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FREEDOM AS THE BASIS FOR INNOVATION

Abstract. The psychological and practical aspects of forming organizations capable of innovation and resilience in times of crisis. The case is presented that the freedom of the individual in organizations is pivotal in achieving this. The individual needs to be free to choose to engage, decide, and take responsibility. An organization needs to be Constitutional where there is freedom under the rule of law, not the law of the ruler. This is proposed to be of the utmost importance for the post-war economic recovery of Ukraine.

Organizations today face a host of challenges on many fronts, fluid markets, technological advances, global competition, war, unrest, and disturbance of supply chains. Ukraine faces a set of challenges when transitioning – hopefully soon – into a post-war recovery that is orders of magnitude larger than other countries.

All these challenges represent a complex scenario, where the actors only have fragmented knowledge about the situation at hand, but they have to act now anyway. To make sense of complex situations multiple perspectives to build a common understanding are needed; furthermore, a mindset of experiments and verifying hypotheses has to prevail, since the knowledge is not exhaustive, it has to be built up collaboratively. It follows that to accomplish this, trusting teamwork has to be in place together with radical transparency and individual willingness (and capability of course) to decide, act and take responsibility. None of the properties can be ordered or commanded, they have to be volunteered by the people.

Complexity Fundamentals

When using the word complexity we use the definition from Dave Snowden's Cynefin¹ decision support framework, which defines a number of cognitive domains:

- **Obvious or Clear.** The place where any reasonable person can see what needs to be done. We *sense, categorize, and respond*. We can have best practices and checklists, and just get on with it. This is the territory of the administrator.
- **Complicated.** The place where the actors are convinced that knowledge does exist, but it is a little hard to get at. We *sense, analyze, and respond*. We can have good practice depending on the expertise, we can get hold of. We may have to analyze data or seek expert help. This is the territory of the engineer or the expert.
- **Complex.** This is the place where each actor only has fragmented knowledge of the situation, however, if they pool their knowledge they may be able to achieve a useful common

¹ <https://cynefin.io/wiki/Cynefin>

understanding. We *probe*, *sense*, and *respond*. We can have emerging practices from something we knew before and something we just discovered. This is the territory of intense human interaction, those who can communicate and collaborate win.

- **Chaos.** The place where each actor has no real knowledge of cause and effect. We have to *act*, *sense*, and *respond*. People with intuitive expertise make quick, forceful decisions to try to stabilize the situation and revert to some sort of normal. Any practice discovered will be novel. This is the territory of the first responders or the emergency room doctors.

- **Confused or Disorder.** The unfortunate territory where you don't know where you are, maybe no one has even considered how to attack the challenges, they just act out of old habits. This normally leads to radical failures. First, assess which domain your challenge is in, then decide the appropriate line of attack.

Between these main first four domains, there are some liminal territories. The transition between Obvious and Complicated is not a sharp one, it is more of a quantitative progression of the need for research and analysis of known entities; traditional planning can work here. However, the other three liminal areas are very specific, we have given them the following names.

- **The Agile Border.** Between Complex and Complicated, there is a territory where things are still uncertain, but iteration after iteration, it is possible to bring items over to the complicated domain, define outcomes, and deliver results.

- **The Radical Innovation Border.** Between Chaos and Complex, there is a territory that can be entered voluntarily, relaxing constraints for people, thus igniting an innovation process and idea generation. Typically the work consists of a series of parallel experiments leading to new ideas.

- **The Complacency Border.** Between Chaos and Obvious, there is a territory where things have become over-constrained with fixed rules and processes, where they should not be. In a crisis or a period of accelerated change, a sudden drop in Chaos with catastrophic failure can ensue and recovery is very, very expensive.

I believe this fairly extensive explanation is necessary to fully comprehend our thesis. Because a lot of work today is complex, as per this definition, rapid and good solutions can only be found through the explorative initiatives and efforts of independently operating actors. It will be immensely slow and most likely suboptimal if solutions are attempted through a rigid power-based command-and-control structure. This approach requires people's engagement to find solutions.

On Engagement and Intrinsic Motivation

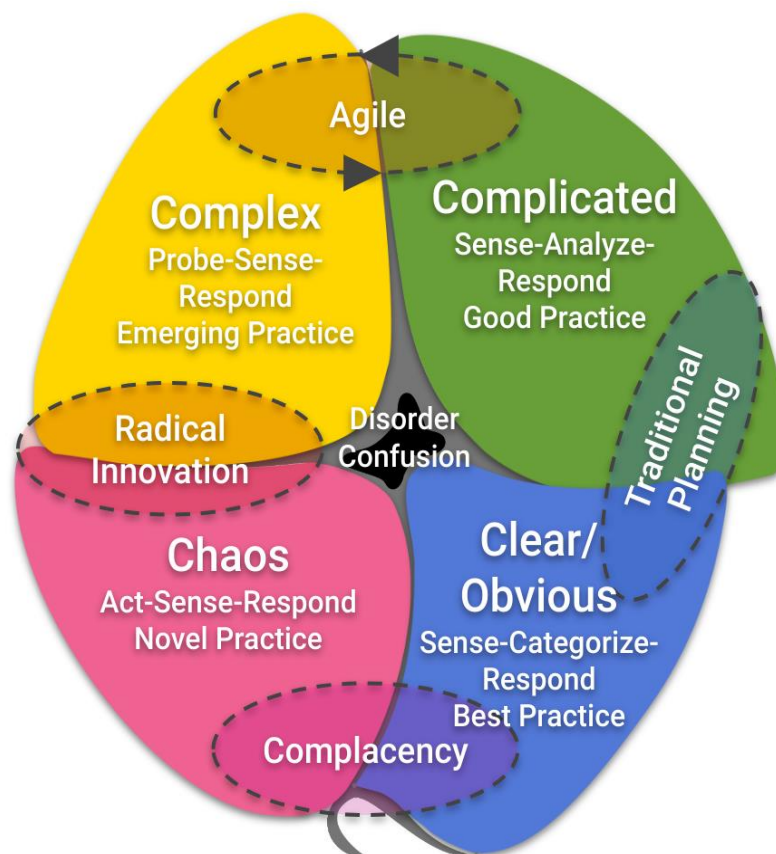
For more than 25 years, Gallup has studied the subject of engagement. In the most recent report², their research shows that 77% of the global workforce is disengaged, and 18% is actively disengaged, which means that they actually are working against the interests of their organization; Western Europe is at an all-time low, below sub-Saharan Africa. These are staggering numbers and the effects are just now dawning on leaders and government. Furthermore, Gallup documents how organizations that score high on people's engagement exhibit very positive statistics on

² Gallup: State of the Global Workplace 2022

practically any important number. Some examples: Employee retention can be improved by up to 65%, safety incidents reduced by 49%, absenteeism reduced by 37% and defects by 41%.

So there are very good reasons to focus on engagement. This however cannot be commanded or forced as mentioned before, it has to be chosen by people. The concept of engagement is very close to another term often used in this context: *Intrinsic Motivation*³ (as opposed to *Extrinsic Motivation* with compensation and perks), for this to take effect people need to have:

- **Autonomy.** The desire to direct ourselves in a meaningful way. The freedom to choose, act, and take responsibility as an individual actor.
- **Purpose.** The need to work for a bigger reason than just ourselves. To be able to see that what I do resonates with my values.
- **Relations.** The need to experience positive relations at work. Human beings are social beings, those around me matter.
- **Mastery.** The desire to get better and develop skills. To be proud of what we accomplish – of our workmanship.



Of these, autonomy seems to be the most foundational one, it acts as an amplifier of the positive experiences we have from the other three. Only the engaged or intrinsically motivated individual can effectively work in the complex domain. Because of the fragmented knowledge, we

³ Especially promoted by Anders Dysvik and Kård Kuvaas from Oslo BI: https://selfdeterminationtheory.org/wp-content/uploads/2017/05/2013_Dysvik_etal_J_Applied_Soc_Psych.pdf

have to rely on abductive reasoning, where we operate with solutions that are probable but cannot be proven until we try them out. The solutions have to be coherent, which means they cannot contradict those facts we do know. So far only free personal agents can do that, machine learning and AI cannot be abductive⁴. Another angle on innovation is the term “exaptation” (borrowed from biology), which means the ability to see a pattern and recognize that perhaps a solution developed for something totally different could be used here. AI can also not do that, again only free agents can deliver.

In order to experience freedom, we need something that has been called “Psychological Safety”, especially by Professor Amy Edmondson⁵. Each individual has to experience that “it is OK to be me here”, then they can engage, speak up, and try to have influence. Amy Edmondson summarizes it all in three points

- Nobody should be penalized for admitting a mistake.
- Nobody should be penalized for asking for help.
- Nobody should be penalized for suggesting a better way of doing things.

Working in the Complex domain, especially in the Radical Innovation territory, requires finding, exchanging, sharing, validating, and trying out knowledge. “Knowledge can only be volunteered”, says Dave Snowden, “It cannot be conscripted”. Therefore we have to treat people as volunteers, who by definition are free to leave.

Organizational Consequences

This leads us to discuss the organization needed to create an environment where personal freedom can exist and be sustained. It is true that if an organization is left to its own devices, it will more or less inevitably drift towards the rule of an elite (an Oligarchy), who will tell the rest what to do. It is also true that most people tend to think that a power-based hierarchy is the only possible way for an organization to be managed. The hierarchy attracts people who want power and privileges for themselves. It is an unpleasant fact, but it can be dealt with.

First, we need to have a constitutional organization⁶, where there is freedom under the rule of law and not the law of the ruler. The law in this context is the constitution, the set of agreements that people have entered into with mutual consent covering the way they work together and make decisions. This provides checks and balances against people trying to grab power.

Secondly, we suggest that the Value Stream that an organization has for delivering products and services to its beneficiaries be comprised of small self-managing Circles (Teams) with clear roles and responsibilities, where respect and trust can flourish and be upheld.

Finally, the high independence and autonomy of the small Circles and the individuals therein is the very defense against drifting into oligarchy. It can be prevented if the freedom of the local units is fiercely defended; look at the Swiss constitution. A constitutional organization should not allow any central bureaucracy to have power, it should only be of service to Circles. Nobody

⁴ <https://bdtechtalks.com/2021/09/20/myth-of-artificial-intelligence-erik-larson/>

⁵ Amy Edmondson: <https://www.hbs.edu/faculty/Pages/profile.aspx?facId=6451>

⁶ <https://agileleanhouse.com/en/birdseye>

should use force against others, and no structure of authority allows a single superior to override decisions in Circles. Local independence should be protected or oligarchy will creep in.

Conclusion

As Ukraine – hopefully soon – can start rebuilding and regaining its place in the marketplace of free countries, it is imperative that the best conditions for the recovery, restarting, and reshaping of organizations and institutions exist. There is also an opportunity for a host of new startups that can contribute to the future prosperity of Ukraine. Another angle on the postwar situation is the momentous task of reintegrating people from the war back into civil society; they are typically deeply wounded and have immediate needs to see purpose and meaning in what they do post-war.

We submit that one of the best investments that Ukrainian society and educational institutions can make is to teach, coach, and supply tools for people to create and operate innovative, resilient, and sustainable organizations, based on respect and the personal freedom of people. The concept has to be very clearly shown and argued or risk a lapse back into the pre-war power-based hierarchy and oligarchy. There is great potential, look at how Israel after grueling wars became a leader in innovation in so many areas. With the determination in Ukrainian society, something similar is clearly plausible.

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