

THEORY U AND CSR 2.0

Alignment of two conceptual approaches to create profound innovation and transformative change in corporate sustainability and responsibility

By Jeroen A. van Lawick van Pabst and Wayne Visser

Abstract

Wayne Visser's CSR 2.0 Model provides a compelling vision of how business can create transformative improvements in society and the environment. Otto Scharmer's Theory U describes how profound personal and collective change really happens. This paper explores how these two conceptual approaches can be aligned, thus providing insights into how to create the profound innovation and transformative change needed in the realm of corporate sustainability and responsibility.

Key words

Corporate sustainability and responsibility, systemic CSR, transformative CSR, CSR 2.0, Theory U, U-process, leadership, business, adoption, transformative change.

1. The radical and novel nature of CSR 2.0

CSR 2.0, or radical CSR, provides a compelling vision for transforming the role of business in society. Essentially it advocates a paradigm shift in which the purpose of business is redefined: CSR or sustainability-related activities are no longer simply another means towards a narrow, shareholder-focused commercial end. Rather, CSR becomes a purpose in and of itself. It is an end-state in which business's interactions with society and the earth are inherently sustainable and responsible. Companies only provide products and services that enhance our wellbeing, without sacrificing the environment or human dignity [1]. CSR 2.0 becomes transformative by shifting the organizational perspective from isolation (us versus them, business versus society) to relationship: operations connected to and serving society and the world. The essence of sustainability is about honoring and advancing such relations, among ourselves, within ourselves and with the earth [2]. These three dimensions of interconnectivity in turn address the triple crises of social, spiritual and ecological disintegration [3].

CSR 2.0 is instructive as it helps us to see how organizations typically move through 'ages and stages' from greed-centered, philanthropic, marketing and strategic approaches to a more sustainable way of working and living; a journey that eventually leads to a transformative approach to CSR. Boundaries in our thinking become more fluid or diminish and our thinking becomes more inclusive. For instance, we stop thinking about business and CSR as separate categories; the essence of doing business, of innovation and of sustainability merge. In the process, renewed relationships are formed. CSR 2.0 is also innovative, proposing five principles (creativity, scalability, responsiveness, glocality and circularity) as a coherent base for a new model of sustainable and responsible business, in which governance and leadership are integrated with value creation, societal contribution and environmental integrity [1].

CSR 2.0 reflects the most advanced stage of CSR practice, shifting from a cost-perspective on CSR to perceiving CSR as an opportunity [4]. However, most corporations still operate from the mindset that embracing CSR/sustainability is a market-savvy way to improve reputation and brand, or at least "*that it does no harm to financial performance*" [4]. Dominance of short-term thinking,

shareholder-value and financiers' power are still deeply ingrained in the corporate and collective way of thinking and doing.

A few exceptions do exist, such as Unilever CEO Paul Polman, who plans to help 1 billion people improve their health and wellbeing, halve the environmental footprint of its products and source 100% of its agricultural raw materials sustainably [5]. Another example is the emerging Economy of Communion movement [6], which takes a radical approach in reconciling business and human dignity, whereby a substantial part of the profit earned by participating companies is directly invested in alleviating poverty and supporting education projects to foster a culture of giving.

2. Requirements for adoption of CSR 2.0

CSR 2.0 operates at the forefront of transformative change. However, making such a novel and radical business approach a reality is not without its challenges. Cynicism may be voiced by leaders still stuck in the defensive, charitable, promotional or strategic approaches of CSR 1.0. Alternatively, willing adopters of CSR 2.0 may feel incapable of putting CSR 2.0 into practice as few ready-made tools are available [7]. In a recent online dialogue called 'Waking up the workplace', a number of obstacles to fostering 'conscious business' were identified, including the creation of a collective mindset and inspiration, the need for scale and urgency, the requirement for tools to implement the changes, and the need for ongoing mutual support among the pioneers [8].

These obstacles resonate strongly with the agenda of CSR 2.0. Visser believes that part of the process of transformation is overcoming the so-called 'curses' of CSR 1.0, namely that it still tends to be peripheral, incremental and uneconomic in its approach. Only then will we achieve systemic change. So let us look at perspectives on the adoption of novel approaches in business.

The use of 'novelty' as a driver by innovators has been extensively described by Rogers [9]. He identifies a number of requirements for the successful diffusion of innovation. First, the innovator must be able to imagine the new idea and identify its benefits. Second, a process of norming, influencing and role modeling needs to occur around the idea. Third, time is needed to move individuals through the various stages of adoption of the novel idea or approach. This supports Visser's 'ages and stages of CSR' model [1]. Finally, there must be decision making, including an evaluation of individual and collective consequences.

If we are to achieve this innovation in the CSR field, we will need more of what Visser calls 'pragmatic dreamers' [1]. Others have suggested the idea of 'profound practicality' [10], or a more intensive alignment of one's ideal (accessible at the level of 'being') with reality (at the level of 'doing') [11]. According to Betty Sue Flowers, co-author of *Presence*, this synthesis of the sacred and the profane is absolutely critical for achieving transformative change [12].

Flowers explained to Visser in an interview that deep change requires a leap of imagination, getting outside of your own frame of thinking and judgment. It is about a capacity to see the whole, by being aware of your own blind spots [12]. This results in re-conceptualization and re-categorization of ideas and actions. It requires the suspension of your own opinion and judgment and 'to access your ignorance', i.e. to make an effort to locate an understanding within yourself rather than what is more viscerally presented by the situation [13].

Beyond renewed exterior connectedness, Flowers is also talking about interior openness: being connected to the heart. This is the place of inspiration ('for spirit to drive change') and vocation. It is also the place of courage; having the will to try things out, no matter what the risks of failure or scorn. According to Flowers, seeing, feeling and acting from this sense of exterior and interior interconnectedness characterizes transformative change. Leadership, therefore, becomes the art of tapping into the interconnectedness and fostering an environment of transformation [12]. This process of deep anchoring allows us to accept the discomfort of *not* knowing immediate solutions, thus opening us up to creativity for profound change.

3. Theory U as an approach to advance CSR 2.0

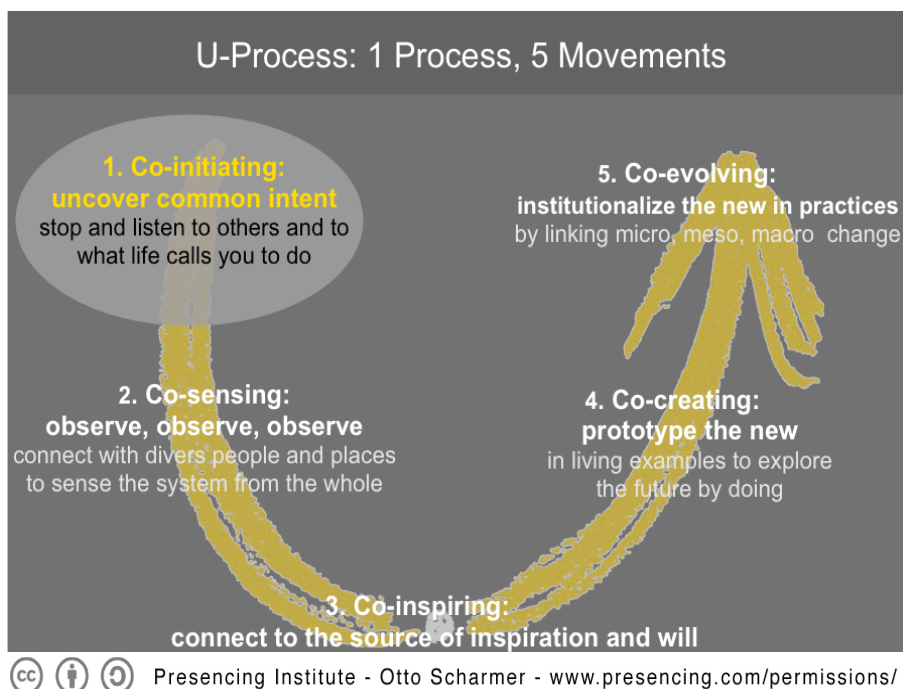
"I am sick and tired of doing the conventional sustainability and corporate social responsibility stuff, which is all about the same thing, which is doing less harm. Because what I really want to do is not just report how we do less harm, but to participate and co-create that new kind of world." (O. Scharmer, quoting a participant in one of his meetings with NGO's and change makers [14]).

With this quote in mind, we now proceed to Otto Scharmer's Theory U, an approach for profound innovation and change, which CSR 2.0 is all about. We will look at the theory's content, language and process and assess its relevance to CSR 2.0. Then we discuss in more detail how Theory U might help to take the CSR 2.0 vision forward.

Theory U is all about paying attention to interconnectedness and emergence as the basis for profound innovation and change. Scharmer refers to two learning processes. The first is learning from the past, i.e. through reflection on past activities. Sometimes, however, the experience of the past is not very helpful in bringing about transformation. The second learning process is learning from the emerging future. This means paying attention to the interconnectedness of the individual, society and the earth. It means becoming aware of emerging possibilities and starting to operate from these future realities in the present. According to Scharmer, sustainability is a perfect example of an emerging future that requires exactly this kind of approach to profound innovation or transformational change [14]. It encompasses an open mind, an open heart and an open will, which is about letting go of the old and connecting to higher future possibilities [3].

Theory U offers a new type of conversation among key stakeholders in society. It allows a collective awareness to emerge about what the whole situation is like, and about what it requires from them as actors. It brings the deeper dimensions of innovation, change and leadership into our CSR or sustainability conversations, which is essential if we are to achieve novel, systemic changes in business and society [14].

Figure 1: U-Process [3]



The U-process, as illustrated in Figure 1, focuses on three core ‘movements’, that people, experiencing profound change, go through. First, *co-sensing* involves paying close attention to the problem situation, suspending our thoughts and feelings and seeing through the eyes of others involved. It is a process of building a comprehensive and shared view of the given context. Second, during *co-presencing*, parties gain access to their deeper source of creativity. They listen for a response to the inner ‘call’ of ‘who am I and what am I to do in this situation?’ It is a process of connection with deep values and inner leadership. Third, in the phase of *co-creation*, insight and inspiration from the preceding movements blend together, allowing new ideas and change to crystallize and get prototyped.

Tools are available to guide participants through the three movements [3]. For example, exercises to encourage ‘stepping into the footsteps’ of other key stakeholders in the co-sensing phase; journaling to elicit leadership issues in the co-presencing phase; and elaboration on ‘ideation’ and planning in the co-creation phase [7]. The three core movements are embedded in a co-initiating and co-evolving process that help to connect stakeholders prior to the U-process, as well as situating the prototyping and anchoring the solutions with a larger organizational context.

4. Synergies between Theory U and CSR 2.0

We discovered striking similarities between the core movements of the U-process and the five CSR 2.0 principles: creativity, scalability, responsiveness, glocality and circularity. This is demonstrated in Table 1.

Table 1: How the U-process aligns with the five key principles of CSR 2.0.

Stage in U-Process	CSR 2.0 Principles
<p>Co-initiating: uncover common intent</p> <p>Theory U aims to provide responses to the emerging economic, social and spiritual crises. In the <i>co-initiating phase</i>, a group of ‘owners’ among the key stakeholders is created to take responsibility and to drive the change.</p>	<p>Responsiveness</p> <p>Responsiveness is about sensitivity to our most pressing challenges. It is daring to take a critical and open attitude to the most difficult issues. Since we are all part of the problem, we all have a responsibility to be part of the solution. We must question whether the industry/business model itself is making things better or worse. Furthermore, we must be transparent about our impacts and performance. This is the essence of CSR 2.0.</p> <p>Glocality</p> <p>Most CSR-issues manifest as dilemmas rather than easy choices. We need to always balance and reconcile local and global issues and priorities.</p>
<p>Co-sensing: observe, observe</p> <p>A deeper kind of meta-thinking is part of the approach in the <i>co-sensing</i> phase. Suspending opinion and staying in contact with the often uncomfortable reality as it unfolds. Sharing of information is crucial during <i>co-sensing</i> to build a common and comprehensive picture of the situation, at various levels, from global to local.</p>	

Stage in U-Process	CSR 2.0 Principles
<p>Co-presencing: connect to source</p> <p>Gaining access to our source of creativity is at the heart of the U-process in this phase. In the <i>co-presencing</i> phase we are challenged about our 'being' and role in life/work, as this is the greatest source of creativity.</p>	<p>Creativity</p> <p>The creativity principle embodies the maxim that 'we cannot solve today's problems with yesterday's thinking.' We will need imagination and innovation to drive the CSR revolution. This is about directing creativity through business towards the most pressing needs of society.</p>
<p>Co-creation: prototype the new</p> <p>Theory U is about learning from the future as it emerges. It is not about looking back to solutions and tools of the past. In the <i>co-creation</i> or <i>crystalizing</i> phase, novel concepts are developed, of which circular design or social innovation are good examples.</p>	<p>Circularity</p> <p>Our global economic system is based on a fundamentally flawed design. We need to move to 'spaceship economy', with cradle-to-cradle designs that eliminate negative 'externalities'. All aspects of wellbeing are optimized, from meaning in work and life to ecological integrity and financial viability.</p>
<p>Co-evolving: institutionalize the new</p> <p>Theory U looks at anchoring ideas within a bigger multi-stakeholder context during the <i>co-evolving</i> phase. The leadership of the company is typically involved prior to or during the <i>co-evolving</i> phase to ensure the prototyped innovations will be embedded.</p>	<p>Scalability</p> <p>Scale and urgency of solutions is necessary for tackling our most critical global challenges. This requires that social and environmental innovations go to scale. This means directing creativity towards the most pressing needs of society, in the most rapid and scalable way to usher the Age of Responsibility.</p>

In addition to the five key principles of CSR 2.0, four so called 'DNA-bases' are its essence. These are shown in Figure 2. The four codes with their goals and key indicators can be presented as stimuli particularly in the co-sensing phase to build the bigger picture of what CSR 2.0 encompasses. Outcomes of the co-creation phase and the anchoring of solutions during co-evolving may be critically evaluated against these bases as well.

Finally we take a look at the so-called 'curses' that differentiate CSR 1.0 from the more radical CSR 2.0. How can Theory U help to prevent CSR initiatives remaining incremental, peripheral and uneconomic?

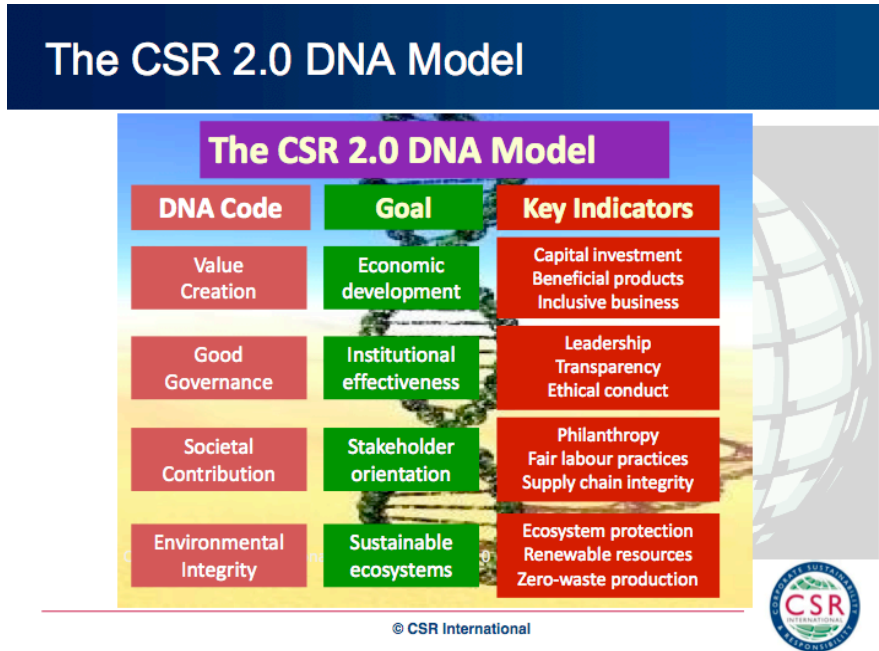
By its very nature, the U-approach is not a linear process, which helps to avoid incremental solutions. Instead a broad or comprehensive perspective is created during the co-sensing phase allowing us to get to the root of the issue and to avoid moving to 'quick fixes'. We turn inward instead, during co-presencing, to connect to our creativity. As a result we expect more inclusive, creative true solutions overcoming incremental progress.

By going through the U-process, we begin to see the essence of CSR as not just an add-on, or nice-to-have, but as a way of operating that lies at the core of doing values-led business. During the U-process, responsiveness and governance, through leadership, are engaged to ensure that CSR does not remain peripheral.

The U-approach broadens our view beyond a one-dimensional focus on cost or earnings for shareholders. Instead, a broader understanding of value creation emerges. An awareness of

interconnectedness reveals what needs to change in the broader economic system to make sure that CSR does not remain unincentivised and uneconomic [15]. Furthermore, beneficial products and services for the broader community are realized in the co-creation phase

Figure 2. CSR 2.0 DNA Model [1]



The U-approach broadens our view beyond a one-dimensional focus on cost or earnings for shareholders. Instead, a broader understanding of value creation emerges. An awareness of interconnectedness reveals what needs to change in the broader economic system to make sure that CSR does not remain unincentivised and uneconomic [15]. Furthermore, beneficial products and services for the broader community are realized in the co-creation phase

We anticipate that the U-approach will address many of the barriers to adoption of CSR 2.0. As the process acts on an open mind, heart and will, it aims to overcome judgement, cynicism, fear and with that myopia concerning the need for readily available tools. CSR thus becomes a non-linear experiential journey where we learn to work through a transition state of emerging solutions instead of directly or incrementally moving to easy or obvious outcomes, based on previous practices.

The creation of a collective mindset, including seeing the need for scale and urgency, takes place throughout the U-process and in particular during the co-sensing phase. Inspiration, both personal and collective, is addressed in the co-presencing phase, while continuing support is anchored in the co-evolving phase of the process.

With regard to embracing the new approach that CSR 2.0 represents, we foresee that stakeholders will start to move together once they collectively experience the U-process and develop a shared understanding of what the new vision really means. Most crucially, during the process, they will build and share values and norms, and will reach decisions and understand consequences jointly.

5. Conclusion and way forward

We have aimed to demonstrate the potential of Theory U to progress CSR to a systemic or transformative level (CSR 2.0).

Theory U is an approach to create profound innovation and change, which supports the systemic or transformative character of CSR 2.0. Both models focus on our interconnectedness with the world and ourselves, which is really the essence of sustainability: being connected to and serving society and the world. Theory U fosters a new dialogue and language among stakeholders and this is of relevance to CSR 2.0 with its specific concepts and principles.

The CSR 2.0 principles and so called 'DNA codes' seem to resonate with the U-process particularly well. The important implication is that by going through the U-process, we can explore, internalize and implement these principles and core elements in an organizational context. Also we expect that the U-approach can effectively overcome the present incremental, peripheral and uneconomical failings of CSR 1.0 approaches. Finally, the process provides a way for resolving any identified hurdles to embracing novelty or change in a CSR context.

It is thus believed that Theory U helps to bring CSR 2.0 to life. Further development and experimentation with Theory U-based CSR-practices will help to test and optimize the approach. The authors welcome organizations that wish to work collaboratively in developing this path of learning and transformation.

References

1. Visser, W., The Age of Responsibility: CSR 2.0 and the New DNA of Business; Journal of Business Systems, Governance and Ethics, Vol 5 No 3, November 2010.; <http://www.jbsge.vu.edu.au/issues/vol05no3/Visser.pdf>
2. Wijffels, H., Business Spiritualiteit Nyenrode, Spiritualiteit van Duurzaamheid, No 13, 2011.
3. Scharmer, C. O., Theory U; Leading from the future as it emerges; Berrett Koehler Publishers, 2009.
4. Sustainability: The 'Embracers' Seize Advantage; MIT Sloan Management Review: <http://www.greenbiz.com/sites/default/files/MIT-SMR-BCG-sustainability-the-embracers-seize-advantage-2011.pdf>
5. <http://www.marketingmagazine.co.uk/news/1105270/Unilever-chief-Paul-Polman-plans-beyond-CSR/>;
6. <http://www.edc-online.org/>
7. Workshop CSR 2.0: Insight, Inspiration, Action!; Zijn Werkt! Dordrecht, 6 October 2011(In Dutch). www.zijnwerkt.nl; <http://www.zijnwerkt.nl/wp-content/uploads/Workshop-MVO-2.0-Zijn-Werkt-Verslag-en-voorblik..pdf>
8. Waking Up the Workplace; Online discussion. The Community Blog Global Conversation to awaken a world of conscious business. <http://www.wakinguptheworkplace.com/2011/10/31/ready-for-waking-up-the-workplace-phase-2/>
9. Rogers, E.M., Diffusion of innovations; Fourth edition. The Free Press New York; 1995.
10. Authentic Leadership in Action (ALIA)-conference; The Netherlands 7-11 March 2011. Oral communication workshop Business Spirituality.
11. De Blot, P., Pronk, P., Business Spiritualiteit; Ten Have; 2008.
12. Flowers, B. S., Interview Transcript by Dr W Visser; 20 August 2008.
13. Schein, E.H., Process Consultation Revisited. Building the helping relationship; Addison-Wesley, 1999.
14. Scharmer, C.O., Interview Transcript by Dr W Visser; 28 August 2008.
15. Porter, M.E., Kramer, M.R. Creating Shared Value; Harvard Business Review; January-February 2011.

Article reference

Van Lawick van Pabst, J.A. & Visser, W. (2012) Theory U and CSR 2.0: Alignment of two conceptual approaches to create profound innovation and transformative change in corporate sustainability and responsibility, SSRN Working Paper Series, 22 February 2012. Published on SSRN at: <http://ssrn.com/abstract=2009341>

Part of the SSRN (SOCIAL SCIENCES RESEARCH NETWORK) PAPER Series

Copyright Wayne Visser & Jeroen A. van Lawick van Pabst 2012