

DOUBLE BIND: THE CORPORATE DILEMMA

How corporations have contributed to the world's social and environmental problems and how they can become far more financially successful by helping to solve them

Corporations represent the dominant force in the world today. They are also, as a consequence of their commercial activities, responsible for many of the environmental and social challenges we currently face. Yet they have a legal responsibility in most industrialised countries to maximise shareholder value, a task which has led them into this dilemma. The very policies which brought these organisations financial gain are now causing them financial pain, through loss of investor confidence, customer trust, staff commitment and media credibility. The underlying cause is the outdated paradigm which still informs most corporate culture, policies and behaviours. Reducing the ability of business to create wealth will harm our efforts to repair and prevent social and environmental damage. So how do we break out of this Catch 22 – or double bind? All that is needed is that business leaders catch up with the more successful worldview which economists, scientists, systems theorists and others have accepted for decades. Those corporations that have adopted this emerging paradigm – here called the Organismic worldview – are not only cleaning up their social and environmental impacts, they are making greater profits and generating increased shareholder value.

The great polymath Gregory Bateson, one of the most profound thinkers of the twentieth century, established the double bind as one of the key concepts at the heart of his life's work¹. He gave, among many others, the example of the alcoholic's dilemma: 'Life is hell if I drink; life is hell if I don't drink.' There appears to be no non-hellish way out of this situation. But there is. In fact the double bind is, often literally, a once-in-a-lifetime opportunity to transcend the level of thinking in which the 'impossible' situation was created and emerge into a new paradigm. From this new place, the original worldview is seen for what it is: a very limited understanding of reality. As many recovering alcoholics will happily confirm, not only does this solve

¹ See, *inter alia*, Gregory Bateson (1972) *Steps to an Ecology of Mind: Collected Essays in Anthropology, Psychiatry, Evolution, and Epistemology*. University Of Chicago Press.

the initial 'problem', it opens up a vast new vista, within which many new, hitherto invisible, possibilities begin to emerge in other areas of life as well.

Business leaders are in precisely the same situation. The double bind in this case takes a form along these lines: 'Our current beliefs and behaviours have got us into a disastrous mess; we only know these beliefs and behaviours, so we are forced to use them in our attempt to get out of this mess.' Aldous Huxley once wrote, when deciding against re-writing one of his early novels: 'I don't believe wallowing in the mud is the best way of getting clean.' And, of course, many have heard Einstein's famous comment: 'We cannot solve our problems while remaining at the same level of thinking in which we created them.'

So, before looking at the solution, let's unpack the corporate dilemma a little. To do this, I am going to go back, very briefly, to some of the basics. Firstly, corporations have become something of a Frankenstein's monster, running amok and out of control. Intentions were good and no-one is to blame. Corporations were created to provide for people's needs. They existed to serve society and their licence to operate was granted *by* society. We have come, however, to a point where society now serves corporations. Of the world's largest one hundred economies, over half are corporations, not nations. These vast corporate 'economies' are controlled by unelected, relatively unaccountable 'governments' in the form of boards and senior executives. Together, they control the majority of the world's wealth. It is now the politicians, not the businesspeople, who cringe and fawn at gatherings of the world's economic leaders.

Corporations, however, were also born in an era and of a culture whose worldview was informed primarily by the 'Enlightenment'. Influential men like Descartes, Bacon and Newton had successfully assured us that we were the masters of a universe that was designed like a clockwork mechanism, all of whose behaviours could be calculated with near-perfect precision. The great discoveries of the modern era – the printing press, the steam engine, the power loom, the internal combustion engine – followed like clockwork, and you could set your watch by the Flying Scotsman.

Corporations, growing up in this milieu, naturally came to be built like machines; they were based, like modern armies, on command-and-control, hierarchical structures in which you could predict outcomes. Middle managers followed executives' orders just as billiard balls always followed Newton's Laws of Motion. The problem is that the dualistic, mechanistic worldview that fostered the Enlightenment and the Industrial Revolution were wrong. We now know that the world isn't like that at all. Early in the twentieth century, scientists like Einstein, Bohr and Heisenberg showed that the entire universe, from sub-atomic particles to galaxies and beyond, works on an entirely different set of principles. The single biggest reason for the faith in the Enlightenment's logico-linear paradigm was that it had appeared consistently to predict outcomes. However, not only was it shown by the new physics to have failed

in this endeavour, Einstein and his friends had discovered a system that predicted outcomes far more successfully.

So, back to the corporate dilemma, the double bind: damned if we do; damned if we don't. Another of the challenges of our culture is that we have tended to see the subject of change and increased understanding through the lens of Socratic dialectic and what has generally been viewed as Hegelian thesis-antithesis-synthesis cognitive evolution. We state a thesis like 'swans are white', then an antithesis: 'swans are not white'; finally we end up with a synthesis of the two like: 'some swans are white and others are not'.²

All very well, except when we encounter a double bind like 'The Earth is stuffed if we do this; *we're* stuffed if we don't'. This framing of the double bind reveals both the source of the dilemma and the route to transcending that dilemma which provides the solution. As we shall see, thinking that it is possible for the Earth to be stuffed without our being stuffed ourselves is a fatal flaw in the old paradigm. In that paradigm we think of ourselves and everything else as separate parts of a large machine. The parts may interact, like the cogs in a watch, but the impacts of their interactions are only seen as short-term and local. We tend to approach matters with specific purposes in mind and see only that which is related to our immediate purposes. Bateson defined wisdom as: '...a sense or recognition of the fact of circuitry.' He added that we tend to perceive only 'short arcs of the circuit.' The clock's cog turns, the second hand ticks, the alarm goes off. End of story. The *Enola Gay* flies to Hiroshima, two chunks of Uranium collide, the bomb goes off. End of story.

Of course that isn't how it works, as this story shows: a large corporation decided to close one of its factories in a community which had, for several generations, been the largest employer. The downsizing was required, explained the corporation's leaders and their strategic consultants, as part of a 'rationalisation' programme in the face of slipping shareholder value. A large proportion of the workers, mostly men, whose sense of identity and self-worth were intimately linked with their manly labour, took their redundancy cheques to the local pubs. The depression, loss of purpose and inability to hold their heads up in the community led to alcohol abuse, increased domestic violence, road accidents, criminal damage and self-harm. Severely increased costs were incurred by the local police, accident and emergency wards, social workers, unemployment department and mental health practitioners. Local retailers, electricians, plumbers, builders and other small businesspeople lost much of their livelihoods. The pennies that had been added to the corporation's share price

² In fact Hegel claimed he never advocated this approach and blamed it on Kant, who said it was all Aristotle's doing. Aristotle has remained silent on the matter.

were wiped off in the next quarter by a text message sent over lunch by a Connecticut hedge fund manager.

OK, that example was made up of elements taken from different cases, but it is based on a selection of events which did take place and is typical of how the logico-linear worldview guides us. Even if the hedge fund manager hadn't vaporised the share price gains, they weren't gains at all. The money had simply been sucked from elsewhere – from the taxpayer in fact. And the additional suffering in non-financial terms of the women, children, local traders and the ex-workers themselves was incalculable. We see ecological destruction to match this type of social damage when corporations find themselves 'forced' to fell vast tracts of virgin forest, Hoover up an ocean's fish stocks or launch a new model of their 6.0 litre SUV while claiming to hold dear to an environmental charter.

Enough ranting, there is an elegant solution. The transcendence of the double bind only requires one thing: the shift to a better understanding of how the world works. The new physics showed that things were very, very different from what we had thought. We discovered that the world doesn't work like a wristwatch at all. It works much more like an organism. And organisms do all sorts of things that wristwatches don't. As our understanding of organisms grew, we began to see that we couldn't externalise effects: they came back to haunt us. Our choice of clothes in a retail outlet really did have an effect on young women and girls in Asian sweatshops and, through that, our media profile, brand equity and share price; a company deciding to reduce costs by offshoring its manufacturing was, in fact, exporting jobs, thus importing products that were once exports – a brief gain melted away very quickly when the domestic economy was buffeted by trade deficits.

The irony of all this is that corporations who do get to grips with the new paradigm, thus transcending the old, self-limiting double bind, have begun to show significant gains in profitability and shareholder value. Not only do they, literally, clean up their social and environmental acts, they perform better in the one area to which they had earlier been 'forced' by commercial 'reality' to sacrifice planet, people and much more besides. But we're getting ahead of ourselves. Let's unravel the rest of how this all works.

Before long the successes of the new physics began to spread to other disciplines. The upstart field of complexity economics proved effective in predicting and explaining phenomena such as boom/bust cycles with far greater accuracy than conventional economics. Again and again and again it worked. Some bankers, speculators and government ministers began to show very considerable interest. The idea began to spread. Meteorologists, geographers, psychologists, astronomers, chemists, anthropologists, mathematicians and others began to converge on a powerful new set of understandings. They saw that economies, weather systems, corporations, human settlements and galaxies all behaved as complex, adaptive,

evolving systems. They too saw, in fact, that these systems behave as organisms do.

Next, systems theorists, complexity scientists and cyberneticists (not to mention profound thinkers such as Ludwig von Bertalanffy,³ Arthur Koestler⁴ and Ken Wilber⁵) began to use the concept of the 'holarchy' or set of 'nested holons'. Here's how it works: you contain a set of organs; they contain cells, which contain molecules, which contain atoms, sub-atomic particles and so on. You, in turn, are *contained by* your family, which is an 'organ' of your community, which is contained by your nation, the human race, all species, the Earth, our solar system, galaxy and so forth. Every holon is just that, a whole entity in its own right; yet it also contains smaller wholes and is contained, in turn, by larger wholes. It's like a set of Russian Matryoshka dolls. The next critical point is that there is self-similarity at all levels; there are obvious differences but the primary differences are those of scale. A cell is a complex adaptive system in much the same way as the organ and the body that contain it. Understand one 'organism' and you stand a much better chance of understanding the others. We call this way of understanding the world *Organismics*.

OK, what usually follows the delivery of this information is the question: 'But isn't that merely a metaphor? How can a metaphor help us to understand *reality*?' There are several parts to the answer: i) in following the models of Messrs Descartes, Bacon, Newton et al in designing our corporations and our armies, we tacitly – sometimes quite explicitly – accepted and worked to the *metaphor* of the mechanical device as our view of how the world is designed ii) Almost all of our understanding, language and behaviour is based on metaphor. We think and talk of 'grasping a concept', 're-engineering a business process' or 'being 'touched by a sad story'. Metaphor is simply a means by which we make sense of things by comparing them with other things. This is not a poor relation to 'describing reality' it is *how* we describe what we take to *be* reality. A ruling paradigm, a dominant worldview, is simply a set of internally consistent, mutually reinforcing metaphors by which we try to make sense of the world iii) We are not searching for an objectively validated means to understand 'reality' (after all, who or what would validate it? How would we get outside 'reality' for a second opinion?), we are looking for one thing and one thing only: predictive power. We want to be able to determine, with optimal chances of success, what will happen in the future. Heisenberg, Einstein and Bohr never suggested that light *literally* took the forms of both waves and particles, these were metaphors. However, they were far more successful in predicting outcomes than the metaphors used by the watchmakers.

³ Ludwig von Bertalanffy (1974) *Perspectives on General Systems Theory* Edited by Edgar Taschdjian

⁴ Arthur Koestler (1967) *The Ghost in the Machine*

⁵ E.g. Ken Wilber (2000) *A Theory of Everything: An Integral Vision for Business, Politics, Science and Spirituality*

Back to the Organismic paradigm: if your heart and your lungs were at war with each other for blood, how long would you last? It is in the interests of both of them that they collaborate in order to maintain the health of the body of which they are both parts. If their battle causes your death, they die too. Likewise, it is in your interest to take care of all of your organs. If all but one of your organs are operating at peak performance, the sick one can still bring you down, along with all its fit partners. You have a number of (quite literally) vital characteristics:

- Your organs need, in their own interest, to take care of each other, or you – and therefore they – may die
- Each organ has a special role which it must perform on behalf of its fellow organs and the organism of which they are all parts – it is the heart's responsibility to pump, the lungs to oxygenate and so on
- Your organs must remain quite distinct and separate from each other – if all your cells were the same, you would be a pile a dead mush
- Your organs must, however, be connected intimately with each other – if there were no connections between your organs you would, once again, be a pile of dead mush
- Your organs must give essential information to, and receive it from, the other organs at all times – and special relationships apply in certain cases. Each organ, with its specialist knowledge and abilities, advises the others of ongoing changes and acts on such incoming intelligence from its partners
- You need, in your own interest, to play all the above roles in all the 'organisms' of which you are an 'organ' – your family, community, organisation, state and so on take care of you as part of a contract in which you too play your part in maintaining them
- You need, in your own interest, to take very good care of all the organs you contain, since the failure of any one of them is quite likely to impair – or even end – your healthy functioning in the world

In short, the principles of Organismic philosophy can be distilled down to these:

- I. Know your place in the Great Organismic Design
- II. Play your unique role as vigorously as you can
- III. Look out for the organisms you contain
- IV. Look out for the organisms that contain you

Now, here again, some people struggle with making the leap from the human body to the global corporation.⁶ It isn't too difficult to see the tens of thousands of human bodies that make up an organisation as some kind of super-organism, as with, say, ants or bees. But connecting with everything of which we're a part? Well, where does your organisation end? It doesn't stop with the staffers. We've got global supply

⁶ The etymology often tells a tale, for instance: the Latin *corpus*, meaning 'body' and *corporation* come from the same root and *organism* is related in the same way with *organisation*.

chains, global investors, legislators, customers, regulators, critics, journalists, communities impacted by our activities, politicians we lobby, young people we hope to hire, competitors and many others to think of. These are just a few of the other organs in the global 'organism' which are quite distinct from us but to which we are connected just as irrevocably as the organs in our body are connected.

OK, mutuality, reciprocity, enlightened self-interest. But *evolution* like an organism? Yep, just like an organism. Many were surprised when, after exhaustive research, James Collins and Jerry Porras published their book *Built to Last*. They even confess to having been astounded themselves as the pattern of consistent findings began to emerge. What made companies most successful and most long-lived? Two things: i) a core identity or philosophy that was beyond – though it obviously included – the financial and ii) the ability to adapt to changing circumstances. That's usually called *evolution*.

And, for those who are feeling that we're really just a bunch of short-term-thinking, self-interested villains, we should give ourselves a pat on the back here. We, as a culture, have in fact evolved considerably in many ways. When the dominant corporate design paradigm and the Industrial Revolution were being kicked off, slavery was still considered perfectly acceptable among civilised people all over the world. Women were denied the vote in most industrialised countries for at least another century after that. Black people weren't allowed basic human rights in numerous 'developed' countries until relatively recently. A Native American teacher of mine, a very old Medicine Man of the Chumash tribe, recalls as a child witnessing white men riding, drunk, into his people's community on weekends, shooting the men and raping the women with complete legal impunity. His tribe, Grandpa Semu told me, were classified as 'an indigenous species'. They had the same rights as a hedge or a hedgehog. Thankfully, things have changed, the complex adaptive system we call humanity really has evolved rather a lot in some areas over recent years.

So, having paused to pat ourselves on the back as a species for evolving as far as we have, let's take a look at further evolution. There is now a great deal of evidence to demonstrate that there have been marked improvements in profits and shareholder value among those corporations that have accepted what physicists, economists and systems thinkers are saying. One multinational corporation with whom the writer and his colleagues worked on an Organismic learning and action programme increased its order book by several hundreds of millions of pounds in the second year of the engagement. The Chairman pointed out in a speech that this intervention was without doubt the single biggest factor in the company's increased success. This approach now characterises everything the organisation says and does. Another global corporation decided to adopt the same approach and its commercial performance moved, within three years, from Number Two to Number One in the world.

A study conducted by the Society for Organisational Learning (SoL) looked at sixty global corporations over a period of ten years. These corporations were identified as being those that most closely resembled Organismic organisations (or practised Living Asset Stewardship, to use the SoL term). Author Joseph Bragdon showed that, over that decade, these companies averaged roughly double the stock market returns of the S&P 500, the FTSE Share Index and Morgan Stanley Capital International indices⁷. This occurred across all sectors and in both rising and falling markets.

In addition to these exceptional stock market performances, Bragdon's research reveals other important advantages consistently enjoyed by these sixty Organismic companies, including:

- Consistent market share gains and holds
- Stronger balance sheets and significantly higher credit ratings
- More robust free cashflow
- Longer corporate life expectancies

The financial performances were verified by leading Investment Analysts Northfield Information Services.

The report explains: 'Companies that deeply mimic living systems put a higher value on living assets (people and Nature) than they do on non-living (capital) assets. They think and behave in ways that continually affirm life—from their corporate missions, visions and values to the ways they are organized and managed. They understand that the critical properties of living systems are properties of the whole—synergies, feedbacks, self-preservation, adaptive behavior, goal seeking—that make the whole more than the sum of its parts.' It goes on: 'Companies operating on the living systems model...also understand the firm is nested within larger living systems (biosphere, society, markets) upon which it utterly depends. The health of these larger systems makes a difference to employees, customers and strategic partners, and affects their economic behavior. The high performance of firms that mimic living systems is no accident. As nimble learning organizations, they are the quickest to see and respond to the huge adaptive shifts now taking place in the global economy. Because they also participate in the evolution of these shifts, they derive significant economic advantages. Firms that continue playing by the old rules, by contrast, get left behind. It's ultimately a matter of adapt or die.'

OK, there's the evidence – I hope, dear reader, you are at least intrigued. You are doubtless asking yourself, if you have read this far, "So how do we too become this successful?" The answer is relatively simple – not always easy to implement but elegantly simple in conceptual terms. There are three questions that need to be answered:

⁷ Joseph Bragdon (2006) *Profit for Life*, Society for Organisational Learning

- a) Where are we and where do we want to get to?
- b) How will we make that journey?
- c) How will we measure our progress?

That's the simple part done. However, it is the most important job: another of my teachers, a Navajo shaman (I've learned a lot more from indigenous elders than from the professors I've worked with over the years) once told me sternly: "You need to stalk not answers but the correct questions if you wish to understand." Rest assured, over twenty years of working in this field I and my colleagues have discovered the means to answer these questions. Here are some clues:

Q: Where are we and where do we want to get to?

A: We use a form of scenario planning to establish answers to this question. Scenarios have been used by many organisations to understand current realities and set them in the context of likely future developments. Combined with systems thinking – which lies at the heart of Organismics – they are often referred to as Structural Dynamics. Among many other accolades, scenarios, well conceived and deployed, have been credited with helping to move Royal Dutch Shell from laggards to global leaders in their industry.

Q: How will we make that journey?

A: Scenarios, of course, play a key role in answering this question also. Discoveries regarding possible future developments set the context for making moves into uncertain but now somewhat better charted waters. The navigation, however, is provided by an Organismic form of communications. We are not talking about communications as limited by conventional understandings, however. Organismic communications represent an integrated action and learning whole combining interpersonal and artefact-based with internal and external communications. All relevant stakeholders are involved (sometimes including critics and competitors) and the process is iterative and dialogue-based as opposed to staccato and monologue-based. This process alone has caused remarkable organisational transformations wherever it has been consistently deployed.

Q: How will we measure our progress?

A: Here again we employ what at first sight perhaps appears to be a conventional methodology – the balanced scorecard. However this is not a balanced scorecard methodology you are likely to have encountered before. The Organismic approach to this phase of the process is built on a combination of disciplines, including strategy definition and communication, organisational dynamics, psychology, performance management and measurement. As with all things Organismic, the performance of

each of the three sets of processes informs that of the others, so the progress-tracking techniques form part of the current reality analysis; integrated communications inform all three phases; structural dynamics operate in performance management and so on.

I'll leave you with a few questions, all of which can be adequately answered only in the context of an Organismic understanding:

- i. Why did one Brazilian company increase its profits, growth and stock value many times over during an economic collapse which took down most of its competitors?
- ii. How did George Soros manage to 'break the Bank of England' and go on to become one of the most successful financial speculators the world has ever seen?
- iii. Why did the British people rebel with such vitriolic anger against genetically modified foods?
- iv. Why are we facing perhaps the biggest economic crisis in human history?
- v. Why did the UK farmers' markets movement explode with such vigour and why do CEOs shop there while voting in the boardroom for measures that are economically crippling to small farmers?
- vi. Why is your organisation not making greater leaps forward in profits, shareholder value, staff quality and loyalty, media profile, cost reductions, investor confidence and market share?
- vii. Is the Corporate Double Bind your best opportunity yet for a performance breakthrough?

If you'd like to discuss the answers to these or your own more particular questions, please contact the author.

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