The Essentials of Theory U:
Core Principles and Applications

A book excerpt by Otto Scharmer, Mobius Senior Expert,
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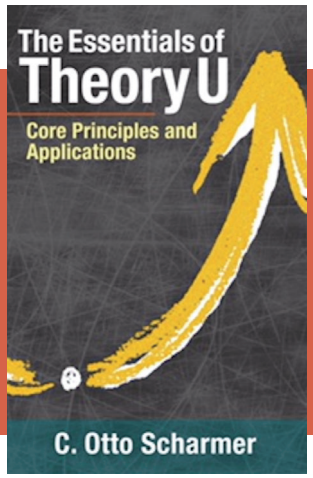


A Framework for Seeing the Field

Some people say that, for all the talk about change, very little actually happens. But in my experience that is not true. I have seen tectonic shifts several times in my life. I saw it when the Berlin Wall collapsed in 1989 – and with it the Cold War system. I saw it when the apartheid system ended in South Africa. I saw it when a youth movement swept the first African American president of the United States of America into office. I saw it when the center of the global economy shifted from the West to East Asia over the past two or three decades. And I see it now in the recent rise of autocrats, nationalists, and far-right movements as a counter-reaction to a single sided globalization and as an overlay to something of even higher significance: the awakening of a new awareness across the planet.

> **"Explore the future by *doing*, by building small landing strips for the future that wants to emerge."**

Even though not every one of these changes amounted to a tectonic shift, this much I know: today, anything can happen. I believe that the most important tectonic shift of our lifetime is not behind but right in front of us. That shift has to do with the transformation of capitalism, democracy, education, and self.

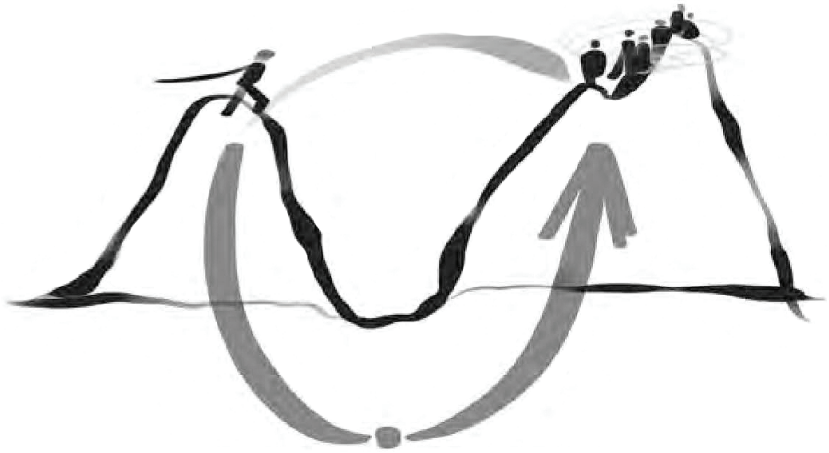
The Blind Spot

We live in a moment of profound possibility and disruption. A moment that is marked by the dying of an old mindset and logic of organizing. And one that is marked by the rise of a new awareness and way of activating generative social fields. What is dying and disintegrating is a world of Me First, bigger is better, and special interest group-driven decision making that has led us into a state of organized irresponsibility.

What is being born is less clear. It has to do with shifting our consciousness from ego-system to eco-system awareness – an awareness that attends to the well-being of all. In many places around the world we can actually witness the awakening of this awareness and its underlying force: an activation of the intelligence of the heart. Groups that begin to act from such an awareness can, in the words of UC Berkeley cognitive psychologist Eleanor Rosch, "be shockingly effective."

The beginnings of this shift may seem small and insignificant in comparison with the vast challenges that we face worldwide. And in many ways they are. Yet I believe that they hold the seeds for a profound civilizational renewal that is called for in order to protect and further activate the essence of our humanity.

FIGURE 1: The Challenge of Disruption



My friend and Presencing Institute co-founder Kelvy Bird captures this felt sense in the image of an abyss (figure 1).

If we picture ourselves on the left-hand side of the image, we can see a world that is disintegrating and dying (the structures of the past); on the right-hand side we see the new mental and social structures that are emerging now. The challenge is to figure out how to cross the abyss that divides the two: how to move from "here" to "there."

This picture, in a nutshell, depicts the journey of this book: the journey across the abyss, from a current reality that is driven by the past to an emerging future that is inspired by our highest future potential.

Three Divides

Today this journey matters more than ever. If we look into the abyss, we see three major divides. They are:

- *The ecological divide*: unprecedented environmental destruction — resulting in the loss of nature.
- *The social divide*: obscene levels of inequity and fragmentation — resulting in the loss of society — the social whole.
- *The spiritual divide*: increasing levels of burnout and depression — resulting in the loss of meaning and the loss of Self. With the capital 'S' Self I mean not the current ego self but the highest future potential.

In essence, we are collectively creating results that (almost) nobody wants. These results include the loss of nature, the loss of society, and the loss of Self.

In the nineteenth century many countries saw the rise of the social divide as a major issue, and it has shaped our public awareness ever since. In the twentieth century we saw the rise of the ecological divide, particularly during the last third of the century. It too has shaped our public awareness.

And at the beginning of the twenty-first century we are seeing the rise of the spiritual divide. Fueled by the massive technological disruptions that we have experienced since the birth of the World Wide Web in the 1990s, advances in technology will replace about half of our jobs by 2050. We are now facing a future that "no longer needs us," to borrow the words of computer scientist and co-founder of Sun Microsystems Bill Joy, and that in turn forces us to redefine who we are as human beings and to decide what kind of future society we want to live in and create. After the various types of tyrannies that we saw throughout the twentieth century, are we now moving into a tyranny of technology? This is one of the questions we face when we look into the abyss.

In other words, we live in a time when our planet, our societal whole, and the essence of our humanity are under attack. That may sound a bit dramatic. Still, I believe it understates the significance of our current moment.

So where is the hope? The biggest source of hope in our time is that more and more people, particularly the younger population, realize that the three divides are not three separate problems. They are essentially three different faces of one and the same root issue. What issue is that? The blind spot.

The ecological divide can be summed up by a single number

1.5 Currently our economy consumes the resources of 1.5 planets. We use 1.5 times the regeneration capacity of planet earth. And that is just the average. In the United States, for example, the current consumption rate has surpassed five planets.

The social divide can be summed up by another number

8 Eight billionaires own as much as half of mankind combined. Yes, it is true. A small group of people that you can fit into a minivan owns more than the "bottom half" of the world's population: 3.8 billion people.

The spiritual divide can be summed up by the number 800,000

800k More than 800K people per year commit suicide — a number that is greater than the sum of people who are killed by war, murder, and natural disasters combined. Every forty seconds there is one suicide.

The Blind Spot

There is a blind spot in leadership, management, and social change. It is a blind spot that also applies to our everyday social experience. The blind spot concerns the inner place – the source – from which we operate when we act, communicate, perceive, or think. We can see what we do (results). We can see how we do it (process). But we usually are not aware of the who: the inner place or source from which we operate.

The quality of how we pay attention is a largely hidden dimension of our everyday social experience – whether it is in organizations, institutions, or even our personal lives. As we conduct our daily business, we usually are well aware of what we do and how we do it – that is, the processes we use. But if we were asked where our actions come from, most of us would be unable to provide a clear response. In my research I began to call this origin of our actions and perceptions *the source*.

In Front of the Blank Canvas

To better understand this point, consider the work of an artist. We can look at art from at least three perspectives:

- We can focus on the thing that results from the creative process – say, a painting.
- We can focus on the artist's process in creating the painting.
- Or we can observe the artist at the moment when she is standing in front of a blank canvas.

In other words, we can look at the work of art after it has been created, during its creation, or before creation begins.

If we apply this analogy to leading change, we can look at the change maker's work from three similar angles. First, we can look at *what* leaders and change makers do. Many books have been written from that point of view. Second, we can look at the *how,* the processes leaders use. We have used that perspective in management and leadership research for more than two decades.

Yet we have never systematically looked at the leader's work from the blank-canvas perspective. The question we have left un-asked is: What *sources* are leaders and change makers actually operating from? For example: What quality of listening, what quality of attention, do I bring to a situation – and how does that quality change the course of action moment to moment?

To sum up the discussion of the three divides: While the ecological divide arises from a disconnect between self and nature, and the social divide arises from a disconnect between self and other, the spiritual divide arises from a disconnect between self and Self that is, between who I am today and who I might be tomorrow, my highest future possibility.

Learning from the Future as It Emerges

My first insight is quite elemental. There are two different sources of learning: (1) learning by reflecting

on the past and (2) learning by sensing and actualizing emerging future possibilities.

All traditional organizational learning methods operate with the same learning model: learning by reflecting on past experiences. But then I saw time and again that in real organizations most leaders face challenges that cannot be responded to just by reflecting on the past. Sometimes past experiences are not particularly helpful. Sometimes they are the very obstacles that keep a team from looking at a situation with fresh eyes.

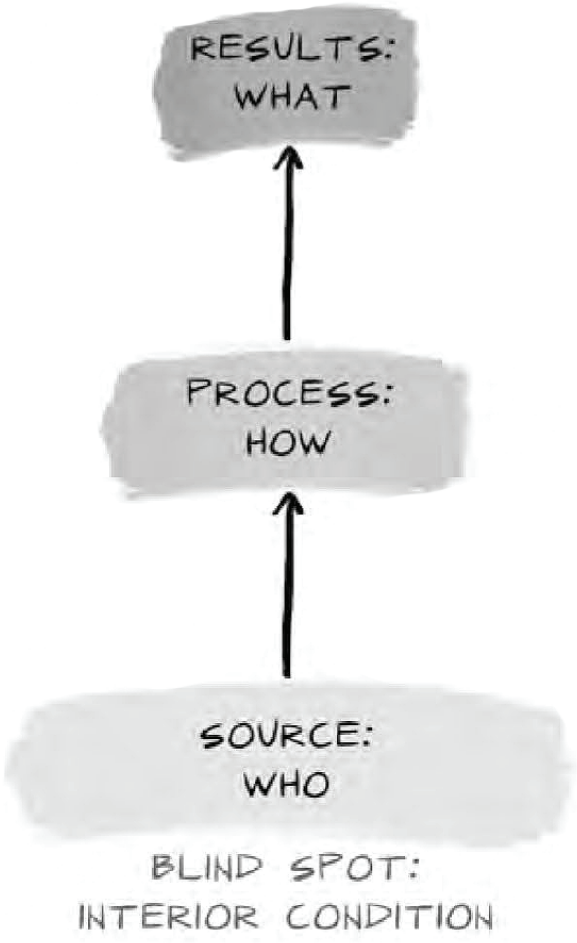
In other words, learning from the past is necessary but not sufficient. All disruptive challenges require us to go further. They require us to slow down, stop, sense the bigger driving forces of change, let go of the past and let come the future that wants to emerge.

But what does it take to learn from the emerging future? When I started to ask this question, many people looked at me with a blank stare: "Learning from the future? What are you talking about?" Many told me it was a wrongheaded question.

Yet it was that very question that has organized my research journey for more than two decades. What sets us apart as human beings is that we can connect to the emerging future. That is who we are. We can break the patterns of the past and create new patterns at scale. No other species on earth can do this. Bees, for example, may be organized by a much higher collective intelligence. Yet they have no option to change their pattern of organizing. But we as humans do.

Let me say this in different words. We have the gift to engage with two very different qualities and streams of time. One of them is a quality of the present moment that is basically an extension of the past. The present moment is shaped by what has been. The second is a quality of the present moment that functions as a gateway to a field of future possibilities. The present moment is shaped by what wants to emerge. That quality of time, if connected to, operates from presencing the highest future potential. The word presencing blends "sensing" with "presence." It means to sense and actualize one's highest future potential. Whenever we deal with disruption, it is this second stream of time that matters most. Because without that connection we tend to end up as victims rather than co-shapers of disruption.

FIGURE 2: The Blind Spot of Leadership



How can we connect to this second stream of time as individuals, as organizations, and as eco-systems? That exploration has guided my research journey over the past two decades. It has led me to describe a deep learning cycle that uses a different kind of process – one that moves us to the edges of the system, connects us to our deepest sources of knowing, and prompts us to explore the future by doing. This deep learning cycle applies both to our professional and our personal lives. For example, as a sixteen-year-old, I had an experience that gave me a real taste of what it looks and feels like to be pulled by the field of emerging future potential.

Facing the Fire

When I left our farmhouse that morning for school, I had no idea it was the last time I would see my home, a large, 350-year-old farm house. It was just another

ordinary day at school until about one o'clock, when the teacher called me out of class and said I should go home. I had no idea what might have happened, but felt it wasn't good news. After the usual one-hour train ride I ran to the entrance of the station and jumped into a cab. Long before the cab arrived, I saw huge gray and black clouds of smoke billowing into the air. My heart was pounding as the cab approached our long driveway. I recognized neighbors, area firefighters, and policemen. I jumped from the cab and ran through the crowd that had gathered, down the last half-mile of our chestnut-lined driveway. When I reached the courtyard, I could not believe my eyes. The world I had lived in all my life was gone. Up in smoke.

As the reality of the fire in front of me began to sink in, I felt as if somebody had ripped the ground from under my feet. The place of my birth, childhood, and youth was gone. As I stood there, taking in the heat of the fire and feeling time slow down, I realized how attached I had been to all the things destroyed by the fire. Everything I thought I was had dissolved. Everything? No, perhaps not everything, for I felt that a tiny element of myself still existed. Somebody was still there, watching all this. Who?

> **"What sets us apart as human beings is that we can connect to the emerging future."**

At that moment I realized there was another dimension of myself that I hadn't previously been aware of, a dimension that related to my future possibilities. At that moment, I felt drawn upward, above my physical body, and began watching the scene from that elevated place. I felt my mind quieting and expanding in a moment of unparalleled clarity. I was not the person I had thought I was. My real self was not attached to all the material possessions smoldering inside the ruins. I suddenly knew that I, my true Self, was still alive! It was this "I" that was the Seer. And this Seer was more alive, more awake, more acutely present than the "I" that I had known before. No longer weighed down by the material possessions the fire had just consumed, with everything gone, I was lighter and free, released to encounter the other part of myself, the part that drew me into the future — into my future — into a world waiting for me to bring it into reality.

The next day my eighty-seven-year-old grandfather arrived for what would be his last visit to the farm. He had lived in that house all his life, beginning in 1890. Because of medical treatments, he had been away the week before the fire, and when he arrived at the courtyard the day after the fire, he summoned his last energy, got out of the car, and went straight to where my father was working on the cleanup. Without seeming to notice the small fires still burning around the property, he went up to my father, took his hand, and said, "Kopf hoch, mein Junge, blick nach vorn!" ("Keep your head up, my boy, look forward!") Then, after a few more words, he turned, walked back to the waiting car, and left. A few days later he died quietly.

That my grandfather, in the last week of his life, with much of what he had been cultivating all his life gone up in flames, was able to focus on the emerging future rather than reacting to the loss, made a big impression on me.

Only many years later, when I had started to work on learning from the emerging future rather than from the past, did I start doing my best work. But I realize now that it was seeded in that early experience.

Building the Container

"I hate when people say 'there are two types of people...,'" my MIT mentor Ed Schein said to me one day. Then, with the hint of a smile, he continued: "But there really are two types of people: those who understand process and those who don't."

Ed is right. Understanding process means to understand the making of our social relationships. If you want to change a stakeholder relationship from, say, dysfunctional to helpful, you cannot just order people to do it. You have to intervene further upstream in the process of social reality creation. You have to change the making of that relationship from one mode to another — for example, from reactive to co-creative.

Similarly, with respect to the "source" level of creativity, we can say that there are two types of people:

those who understand containers and those who do not. Container building is facilitator language for forming a good holding space. Often in organizations you see CEOs and executives who fail to get that. They think they can create behavioral change just by making speeches and pushing tools onto the organization. Tools are important. But they are also overrated because they are so visible. But what is usually underrated is all the stuff that is invisible to the eye — for example, the less visible elements of a good holding space: intention, attention, and the subtle qualities of deep listening. Building a good container means to build a good holding space for a generative social process. [See Priya Parker's book, *The Art of Gathering,* page 30.]

Much of the conventional language and toolkits around managing change turn out to be partially useful at best. For example, consider the term "driving change." When have you asked your family how much they like you to "drive" their web of relationships from one state to another? Good luck with that. The reality of leading profound change has little to do with one person "driving" the change of another. It is the wrong metaphor, the wrong approach. What I feel may be more useful is the metaphor of the farmer.

Which brings me to my third learning, and also back to my roots....

Social Fields

I grew up on an 800-year-old farm near Hamburg. Sixty years ago, my parents decided to abandon conventional industrial farming techniques (using pesticides, herbicides, and chemical fertilizers) and replace them with organic methods (focusing instead on cultivating the living eco-system of the farm). Every Sunday my parents took me, my sister, and my two brothers on a Feldgang — a field walk — across the fields on our farm. Once in a while my father would stop, bend over, and pick up a clump of soil from a furrow so that we could learn to recognize its different types and structures. The quality of the soil, he explained, depended on a whole host of living entities — millions of organisms living in every cubic centimeter of the soil whose work is necessary for the earth to breathe and to evolve as a living organism.

Just as we did on those field walks of my youth, this book will take you on a similar journey where every now and then we stop and examine a case story or a piece of data that helps us understand the deeper structures of the "social field." And just as the organic farmer depends completely on the living quality of the soil, social pioneers depend on the living quality of the social field. I define social field as the quality of relationships that give rise to patterns of thinking, conversing, and organizing, which in turn produce practical results.

And just as the farmer cannot "drive" a plant to grow faster, a leader or change maker in an organization or a community can not force practical results. Instead, attention must be focused on improving the quality of the soil. What is the quality of the social soil? It is the quality of relationships among individuals, teams, and institutions that give rise to collective behavior and practical results.

Looking back, I realize that my journey over the past four decades has been one of cultivating social fields. My parents cultivated the fields on the farm. My colleagues and I cultivate social fields. And if you happen to be a manager, educator, entrepreneur, social entrepreneur, performing artist, health professional, parent, or movement builder, that is probably your work, too.

Theory U integrates the following methods and lineages for effecting change:

- Action research and organizational learning in the tradition of Peter Senge, Ed Schein, Donald Schön, Chris Argyris, and Kurt Lewin
- Design thinking in the tradition of Tim Brown and Dave Kelly
- Mindfulness, cognition science, and phenomenology in the tradition of Francisco Varela, Jon Kabat-Zinn, Tanja Singer, Arthur Zajonc, and David Bohrn
- Civil society movements in the tradition of Martin Luther King Jr., Nelson Mandela, Mahatma Gandhi, and millions of others who are mobilizing change in their local contexts

"In essence, we are collectively creating results that (almost) nobody wants. These results include the loss of nature, the loss of society, and the loss of Self."

The deeper experiences and levels of the social field, described here, are familiar to everyone who is engaged in creating movements, startups or profound change. In my own case, I first got involved with the environmental, green, antinuclear, and peace movements of the late 1970s and 1980s, and later in launching the Presencing Institute as a new type of global social enterprise. Later in the book I will share some of those experiences in more detail. At this point I just want to draw your attention to the fact that none of these experiences are unique or extraordinary.

On the contrary, they are actually quite ordinary. Many people have them. And yes, they do take you "out of the box," like the fire experience took me out of my physical body for a moment or two. And yet many of us have these experiences a lot more often than we realize at first sight.

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By providing this introduction to Theory U – an awareness-based method for changing systems – I try to answer the question: How do we learn in the face of disruption? How do we learn from the future as it emerges?

Theory U blends systems thinking, innovation, and leading change – from the viewpoint of an evolving human consciousness. Drawing on the Massachusetts Institute of Technology (MIT) tradition of action research and learning by doing, Theory U has evolved over two decades of experimentation and refinement by a vibrant global community of practitioners. At its core, Theory U comprises three main elements:

1. A framework for seeing the blind spot of leadership and systems change
2. A method for implementing awareness-based change: process, principles, practices
3. A new narrative for evolutionary societal change: updating our mental and institutional operating systems (OS) in all of society's sectors.

Cultivate the Social Field

At its core, Theory U makes a distinction between the different ways that action and attention come into the world. *I pay attention this way, therefore it emerges that way.* Or, as the late CEO of Hanover Insurance, Bill O'Brien, put it: "The success of an intervention depends on the interior condition of the intervener."

Theory U draws our attention to the blind spot in leadership today: the "interior conditions," the sources from which we operate both individually and collectively.

Since I grew up on a farm, I like to compare our interior condition to a field. Each field has two dimensions: one that is visible, what's growing above the surface; and one that is invisible, what's beneath the surface — that is, the quality of the soil.

The same distinction applies to social fields. We can see what people do, the practical outcomes that they accomplish in the visible realm. But we rarely pay attention to the deeper root condition: the source and

interior condition from which we operate. Theory U draws our attention to that blind spot – to the invisible source dimension of the social field, to the quality of relationships that we have to each other, to the system, and to ourselves.

Theory U identifies four different ways (or sources) that action and attention come into the world. They arise from a quality of awareness that is (1) habitual, (2) ego-systemic, (3) empathic-relational or (4) generative eco-systemic.

The essence of leadership is to become aware of our blind spot (these interior conditions or sources) and then to shift the inner place from which we operate as required by the situations we face. This means that our job as leaders and change makers is to cultivate the soil of the social field. The social field consists of the relationships among individuals, groups, and systems that give rise to patterns of thinking, conversing, and organizing, which in turn produce practical results.

Social fields are like social systems — but they are seen from within, from their interior condition. To shift from a social system perspective to a social field perspective, we have to become aware of our blind spot, the source level from which our attention and our actions originate. That source level fundamentally affects the quality of leading, learning, and listening.

The problem with leadership today is that most people think of it as being made up of individuals, with one person at the top. But if we see leadership as the capacity of a system to co-sense and co-shape the future, then we realize that all leadership is distributed – it needs to include everyone. To develop collective capacity, everyone must act as a steward for the larger eco-system. To do that in a more reliable, distributed, and intentional way, we need:

- A social grammar: a language (laid out in Part I of this book)
- A social technology: methods and tools (Part II)
- And a new narrative of societal and civilization renewal (Part III).

Theory U revolves around a core process of co-sensing and co-shaping emerging future possibilities. But it is much more than that. The grammar and the method outlined in this book work as a matrix, not as a linear process. Some of the leadership capacities that are at the heart of the U method include:

- **Suspension and wonder:** Only in the suspension of judgment can we open ourselves up to wonder. Wonder is about noticing that there is a world beyond our patterns of downloading.
- **Co-sensing:** You must go to places of most potential yourself because it is in these connections that the seeds of the future come into the world. Connect with these places with your mind and heart wide open.
- **The power of intention:** The power of intention is key. In all presencing work, the deeper intention is the opposite of corporate indoctrination. It is about increasing, not decreasing, your range of

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possibilities. It is about strengthening your sources of self in a world that otherwise tends to tear us apart. It is about making you aware of your own sources of curiosity, compassion, and courage.

- **Co-creating:** Explore the future by doing, by building small landing strips for the future that wants to emerge.
- **Container building:** Create new holding spaces that activate the generative social field.

The problem with our current societal eco-systems is the broken feedback loop between the parts and the whole. Theory U offers a method for relinking the parts and the whole by making it possible for the system to sense and see itself. When that happens, the collective consciousness begins to shift from ego-system awareness to eco-system awareness — from a silo view to a systems view.

The Theory U methods and tools enable groups to do this on the level of the collective. For example, Social Presencing Theater makes it possible for a group of stakeholders in a system to sense and see themselves — both individually and collectively — by bending the beam of observation back onto the observer.

This matters because energy follows attention. Wherever we put our attention as leader, educator, parent, etc. – that is where the energy of the team will go. The moment we see the quality of attention shifting from ego to eco, from me to we, that is when the deeper conditions of the field open up, when the generative social field is being activated.

My work with these and other methods of change over the past two-plus decades boils down to this: The quality of results achieved by any system is a function of the quality of awareness that people in these systems operate from. In three words: Form follows consciousness. ■

ABOUT THE AUTHOR

Mobius Senior Expert Dr. C. Otto Scharmer is a Senior Lecturer at the Massachusetts Institute of Technology (MIT), and founding chair of the Presencing Institute. He introduced the concept of "presencing"– learning from the emerging future – in his bestselling books *Theory U* and *Presence* (the latter co-authored with Peter Senge et al). In 2015 he co-founded the online MITx u.lab, that has since activated a global eco-system of societal and personal renewal involving more than 100,000 users from 185 countries. Otto earned his diploma (with distinction) and PhD (summa cum laude) from Witten/Herdecke University in Germany. He received the Jamieson Prize for Excellence in Teaching at MIT (2015) and the European Leonardo Corporate Learning Award (2016). In 2018 he was ranked #5 of the world's top 30 education professionals by globalgurus.org. His new book, *The Essentials of Theory U,* is an inspiring pocket guide that focuses on three essential components: the core principles, the key movements that make the process of Theory U, and the practical applications that transform our economy from ego-centric to eco-centric.