Summit Strategies

Creating Sustainability

Designing Organizations
To Do Well By Doing Good

Bruce Elkin

Because this booklet is an excerpt and summary from a work in progress, I occassionally refer to "the book" and its contents. I hope this is not too confusing. Please feel free to send me your comments and critical suggestions. Thank you.

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INTRODUCTION

The Challenge of Sustainability

Those who do not create the future they want,
must endure the future they get.
Draper L. Kaufman, Jr

Business has become the largest human force on the face of the earth. The effects and so-called side-effects of doing business are having geological-scale impacts on the planet.

Critics, like former Ford Foundation consultant David Korten, castigate corporations, especially the large multi-nationals, for failing to act responsibly. In *How Corporations Rule the World*, Korten argues that "once beneficial corporations" are now "instruments of a market tyranny that is extending its reach across the planet like a cancer, colonizing ever more of the planet's living spaces, destroying livelihoods, displacing people, rendering democratic institutions impotent, and feeding on life in an insatiable quest for money."[1]

Harsh words. But it's not just critics that are concerned about the global effects of business. John Browne, Group Chief Executive for the energy giant BP, says "it would be unwise and potentially dangerous to ignore the mounting concern."[2] That concern includes greenhouse gases, disappearing forests and fish stocks, global warming, climate change, and the widening gap between the haves and the have nots globally. It includes the fact that the 6 billion inhabitants on this planet may double in just a few decades.

"Civilization," says, Paul Hawken, "has arrived at an extraordinary threshold: all living systems upon which life depends are in decline, and the rate of decline is accelerating as material prosperity increases."[3] Most scientists and growing numbers of business people fear we are a collision course with some kind of collapse of the Earth's capacity to provide not only resources but the invisible "ecosystem services" (such as photosynthesis and the continual exchange of carbon dioxide and oxygen among plans and animals) that are performed by natural

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[1] David Korten, *How Corporations Rule the World*, Kumarian Press and Berrett-Koehler Publishers, West Hartford, CT and San Francisco, CA (!995)

[2] In a speech given at Stanford University, May 19, 1997, quoted in Carl Frankel, I*n Earth's Company*, New Society Publishers, Gabriola Island, BC, (1998)

[3] Paul Hawken, in the Foreword to Carl Frankel's *In Earth's Company*, New Society Publishers, Gabriola, Island, BC, Canada, (1998)

systems. "As more people and businesses place greater strain on living systems," warn Hawken and his co-authors in *Natural Capitalism*, "limits to prosperity are coming to be determined by natural capital rather than industrial prowess."[4]

True, a few still question the data. But not many. Besides, in his 1997 Stanford speech, BP's Browne suggested that "the time to consider the policy dimensions of climate change is not when the link between greenhouse gases and climate change is conclusively proven but when the possibility cannot be discounted and is taken seriously by the society of which we are a part. We in BP have reached that point. … If we are all to take responsibility for the future of our planet, then it falls to us to begin to take precautionary action now."

In other words, the decline of living systems is not inevitable.

We have a choice. Business can choose to be a force for the good of all people and for the good of the whole planet, or it can be a force that threatens the integrity of all life on Earth. We can choose to change ourselves and our organizations so that we work with the systems that support life, or we can continue to work against them. It's up to us.

In the WorldWatch Institute's *State of the World Report* for 1993, the authors wrote, "We know what we have to do. And we know how to do it. If we fail to convert our self-destructing economy into one that is environmentally sustainable, future generations will be overwhelmed by environmental degradation and social disintegration. Simply stated, if our generation does not turn things around, our children may not have the option of doing so."

To turn things around, to convert our self-destructing economy into one that is both environmentally and economically sustainable, we must first know where we want to go. We need to ask ourselves, What would an environmentally sustainable economy look like?

What Is Sustainability?

"Sustainability" is a short form of an idea put forward in a 1987 United Nations report, "Our Common Future." In it, the Brundtland Commission questioned whether accelerating rates of physical growth were sustainable. They stressed that our economic future is closely tied to the health and integrity of natural systems—that a healthy economy and a healthy society both rest on a healthy ecology. They argued that if we are to meet the needs of the present without compromising the ability of future generations to meet their own needs, we will have to shift from economic *growth* to "environmentally sustainable economic *development*."

Development is different than *growth*. A human being continues to develop long after he or she finishes growing—learning new skills, gaining wisdom, building relationships. The organizations we'll look at throughout this book have, like mature human beings, developed without necessarily growing larger or consuming ever-increasing amounts of resources. They have learned to do much more with much less, to work with natural systems not against them.

[4] Paul Hawken, Amory Lovins, Hunter L. Lovins, *Natural Capitalism*, Little Brown and Co. (Boston) 1999

"Sustainable development," says sustainability specialist Carl Frankel, "implies the integration of economic and environmental planning: wealth continues to be created, but through processes that do not draw down the material resources on which we and future generations depend. We grow without depleting our 'natural capital.'"[5] In such a sustainable approach, development is guided, not just by a desire for profit, but also by the values of ecosystem integrity and widespread social fairness. Research shows that businesses that do well by doing good do so by meeting "sustainability's triple bottom line: profits, people and planet."[6]

Three Key Criteria

In their *Economic Renewal Guide*, the Rocky Mountain Institute (RMI)[7] suggests that environmentally sustainable development includes three key criteria:

Renewability means using resources no faster than can be replenished. This prevents ecological and economic depletion. Logging towns collapse when they cut timber faster than it grows back. Retirement and resort communities whose growth generates urban pollution, suburban subdivisions, and congestion grow themselves out of business.

Digestibility means that an economic system can re-integrate waste and the by-products of production and consumption back into an on-going cycle of re-use and re-cycling. This is how natural systems work. Waste from one species becomes food for another. In business, "industrial ecologies"[8] cluster businesses so that waste from one becomes raw material for another. The natural *ecostructure* becomes the model for a new industrial *infrastructure*.

Equity among different people and among generations is also key to sustainability. It is not fair for this generation to deplete the capital assets of our natural resources and leave nothing for later generations. Nor for nations of the North to get rich on the backs of those in the South.

To determine if an activity is sustainable, RMI suggests that we ask, does it:

- use materials in continuous cycles?
- use renewable sources of energy?
- come primarily from human potential—things like ideas, service, the arts, culture, communication, learning, and creativity?
- respect and support local and global ecological systems?

If it does the activity is likely to be sustainable.

Or, we can ask does an activity:

- require continuous use of non-renewable resources?
- use renewable resources faster than their capacity to grow back?
- degrade the social and natural environment?

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[5] Carl Frankel, *In Earth's Company*, New Society Publishers, Gabriola Island, BC Canada (1998)

[6] Brian Nattrass and Mary Altomare, *The Natural Step for Business*, New Society Publishers, Gabriola Island, BC, Canada (1999)

[7] Rocky Mountain Institute, www.rmi.org

[8] See Hardin Tibb's booklet, *Industrial Ecology: An Environmental Agenda for Industry*, The Global Business Network, Emeryville, CA (1993)

- require resources in quantities that could never be accessible to people everywhere?
- lead to the extinction of other life forms?

If it does it is likely to be non-sustainable.

The Natural Step: Systems Conditions for Sustainability

Perhaps the simplest, yet most powerful and practical approach to defining sustainability comes from Karl Henrik Robèrt, founder of *The Natural Step,* a Swedish approach to designing for sustainability. Dr. Robèrt developed a broad scientific consensus around four basic principles—systems conditions for sustainability—that were designed to help guide organizations, communities, and individuals toward sustainable practices.

The four systems conditions specify that:

1. Nature cannot "take" (i.e. withstand) a systematic build up of dispersed mattered mined from the Earth's crusts (e.g., minerals, oil).

2. Nature cannot take a systematic buildup of persistent compounds made by man (e.g. PCB's, dioxins, CFCs).

3. Nature cannot take a systematic deterioration of its capacity for renewal (e.g., harvesting fish or trees faster than they can replenish, converting fertile land to desert or asphalt.)

4. Therefore, if we want life to go on, we must be (a) efficient in our use of natural resources, and (b) just—in the sense of promoting justice—because ignoring poverty will lead the poor, for short-term survival, to destroy resources that we all need for long-term survival (e.g. rainforests).[9]

These systems conditions provide organizations with a simple yet powerful set of design parameters with which to redesign operations and supply chains so that they use less resources, produce little or no waste, use only ecologically benign materials, and do not harm the natural and social systems upon which they depend. Understanding the systems conditions and their implications for action enables TNS adopters to realize that just as individuals are nested in teams which are nested in divisions which are nested in whole businesses, those businesses are themselves nested in local, regional, and global ecological systems.

Interestingly, companies that adopt the TNS principles and framework find that by designing for the sustainability of both the business and the ecological systems they are nested in, they not only eliminate waste and inefficiency, they also save substantial amounts of money that goes directly to their bottom line. By investing $25 million in waste reduction, for example, US carpet manufacturer, Interface, Inc. saved $122 million over a five year period.[10]

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[9] "The Natural Step: Combining Wealth, Ecology, and Evolution," in *Timeline*, the newsletter of the Foundation for Global Community (2000)

[10] Paul H. Ray and Sherry Ruth Anderson, *The Cultural Creatives*, Harmony Books, New York (2000)

Numbers such as these cause business leaders to listen when CEO of The Natural Step-US, Paul Hawken, urges corporate leaders to "Leave the world better than you found it, take no more than you need, try not to harm life or the environment, make amends if you do. Sustainability means … your business must deliver clothing, objects, food, or services to the customer in a way that reduces consumption, energy use, distribution costs, economic concentration, soil erosion, atmospheric pollution, and other forms of environmental damage."[11]

Hawken and other forward thinking business leaders agree with BP's John Browne that rather than wait until we are forced to change—either by banging up against the physical limits of the Earth's carrying capacity, or by heavy-handed regulators—that we would be environmentally and fiscally wise to take precautionary action now.

Beyond Problem Solving

What drives the shift toward sustainability is critical. Precautionary action can be reactive—driven by external forces such as environmental crises or government regulators. Or it can be creative—driven by a deep desire to do what's right for ourselves, our children, and the planet. When, for example, Ola Ivasson, General Manager for Scandic Hotels in Germany was asked,[12] "Why do it? Why put all that effort into becoming a sustainable, restorative corporation?" he replied, simply, "Because it is right."

Ivasson also listed other reasons, such as improving profitability, creating long-term customer relationships, saving on resources, and that fact that company executives "did not want to hand over a waste bin to the next generation." But, fundamentally, he said, they did it for its own sake, because they just felt it was right.

Rather than describing our current situation as a crisis or some other form of problem, thus limiting our actions to reactively searching for one-off solutions to that particular problem, I suggest that we view this historical moment—for both business and society—as a challenge, a creative opportunity. I suggest we try to see it as a chance to envision and create the kind and quality of future we *most* want—independent of problems and circumstances!

There is, as we'll see repeatedly throughout this book, a profound and fundamental difference between problem-solving and creating. By problem solving, I mean focusing on what we *don't* like and *don't* want, and taking action to get rid of it. By creating, I mean focusing on what we truly ***do*** want, and taking action to bring it into being—regardless of problems, circumstances, set-backs, or the limitations of current capacity.

Problem solving, as we'll see shortly, usually leads merely to a temporary reduction in the intensity of the problem. Relief, not results, is produced. The cure is often worse than the disease. Solutions turn out to be larger problems than those they were intended to solve.

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[11] Paul Hawken, *The Ecology of Commerce*, HarperCollins, New York (1993)

[12] After a speech at a Sustainability Conference on The Natural Step, in the Resort Municipality of Whistler, BC, December, 2000.

Creating, because it is a higher-order, more comprehensive structure, can include yet transcend problem-solving in its consistent, high-level focus on desired results.

While there are problems that must and will be solved on the road to sustainability, I believe that the real results—the healthy, prosperous, sustainable lives, work, and world we all so deeply long for—will only come from a concerted and collective effort to *create* the kind and quality of future we most want. That's the true challenge of sustainability.

The Challenge of Sustainability

In *The Ecology of Commerce*, Hawken challenges business to take the lead in turning things around. He urges us to design "a system of commerce and production where each and every act is inherently sustainable and restorative . . . where doing good is like falling off a log."[13] In that book and in the more recent *Natural Capitalism*, Hawken lays out his vision of a sustainable, restorative economy and specifies the key design criteria that such a system should meet.

Hawken's Criteria For A Sustainable, Restorative Economy

1. Operate effectively on one-fifth the energy currently consumed in the North.
2. Provide secure, stable, and meaningful employment for people everywhere.
3. Be self-actuating as opposed to regulated.
4. Honor market principles.
5. Be more rewarding than our present way of life.
6. Exceed sustainability by restoring degraded habitats and ecosystems.
7. Rely only on current income.
8. Be fun, engaging and value beauty and an aesthetic outcome.

Not surprising, as inspiring as this vision is to some, to others it's a threat.

"It's a great idea," a Vice-President of planning for a large high-tech company told me, "but there's no way we could even meet the first criteria. I doubt that anyone could."

Others dismiss Hawken's audacious challenge as an impossible pipe dream. "You can't get there from here," joked another VP, only half humorously. Then he continued, "Seriously, although the ideas are intellectually challenging, the practical reality is that we just don't have the capacity to achieve such grandiose results." The majority of organizational leaders I've spoken with initially agree with this skeptical conclusion.

But are these skeptics right? Is realizing such a grand vision impossible?

Or does it just appear impossible when viewed from within the limited frame of the conventional strategic planning approaches in which most businesses currently operate? Could such old style, linear, mechanistic planning approaches blind users to the possibility of achieving results such as Hawken envisions?

Yes. They seriously limit the extent of our vision. Writing in the *Harvard Business Review*, strategy expert, Gary Hamel, says, "The essential problem in organizations today is a failure

[13] Paul Hawken, *The Ecology of Commerce*, HarperCollins, New York (1993)

to distinguish *planning* from *strategizing*. Planning is about programming, not discovering. Planning is for technocrats, not dreamers. Giving planners responsibility for creating strategy is like asking a bricklayer to create Michelangelo's *Peità.*"[14]

Because conventional planning is undertaken within a frame that limits companies to finding a *fit* between current capacity and future aspirations, leaders who adopt such fit-based processes are *not* challenged by grand visions; they are threatened. Given their current capacity and the limited goals that emerge from fit-based planning processes, they reasonably conclude that Hawken's audacious vision *is* impossible.

However, I have found that when leaders view Hawken's visionary criteria from the creative, "stretch" framework that we'll work with in this book, that vision becomes an engaging challenge that inspires individuals and organizations to reach beyond what *is*, and to stretch for what *most* matters to them. It motivates and enables them to create deep and lasting changes in the way their organization impacts on the systems that sustain all life on the planet. Indeed, by using the same basic design principles that Nature uses, these organizations gain great competitive advantage by being able to work with the forces of life rather than fighting against them.

Creating Deep and Lasting Change

Meeting Hawken's vision and others like it will require more than mere surface changes in behavior. Stretching for what truly matters requires deep change, what Peter Senge calls "profound change. . . change that combines inner shifts in people's values, aspirations, and behaviors with outer shifts in processes, strategies, practices, and systems."[15] Deep change is about developing the framework or foundation—the conditions—out of which deeply desired, i.e. profound, change can emerge.

The word "profound" comes from the Latin *profundus*, meaning deep, or bottom; fundamental. Deep change, says Senge, "means, literally, "moving toward the fundamental."… It is not enough to change strategies, structures, and systems, unless the thinking that produced those strategies, structures, and systems also changes."

There is nothing more fundamental than the basic ecological systems on which life—and business!—ultimately depend. However, although we will examine some of the key principles upon which the growth and change of complex, adaptive living systems depend, and well see how to apply those principles to organizational change, this book is not about the science of complexity nor the nuts and bolts of operationalizing sustainability. Nor is it a case study of sustainable businesses. Others such as Hawken, Hunter and Amory Lovins, Carl Frankel, Alan AtKisson, and Brian Nattrass and Mary Altomare have documented the specifics of sustainability.

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[14] Gary Hamel, "Strategy As Revolution," Harvard Business Review, July-August 1996

[15] Peter Senge, "The Leadership of Profound Change," in *The Dance of Change*, Peter Senge, Art Kleiner, Charlotte Roberts, Richard Ross, George Roth, and Bryan Smith, Currency Doubleday, New York (1999)

Creating Sustainability is a call for a new way thinking about organizational design and creativity. It's a call to go beyond new buzzwords and mere surface changes in behavior and to craft deep, creative change. It's a call for a shift from old style, linear, mechanistic kinds of strategic planning to the more open, fluid, and powerful forms of systems-based strategic design.

It's about why and how to integrate design, strategy, and implementation so business and environmental planning merge into one seamless whole. It outlines an integrated, multi-level approach to creating results that will enable you to create the deep structures that give rise to the organizational behavior you most desire. In so doing, I hope that you will be better equipped to craft strategies and processes in which people, profits, and the planet all benefit.

Throughout this book, I refer to leaders as creators. By this I do not mean just top-level executives and managers. I mean anyone—individuals, team-leaders, supervisors, managers, and executives, at all levels, in all sizes of organizations—who is committed to the process of initiating and sustaining deep change in themselves and their organization. I believe that leadership arises out of our individual and collective capacity to hold *creative tension*,[16] the energy generated when we simultaneously embrace a clear and compelling vision of the future we want together with an objective, accurate assessment of our current reality. Learning to live comfortably in this gap between audacious goals and down-to-earth reality while we take action toward desired results is what creating is about. It allows individuals and organizations to access a field of creative adaptability out of which outstanding results can emerge.

Taking On The Challenge

To view a vision of sustainable organizations in a sustainable economy as a challenge, leaders at all organizational levels will have to do three key things:

- Recognize the limits of conventional, mechanistic, problem-focused, fit-based planning; understand that most such planning is not strategic; and discover that the conventional strategic planning approach is not the only game in town.
- Transcend fit-driven, conventional approaches to organizational planning in favor of *inventional* approaches to organizational design. Such approaches integrate strategy, planning, and implementation within a design framework that allows leaders to see the gap between vision and reality as a challenge, not a threat.
- Expand their own and their organization's capacity to create the future they truly want by developing a set of generic, i.e., broadly applicable "skills for creating." Such high-level tools provide the practical creativity needed to bridge the gap between audacious visions and current organizational capacity, and to so in ways that harmonize with the natural systems upon which we all depend.

[16] I am indebted to Robert Fritz, author of *The Path of Least Resistance for Managers: Designing Organizations to Succeed*, Berrett Koehler (1999), with whom I studied and worked for nine years, for this concept. Robert calls the tension that arises out of the gap between vision and current reality is "structural tension" because it is the structure—the relationship between vision and reality—that gives rise to it. Although I prefer Peter Senge's use of the term "creative tension," it is Fritz's approach to creating that I draw most heavily on in my own approach.

In Chapter One, we'll address the first two points by examining the limits of conventional, problem-focused, fit-based planning programs. We'll see that seven major flaws prevent these approaches from consistently producing and sustaining desired results. We'll see that to produce the results we truly want, we will have to change not only current business behavior but also the deeper structure that underlies those behaviors.

In Chapter Two, we'll look at the limits inherent in problem-solving as a results-producing approach. We will see that problem-solving, as it is generally carried out, is neither a solid nor powerful enough platform on which to create a sustainable future .

In Chapters Three and Four, we will address the third point by examining the more powerful, comprehensive, and truly strategic structure of the creative process. We will see how creating can integrate organizational design, planning, and strategy. We will examine seven generic skills for creating almost anything, and see how they inter-relate to make up the deep structure of creating. We will see that when viewed from within the design-focused frame of creating, Hawken's vision can become an engaging, doable, and profitable challenge.

In Chapter Five, we'll look at the leadership practices that enable change agents to apply and practice the generic creating skills and to grow successful change efforts in harmony with the basic principles of living systems.

In Chapter Six, we'll look at the concept and practice of co-creating mutually-desired results with others, both within the organization and without. We'll also look at a hopeful, new approach to generating deep change that is informed by the principles of quantum physics and complexity theory, and expedited by self-organized connectivity.

We'll conclude with a call to action, a call to create new kinds of businesses in a new kind of economic infrastructure—one that harmonizes with the natural ecostructure of which we are but a part, and on which all health, wealth, and well being depend.

We'll start our exploration into deep change and the creative process by looking at the limits of conventional strategy and planning approaches.

CHAPTER ONE

The Limits of Conventional Planning

As "strategy" has blossomed,
the competitiveness of Western companies has withered.
Gary Hamel and C.K. Prahalad

Our present-day managerial techniques prepare us perfectly for managing the industrial organization of 1965. ••• Not only are our traditional approaches ineffective, they are also toxic, both to humans and to the Earth. We desperately need new techniques for operating our organizations—new models of understanding and new skills for managing—that are more balanced, ecological, and better suited for the complex and interdependent world in which we live.
Mark Youngblood, *Life At The Edge of Chaos*

At the core of deep change is the capacity to create strategies that lead us from where we are toward what *truly* matters to us. And to do so in harmony with the principles that govern the behavior of complex, creative, living systems. Where do such innovative strategies come from? It might surprise you to find that experts who study this question conclude that they rarely come from conventional strategic planning processes. "Ultimately," says Henry Mintzberg, McKinsey Award winning author of *The Rise and Fall of Strategic Planning*, "the term "strategic planning" has proved to be an oxymoron."[17]

Gary Hamel is more critical of those of us who sell strategy-planning services: "The strategy industry—all those unctuous consultants, those self-proclaimed gurus, and left-brained planners—doesn't have an answer. … They don't have a theory of strategy creation, much less any insight into how to build a deeply embedded capacity for strategic innovation."[18]

It is this capacity for strategic innovation—inventing new practices and creating desired results—that we will examine in this book. However, before we do so in detail, we need to take a close look at the limits of both conventional strategic planning and the problem-focused

[17] Henry Mintzberg, T*he Rise and Fall of Strategic Planning*, The Free Press, New York (1994)
[18] Gary Hamel, *Leading the Revolution*, Harvard Business School Press, Boston (2000)

approach that underlies it. We'll do the former in this chapter, the latter in the next. In this chapter, I'll also begin to sketch the outlines of an integrated, design-driven approach to creating outstanding results.

Let's start by looking at the limits of conventional planning processes.

Why Conventional Strategic Planning is Often Neither

Typically, the annual strategic planning ritual begins by focusing on current problems, circumstances, and issues. The most intensive problems get the most attention. Planners assess the team's or organization's capacity to get rid of or get relief from those issues, then set realistic goals and tasks that fit within that capacity. Although it can seem reasonable, this "fit" approach to planning can be severely limiting, even deadly. The fit approach contains seven fatal flaws:

1. Getting rid of what you *don't* want, though often necessary, rarely results in you bringing into being what you truly *do* want.

Because "fit" goals are more often about eliminating (or merely getting relief from) problems and circumstances than they are about producing lasting results, leaders are forced into a victim stance. Circumstances drive their actions more than their desire for results. They find themselves limited to reacting or responding to what happens. The power in this stance is in the circumstances, not the leader's own hands. At best, the planning that results from this stance is imitative, at worst, merely reactive.

Although it is sometimes a necessary part of creating, problem-solving by itself will *not* produce the results Hawken envisions. Getting rid of pollution, for example, will not result in a sustainable, restorative economy. It might help to recall that in horse-reliant Victorian times, the automobile was first introduced as "the *solution* to pollution."

2. Incremental goals fail to bring out the best in organizations and employees.

"Make no small goals," the old saying suggests, "for they lack the power to stir our souls." Ritualistic planning is pedestrian. It rarely stirs anyone to take sustained action, let alone to produce great results. "Fit" goals are modest: a five percent increase in this, fifteen percent in that. They are reasonable, realistic, doable. They can also be deadly boring. Employees who are asked to invest energy and hope in such planning processes soon lose both.

"Do you know why our battles about goals and strategy are so bitter?" a middle manager asked me. When I asked "Why?" he replied, "Because the stakes are so low."

3. Because most "strategic" plans are actually low level programming documents, they rarely account for unpredictable shifts in reality,

Conventional strategic plans are too often merely static lists of programs and tasks that planners assume must be carried out. Such plans do not account for on-going change, novelty, or even for learning and success. Most view change as the enemy rather than a useful force to be harnessed in support of vision and results. Such plans force companies to work *against* the forces

in play, wasting time, energy, and resources. Besides, given today's accelerating rate of change, most of these elaborately structured plans are out of date before they are completed.

4. Plans too often take precedence over ends.

Because plans are usually made for, not by, those charged with carrying them out, keeping to the plan becomes more important than achieving results. Rigidly following the dicta of policy takes precedence over flexible innovation and invention. Cautious employees and managers protect their flanks. The vital feedback loop between those who made *The Plan* and those who carry it out is severed. Although *The Plan* is followed more or less faithfully, high level goals get lost in rigid adherence to details. Again, employees are asked to invest time, energy, and commitment to goals and objectives that do not engage them in a meaningful way. Quality suffers. Morale lags. Productivity drops.

5. Conventional planning acts as a "feasibility sieve."

Gary Hamel and C.K. Prahalad suggest that, "Strategies are accepted or rejected on the basis of whether managers can be precise about the "how" as well as the "what" of their plans."[19] Demanding that all action steps be precisely identified before taking action limits the organization to what it can do, or has done. It prevents the organization from stretching for goals for which no conventional approach is readily available. Once again, the organization and its leaders are forced into a reactive position, always (assuming they survive) playing catch-up with the more stretch-capable, creative firms.

6. Plans are formulated; strategies often form spontaneously.

Most conventional planning approaches assume that planning is a deliberate, linear process: first think, then act; formulate, then implement. This is not the only way strategy comes into being. Strategy also arises—*emerges*—out of ongoing situations. Strategy can be discovered as well as formulated. It can be created out of the raw materials of everyday reality. "Smart strategists," says Henry Mintzberg, "appreciate that they cannot always be smart enough to think through everything in advance."[20] They are open to "emergent possibilities," the novelty that can arise out of the interaction between vision, reality, and action. Conventional planners are often blinded by the rigidity of their plans and by the financial and emotional investments they have made in them. Emergence is overlooked.

7. Fit-based strategic planning is linear and mechanistic. It controls, rather than enables.

Fit based, industrial approaches to planning assume that the future is predictable and that change can be directed through old style command-control structures and detailed plans. But the new principles of complex adaptive systems tell us that living systems cannot be directed, they can only be disturbed. Managers and executives can no longer control their organizations as if they were machines. They can however, influence the organization and its evolution,

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[19] Gary Hamel and C.K. Prahalad, "Strategic Intent," *Harvard Business Review* (May-June 1989)

[20] Henry Mintzberg, "Crafting Strategy," in *The Harvard Business Review*, July-August 1987. See also Henry Mintzberg, The Free Press, New York (1994)

hopefully into some sort of self-organizing, self-directed, and creative behavior. The job of leaders in these kinds of systems (which, whether we know it or not, most of us find ourselves in today) is to not to direct change, but to create the conditions—set up the deep structure—out of which the change we want is most likely to emerge.

Shifting from old style, top-down, rank-based, dominator hierarchies to more open, web-like hierarchies of value, as we'll see shortly, dramatically shifts an organization's approach to planning. In organizations in which purpose, vision, and values are clear and compelling, in which information flows freely to whoever needs it, in which diversity and interconnectivity are encouraged, and in which those who actually do the work are given all the tools and resources they need to make decisions and take action, the responsibility for planning shifts away from those old dominator hierarchies toward the distributed intelligence and creativity of the whole organization—without the confusion, chaos, or anarchy that dominator type managers fear.

However, unaware of these new ways of looking at organizational behavior, old line leaders and strategic planners still try to impose imperfect plans on unwilling workers. And in the process, they inadvertently waste time, energy, and resources, and further lower already dropping levels of morale and productivity.

In light of these seven critical flaws, is it any wonder that so many now conclude that strategic planning, as currently practiced, is neither strategic nor effective planning?

In fairness to planners, it must be said that conventional planning strategies were designed for conditions of far less complexity and much slower rates of change than prevail today. However, the fact remains that conventional approaches won't enable us to meet the complexity of Hawken's challenge. In fact, they no longer even serve normal business needs well. As "strategy" has blossomed, report Hamel and Prahalad, competitiveness has withered. Although not developed with sustainability in mind, the revolutionary "do *much* more with *much* less" approach that these strategy-creating experts advocate, and to which we now turn, makes both economic *and* ecological sense.

Strategy As Stretch and Leverage

Einstein warned that the kind of thinking that gets us into a predicament will not get us out of it. The conventional planning approaches that got us into our planetary ecological mess are not sufficiently deep, focused, nor consistent enough to guide us in creating a sustainable, restorative system of commerce. They treat individuals and organizations as if they were Newtonian machines, not the complex, self-organizing living systems that they are.

To create the deep change of sustainability, we need to shift our focus from "fit" to "stretch," from a limited (and limiting) concern for the "how's" of doing business to an energizing, expansive focus on the "what's" that truly matter to us and the planet.

We need to transcend our reliance on conventional planning. We need to shift to a more open, flexible, vision-driven strategy-creation approach that honours diversity, relationships,

and the free flow of information. We need approaches that encourage exploration, experimentation, invention, and innovation, yet are grounded in and guided by the real limits posed by the natural systems on which we and our businesses depend.

We can shift to a more powerful, productive level of thinking and doing by focusing on *creating*. Creating is the process by which humanity has always brought its most precious and enduring creations into being. Great art, music, literature, architecture and science, and constitutions and countries were not produced by problem-solvers. They were produced by creators, men and women who loved their visions of results enough to make them a reality.

By mastering the skills and framework of the creative process, we too can create what matters most to us, to our customers, and the to the communities we serve—independent of current circumstances, problems, and capacity. "Doing just the possible is no longer good enough, says Czech president, Vaclev Havel. "We need to do the impossible."

Hamel and Prahalad argue that Toyota, Sony, Swatch, Honda, and others produce impossible results through what they call "strategic intent."[21] Strategic intent is the capacity of an organization and its leaders to envision success out of all proportion to their current resources and capabilities. Such organizations create an obsession with achieving self-defined success at all levels of the organization, then sustain that vision and the action needed to support it over a period of ten, twenty, even a hundred years—until the impossible becomes reality. The key is stretch and leverage. Having set what appear to be impossible goals for their size and capacity, they rely on resourcefulness, innovation, and learning by doing—i.e., creating—to leverage available resources into outstanding results.

Such high-performing companies are true learning organizations. They are not put off by the limits of their current capacity, nor by the gap between their vision and that capacity. They teach themselves to bridge that gap. By clarifying identity and purpose, providing open access to free-flowing information, and by nurturing widespread connectivity and relationships through a diversity of conversations, they:

- Focus the entire organization on a shared vision of success;
- Motivate people by communicating the value of that vision;
- Encourage lower-level teams and employees to invent how particular aspects of the vision will be realized;
- Sustain their employees' energy and enthusiasm by providing new operational definitions of the vision as circumstances change; and
- Use that vision to consistently guide how they allocate resources.

By taking on such vision-driven tasks, high-performing companies tap into the distributed intelligence and creativity of the whole organization. They expand the whole organization's capacity to learn and innovate. They sustain excitement through engagement with challenging, meaningful tasks. Organizations such as Interface and Ikea have found that setting meaningful goals tends to galvanize employees into committed, aligned actions around results they freely embrace and want to produce. In their study of visionary companies, *Built to Last: Successful*

[21] Gary Hamel and C.K. Prahalad, "Strategic Intent," *Harvard Business Review* (May-June 1989)

Habits of Visionary Companies, James Collins and Jerry Porras found that companies that set BHAG's (Big Hairy Audacious Goals) outperformed the general market by a factor of fifteen.[22]

Fit Limits; *Stretch* Liberates

Stretch and strategic intent played a key role in an organizational design workshop I conducted for the Strategic Planning Task Force of a Fortune 500 manufacturer. The executives on the task force confessed that they had always wanted to incorporate environmental goals into their strategy for two reasons:

1.) Their largest competitor had a clean, socially responsible approach to production; and

2.) Each of them personally valued clean air, water, and environmental integrity.

They also confessed that they left such "intangible" goals out of their plans because they did not know *how* to produce nor pay for them. Assuming that responsible actions came with prohibitive price tags, they compromised, fitting reasonable goals to their limited capacity.

Working within a new design framework that focused predominantly on "what" they wanted to produce, the executives envisioned *all* the results they wanted—profit, good relations with employees and community, clean, efficient production processes, *and* harmonious interaction with the natural systems on which they and their business depended. They were amazed that they could set goals that exceeded current capacity and elated when they immediately began to invent ways to make their deep, intangible values a concrete reality.

Strategic intent turns the key elements of conventional planning around. Whereas conventional approaches focus first on capacity, then set goals that fit within that capacity, strategic intent focuses first on clarifying what is to be created. The key to strategic intent, say Hamel and Prahalad, is to set up "a chasm between ambition and resources." A chasm! Not a nice, comfortable fit. *"The challenge is to improve,"* says Hamel, " … *and to do so radically—500 percent or 1000 percent, not 10 percent or 20 percent."*[23] Creating stretch between resources and aspirations, he contends, is the single most important task facing senior management today.

Paradoxically, stretching for BHAG's can actually make things easier in the short run. Meaningful goals inspire intense personal and group commitment. They liberate energy and creativity. They allow individuals and teams to embrace and transcend complexity. Most important they simplify everyone's work by making it clear what the challenge is, what targets they are shooting for, and how their specific piece fits into and supports the whole.

"The gift of working for sustainability is its meaningfulness," says Paul Hawken.[24]

When , for example, Ray Anderson, founder and CEO of Interface, Inc. set out his vision that Interface was to become the world's first sustainable and restorative company—*returning to the*

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[22] James C. Collins and Jerry I. Porras, Built to Last, HarperBusiness, New York (1994)

[23] Gary Hamel,, "Strategy as Revolution," *Harvard Business Review*, July-August 1996

[24] Brian Nattrass, Mary Altomare, *The Natural Step for Business*, New Society Publishers, Gabriola Is, BC (1999)

earth more than they took out!—he engaged employees, suppliers, customers, and investors at a far deeper and more meaningful level than more pedestrian visions like "achieving recycling excellence" or "increasing shareholder wealth."

Focused and energized by Anderson's vision, Interface's employees have gone on to develop ground-breaking products like "Solenium," a floor covering that can be fully remanufactured back into itself, and services like the novel "Evergreen Lease" whereby they lease not only recyclable carpet but also the commitment to keep that carpet clean, fresh, and in top condition.[25] Interface is a classic example of the power of strategic intent and the creativity that flows from it. They have shown that a large company can do well by doing good.

The Structure of Success

It's not just Hamel and Prahalad who claim that planning fails when companies trim ambition and lower goals to match available resources. In *The Fifth Discipline*, learning organization guru, Peter Senge says, "The dynamics of eroding goals…lies at the heart of the demise…of many American manufacturing industries."[26]

Senge draws heavily on the work of his one-time partner, Robert Fritz, author of *Corporate Tides* and *The Path of Least Resistance for Managers*. Although Fritz's "structural" approach to *creating* results—independent of current problems, obstacles, or resources—bears a remarkable similarity to strategic intent, it goes much deeper. "Fritz," says Senge, "is without a doubt one of the most original thinkers today on the creative process in business, the arts, science, and life in general. His work has deeply impacted my life and the lives of many of my colleagues."[27]

Fritz's approach to creating results that matter is three-pronged. It driven by *vision*. It is grounded in *reality*. It is focused on *action* that consistently supports desired results. It is also structural. That is, it focuses more on changes in the structure that underlies key organizational elements and behavior than on changes in those elements or in surface behavior itself.

As Peter Senge advises, "The structure of a system determines the behavior of individuals within that system. From this point of view, fundamental change occurs only if the structure itself is affected."[28] The most important elements of structure that are involved in deep change are the relationships—the interactions—between vision, current reality, and action.

Like Hamel, Fritz urges leaders to craft a vision of what they most want—independent of current capacity or circumstances. But that does not mean ignoring reality. Objectively, accurately assessing current reality is also key. Further, Fritz suggests that if leaders can hold vision and current reality in mind *simultaneously*, they can access the powerful *creative tension*

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[25] See *Natural Capitalism*, Hawken, et al, page 139.
[26] Peter Senge *The Fifth Discipline*, Doubleday/Currency, New York (1990)
[27] Jacket of Fritz's, *Path of Least Resistance for Managers*, Berrett-Koehler Publishers, San Francisco (1999)
[28] Peter Senge, *Health Care Forum* Magazine, May/June 1988

that arises out of the gap between vision and reality. They can, as we'll see shortly, use that tension to orchestrate actions that consistently move them toward their desired results.[29]

Actions in the creative process *always* support higher-level results and core values and purpose. Guided by the deeper framework—the underlying structure—set up by holding and orchestrating creative tension, action in the creative process more naturally follows a *path of least resistance* from where individual and organizational creators currently are to where they want to be, toward the results they most deeply desire and envision.

The Path of Least Resistance

Energy flows where it is easiest to go. Therefore, Fritz contends, energy in *any* system follows the path of least resistance laid down by the underlying structure of that system. Water in streams, electricity in circuits, companies in the marketplace, individuals in daily life, all follow the path laid down by an underlying structure.

Following the path of least resistance does *not* mean taking the easy way out.

It's not about laziness, corner-cutting or skimping on quality. Companies that set challenging, "stretch" goals are like rock climbers who choose to climb a challenging route on the sheer face of a high mountain. Once they identify and commit to the challenge, they then seek the most elegant and effective way to realize it. They follow the path of least resistance.

Changing the path requires changing the underlying (usually unseen) patterns and structure. "The essence of mastering systems thinking as a management discipline," says Senge, "lies in seeing patterns where others see only events and forces to react to."

Repeated disagreements, for example, between a high-tech firm's marketing manager and its director of R&D were initially seen as personality conflicts. However, when the pattern of disagreements continued after the original managers had been replaced, I suggested that a "structural conflict"[30] underlay the relationship between the managers' roles. Marketing 's targets were much more short term than R&D's. Thus the manager of marketing—regardless of his or her personality—was continually impatient with the head of R&D. Conflict that appeared on the surface to be personal was seen to arise out of deeper, structural causes.

As long as the deeper structure underlying the managers' roles was not recognized, the path of least resistance led to conflict. However, when a structure was established that honoured the value of both managers yet clearly set out the relationship between their two functions, the path shifted. Because the company sought competitive advantage through innovative products and services, R & D was designated primary. Marketing was still seen as key, but secondary, supportive. When these relationships were clarified and reinforced, the conflict between managers disappeared. The path of least resistance led to cooperation in pursuit of the mutually-agreed upon goal of success through superior innovation.

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[29] We'll examine the dynamics of creative tension in detail in Part Two. This concept is dealt with in great detail in Robert Fritz's books T*he Path of Least Resistance, Creating,* and *The Path of Least Resistance for Managers,* and in T*he Fifth Discipline* by Peter Senge, and *The Fifth Discipline Fieldbook.*

[30] See Robert Fritz, *The Path of Least Resistance,* Fawcett Columbine, New York (1989)

Structure Gives Rise To Behavior

To change behavior, change the underlying structure.

I'm not talking about the reporting structure or the organization's hierarchy. Structure here refers to the way the key elements in a system—ideas, desires, fears, beliefs, aspirations, current capacity, and day-to-day reality—are arranged in relation to each other. In businesses, structure also includes the purpose or mission of the organization, the business strategy, management strategies, and local area goals and tactics. It is primarily the *relationships* between these various elements that give rise to structure.

However, few people in organizations are aware of the structures that give rise to day-to-day behavior. Trapped in fit-based, problem-focused approaches, they are too busy trying to fix surface behavior or fit goals to capacity to ask the questions that might reveal the structural underpinnings of the problems that obsess them.

A classic example of the effects of unnoticed structure occurred in a conventional manufacturing firm in which the official, executive decree was "Quality is number one!" However, on the shop floor, an unspoken rule decreed, "Get 'em out the door fast!" The unspoken rule drove day to day actions. Speed and quantity were rewarded, not quality. The relationship '*quality* vs. *quantity*' gave rise to bitter conflict within the organization.

Executives eventually transcended that conflict by creating a *hierarchy of values* in which both rules were acknowledged, yet it was made clear that quality *was* to take precedence over quantity. Reward systems were changed to reflect the emphasis on quality. The new structure supported both values, yet ensured that quality drove the action and was, in fact, number one. As a result, quality, morale, and production all increased significantly.

A second example of such structural conflict occurred when another company's corporate headquarters sent out a formal order to all divisions to make rapid changes. At the same time, top executives informally advised division executives to involve everyone and admonished them not upset *any* group. Again, a conflict was created between two value sets: *Make change fast* vs. *Involve everyone*. Spoken and unspoken values clashed. The informal value once again sabotaged the formal one.[31] (We'll look more closely at the limiting dynamics of structural conflict in Chapter Two.)

Most organizational conflict of this kind occurs because 1.) neither leaders nor employees recognize dysfunctional structures, and 2.) both lack the capacity to create structures that generate the results they truly want. "It doesn't matter how hard people try, how good they are as people or how lofty their aspirations are," says Senge. "There is nothing people are

[31] For more on conflict arising out of structure, see "Leadership and the Art of Understanding Structure," by Michael Shandler in *Transforming Leadership*, John Adams, Ed., Miles River Press, 1986, and *Corporate Tides* by Robert Fritz (see reference below).

going to do to create the results of which they are potentially capable given the structures that predominate."[32]

To change dysfunctional patterns to functional ones, you have to be able to see below the surface behavior of the system. You have to recognize the underlying patterns and structures that give rise to dysfunctional behavior. Changing the underlying structure can generate far more leverage than trying to manipulate surface behavior through reactive problem-solving.

One of the great business tragedies of recent times is leaders' failure to recognize the impact of structure on surface behavior. This failure has led to a proliferation of problem-solving experts brought in to tinker with surface level problems. Unaware of the effects of deeper structure, one set of consultants after another prescribes change efforts that seem to work for a while yet, in the end, fail to produce real and lasting results. Worse, conflict is often unwittingly designed into the deep structure of the organization by planners and consultants who are still stuck in conventional, fit-based approaches.

Railway Structures vs. Sailboat Structures

Most conventional planning programs have what I call a railway structure. You know where you want to go. You know where you are starting from. And you know all the stops in between. This structure is rigid, inflexible. It works well only so long as the ground under the tracks does not shift. If the ground shifts, trains—and organizations that plan this way—go off the tracks.

On the other hand, a sailboat is designed to cope with changing circumstances. It is designed to advance, to move you toward your goal regardless of the circumstances you encounter. Blown off course by a storm, you simply recommit to your destination, assess your current position, then set a new course. Most important, because it is structured to work with the forces in play, a sailboat draws energy from natural systems without degrading them. It is both ecologically and economically efficient. It's not likely to run out of gas.

"You cannot direct the wind," says an old saying, "but you can adjust your sails."

Nor can you, as complexity theory now shows us, direct a complex living system like a team or an organization. However, you can adjust the conditions in which those systems operate. You can create new structures underlying the systems you work with. You can treat them more as evolving, adapting sailboats than rigid, track-bound trains.

Hamel and Prahalad's *strategic intent*, Senge's *learning organizations*, and Fritz's *creative tension* all establish structures that act more like sailboats than railways. These structures set up a path of least resistance in which action consistently *advances* toward desired results—independently of current circumstances and problems. In a study on corporate growth done by a Wall street investment firm, researchers found that companies with *advancing* patterns were more likely to grow and succeed. Those with *oscillating* patterns were deemed

[32] Peter Senge, in the Foreword to Robert Fritz's, *The Path of Least Resistance for Managers*, Berrett-Koehler Publishers, San Francisco (1999)

poor risks because they spent so much time and so many resources dealing with problems that they failed to reach their desired end results.[33]

Energy put into advancing structures moves toward desired results far more consistently than energy put into rigid or oscillating structures. However, reliance on conventional strategy and planning makes many businesses, even entire industries, act more like railways than sailboats.

Meeting Hawken's challenge of creating a system in which the natural everyday acts of work accumulate into a better world as a matter of course will require that we create sailboat-like organizations structured so that the path of least resistance leads naturally toward ***all*** the results we want—profit, excellence, fulfilling life- and work-styles, as well as sustainability, ecological restoration, and personal and community well-being.

Achieving such a vision is fundamentally a *design* challenge.

Designing Structures for Sustainability

"Imagine," Peter Senge asks, "that your organization is an ocean liner, and that you are 'the leader.' What is your role?"[34] Although most answer "captain," "navigator," or "helmsman," Senge suggests that the key leadership role in organizations is "designer of the ship."

No matter how good a captain you are, if your ship is designed to follow only one path, or go in a circle, or oscillate back and forth between opposing destinations, your leadership will be severely limited by the structure of the vessel. Hard as it is to imagine an ocean liner designed to go in circles, that's what often happens in conventional planning approaches. Because most planners are unaware of the effects of underlying structure on organizational behavior, many businesses and organizations are unconsciously designed to perform in limited ways.

"The fundamental structures in most organizations," says Robert Fritz, "channel energy naturally toward maintaining the status quo. To create lasting change, leaders must learn to create new structures which will redirect the system's energies toward the desired changes."[35]

Hierarchies of Value

The key to successfully *creating* deep change is to ensure that structure supports intent. This means that the relative importance of different goals is must be clearly spelled out.

Let's say, for example, that a CEO is excited about sustainability and rallies her troops around a vision of contributing to a restorative economy, but she does nothing to change the prevailing structure of values within the company. Because it's new and exciting, sustainability will drive the action for a while. But if it results in lower profits (a property of systems in transition that Senge calls the "worse before better" syndrome) concerns will grow.

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[33] Robert Fritz, Participant's Manual, *Organizational Technologies for Creating* Course®, The Robert Fritz Group, www.robertfritz.com

[34] Peter, Senge *The Fifth Discipline*

[35] Fritz, Robert, "The Leader as Creator," in *Transforming Leadership*, John D. Adams, Ed.

When pressure for profits becomes greater than the desire for sustainability, profit will become the key motivating force while sustainability takes a back seat. Once profits are solid, there will be a renewed desire for sustainability. Following the path of least resistance, energy and resources flow back and forth between a desire for sustainability and a desire for profits.

Desire for Sustainability ————————————> *Lower Profits*

Desire for Profits ————————————> *Non-sustainable Actions*

The pattern will repeat itself until the underlying structure is changed or the organization burns itself out oscillating back and forth. The conflict will frustrate workers and drive away talent. The lack of high-level results will drive away customers and discourage investors.

Conflict is inevitable when value sets like "people *or* profit," "change *or* continuity," and "growth *or* stability" are set up in competing relationships. The structure created by two equal but opposed values causes a company to oscillate between those two values rather than advance consistently towards its desired results. Or to ignore one value all together.

Ensuring that structure supports intent means that goals must be arranged in integrated hierarchies in which goals support end results which support over-arching purpose and vision. Such a nested hierarchy sets up an open yet coherent structure in which all goals are important and aligned, but some are seen as primary, i.e. end results, and others as secondary, i.e. supporting end results. We'll see shortly how Patagonia created this kind of hierarchy.

But first, a caution about the term "hierarchy." Although hierarchy has been denigrated by both academic and business writers, most fail to distinguish between rank-based, "dominator" hierarchies—the power-based, command-control hierarchies which business borrowed from the military—and "growth" hierarchies that clearly specify the relationship between end results and supporting strategies and tactics, without imposing the latter from on high.[36]

By making complex relationships clear and simple, clearly-articulated growth hierarchies can render dominator hierarchies unnecessary. By clarifying the value hierarchy so that all members of an organization can clearly see the relationship between their individual challenges and tasks and the higher order goals and values those tasks support, growth hierarchies enable leaders to flatten management structures and to empower and align employees without creating confusion or conflict. Indeed, most growth hierarchies are "grown" from the bottom up, rather than imposed from on high.

Hamel and Prahalad's "stretch" companies, Collins and Porras's "visionary companies," and Senge's "learning organizations" have in common a framework based on a core of purpose, values, and vision—held in tension with accurate and objective assessments of current reality. Within that framework, these companies set up open, flexible fields for learning and creativity which tap into the distributed intelligence of the whole organization.

[36] For more on the difference between dominator and growth hierarchies, see Rianne Eisler's *The Chalice and the Blade, Harper and Row, San Francisco, (1988)*

Patagonia's Design Challenge

Setting up structures that consistently advance toward desired goals means that some values must be specified as more important than others.

When Patagonia's CEO, Yvonne Chouinard, cut back that company's growth a few years ago—because, he said, they'd never set out to be the *biggest* outdoor clothing manufacturer, just the *best*—he established a hierarchy of value. By specifying that "best" meant high quality garments *and* low impact on the environment, he shifted the structure of the company. He changed the path of least resistance so that Patagonia would more naturally move toward excellence based on environmental responsibility.

Desire for Excellence &
Environmental Responsibility

Desire for Robust Profits

Profit was still a key factor for Chouinard, but it was seen as a way of keeping score. Neither it nor growth were allowed to drive the action. Although Patagonia stayed small, cut back its product line, and increased the amount of re-cycled and organically-grown material in its garments, it continues to produce outstanding profits. Chouinard touts the corporate as well as environmental benefits of sustainable practices, saying, "Every time we've done the right thing, it's ended up making more money for us."[37] Patagonia is clear an example of a business that continues to develop even though it has stopped growing.

Expanding the Challenge

Our current system of commerce is guided by the belief that profit and environmental responsibility are incompatible values. The path generated by this *profit* **or** *the environment* structure has led to pollution, wasted resources, damaged landscapes and, now, to boycotts, customer defections, and diminishing profits. Instead of this antagonistic approach, companies such as Patagonia, Ben and Jerry's, and The Body Shop are moving toward a *profit* **and** *the environment* structure. This is a hopeful sign. However, if we are to design and implement a sustainable and restorative system of commerce, we need to go further. We need to move toward a structure that generates *profit* **through** *environmental sustainability*.

Companies such as Interface, Ikea, Scandia Hotels, and Collins Pine that have adopted the principles and framework of The Natural Step have discovered that working toward sustainability does not hamper profitability, it enhances it.[38] Not only have these four companies significantly reduced waste and emissions, they have each become the leading profit-maker in their respective industries.

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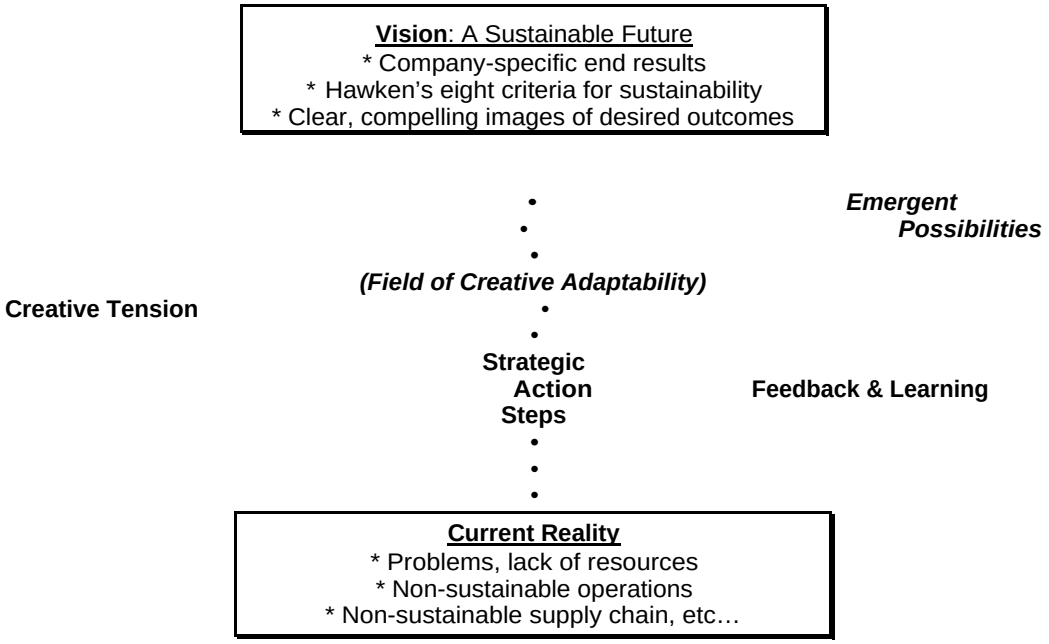
[37] Auden Schendler, "Durable Enterprise," Rocky Mountain Institute Newsletter, Fall/Winter 1997

[38] See *The Natural Step for Business*, Brian Nattrass and Mary Altomare, New Society Publishers (Gabriola Island, BC) 1999

Along with the systems conditions for sustainability, The Natural Step's power comes from its future-focused design. In the TNS framework there is a gap between current conditions and a vision of a sustainable, restorative future. Strategy and action are then "back-casted" from the future to the present. Although not consciously designed with these concepts in mind, the TNS framework incorporates both strategic intent and creative tension.

Like Fritz's framework for *creating* (shown below, and which we'll examine in detail in Parts Two and Three), the TNS framework is driven by a clear , compelling vision of specific, measurable results. It is grounded in the reality of current circumstances. It is focused on strategic action steps designed to move individuals, organizations, and communities from where they currently are toward their vision of desired results.

***Creative Tension*: A Framework for Creating Outstanding Results**



The creative tension that arises out of the gap between vision and current reality generates energy that flows along a path of least resistance. Sustainability seekers can use that energy to take action toward long-term goals. It is important to note that the path of least resistance is rarely straight. It is more likely to take the zig-zag form of a sailboat tacking, or a gradually ascending spiral of experimentation, learning from experience, and emergent creativity.

Creative tension opens up a field of creative adaptability in which stretch and leverage can be used to experiment, innovate new products and services, develop resourcefulness, and from which new, unforeseen possibilities can arise. Out of that field, *emergent possibilities*—novel actions and results that could not have been predicted—can more easily unfold.

Although many planning approaches tout the power of vision, it is actually the synergistic interaction of vision and current reality—and the resulting creative tension—that provides power to approaches such as the TNS framework and the creative process. Vision that is not grounded in an accurate and objective assessment of reality quickly becomes fantasy.

Conventional, fit-based planning approaches pose three questions: *Where are we? Where do we want to go? How can we best move from here to there?* By starting with current reality, however, fit-based approaches doom themselves to merely modest results.

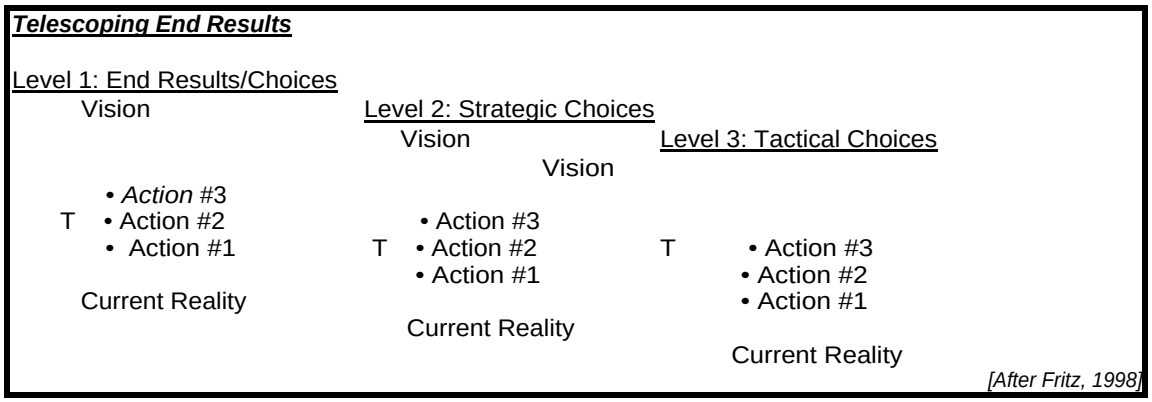
The "stretch" approach to organizational design poses the same three questions but turns the first two around by asking *Where do we want to go?* before asking *Where are we starting from?* By first asking *What results do we want to produce?* this future-focused approach is able to craft a compelling vision of results that is clear enough that everyone involved would recognize those results if they were created. Only when vision is clear and mutually agree upon, does the creative, stretch approach turn to questions of current reality.

In this way vision, not current capacity drives the actions. When creative tension is set up and held throughout the team or organization, the future-driven framework that results enables individuals and teams to invent creative ways to bridge the chasm between visionary goals and their limited current reality.

The structure of creating does not impose goals and strategies on employees. Rather it outlines the conditions and key elements around which they can self-organize their own ways of meeting the different levels of goals and purposes included within the framework. Robert Fritz has developed a simple, yet powerfully elegant way of ensuring that day-to-day organizational goals, decisions, and actions align in a meaningful and strategic way.[39]

Telescoping End Results

Beginning with the framework of creative tension, Fritz's planning method works backward from key, higher-level end results to smaller, intermediate-level, strategic results and actions, and, finally to tactical, local area goals and actions in a simple, iterative manner.



Vision refers not just to the large, over-arching purpose or mission of the organization. It also refers to a clear, compelling description of ***each*** of the specific end results that would be needed to bring that larger vision into being. As you work with this concept, you'll see that

[39] See *The Path of Least Resistance for Managers,* Chpt.. 4, or www.robertfritz.com

some end results are ends in themselves, while others are both ends in themselves and action steps that support higher-order results.

Adopting the principles and framework of The Natural Step (TNS) as an example, the Level One *Vision* might describe a completed end result such as, "All of our products and processes of production meet *The Natural Step's* four systems conditions for sustainability."

The action steps listed under level one would then be broad strategic imperatives, intermediate goals such as, "All suppliers meet TNS conditions for sustainability;" or "All levels of management are personally and professionally committed to the principles and framework of TNS and fluent in their practice."

Although such goals are also steps toward the final result, they are important enough that they can also be framed as end results with their own vision, current reality and action steps.

Action steps that support this second-level of strategic results might be "A simple system for auditing all suppliers in place within one year," or "A hands-on training program for all executives and managers to develop a shared understanding of and fluency in TNS principles and framework." These actions, though more tactical, are still large enough results to require their own clearly specified vision, current reality, and action steps itself.

And so it goes, working backwards from the final results, telescoping out and down from the overriding vision, describing key supporting results and the steps required to achieve them.

Out of the simple elegance of the repeated, fractal structure of creative tension emerges a complexly structured map of potential actions and their connections to each other and to the higher end results they serve. "Complexity as well structured as this," says Fritz, "is relatively easy to manage and reinforce."[40]

A Template for Teamwork

This process of telescoping end results can act as a template for integrated design and planning throughout the organization. It establishes the form of creative tension as the predominant planning structure throughout the organization. It provides a common protocol and easily understood language for dealing with issues or conflicts so that actions lead to results, not reaction. Such a common protocol and shared language can radically change the nature of teamwork in an organization.

Jon Katzenback, a director of the world-renowned McKinsey and Company consulting firm and an expert on the power of teams, says that successful teams need to:

- Be clear about their purpose, and believe it is important
- Know their specific goals
- Know how they will accomplish their goals
- Have the right set of skills for their team, and

[40] Fritz, Robert, *Corporate Tides*

- Hold themselves accountable for their results.[41]

Working with the framework of the telescoped creative dynamic, individuals and teams can more easily deal with the complexity they face. Their purpose and specific goals are clear. They are clear about what actions they can take. They can see whether their skills match the challenge they face, and working within this framework makes it much easier to be self-accountable and self-assessing.

Leadership can emerge anywhere in this sort of open structure, not just from the management suite. Self-organizing teams can coalesce around creative projects, then disperse when the result has been satisfactorily produced. Everyone in this kind of system knows what everyone else is doing and is supposed to do. Information flows freely. Diversity is encouraged. Connectivity is high. Relationships flourish. Teams naturally cross-pollinate. Even those farthest removed from the top or the centre can easily see the connection of their small action step to the vision, purpose, and mission of the organization.

This kind of alignment between actions and the results they support also leads to alignment between individual employees, and between departments and divisions. Eventually the organization begins to resemble a symphony orchestra or a jazz ensemble. All its players and parts work in harmony to produce outstanding results.

Creating A Sustainable System of Commerce

Conventional planning approaches do not produce deep and lasting change. Stuck in a fit-based, problem solving stance, individuals and organizations become depressed, reactive, and dysfunctional. They waste precious time, money, and energy trying to get rid or (or relief from) the conflict that arises from the very structure underlies their behavior. The tendency is to oscillate, not advance. Employees in this kind of a structure work hard but produce few real and lasting results. Frustration is high. Burn-out is inevitable.

Strategy formation in this kind of a framework, if it exists at all, tends to be fragmented, incomplete, lacking in coherence. Strategies are often rigid yet reactive, rule-bound yet riddled with uncertainty. They create more complexity than they manage. They enervate rather than energize. People who have to carry out these kinds of reactive, problem-focused strategies and tactics become deeply skeptical about the possibility of achieving any visions, let alone grand, audacious visions on the scale that Paul Hawken suggests. Therefore, conventional strategic planning approaches do not provide a sufficiently solid nor powerful enough framework in which to take on the challenge of creating a sustainable system of commerce.

"To create an enduring society," Hawken argues, "we will need a system of commerce and production where each and every act is inherently sustainable and restorative. Business will need to integrate economic, biologic, and human systems to create a sustainable method of

[41] Cited in *Simplicity: The New Competitive Advantage*, by Bill Jensen, PerseusBooks, Cambridge, MA (2000)

commerce."[42] The question is, he says, "Can we imagine a market system … that creates, increases, nourishes and enhances life on earth?"

Imagining such a system is the first step. Assessing current capacity, including the limits of conventional planning is the next. Holding the two in mind simultaneously will set up the chasm of strategic intent and generate creative tension. The next step is for individuals, companies, and whole industries to master and apply the skills and structures needed to orchestrate that tension so that we bridge the chasm.

To take that step, business and its leaders would do well to begin seeing themselves as *creators*—designers and architects of sustainable commerce and a livable world—rather than mere planners, problem solvers, or profit-seekers.

The Leader As Creator

Throughout the rest of this book, we will turn our attention to the more comprehensive approach of *creating*. Working within the framework of the creative process, leaders can more easily take a stand for what truly matters to them and their organizations. Rather than attempt to direct the organization through a top-down, command-control hierarchy, the leader as creator influences the organization by encouraging teams and individuals to set up creative tension. As well as facilitating clarity around organizational purpose, values, and visions, leaders help others embrace their own visions, assess their own reality, and set up their own creative tension as they take on the challenge of bridging the gap between vision and reality.

Organization-wide creating like this leads to integration, alignment, and coherence within individuals, teams, and entire organizations. It results in healthy systems and happy employees. It generates consistency of action and predictable results, yet it is open and flexible enough to allow for self-organization, innovation, novelty, and the emergence of new possibilities. The future-focused design framework that underlies the creative process *can* produce the deep change that is needed to achieve Hawken's vision and others like it.

In Chapter Three, *The Structure of Creating*, we will examine the powerful set of skills and structures that make up a framework for creating almost anything. Skills like *crafting effective visions, objectively assessing current reality,* and *setting up, holding, and orchestrating creative tension* are high-level tools that give individuals and organizations the capacity to create. They will enable us to transcend our current fixation on merely reacting and responding to problems and circumstances.

In Chapter Four, *Skills for Creating Almost Anything,* we'll examine seven generic skills for creating that interact to make up the deep structure of the creative process. We will see that when viewed from within the design-focused frame of creating, Hawken's vision can become an engaging, doable, and profitable challenge.

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[42] Paul Hawken, *The Ecology of Commerce,* HarperCollins, New York (1993)

In Chapter Five, *Leadership Practices for Creating Profound Change,* we'll look at leadership practices that enable change agents to apply creating skills and to grow successful deep and creative change efforts. In Chapter Six, *Co-Creating Real and Lasting Results*, we'll look at the concept and practice of co-creating mutually-desired results with others.

We'll conclude with a call to action, a call to create new kinds of businesses in a new kind of economic infrastructure—one that fits into the natural ecostructure of which we are but a part, and on which all health, wealth, and well being depend.

However, before we turn to the art and practice of creating, we must look more closely at the limits of problem solving and the structure that underlies this approach that so many rely on to produce results. Although he wasn't talking about problem-solving in particular, John Maynard Keynes captured the essence of why we so often fail to grasp and act on new ideas.

"The difficulty," said Keynes, "lies not in the new ideas, but in escaping the old ones."[43]

Problem-solving as a primary platform for producing results belongs to the old, mechanistic, parts-focused way of producing results. It has a place in the creative approach, but it can no longer drive the action. However, until people clearly recognize and understand the limits inherent in the problem solving framework, they cannot easily escape those limits.

Nor can they, as Einstein urged, move to a higher level of thinking and doing. Stuck in a rigid problem-focused stance, they are neither ready nor willing to fully embrace the new framework. Those who rush into the creative process before they fully understand the limits of problem-solving inevitably force creating skills and structures into their problem-focused framework. The result, "creative problem-solving," is, as I'll show later, an energy-sucking oxymoron that fails to produce lasting results and leads only to the temporary illusion of success. So please bear with me as we examine the structure and limits of problem-solving.

In Chapter Two, *The "Problem" With Problem Solving,* we will examine the limits of problem-solving as a results-producing framework. We'll look in depth at how structural conflicts arise, and we'll see how and why the structure of the creative process can transcend structural conflict by including "problems" as part of current reality. Dieters, for example, who shift their focus *from* "solving the fat problem" to *creating* what truly matters to them (like a lean, healthy body, a successful marathon, or the capacity to hike mountain trails with ease and grace) will not only find that they are more likely to produce what they want, they can also eat well and enjoy it. Businesses like Ikea, Interface, and Patagonia that commit to sustainability move toward their goals while also reaping healthier profits.

Once we have seen why problem-solving is not an appropriate foundation nor framework with which to create sustainable businesses in a sustainable system of commerce, we will turn to an in-depth examination of the skills and structure of the creative process which I suggest *is* an appropriate framework within which to achieve Hawken's vision.

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[43] Quoted in Carl Frankel, *In Earth's Company,* New Society Publishers (1998) Gabriola Island, BC, Canada

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