win battles in this territory here. This is derived from an underlying sense of uncertainty and insecurity: history has paid people to look after themselves today, for there is no knowing what may happen tomorrow. I was once shocked when sitting down to dinner with some Ukrainians at how quickly they emptied their plates. I was told later that the only meal that's certain is the one that's in your stomach.

This uncertainty means that many people have little sense of being connected to a company for the long-term. Their focus for performance evaluation is thus in the short term, because you never know, it may well be someone else who reaps the reward of a longer-term investment.

This in turn can lead to a dangerous cocktail of highly individualistic thinking that's focussed primarily upon money. The apocryphal brown envelope is rife here, and it's not confined to the world of business. It is frequently alluded to in all walks of life from politics to planning departments to a speeding ticket from the boys in blue.

This issue is compounded by low wage levels. In response to which, employees are typically paid two salaries, an official one which is taxed plus an unofficial amount in cash. The government retort is to compensate by increasing personal tax rates to punitive levels, but of course the reaction to this is an increase in avoidance measures. The result is that tax evasion has become something of a national sport, government revenues are low and spending on health, education and transport etc, is severely inadequate. Bureaucracy, on the other hand, is tortuous, making the system extremely inefficient.

People here are desperate to move forward and shake off the manacles of the recent past. This is manifest in an outward expression of materialistic success: when buying a new home they don't

*“This doesn't mean though that the region is cold, hard and callous. There is, in fact, an enormous warmth, sincerity and honesty here. Ask a Russian how he is and he will tell you, from the bottom of his heart, and this may take some time!”*

*“This is connected to endemic short-termist thinking: the profit delivery over the next 12 months is infinitely more important than the next 60 months.”*

consider how to renovate it, but instead how to knock it down and erect a sparkling new palace in its place. New car sales grow at an alarming rate in a region where real wage growth is quite stagnant. Recently I met a newly married young man and his pregnant wife. He proudly showed me his new diving watch and explained that they had been saving up for a lavatory to be installed in their flat so they didn't have to share a bathroom with the adjacent apartment, but upon seeing the watch in the shop, he felt that would be a better investment for his prospects.

As yet, the 'simple life' is broadly shunned as something quaint and old fashioned in a region where the imperative is to be seen to be racing ahead, to catch up with the capitalist rest in the West, to become seen as equal partners in the EU.

With this legacy mindset, it is often hard to get much traction with arguments in business concerning sustainability, environmental issues, staff welfare and responsibility in the community.

This doesn't mean though that the region is cold, hard and callous. There is, in fact, an enormous warmth, sincerity and honesty here. Ask a Russian how he is and he will tell you, from the bottom of his heart, and this may take some time! There is less of the polite pussyfooting that tends to go on in UK business meetings which often remind me of an English tennis match where each player apologises after every shot. A Czech will tell you how he feels about your proposal straight, and he will do this with a broad smile on his face, regardless of whether the news is good or bad. He can do this because he is not being personal, he is simply being frank and objective. Whilst this may feel harsh, it is very refreshing. You know exactly where you stand, you have no need to feel offended.

The countries of this region have had it tough for a long time, not least of being Hungary, which has been besieged repeatedly throughout history. In the past 100 years alone it has lost some two thirds of its land mass, spent half of this time under Soviet occupation having been shunned by the West in its desperate pleas for support during the revolution of 1956. It is perhaps not surprising then that there is some sense of despair amongst the people. This can manifest itself in a collective pessimism that can make it very hard work to implement new or untested ideas; the knee jerk reaction is one of failure rather than success.

This perhaps helps to explain the seemingly blind pursuit of the trappings of the west – this is something that they have been



aspiring to for over half a century. It would appear to be a tried and tested dream. But we are now seeing that this is a dangerous assumption. Whilst the communist system has left behind many uncomfortable legacies, in the desperate move from socialism to capitalism, not all the right trade-offs are being made.

Whilst this may appear to be a rather bleak picture of a culture that has been abandoned by one political system only to be exploited by another, there is a very strong and growing spiritual counter-culture. Budapest, for example, has Europe's only Buddhist University. This 'new paradigm' thinking has yet to make significant inroads into the world of big business I have been referring to here, but I feel it is a strong effervescent undercurrent. There are many voices here that talk about the sort of mindful economics extolled by Joel Magnuson in the last issue of *Interconnections*. There are owners of smaller companies engaged in the sort of management philosophies championed by Yvon Chouinard of the Patagonia Clothing Inc. There is an underlying sense of older values and morality here that I find lacking in much of the West.

Central Europeans, as they prefer to be called, potentially have enormous advantages over their western counterparts in that their capitalist infrastructure is less well entrenched and is therefore potentially more adaptable. Hungary in particular is very well placed geographically, physically, intellectually and spiritually to become a major force in a new style of systemic thinking, one that puts people and the planet before profit. The people are used to major upheavals and so there is generally less resistance to change here than, for example, the UK. Hungarians have a reputation for inventiveness and ingeniousness as evidenced by the disproportionately high number of Nobel Prize winners. It was said (by John von Neumann, Hungarian mathematician) that a Hungarian is the only man who can enter a revolving door after you, but emerge before you. Necessity is, as they say, the mother of invention, and we may well find that the existing paradigm of needs is up for some interesting stirrings.

All it might take is a catalytic event to spur them on ... and we might just find that rising food prices, decreased availability of fossil fuels and an uncertain meteorological future are the sort of events that mean it is perhaps the Hungarians with their inventive creative spirit that take up the mantle of a more sustainable future, not just for business, but for society as a whole.

*‘Hungary in particular is very well placed geographically, physically, intellectually and spiritually to become a major force in a new style of systemic thinking, one that puts people and the planet before profit. The people are used to major upheavals and so there is generally less resistance to change here than, for example, the UK.’*

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## Section 3

# Research and practice forum

This section provides a space for dialogue between business and academics, and for building a community of people engaged in breaking down the divide between theory and practice. Any comments on, or contributions to this section will be warmly welcomed.

# Educating our future leaders

**Following on from the 10th Annual Heterodox Economics conference held in Cambridge at Anglia Ruskin University, a small forum was held at the East West Sanctuary in Budapest with economists and practitioners Jasper Garland, Joel Magnuson, Jack Reardon and Bronwen Rees**

Our aim, coming from our different perspectives was to explore the state of economics, and its contribution to business education and business itself. We set out to try to reach back to fundamentals by exploring our own assumptions. Further, we wanted to explore what management practice, and education for management practice might look like in the future, given the current financial and environmental crisis.

In keeping with the ethos of the dialogue at the East West Sanctuary, we were trying to deconstruct our own and each other's thinking, to bring us back to a 'clean slate', and find some unifying principles that could take us forward.

## **Current offering of business schools and the discipline of economics**

The first issue was an exploration of the current offering of business schools and economics discipline itself. The prime business school offering has for many years been the MBA. However, many who held an MBA qualification often underperform in the workplace, showing an inability to be a free thinker, without creativity. This may be either a reflection on the nature of the MBA, or the fact that those who choose to do the MBA are self-selecting. The offering of business schools tends to be conservative and unimaginative.

The discipline of economics which informs business practice is also in this state of rigidity. The group noted the experience of frustration expressed again and again at the Heterodox

Economics conference, about the dominance of mainstream economic thought which sticks rigidly to the use of mathematical modelling for its methods. This school is embedded in a late 19th century paradigm, with unlimited growth in unfettered markets as the prime assumption – which was true at that time, but of course is not true today. This is a key difference, and one which is not taken into account. At that time, there were far more natural resources, and businesses developed assets which could be used to develop further growth. Then, however, there was not the competition for natural resources that we have now, where markets are saturated, with the exponential growth in financial markets pulling the real economy into chaos. Further, growth is no longer possible, which means that these assumptions and concepts need to change if economics is to play a valid role in our education systems.

Moreover, at the time of Adam Smith, economic theory had its own moral caveats. Morality and philosophy were an integral part of theory and theory building. There was an integrity between the theory and the practice which has become lost in the present paradigm. For example, whilst most of us have heard of 'The Wealth of Nations' there is far less reference to his accompanying tome 'The Theory of Moral Sentiments'. In modern economics, the moral idea, has become largely divorced from the mathematical and statistical theories which may be a contributing factor to the abstract nature of economics as a discipline, and perhaps too for the way that most of our financial and economic institutions have become

devoid of any ethical considerations, leading to a spiralling of dangerous growth, the consequences of which we are experiencing all too painfully today.

So, in terms of education, whilst mathematical modelling is useful and appropriate in some conditions, divorced from its moral base, it runs the risk of, and indeed already has, created an abstracted world that bears little resemblance to the reality it is supposed to represent.

It seems there is a need to create an education which would encourage both a radical form of thinking, as well as producing a professional manager with a knowledge of operations, strategy and human resource issues. Many current programmes on leadership hold this possibility – but in the group's view, this often does not go deep enough really to break the boundaries required for today's conditions. Even the heterodox economists were more concerned with their position relative to the mainstream, concentrating primarily on differences in research methods, rather than coming up with something that is truly innovative and relevant.

### **Underlying assumptions and their impact on the world**

The traditional model of economics uses outmoded concepts such as 'production', 'distribution', and 'markets' for theorising, which creates particular perceptions of the world. For example the traditional unit of exchange in economics, 'land and labour' does not include the current exchange that take place on a broader scale such as 'air' and 'water' which are now given a monetary value. So the underlying moral ethic of the former model: 'I own property, no-one owns the commons' has been ignored. Again, the majority of us own and use mobile phones, yet who actually owns the air space through which the waves travel? Who actually owns the water that is bottled and sold throughout the world? Who owns the air that

is polluted by the lorries that carry this water? Our theories, and consequently our education, simply bears no relation to what is actually happening, and is therefore divorced from a social, moral or political perspective.

There appears to be a collective myopia which is dominated by a business rhetoric based on the unquestioned assumption of free markets. Throughout the last century, we have witnessed the growth of a consumer culture, sanctioned and promoted by this outdated economic thinking. The advertising industry has developed to cultivate and develop a culture of consumer desire that is equated with that of need. The basic reality of what is happening, that there are too many people for the basic resources, is not being addressed, whilst solutions such as bio-fuels, which appear to answer the question are simply shifting the problem in a new direction, depriving the majority world of land needed to cultivate their own crops in order to maintain the developed world in consumer goods. Industries and organisations are built upon this myopia.

This led the group once again into the role of education in this situation. The fundamental divorce between the theory and the reality has the effect of disempowering people. Moral or ethical positions are not encouraged, and this leads to the passivity or powerlessness that seems endemic in the world today. By using outmoded concepts that bear little resemblance to what is happening in the world there is little useful information about the actualities of physical phenomenon. A simple way of breaking out of this cycle would be to redefine our assumptions about business. Rather than using mathematical measures of profit and loss for the success of business, we could for example, move on to more qualitative measures, such as the ecological footprint, or how much the business contributes to the community. We referred to the measures used in Bhutan for 'gross national happiness' as opposed to 'gross national wealth'

(see also last issue of *Interconnections*). These concepts are beginning to be introduced, but they have not become the prime motivating factor, which needs to happen for them to become effective in truly changing the paradigm. If not, then they are simply nice 'add-ons', and may even provide the permission for organisations to continue the way they always have done.

### **A new way of thinking about the world and business**

So, something more is needed to be able to tackle the dynamics of the interconnected web of financial institutions and corporations, to provide an ethical foundation. What is needed is a whole new type of thinking that can integrate the varying perspectives, which are at the moment embroiled in conflictual dynamics, into a network which is based primarily on the idea of taking responsibility for the consequences of actions and decisions at all levels. The ideals of 19th century economics are so far removed from the current situation that to maintain battles with the mainstream is more like shifting the deckchairs on the Titanic.

As economics has failed to provide any up-to-date thinking, the group turned to other disciplines for help, such as physics, biology, organisation theorists, and psychology which are moving to more complex views of the world embracing systems and complexity theory as new perspectives of the universe.

In systems theory, the world is considered as a set of wholes, starting with very simple wholes, which grow in complexity to create wholes within wholes. There is thus a set of interconnecting wholes, of which the greater whole is greater than the sum of the parts. This does not necessarily move in a predestined direction, but is a series of multi-dimensional levels. Each part conditions the other in a process of mutual causality. One of the key differences of this approach from traditional thinking is that of process orientation –

so researchers are interested in the processes that create those wholes: how they move together and apart, and change. The systems are dynamic, and arise in dependence on other conditions. The wholes are defined by series of self-organising patterns, fuelled by circular, reciprocal and non-linear feedback mechanisms. In open systems the feedback can be positive, which leads to spiralling growth, or negative, which leaves the system in homeostasis.

This is very different from the scientific method of splitting a whole into its constituent parts, and dealing with each of these parts separately. Thought becomes a 'holos', and demands holistic thinking. When we use systems theory, there is the potential for linking our perception of the world, and its manifestation at a material level, which has an evolutionary and dynamic aspect. Most importantly, one of its advantages is that it can account both for the material world (chemistry, physics, biology) and also mind (thought, theory). This opens up new areas of exploration that bring together the world of the sensuous, and that of the mind and perception, and has significant implications for research, our theories of the world, and the types of research methods that we employ. Some of this thinking has existed with certain elements of action research, which try to provide a reflexive account of the researcher's experience as part of the research, and thus contains the objective and subjective elements of the account, although often the link between the mind and emotion is not made.

### **New metaphors**

So the group considered some new metaphors that might be able to enhance and help policy-making and action. One of the first principles that emerged was that of unpredictability and chaos, with the understanding that the ability to tolerate change and ambiguity would be the quality that is most needed in the modern world – so far

removed from the precise mathematical predictions of mainstream economics – and to be able to change in a direction in relationship to outside conditions, rather than working from an abstract theory that is out of touch with this world. Perhaps some of the principles of systems thinking which we have briefly touched on here, would provide an analytic and realistic tool for envisioning what is happening, to be able to understand change, and therefore be able to flow with it, and perhaps give it a sense of direction. For further thinking on this see Marcus Incledon-Webber (pp. 9–15)

### **New ways of conceptualising process – energy as new currency?**

Even more radically, and using the idea of processes that is inherent in systems thinking, the group considered the currency of exchange that dominates our world – that of money – and wondered what would happen if we considered an entirely new currency – that of energy.

'*Ergos*' in Greek actually means 'to work' so perhaps here was the germ of an idea for a fundamental shift. As the last issue of *Interconnections* noted, the Newtonian framework of thinking underpins most of our business structures, and indeed it does our economic frameworks – the principle of cause and effect as a linear process. This is the paradigm which is taught in economics and in business schools. If we can find measures, then, it appears we have a true picture of reality. Energy on the other hand, is currency that can embrace the notion of exchange, of resource, of process. In the Newtonian framework all we can see is a depletion of natural resources. A more Eastern view of this energy would consider energy to be limitless, constantly changing and flowing from one form to another. Energy manifests in all sorts of ways – in the words we say to one another, in the relationship with our families, in the growth of a flower. This is not an exchange of appropriation, as in a market, but one of mutual benefit, of

mutual growth. This notion of energy as currency is radical in its ramifications, and we wondered whether it would lead to clearer and non-judgemental understanding of our current systems – embracing physics, biology, organisations, individual alike – and thus moving us forwards into a new frame of consciousness that is not based on fear and greed, as our current systems tend to be, but based on mutual and collaborative exchange of energies. We are a long way off managing this, as many of these assumptions are deeply, deeply embedded in our psyches and in our institutions – but the group felt that the looming crisis will of necessity bring about a radical shift in our perceptions. One of the fundamental shifts that takes place if we can embrace this notion is to move from a mindset of poverty and limit, to one of abundance and harmony. We should engage in a process of 'flow' rather than one of blocking by appropriating and owning.

### **Simple solutions: community organisation**

Of course, it would be easy simply to make a theoretical equation from this – but this would be set in the old Newtonian paradigm. But maybe the answer lies in the communities that are already springing up *from the ground*. Some have broken out of the global emphasis on growth and markets, such as the so-called 'transition towns' which are comprised of education and/or agricultural cooperatives with democratic control. Here the economy, services and currencies are controlled by inhabitants. Such community cooperations, though rare, mean that the community takes responsibility for how things are, rather than centralised government. They derive stability from a sharing of core values – so that even when there is disagreement, a recourse to values can bring clarity rather than the abstraction of the corporate and institutional world. Totnes, in Devon UK, is one such example, and even uses the 'Totnes pound' as a method of exchange.

These do not exist in some idealistic vacuum, but by a collective understanding, which calls upon the fundamental human desire for collective living and harmony. What is needed is a leap of faith, and ways of educating our children to understand that this is possible – and of course letting go of our own fear and anxiety stemming from a system that has outgrown its usefulness.

### **Educating the leaders of the future**

In terms of management practices, then we proposed that the manager of the future would be one who could implement holistic practices that had some understanding of systems thinking, and that business schools would do well to find some way of embracing these. Notions of strategy, marketing, human resources will need radical modification in this new world, possibly informed by a re-visioning from the bottom upwards.

Whilst we cannot sweep away the old, and begin afresh (which is a view that often produces our current passivity) we can perhaps begin to realise that our world is changing, as the leaps forward in technology have an exponential impact on the relationship with our environment. This demands real change, and part of this, as we began with, means taking responsibility for ourselves, and for the impact that our actions have on the world. A systems view provides such an analysis, and would undoubtedly help all of us achieve a sense of potency that can be channelled into developing meaningful lives for ourselves and those around us. It is also important to recognise that those of us of a particular generation have experience of a different, not so technological era, and thus it behoves us to be able to communicate this potential difference – for in this lies a wisdom of the scale and nature of processes of change – this is a wisdom of the elders which we have a duty to communicate.

The agenda then, for management training is enormous – but potentially full of creativity.

Traditional economics, and the traditional offering of the business school will need a radical upheaval to be able to embrace, and become a co-creative part of this change. If not, then change itself will come from other quarters – better this done consciously rather than passively!

### **Reflections on the dialogue**

By the end of the day the form of intense dialogue and exchange of experiences had refreshed us all. However, we did recognise, at times, even talking about the nature of the crisis that meets us had the effect of pulling us into the passivity of our collective, and feeling into the despair and frustration of much of this. This, we agreed is the nature of the beast that we are dealing with – and that change needs to occur in us as potential management trainers and educators, before we can honestly and meaningfully engage with the demands and needs of the younger generation. Responsibility, willingness to engage with these issues and not be overwhelmed by them, was, we agreed, a critical part of the process – as indeed was our growing ability to listen to different and sometimes complex viewpoints, and make some collective meaning from them. Perhaps this, above all, may be a way of educating the younger generation – processes of dialogue rather than competition, with the confidence that everyone has a viewpoint that is of value. Our duty here is one of creating the conditions where such processes can take place.



## Endpiece: The US Treasury bailout and the financing of corporate power

JOEL MAGNUSON

**As the credit crisis grows, Joel Magnuson, author of *Mindful Economics*, examines the implications of the bail-outs of the corporate giants. This is not a new phenomena, but the magnitude of it is. Careful restructuring could avoid the suffering that follows from repeating the same pattern.**

The economic crisis that is spreading around the world seems to be becoming more severe with each day. As the events unfold, we have an opportunity to learn some hard lessons. One in particular is just how destabilising highly centralised corporate power can be on our economies and societies. A group of gigantic corporations from banking, insurance and auto industries has descended on Washington, and is demanding that Congress release hundreds of billions of dollars of public funds to buy their securities or face the consequences of sacking potentially millions of jobs and plunging the economy into a depression. These companies are highly merged and reckless, but they have been able to get away with their recklessness in part because it has been indirectly condoned by government officials. Over the last few decades, corporate mergers have ascended to such unimaginable scales levels that each merger is sanctioned by government officials with a kind of, 'Congratulations, you are now too big to allow to fail' seal of approval. Very few have raised questions about just how potentially dangerous this can be, that is, until now that the monsters have raised their ugly heads. Nonetheless, instead of taking on this issue directly, members of Congress are scurrying in all directions seeking ways to comply with the demands of these companies out of fear of being politically trampled. This compliance is coming at a staggering cost.

### The lead-up to the crisis

On a single day in October, the US Treasury Department spent \$120 billion of public funds to acquire overpriced bank stocks of six corporate giants. Bank of America, Citigroup, Wells Fargo, and J.P. Morgan Chase have each received \$25 billion, and Goldman Sachs and Morgan Stanley have received \$10 billion each. The Treasury has since purchased billions more and will continue to do so at its discretion as long as its purchases do not exceed \$700 billion dollars at any one time. These amounts do not include the \$85 billion bailout of insurance giant American International Group or the tens of billions in loans given to banks by the Federal Reserve System. As a result, the US federal budget deficit soared to \$237 billion for the month of October alone. To provide a context for this figure, currently the largest *annual* budget deficit on record reached \$521 billion for the entire year of 2004, which was about 44 percent higher than the previous record set in 1992. If October's deficit figure continues for the rest of the fiscal year, it would surpass \$2.8 trillion, which is an amount close to the entire federal government's budget. This level of deficit spending is obviously not sustainable.

The authorisation to make these enormous investments in the corporate sector was granted by the Troubled Asset Recovery Plan (TARP) provisions in the *Emergency Economic*

*Stabilization Act of 2008*. Though buying stocks was not part of the original plan, the move was widely heralded in the banking industry as a more prudent move than buying the mortgage-backed securities as was originally specified in the authorisation bill. However, this legislation makes no provisions as to how exactly the Treasury is going to achieve stability with these investments. And in fact, the credit markets are still in trouble and the economy is becoming more unstable. That Congress would pass this legislation with no such provisions and grant such massive amounts of money purely at the discretion of the Treasury Secretary is proving to be a sublime act of folly.

Since Congress did not demand that these public funds be used only for restoring stability, it set the stage for the abuse of these funds by the Bush administration's Treasury Department. The Treasury, headed by former Goldman Sachs investment banker, Henry Paulson, sold TARP to Congress as an emergency stabilisation measure. Once the bill was signed into law, the Treasury suddenly shifted course, abandoned any specific stabilisation goals and created its own investment banking wing to provide credit for yet another wave of leveraged corporate mergers. When pressed on the accountability of the programme to the banking industry, Treasury officials claimed that they do not want to micromanage banks. Ben Bernanke, current chairman of the Federal Reserve, claimed that requiring banks to extend credit would entail complications. Making matters worse, the banks sold preferred stocks to the government, which means the government will not have voting rights as a principal shareholder, and some have restructured themselves into bank holding companies so they can wriggle their corporate charters away from national banking laws. These maneuvers have made it very difficult for the government under a new administration to demand accountability.

### More than a century of struggle against corporate power

The United States has a long history of struggles against excessive corporate power. Nearly two hundred years ago, Thomas Jefferson wrote in a letter to a friend, 'I hope we shall... crush in its birth the aristocracy of our moneyed corporations, which dare already to challenge our government to a trial of strength...' In the 19th century, US Senator John Sherman from Ohio expressed a similar sentiment as he pressed for the passage of his landmark anti-trust legislation: *The Sherman Act of 1890*. Decades later, legal scholars Adolph Berle and Gardiner Means studied the role that corporations played in the stock market crash and financial disasters that occurred between 1929 and 1932. They published their forward-looking conclusions in *The Modern Corporation and Private Property* (1932), and proclaimed, '...the modern corporation may be regarded not simply as one form of social organization but potentially as the dominant institution of the modern world.' Berle and Means expressed concern that the corporate person became a corporate monster that has broken away from traditional institutions of community and property, and embarked on an independent rampage of destruction. By the 1950s and 60s, the economist, John K. Galbraith also warned of the undemocratic power of gigantic corporate institutions that have the power not only to dominate entire industries, but political machinery of government as well.

### Not a shock but a repeated pattern

What has since developed is a pattern of events that is repeated with some regularity. First in this pattern is an anti-regulation movement within an industry that begins with lobbying by the companies that are poised to dominate it. The bigger the corporation and its lobbying apparatus, the stronger the lobbying campaign becomes, and

the more likely it will be that they will dominate the industry. Anti-regulation includes deregulation measures, which are efforts to repeal existing regulatory laws that restrict certain business practices, but it also includes having sympathetic courts that rule that such laws are unconstitutional, or a sympathetic executive branch that simply decides not to enforce the laws. Whatever form the anti-regulation movement takes, it is typically dressed up in language that suggest good intentions such as 'efficiency' or 'modernisation'.

Once the companies are unleashed from the shackles of regulation, they are free to lay siege to their markets and pursue reckless business practices. Large scale crises inevitably follow. Though this repeats with some regularity, a remarkable epidemic of amnesia and shock sets in among lawmakers and industry insiders. Whether it was genuine forgetfulness or a matter of public decorum, the anti-regulation people typically respond to crises with declarations of shock and surprise as if such a thing has never happened before. These declarations are also accompanied with solemn resolutions that the government has no choice but to orchestrate an urgent bailout. Giant corporations can, of course, justify being rescued by the government

because they are too big to allow failing; that is, the threat of their failure will escalate into a much larger crisis. The urgency of the crisis then precludes the kind of long-term view required for serious institutional reform and restructuring that would prevent this from happening again.

Congress and the Obama administration need to take leadership and stop this historic pattern that seems destined to be repeated. The federal government does have the power to control the charter of national banks, and it can move to dismantle these monstrous institutions and create a more stable and decentralised system. Like the great monopolies of the 19th century, these Wall Street giants can be taken apart and replaced with the development of small scale, community-based alternatives. This could be followed by a careful process of restructuring of bank charters and redistributing bank assets among a network of community-based financial alternatives to create a more stable and accountable structure. But to do this, people will have to break out of the slavish mindset that what is good for corporate giants is good for everyone. It seems like a radical idea, but if there was ever a time for radical ideas it is now.

*“...people will have to break out of the slavish mindset that what is good for corporate giants is good for everyone. It seems like a radical idea, but if there was ever a time for radical ideas it is now.”*

Any comments on these articles are most welcome, as are offers of contributions to our next edition which is exploring a holistic response to the current global crisis.

If you wish to become part of the *Interconnections* community, and informed of any forthcoming seminars and opportunities for dialogue, please contact the editor, Bronwen Rees: [dr.bronwenrees@ntlworld.com](mailto:dr.bronwenrees@ntlworld.com)