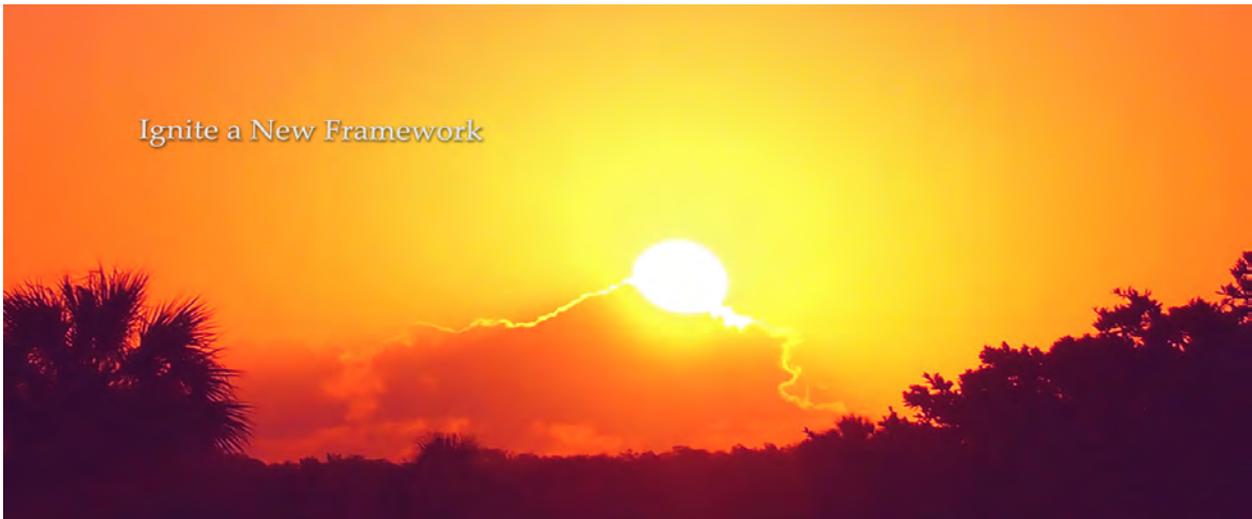


The Evolution To The Living Organization



Ignite a New Framework



Create a Living Organization



by Norman Wolfe and Giles Hutchins

Every generation experiences significant change due to innovations, disruptions and shifting perspectives. Yet there has been more significant change in the last 50 years than in the previous millennium. These recent advances have created tectonic shifts challenging what we do and the way we do it, calling into question our sense of purpose, and demanding wholly new ways of operating and organizing.

For organizations to thrive and flourish in these times of fast-moving change, our leaders need to be equipped with how to enable their organizations to appropriately adapt and respond to these unprecedented times. If you aren't thriving you're not surviving.

In this paper you will learn the why, the what, and the how. You will learn a new way of thinking about your organizations that will make you and your organizations more impactful. You will discover guidelines for assessing your organizations and a path forward that enables flourishing amid times of unceasing volatility and change.

Where We Came From

The start of today's dominant business paradigm coincides with the creation of the modern corporation around the turn of the twentieth century. Its roots can be traced back to the industrial revolution which grew out of the Scientific Revolution and Enlightenment of the 16th, 17th and 18th centuries, which heralded rapid advances in scientific, political and philosophical thought. This shaped a certain mind set that influenced how we approached business management during the Industrial and post-Industrial period of the 19th and 20th century. A mind set that included the reductive logic of empirical analysis, process management, control, predictability, replicability, efficiency, win-lose competition and economies of scale. These formed the backbone of Frederick Taylor's Principles of Scientific Management published in 1909. The scientific approach of Taylorism became hugely influential in setting the context for viewing the organization as a machine.

Machines perform better when optimized for efficiency. The responsibility for optimizing the organizational machine became management's domain and their primary concern. This mechanistic logic coupled with economies of scale, centralization, and control-based thinking, led to the hierarchical organization structure with its silos and bureaucracy we know only too well today. Employees were relegated to the role of efficiently performing the duties as defined by management. As management seeks to improve the efficiency of the machine, they unwittingly undermine the creativity, agility and empowerment of people in the process.

When you think of your organization and the challenges you face, where do your thoughts take you? You might start with thoughts of increasing revenues, reducing expenses or even improving services to customers. If you are like most business leaders, as you think further of how to implement such objectives, you will be thinking in terms of how you can get more with what you have (or less). How you can maximize the efficiency of your organization. If your thinking goes there, then it is enmeshed in the Machine Paradigm.

The Machine – Pros & Cons

Before we move onto what is the next evolutionary step beyond this Machine Paradigm, let's acknowledge the benefits of this mind-set and what it has achieved for us over the years.

We have seen a significant rise in material betterment for large swaths of humanity over the last century. Breakthroughs in production have enhanced the lifestyle of many. Henry Ford's Model T made automobile travel available to the masses, not just the wealthy. Today's ubiquitous smartphone allows many of us around the world to have connectivity and the information super-highway at our fingertips. Our daily lives are improved in innumerable ways from scientific breakthroughs in medicine to everyday life enhancing tools like the GPS. All of this has been made possible by significantly improving the scale and cost of production and delivery of these wonderful technologies in an affordable way.

Why do we need to change if we have gained so much from this current paradigm? Because the world of the 21st century is not like the 20th century. The very advances brought to us by 20th century business have created a very different environment which now demands a new way of operating and organizing. Whether it's the increasing digitization, widespread globalization, increased competition, the need for more sustainable and responsible practices, or the impact of the Millennial generation, business-as-usual is no longer an option.

Through most of the 20th century, success was defined by the most efficient, scalable machine of production or service provision, which worked quite well in 20th century surroundings. Today's environment is more volatile, uncertain, complex, and ambiguous, the VUCA age. Success is determined by organizations being innovative, agile, purposeful and engaged. No matter how we try to reconfigure a machine, the very idea of a machine means it is not very agile or creative and, notwithstanding our love of technology, we rarely feel passion for, or commitment to the machine. If you are not changing and evolving to a new paradigm you are dying.

Machine	The Living Organization
Produces	Creates
System of Discreet Components	Organic Interdependent Relationships
Does As It Is Told	Learns And Adopts
Purpose Is To "Do"	Purpose Is To "Serve"
Predict and Control	Sense and Respond
Transactional	Relational

What's Next?

Businesses need to embrace a fundamental shift in how we manage and operate to thrive in these times of fast-moving change.

We are drawn to Nature in our search for forms of production and service provision that could serve as a fresh model for the next evolution of the organization. Nature is alive, resilient, creative and agile in the way it responds to the changing landscape. Nature co-creates and participates within an inter-related ecosystem. And everything involved in Nature's processes - from cells to complex living systems - are engaged in the process. The organization's correlation is that the individuals, teams and diverse stakeholders all form part of the over-arching, emerging ecosystem within an ever-changing context.

This opens up our perceptual horizon to see the organization as a living, creative and inter-relational system that is governed by the same laws that govern all of life. One such fundamental law of Nature is that everything is energy and that outputs follow a process of transforming energy from one form to another. Our daily interactions consist of energetic relations.

This is a profound shift in our perspective; one that will take us from optimizing the machine for efficiency through command-and-control and hierarchic power structures to optimizing the flow of energy through empowerment, empathy, communication and co-creativity. We shift from reductive logic to relational logic and begin to treat the organization as a living system rather than as a machine.

A Living System's View of the Organization

In 1978, James Miller introduced Living Systems Theory to explain the nature of life. It described all aspects of living systems from simple cells, to organisms, to societies. In 1989 Lane Tracey, wrote *The Living Organization: Systems of Behavior* applying Miller's Living Systems Theory to organizations. Since then numerous pioneering scientific discoveries have contributed to an emerging perspective of organizations as living systems.

From the fields of quantum physics, facilitation ecology, transpersonal psychology, field theory, neurobiology, the science of consciousness, and studies on systemic leadership and organizational development, we are deepening our learning about how living systems work in collective environments, i.e. organizations.

What is abundantly clear is that in order to thrive in fast-moving environments, we need to move away from Taylor's scientific-management of the post-industrial era. Like all paradigm shifts, this shift does not come easy. It requires us to radically rethink and redesign how and why we do things across all levels of business from our organizational sense of purpose to how we make day-to-day decisions. It goes beyond simply optimizing the machine into an exploration of how we best empower a collective of people to create extraordinary impact.

Both, leaders and employees must perceive themselves and their organizations as living systems immersed within the living systems of society. Each is entwined with the other, and also with the ecological systems of our world. In the words of the Renaissance genius Leonardo Da Vinci, 'learn how to see and realize everything is connected to everything else'.

This shift in perspective opens up our perceptual horizon to see beyond the box, silo and machine and sense into the relational nature inherent within life. We see Nature and our organization's place in it, as it really is, an inter-relational matrix of energy. Within this matrix, our organizations express coherent purposeful energetic systems of value-creation and delivery through these relationships.

The Basic of Energetics: Activity, Relationship, Context

In his book *The Living Organization: Transforming Business to Create Extraordinary Results*, Norman Wolfe draws on the fundamental law of Nature that everything is energy and that outputs follow a process of transforming energy from one form to another. Building on this, he describes three key fields of energy:

Activity, Relationship and Context. In the Machine Paradigm, the field of energy we call Activity Energy is the main focus of traditional managerial and leadership attention. This Activity Energy is what we do and how we do it - the energy of physical or mental effort of the people in the organization.

In the Living Organization model, we recognize the importance of Activity Energy, and still apply all the principles of efficiency and optimization that have served us well for the last century. While paying attention to this field of energy remains a necessary component, it is by no means sufficient and we should not make it the center of our attention.

The two additional fields of Relationship and Context energy have a much greater influence and leverage to creating the desired outcomes needed in the 21st century. Furthermore, ignoring them doesn't make them go away, it only allows them to undermine our efforts at creating the results we truly desire. This is a key reason why the current Machine Paradigm is breaking down amid fast-moving change.

If Activity is the energy of what we do, Relationship is the energy of who we do it with, the energy of our interactions. The Relationship field contains the energy that emanates from people interacting with the energy fields of other people. It is the synergistic energy of high performing teams. It is the energy that yields high levels of collaborative intelligence and exceptional customer experience.

The third energy field, Context is where the real magic resides. Context is the energy that flows from doing that which we desire - following our passion. It is the "why" of what we do, the field of meaning and purpose. It is the energy that has volunteers devote unpaid hours and resources doing their best work for causes they believe in. While this field of energy is felt within us, it is only just starting to be observed and studied by pioneering scientists as our instruments become sophisticated enough to pick up electromagnetic and quantum coherence within individuals and teams.

The real impact of Context is that it influences and even determines what happens in the other two fields of energy: Activity and Relationship. One can visualize the power of the Context field if one thinks of it as a container of water. The water takes the shape of the container, so in essence the container defines the shape of the water. The Context field serves to define the shape, the very nature of the organization. All behaviors that occur at the Activity field and the interactions of the Relationship field are defined and limited by the Context field.

The following equation will help explain the interplay and the relative importance of the three fields to an organization's ability to create an impact in its sphere of influence:

$$\text{Impact} = (\text{Activity} * \text{Relationship}^2)\text{Context}$$

Focusing on improvements on Activity will have incremental effects. Enhancements on Relationship will increase the effort of Activity geometrically and focusing on Context will have an exponential effect on the organization's ability to make an impact.

The Living Organization System

To begin to gain the leverage of the Context field, we start with identifying the Organization's Soulful Purpose. This goes beyond the normal mission/vision/values statements that most organizations think about when they think of purpose.

Just like every living being, a Living Organization has a Soulful Purpose: its deep and meaningful purpose to make a unique contribution to the world. By engaging in a process to identify this Soulful Purpose, we begin to open the gates and release the powerful flow of Context energy within everyone that aligns with this deep reason for doing what they do. This process encourages individuals to tune-in to their individual sense of purpose and to resonate with and align to the over-arching organizational purpose.

The Strategic Compass, or strategic intent of the organization, then provides the mechanism to guide this energy to the fulfillment of the Soulful Purpose.

Now that we have the energy flowing in the right direction, we have to be able to respond to life's unexpected challenges, which in today's world seems to occur at an increasing rate. By embedding in the organization an Improvisation Mind Set – the ability for individuals and teams to sense, adapt, self-organize, respond and locally-attune to whatever happens - we prepare the organization for making decisions responsively where and when the challenges arise, within the context of the Strategic Compass.

The Context field also contains intuitive, emotional and somatic insight, information that is not always readily available to our rational minds. By developing the art of Heart Centered Listening, we expand our ability to tune into these deeper insights. By combining Heart Centered Listening with Generative Dialogue, we add the additional dimension of collective wisdom to our decision making. This gives us further leverage especially when we have to navigate through times of uncertainty, complexity and volatility.

The skill of Heart Centered Listening not only opens the field to deep wisdom, it also unlocks systemic Relationship energy as it enhances connections and creates a sense of belonging and connectedness, thus enhancing collective and collaborative intelligence in the process. This is a key attribute to Building Community, the fifth element in The Living Organization System.

Creating Leader-Full Organizations

The transition from the dominant Machine Paradigm to the deeper and more life-affirming view of a Living Organization is best viewed as a developmental journey. There is extensive research with numerous models describing the developmental process for individuals, organizations and leadership. Most of these developmental models detail progressive stages or levels of conscious awareness and how we relate to and engage with ourselves and others. Some of these models, like Maslow's Hierarchy of Needs are quite familiar while other such as Ken Wilber's Integral Dynamics are more recent and less well known.

All of them recognize that what is true for individual development is also true for organization development, further substantiating that organizations are more like living systems than machines. They also all include the concept of “transcend and include.” That is, as we advance in conscious awareness, we maintain the awareness of the lower levels while we expand our perceptual horizon, which transforms how we view ourselves and the world around us.

Giles Hutchins’ latest book Future Fit integrates various models to explain the relationship between the development of organizations and the development of leaders’ consciousness. The following table from that book serves as a quick guide to determine the developmental level of your organization.

Levels of Consciousness	Organization Actions and Needs	Developmental Tasks
1. Surviving	Creating: Forming a financially independent, profitable entity while ensuring the general welfare of the core stakeholder community.	Surviving: Becoming a viable organizational entity with clear value propositions and a viable business model with operational values in place.
2. Relating	Learning: Learning to deal with conflicts, tensions and multi-stakeholder dynamics while fostering a sense of trust, integrity, belonging and loyalty across the core stakeholder community. Starting to cultivate Heart Centered Listening.	Harmonizing: Creating and nurturing a conscious culture through mutual respect, openness, authenticity, diversity and collaboration.
3. Differentiating	Establishing: Developing policies, procedures, practices, principles and processes that allow for high performing values-based teams to flourish in challenging fast-evolving situations. Deepening the cultivation of Heart Centered Listening and Generative Dialogue.	Performing: Efficient and effective running of the day-to-day operations while bringing in deeper values, measures and behaviors beyond short-term financial metrics.
4. Transformation	Transforming the organization: through both incremental and radical innovations that allow for adaptive cycles of continuous change to be embedded at nested levels throughout the organization.	Empowering: Enabling employees to take greater responsibility, autonomy and active participation in innovating and co-creating new ways of operating and organizing.
5. Internal Cohesion	Aligning motivations: forming the Soulful Purpose and aligning employee motivations around a shared set of values and behaviors. Embedding the core ways of being and doing into the organizational culture. Living the motto “small steps with great love”. Starting to cultivate an Improvisational Mind Set.	Bonding: Working on the internal cohesion of a high-trust soul-based culture so that our personal and organizational sense of purpose starts to mutually reinforce each other.
6. Making a Difference	Enhancing resilience: synergizing across boundaries, nurturing vibrant reciprocity across the business ecosystem (social, ecological, economic). Deepening the Improvisational Mind Set across all relations.	Collaborating: Deepening our communication approaches, values and value-based reciprocity with a diverse ecosystem of stakeholders both locally and globally.
7. Service	Deepening the Soul Purpose: strategic and operational vision, methods and mind-set aligned toward life-affirming regenerative business.	Serving: Serving the fabric of life, creating net-positive value for all stakeholders including society and the environment.

The developmental level of an organization is greatly influenced by the developmental level of its leaders, and here we move beyond using the term leader to refer to the traditional leadership team. A leader, by definition, is a person of influence. In a Living Organization, everyone is a leader in their sphere of influence actively contributing their unique gifts to the success of the organization. In fact, the ability to adopt more advanced forms of organization structures, such as self-organizing teams, requires that all members of the organization take responsibility for the success of the whole.

This changes the role of those who hold leadership positions away from the traditional Plan, Organize, Lead and Control (POLC) model where power is mostly vested with leadership to a model where leadership is moving toward shared power by Setting the Context, Developing People, Building Community and Being in Service (CDCS).

POLC Mechanistic Leading	CDCS Living Systems Leading
Authoritarian	Emancipation
Leader-follower relation	Co-creator relation
Motivated by power and incentives	Motivated by passion and purpose
Blame culture	Compassionate culture
Risk-averse	Pioneering
Adversarial	Inspirational
Win-lose competition	Win-win competition
Command-and-control	Improvisational
Dominator-mode	Partnership-mode

While the developmental areas can be well articulated as we have done in defining The Living Organization System, the implantation must be designed around where the organization lies on the developmental spectrum, the quality of leadership available to guide the transition, and the market challenges and regulatory constraints within which the organization operates.

Nothing changes overnight and the journey to developing a Living Organization will require training and coaching “leaders” at all levels, on how to contribute their unique gifts while creating generative environments for others to contribute theirs.

Creating The Living Organization

While enhancing leadership at all levels is critical, it is only part of the on-going journey to becoming a Living Organization. The journey must also include addressing the many systems that set the context of the organization. Some of the systems are those that define Customer Experience, Innovation and Problem Solving, Team Engagement, Lean Operations and Performance/Talent Management. Many of these systems were built on the principles of the Machine Paradigm. If they are not redesigned for the living systems paradigm, they will undermine the transition and it will force people to revert back to outdated behaviors.

Conclusion – The Trend Cannot Be Stopped

The winds of change are upon us – we simply must change and let-go of yesterday's logic. As management guru Peter Drucker famously said, 'In times of turmoil, the danger lies not in the turmoil but in facing it with yesterday's logic.' Our business context requires our organizations to become ever more emergent, innovative and adaptive. We must develop our leaders, our people and our living organizations to be empowered, agile and engaged. The focus of leaders has to shift to nurturing conditions that unlock creative potential so the organization can adapt, learn and flourish in a purposeful and coherent way. Only then can the organization create and deliver value while being mindful of the well-being of all the people it serves and the wider fabric of life it relates with.

This is not some utopian dream: it's happening now as you read this paper. A myriad of organizations are experimenting with various aspects of operating more as living systems than as machines. They are thriving amid the complexity and uncertainty of today's world. Among them are: the healthcare provider Buurtzorg, the bank Triodos, the employment agency Vaga, the hi-tech manufacturer W.L. Gore & Associates, the global network of social-enterprise community centers Impact Hub, the multimedia provider Sounds True, and the Brazilian manufacturer Semco.

We are in the midst of a radical shift in society and a commensurate shift in our philosophic, scientific and managerial understanding of organizations; and with it, our sense of place and purpose within them.

Old Logic		New Logic
Linear	→	Inter-relational
Extractive	→	Regenerative
Controlling	→	Reciprocating
Power over	→	Power with
Trade-offs	→	Synergies
Short-termism	→	Inter-generational
Separate	→	Interconnected
Ego-logic	→	Eco-logic

Our organizations are energy fields of relationships, immersed within the economic, social and ecological systems of our world. The more conscious we become of these energetic inter-relationships, at the Activity, Relationship and Context level, the more we will be able to help our organizations thrive in the challenging times ahead. It is now fairly well accepted that the machine paradigm will not suffice to allow organizations to face the challenges of the 21st century. The Living Organization System offers an implementation path for transforming to the new model of successful organizations. This short paper points to the essential elements that need to be addressed within this transformation to a new mind set, and a new way of operating and organizing. For more information, please contact the co-authors:

About The Authors

Norman Wolfe is a recognized expert in changing the way businesses work to more effectively create extraordinary impact. He is a 15-year veteran of Hewlett Packard leading a number of different functional units and has over 25 years consulting and mentoring leaders in a wide range of industries. An active change agent on boards of directors, adviser to CEOs and boards, and a corporate operations leader, Mr. Wolfe has led major turnarounds, growth initiatives, business restructuring and product/market/service strategy shifts across a wide range of industries, including healthcare.

He was educated as an engineer and scientist with a degree in Mathematics from New York University and is one of the few people who is a successful businessman, a best-selling author and an ordained Interfaith minister. Having led companies large and small, been a public company director and walked the spiritual path, he brings a depth and groundedness to the art of leadership and creating corporate results that is rare. He often sees what others do not.

Throughout his career he kept seeking the answer to the question, “why do we get the results we get and how do we create the results we desire.” This quest led to the publication of his book *The Living Organization: Transforming Business to Create Extraordinary Results* (2011), which is an amalgamation and refinement of the core principles of how the world works drawn from a number of disciplines.

As CEO of Quantum Leaders, he is a leading voice in bringing about a transformation of the core paradigm of business. He works with a select number of organizations as he promotes and expands *The Living Organization's* tools for organization and individual success. You can learn more at www.quantumleaders.com or reach Norman at nwolfe@quantumleaders.com.

Giles Hutchins blends a wealth of leadership development, business strategy, operations and transformation experience with pioneering new thought on leading, sustaining and flourishing in volatile times. In particular, he draws on the logic of living systems to aid our leaders and organizations to become ‘future-fit’.

A prolific speaker, writer and adviser, he applies 20 years of experience to his work at personal and organizational levels. Recently the Global Sustainability Director for Atos, and previously a management consultant with KPMG, he has helped transform a wide range of organizations (corporate, third sector, public sector and start-up). Giles is co-founder of BCI: Biomimicry for Creative Innovation and Founding Partner of The Bio-Leadership Project. He also contributes to a variety of pioneering institutions, and regularly guest lectures at leading Universities and Business Schools as well as speaking at conferences and expert roundtables. He has been interviewed by the BBC, writes articles for a number of world leading networks, and is author of the books *The Nature of Business* (2012), *The Illusion of Separation* (2014) and *Future Fit* (2016).

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