

Chapter 13

Theory U: Rethinking Business as Practical European Philosophy

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ABSTRACT

The recent Carnegie report (Colby, et al., 2011) characterizes the goal of business education as the development of practical wisdom. In this chapter, the authors reframe Scharmer's Theory U as an attempt to develop practical wisdom by applying certain European philosophical concepts. Specifically, they trace a genealogy of social sculpture, Schwungspiel, poetic creation, and spiritual science, and suggest that Scharmer's work integrates these concepts into a pragmatic pedagogy that has implications for business practice as well as business education.

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We believe that *Theory U* might serve as a gateway for managers and businesspeople to engage in practical philosophy. This chapter explores the possibility that this big blue book with a golden arrow and red text on its cover not only has to be read as another leadership theory by another management guru, but additionally, that it actually serves a purpose that extends beyond the vain self-actualization of a handful of leaders: namely, to reconnect management and business studies with liberal arts and humanities. Recently the Carnegie Foundation for Excellence in Teaching published the results of a three-year study of business education in the US, titled *Rethinking Undergraduate Business Education: Liberal Learning for the Profession* (Colby et al, 2011). This book is now poised to garner the attention of those who are responsible for designing education in business and management in our colleges and business schools. We see Scharmer's work as a striking example of how some of the claims made in the Carnegie report could be materialized in and through the practice of educating managers and business leaders.

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The Carnegie Report advocates the notion that business education should be much more founded on liberal arts in general and informed by a philosophically inspired model for learning called “practical reasoning”. This notion in turn suggests that philosophical considerations that extend far beyond the traditional analytical skills of decision-making and financial modeling are relevant for the education of managers.

So, what kind of philosophy underlies Otto Scharmer’s theory? This question can be approached by understanding the book’s index as a set of signals pointing back to the intellectual genealogy of the author. Those who read the Carnegie report might wonder how on earth to realize its ambition of combining analytical thinking with reflective philosophizing. Scharmer’s book, we argue, provides a case of how this combination can yield a new way to frame and to teach leadership and management.

We think that is why this management text, published in the United States, strangely indexes “Johann Wolfgang von Goethe” next to “globalization” or “Rudolf Steiner” before “Joseph Stiglitz.” That might also be why Scharmer’s book has chapters that are inspired by something that suddenly and unexpectedly happened to its author. At a glance, the book’s index, and the biography embedded there, reveals an interest in philosophy that extends far beyond the common field of reference. And yet, the book’s author does not dwell on the philosophical heritage that informs it. Perhaps this lacunae is intentional – perhaps the author has chosen to ease the reader’s passage into the phenomenological worldview of the book by avoiding any heavy bibliographical preaching that might easily result in what the author calls “downloading”. If so, then the author has succeeded marvelously. But in order to explore the connection between what *Theory U* does and what the Carnegie Report recommends we need a backstage pass in order to see the author relaxing with his friends before and after the show. Our point is simply that the “presencing” the author advocates as the main stance of true leadership hardly comes naturally. It is, on the contrary, the product and result of applying carefully selected ideas when looking at business. Let us start with four examples of the ideas that have influenced Scharmer.

Business as Social Sculpture: Joseph Beuys

Starting with a cynical, some might say realist, view: management is mainly taught as a set of techniques, a series of instrumental means to the ends of profit and/or control. Business students, if we take recent reports to be true¹, spend less time studying and more time partying than any other university students. Business professors meanwhile do their utmost to cloak their consulting practices in the mantle of ‘empirical science’² mainly to gain the respect of the non-business school faculty who otherwise regard them disdainfully as cash cows. The students do not typically concern themselves with such faculty politics however, since they are only trying to learn the profiteering techniques that will earn them enough ‘go-to-hell money’ so that they no longer have to take orders from anyone. Viewed in this unglamorous light, business school appears as a feudal form of emancipated freedom, turning wage-slaving peasants into landed gentry as quickly as possible.

When Otto Scharmer was a business student, and now we speak of the era before the Berlin Wall crumbled, there was another culture of students who took a more critical stance to business and management. They were the proud heirs of the ’68 revolts, and they mainly saw business as bad, corporations as crazy, and managers as raving mad. From that perspective, all hope for the future of human life was tied to the eradication of capitalism. The revolution they had in mind involved turning everyone into honest workers who could manage their own lives without overseers and bosses. That group also aspired to

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