Welcome from the Dean & Editor

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WELCOME to the second volume of JSL. We will continue to publish one issue a year for the next couple of years and we will not despise small beginnings. This journal is a process of slow but steady growth. In this issue you will find articles from our Doctor of Strategic Leadership program students. I trust that you will find the information valuable and informative.

A Credible Leader for Turbulent Times: Examining the Qualities Necessary for Leading into the Future

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This article introduces a credible leader with leadership qualities that are needed to successfully lead an organization through the turbulence of our present world. These credible leadership qualities include: 1) a demonstrated competency in leading an organization through turbulence; 2) an honorable intent in the eyes of his or her people; 3) a commitment to personal and staff learning; 4) a leader who is comfortable dealing with people and cultures different from his or her own; 5) a future-oriented leader who studies the current driving forces, searching for likely futures the organization may experience; 6) a leader with a sense of personal creativity and innovation, as well as the capability and commitment to provide an organizational environment conducive to creativity and innovation. Finally, this article presents suggested steps for the reader to develop him or herself into a credible leader for turbulent times.

"**H**ey, turn on your television!" David yelled. "A large jet just crashed into a tower of the World Trade Center." That day was September 11, 2001; a day I and most of the world will always remember. Turning on the television, I saw the fire in the upper portion of one of the twin towers. Everything felt surreal, like it was just a movie. I could not fathom how this might be an actual live newscast. As I watched, another plane approached the other tower. The announcers were screaming. You could hear people in the background yelling. That second plane hit the second tower and flames shot through the building. Not much later another plane hit the Pentagon.

I knew that America was under attack and this was not a game; it was for real. Buried in the moment, all that I could think of was, "What more is coming? Is there something I need to do to protect my family?" I had never been through an attack like that in my life. I did not know how to deal with it. I remember I felt helpless and confused.

The 9/11 feeling of helplessness and confusion paralleled my feelings during my first experience with a bank merger. My world suddenly turned upside down. The reliability and security of the future changed in an instant. I thought I would be retiring from my employer, but suddenly I faced an unknown future. Leadership was going to eliminate my job and I was faced with unemployment. My twenty-five year career suddenly evaporated.

Not only was I facing unemployment, but to receive my exit package I had to remain through the entire merger process to work within various leadership responsibilities. With that news, I felt almost panicky. I knew nothing about bank mergers and had never been through an experience like this. How I wished I had a guide to lead me through it, but nobody that I knew in the organization had ever been through a merger before.

My responsibilities pulled me in two directions: coping with the present turmoil and helping prepare for our yet-to-emerge future. My job assignment included consolidating all the accounting, customer service and paralegal processes of both the corporate and business banks into a single unit. My newly assigned merger role was acting as a liaison with the purchasing bank in the transfer of the corporate and business bank loans, while continuing to supervise the note accounting and paralegal effort. I was not only dealing with loan transfer responsibilities, which were new to me, but I also had to daily deal with the fears of the employees I supervised during this time of turmoil and doubt.

In both of these situations, the turbulence of the clash of the unknown future with the present disruption overwhelmed me with feelings of inadequacy and loss. I knew nothing about what to expect. I had no prior experience on which to base my decisions and actions and no mentor to guide me through.

While I felt ill-prepared for the responsibilities that senior leadership expected me to perform, not going forward was not an alternative. It was critical to both organizations that we transfer the assets to the purchasing bank without disrupting the value of the assets in the process. It was critical to me that throughout the change period, I help my employees (who were also my friends) with their personal and career concerns. It was my impression that the human needs of people were low on the list of priorities of the selling or purchasing banks. I felt angry that the people who made our bank a great organization were now incidental to the process.

My second bank merger experience outwardly appeared similar to the first merger, but inwardly was a contrast. The process was identical: shifting assets and liabilities from our bank to the purchasing bank and laying off the unnecessary staff. Many of the staff and leadership received the announcement of the merger with feelings of turmoil and confusion because this was their first experience with a merger. However, for those of us who had previously gone through a

merger, our experience carried us. We had contagious confidence that we would survive this one even if we were once again unemployed.

The significant difference between the two mergers lay in senior management's commitment to the personal needs and feelings of the staff. Many of us who were part of the selling bank were in senior management and because of our prior merger experience we believed the human side must be an equal concern with the business side in the merger process. In this second merger, senior leaders provided much more information about the process and the timing throughout the communication chain. They provided counseling and job out-placement services, as well as departmental parties to answer questions and to encourage staff. Leadership's skill in leading the merger and their displayed concern for the people made them credible and as a result, the staff felt less threatened by the turmoil.

I gained three primary lessons from my experience with 9/11 and two bank mergers. First, prior experience with turbulence provided a platform for the knowledge and skills necessary to weather future turmoil and provided greater contagious confidence in dealing with chaotic uncertainty. Second, I learnt that the ability and commitment to learn from our experiences and education provided us the capacity to prepare for future uncertainties. Third, I learnt that people are not just data points, business input factors or a human resource; they are individual lives with hopes, dreams and fears and are valuable just because they are people. Even if a leader has the knowledge and skills to deal successfully with turbulence and the ability and commitment to learn but does not value people, there is no purpose in the effort.

Our Turbulent Present-Day World

"Turbulent" describes both our current world and our organizations within that world.[1] At times in today's organizations, conditions are so turbulent that organizations risk business crises and serious setbacks.[2] Less and less in our current organizational environment, does the view ahead seem predictably comfortable. More and more, the unexpected happens that destroys business-as-usual and everyone scurries to deal with the hard tasks of chaos and change.[3]

The words "the economy" no longer represent a condition of only a single nation; economic changes in one nation now affect the whole world.[4] What once was a local market has now become a global market with a whole new set of informal, unstated rules.[5] Technology and commodity life cycles change so quickly that often by the time something new is available for sale, someone is developing a newer innovation.[6] Technology and worldwide media bring close what once was distant.[7] The formerly healthy economy has now become volatile and unpredictable.[8] In light of today's turmoil, what leader will best lead today's organization into this emerging and yet-to-emerge world?

Organizations need leaders who have the experience to adapt quickly to our yet-to-emerge turbulent world. For this current and future world, today's leaders need to be learning leaders able to foresee and prepare. Since the future will likely be different from today, leaders cannot draw the needed strategies solely from their previous experiences.[9] These leaders will need to study the world around us to look for the implications of driving forces and then look forward to create possible yet-to-emerge futures from which to create new strategies to engage those futures. At the same time, these leaders need to train up the next generation of leaders capable of creatively and innovatively addressing the future they will meet. Since people make up organizations, these leaders will need to be credible leaders with hearts that hold a high moral value for people.[10]

The Qualities of a Credible Leader for Turbulent Times

The following section of this article introduces Chris, a hypothetical leader drawn from a composite of capable leaders. Using a story format, this article highlights the qualities necessary for leading in turbulent times. This section also presents suggestions for becoming or producing a future credible leader for the future.

A credible leader demonstrates competency

Chris has been a banker for over forty years, enough time to accumulate knowledge about the industry in turmoil situations and to develop a high level of skill to engage problems as they arise. Chris has the "track record" and the "ability to get things done."[11] Through the years, Chris's experience through the turmoil of several mergers and economic cycles has prepared him to face the future confidently. He has gained not only the skills and knowledge to handle specific issues as they arise, but he has also gained the confidence to deal with future challenges.

A credible leader demonstrates honorable intent

Chris' employees consider him trustworthy because they have seen years of a consistent match between his words and actions, a proof of his integrity.[12] Keeping his word regardless of the personal cost, preserves his integrity and builds his credibility within the organization.[13] During times of wrestling with the decisions while the outcome remains undecided, it is always subject to change. However, for Chris once there is a shaking of hands or the parties sign the agreement, the outcome is locked-in as much as Chris is able to assure it.[14] During turbulent times leaders must build their credibility on integrity. The trust of the members of the organization, associate organizations and even competitors rises and falls on the perceived integrity of the leader.[15] Because of the credibility of the leader, members of the organization will find turbulence less threatening.

The staff at the bank perceives Chris as a person of high moral values.[16] His strong moral values about people provide a platform for his credibility.[17] During these turbulent times members of Chris' organization believe they are all operating with similar values, those in the interests of the organization as well as the interests of all the members of the organization.[18] While many leaders might use their positions for self-interest, excluding the interests of the organization and its people, Chris will do what is right, considering himself to be a servant of the staff rather than just their leader.[19]

Chris proved himself to be a leader concerned first about the interests of the organization and the people within the organization and even willing to sacrifice his own interests from time-to-time.[20] During turbulent times an organization needs people who can focus on the needs of the organization. Employees will not perceive their leader as credible if they believe their leader is self-serving.[21] It is therefore critical that a leader demonstrates concern for both the organization and the people within the organization.[22]

All of his employees recognize that Chris cares about them. To engage the turbulent world successfully, a leader will cultivate a caring environment in which workers willingly take more risks, are open about their needs and ready to accept the challenges of the organization.[23] When the workers feel the leader is caring, they will be more willing to share creative ideas helpful to the organization. When the workers sense that leadership cares and understands their personal world, they will respond with concern for leadership.[24] When the workers feel that leadership is willing to sacrifice for the organization and for all the workers rather than select groups, the workers will step up to the challenge.[25]

Many leaders say that they have an "open door" policy, but Chris lives it. For years he has lived out a management tool referred to as "walk-around" management,[26] showing up unexpectedly at all levels of his organization and making himself available for questions and comments. Due to his demonstrated openness to discussion, employees feel leadership wants their ideas. A credible leader during turbulent times will need to remain approachable rather than aloof from those within the organization.[27] This does not mean that in an organization of thousands of employees, everyone has access to the president, but it does mean there needs to be some means for all employees to be able to communicate their concerns to leadership. The key is that the employees sense leadership's concern for them and their ideas.[28]

A credible leader, such as Chris, will be empathic during turbulent times.[29] It is one thing for a leader to be approachable; a leader also needs to understand the lives, thoughts and experiences of other people. People are not statistics or just points of data. The people in an organization have individual dreams, hopes and fears. A leader must emphasize with and relate to the lives of the people within the organization.[30]

A credible leader demonstrates a commitment to learning

A leader during turbulent times needs to be an intentional and a continuous learner.[31] Chris believes the days are gone when leaders and staff can rest securely on their current knowledge and abilities. Now with our continuously changing environment, Chris believes a leader and staff need to constantly learn to keep up with all the changes, problems and possible solutions.[32] With the growing diversity in the workforce, a leader needs to learn about,[33] and from, the people within the organization.[34] A leader needs a means of obtaining information and a time to study. The leader also encourages the development of a learning organization that values contributions from all levels of the organization.[35]

Chris makes sure that everyone in the organization has the opportunity and encouragement to be a continuous learner. Part of caring for people is developing them for future success in our turbulent world.[36] When the workers are growing in knowledge and skill, they will increase their capability to serve the organization.[37] Just like the leader, the workers cannot rely on past knowledge and skills to carry them into the yet-to-emerge world. The continuous and rapid change occurring today that requires the leader to be a continuous learner also requires all the people of an organization to continually expand their knowledge and skills.[38] The leader makes learning relevant by providing the atmosphere conducive to using new knowledge and skills.[39]

A credible leader thinks as a cosmopolitan

In our cross-cultural and cross-ethnic world, Chris remains comfortable with the wide diversity of his staff and customers. Working in a market heavily engaged in global commerce, Chris continually seeks greater understanding of international businesses and cultures. Chris has committed himself to the continuous learning of other languages. To be credible like Chris, a leader during turbulent times will need to be cosmopolitan, one who is comfortable with multiple cultures and ethnic groups.[40] In the past, organizations did business mainly in their local markets, within the boundaries of their own country, but today with all the international markets, organizations now do business, or compete, with organizations around the world.[41] As people of the world continue to move among countries, employers find their workforce increasingly diverse.[42] As cosmopolitans, leaders need to be comfortable engaging people different from themselves;[43] this means they will recognize all people as unique individuals.[44]

A credible leader looks to the future

Strategic planning has been a commitment of Chris and his leadership team. A credible leader during turbulent times needs to think into the future while working effectively in the present. Formerly, organizations were able to keep up with the slower rate of change, however, the increased rate of turbulence has forced organizations to adapt faster. Today and into the future,

organizations no longer have the luxury of adapting to what is currently emerging. To be credible, leaders will find it necessary to imagine rapid changes that are yet to emerge and communicate this vision of the future throughout their organizations.[45] Credible leaders need a creative and innovative vision for the future, while effectively leveraging their current operating capacity.[46]

A credible leader encourages creativity and innovation

Since he was young, Chris has always enjoyed creativity. Now that he is a leader, he wants to build that same spirit of creativity in others. Before an organization can ask its people to be creative and innovative, the organization and its leaders must create an atmosphere conducive to open sharing of ideas.[47] A significant barrier to organizational creativity and innovation is people's fear of embarrassment, ridicule or revealed lack of value.[48] When a leader communicates to organizational members, messages such as, "we encourage creativity and innovation" and then allows sending a message such as, "that is a dumb idea," the leader will reinforce people's fears. Even a little thing such as not responding to an idea sends the message that creativity is not welcome. To encourage creativity, credible leaders must consistently reward employees' efforts, even when their staff's efforts do not appear to be successful.[49]

A credible leader prepares people for turbulence

The credible leader stands out as an unusual leader. Just as our hypothetical Chris did not protect his staff from turbulence but rather led his staff through the turbulence, a credible leader will not save people from turbulence; he or she will instead prepare them for and lead them through the experience.[50] Because of Chris' credible leadership qualities, his team is able to embrace turbulence as part of their life experience.

The Credible Leader as a Guide in a Turbulent Environment

The credible leader is not a "super" leader. He or she is simply a leader who is credible and truly cares about others. This leader possesses knowledge and skills, as well as a heart that holds a high moral value for people and personal integrity. This leader sets personal self-interest at a level no higher than the interest of the organization or its members and lives his/her life to match.

During these turbulent times, organizations need leaders who are credible. Organizations need leaders:

- With honorable intentions
- Who commit themselves and their people to continuous learning
- Who think as cosmopolitans

- Who look into the future, creating various scenarios and preparing the organization for those likely worlds
- Who are creative and innovative and commit themselves to providing an atmosphere of creativity and innovation in their entire organization

Because of the credible organizational leader, the members of an organization will be able to accept and embrace turbulence as part of their life experience, making them better equipped to address the challenges born out of turbulence.

Developing Leadership for Turbulent Times

The U.S. Marine Corps provides an example of an organization that develops leaders to be able to lead in times of turbulence.[51] Besides conventional training, the Marines use role-playing scenarios that put trainees into chaotic conditions, preparing them to respond quickly to the unexpected. Repeated mock turbulence experiences develop the necessary leadership qualities, allowing Marines to make prepared action decisions quickly and to preserve their credibility in moments of high-tension. Like the Marine Corps, organizations can create programs to develop their capable leaders for turbulent times.

Many of you are asking yourselves how you can become a credible leader who is fully prepared to lead an organization through turbulence. You need not be subject to the whims of chance. You can start today with the following steps.

- Decide to become a credible leader, ready to lead in turbulent times
- Find a mentor who is a credible leader with experience leading though turbulence
- Commit yourself to following through with your mentor's directions

Some of you are already credible leaders with the qualities expressed in this article. You may be wondering how to develop more leaders capable of leading in your organization in these turbulent times. The following action steps will help your organization during these times of chaos.

- Commit yourself to being a mentor, to develop future leaders fully prepared for leading in turbulence
- Seek out employees with leadership potential
- Develop an intentional and formal program of mentoring with a carefully laid out scope and sequence to include all the skills and knowledge needed to be a leader in turbulent times
- Enroll followers committed to training others in the skills they will learn

- Turbulent times will not disappear, therefore organizations planning on surviving and thriving into the future need credible leaders prepared to lead in our future uncertain times.

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Romantic Idealism: Transitioning from For-Profit to Non-Profit Leadership

Tim H. Vanderpyl

Where do non-profit boards recruit from when they inevitably need to replace key leadership positions? One source of recruitment may be from the for-profit executive ranks. Ironically, many non-profits are uninterested in recruiting from the ranks of older, retiring professionals,[1] even though these experienced professionals form a major pool to recruit from. The transition is not without hurdles, and this article focuses on some of the differences and similarities amongst leadership positions in the business and non-profit world and the issues and strategies involved in the transition to non-profit leadership. Organization, leadership and followership are all needed in any organization, but the differences may diminish the romantic idealism that some executives may have on working in a non-profit organization. Darren is a fictitious character, but his struggles and experiences are synonymous with the struggles that many leaders may face in a transition from the for-profit to the non-profit world of organizations.

> The 21st century will be the century of the social sector organization…The leadership, competence and management of the social sector organization will largely determine the values, the vision, the cohesion and the performance of the 21st century society.
>
> Peter Drucker

The impact of non-profit organizations on our world cannot be understated. These organizations can be as small as a local soccer association or as large as a multinational humanitarian organization. They can include churches, social service organizations, art showcases, humanitarian agencies, or any organization that legally exists for a cause, not to distribute profit to owners or shareholders in the form of dividends.[2] In Peter Drucker's words, "the non-profit organization exists to bring about a change in individuals and in society."[3] The non-profit sector contributes 7.2% to the United States GDP, with an average of 5% contribution to national GDP

worldwide.[4] These non-profit organizations account for 66.2% of the value added in the social services field and 52.9% of the value added in sports and recreation activities.[5] In 2004, the total wages paid out by United States non-profit organizations reached $321.6 Billion (compared to $276 Billion in the construction industry).[6] Non-profit organizations' impact and necessity in our society is important, and how they are structured and led impacts all of society, not just the individual organization.

In recent years, corporate scandals have led an intriguing turn towards non-profit organizations for examples of exemplary leadership.[7] The romanticism of sacrificing to work for a cause may also open up doors for non-profits recruiting some idealistic managers from for-profit organizations.[8] Many corporate executives may sacrifice large salaries to find meaningful work in a non-profit organization. Within the next five years, 75% of non-profit executives plan to leave their current position.[9] This creates a conundrum for non-profit boards as they will need to replace these leaders with competent and experienced leaders. One estimate found that the non-profit sector will need 80,000 new leaders in 2016, just to replace the number of executives retiring or transitioning out of leadership.[10] Many organizations have not considered this fact, as only 29% of non-profit organizations have even discussed a succession plan.[11]

The need for effective non-profit leadership will also continue to increase through the economic turmoil our world is facing. Non-profits tend to have "counter-cyclical" employment demands through economic recessions where their employment and societal impact actually increases.[12] As people experience hardship, the need for non-profit organizations increase, and their impact cycles upwards. As people experience growth and "good times', the need for non-profit organizations actually decreases. Unfortunately, as the world looks at a potential recession, one growing employment market could be non-profit organizations.

Worlds Apart

> Both the businessman and the civil servant underestimate the difficulty of managing nonprofit organizations. Both are wrong, nonprofit organizations are more complex than business or government.   - Peter Drucker

Darren sat back and stared at his computer screen. What a day. It was 8:00 p.m. and he was still at the office. He picked up the phone to ask a question he knew would make the day of the recipient.

"Can we go for coffee? I need some advice," Darren asked.

"My big brother needs my advice? Wow. I am marking this day down in my Blackberry right now…Are you okay?" Karen gloated.

"Very funny. Yah, I just uhhh, need to talk a bit," Darren reluctantly replied.

"Sure. How 'bout 9:00 at that cool little shop on 5th Street?"

"Sounds good. I'm buying though. I really need help." Darren set down the phone and let out a sigh. Three weeks as the Executive Director at Island Community Association (ICA) and he was worn out. He had a successful career as a corporate executive and recently sold his company. The allure of working for a non-profit organization attracted him to the non-profit world and here he was. Now his mind was spinning with acronyms, financial statements, behaviour plans, and psychological terms he had never heard before. In the past three hours alone, he approved hiring two new employees, met with a salesperson trying to sell upgraded client tracking software, attempted to catch up on his emails, was debriefed on an employee who injured her back, and talked to the board chairman regarding the upcoming board meeting. And people say they are busy in the corporate world, he muttered under his breath as he quickly typed up a few more emails.

"So what's on your mind? Are you ready to pack it in already?" Karen chuckled as her latte was brought to her table.

"No. I've never quit anything in my life. But well, the job wasn't supposed to be this tough," Darren exclaimed.

"Well what did you think I did all day?" Karen laughed. "We are real organizations with structures, systems, leadership and everything else the business world has." Karen was the Executive Director of a humanitarian organization that provided food and medical relief in war-stricken countries.

"I know that. I guess I never thought running a non-profit organization would be this tough. It was supposed to be an easy retirement job for me."

"Welcome to my world. I don't think you ever really believed how much work I do," Karen laughed. "So what's on your mind?"

"Well, I have to be a leader in finance, human resources, strategic planning, board governance…which I knew I would need to be…but I also need to meet with psychologists, psychiatrists, therapists, counselors, accountants, lawyers…"

"And your point?" Karen interrupted.

"I guess I had this romantic view of a non-profit job, and that came crashing to earth these past few weeks. It's not a whole lot different than what I used to do except…"

Karen smiled, "Except?"

Darren sat back, "Except I feel my job means something. It's amazing to think that I sacrifice to work where I want to work. All we do is help our community."

"So what's the problem?"

"I guess I just hope I can get everything done. I used to just hire people to do everything I didn't want to do. I had a huge staff at my disposal that helped me grow my company. Now, I don't know if I have the money to hire anyone. Our government funding in this volatile economy could be cut, and we're worried about whether people will continue to donate money to keep us going."[13]

"The economy is probably not going to get better. Ironically, it might actually increase donations. It's always hard to tell. As you grow, you will always be worried about whether the money will be there. The worries come with the territory."

"Growth. I can't even fathom that right now. I am just trying to stay afloat. In business, I was always looking for new markets, or ways to better infiltrate markets. Now, I'm not even sure if I should worry about expanding. If we do, we may stretch the quality of service substantially. For the first time in my career, I think the right solution to growth may be to stay the size we are at for now. I hate the status quo, but that may be the right option for once."

"I can imagine. At my organization, we haven't grown financially the past few years, but I don't feel like a failure by any means. More revenue and employees does not mean we are achieving our mission better. But I've seen so many amazing changed lives in the people we work with that I get excited when I go to work. I could sit here and tell stories for hours, like when we helped this family in Burkina Faso who lost their home in a bombing and…"

"I know. I know," Darren interrupted, "you tell those stories every time we get together. If you get started, we'll be here all night. How do you not want to grow?"

"I do want to grow, but only if it helps us to better achieve our mission. I go for quality, not quantity. I also aim for 100% involvement by the people in our organization. Board members. Volunteers. Staff. Everyone. Did you know that only 46% of charities have 100% of their board members support the organization financially?"[14]

"Really?"

"Yes. And the number one factor related to giving seems to be the 'percent of participation' metric regarding membership. If 100% of the people involved give money to the organization, then that giving, even if it is only a small amount, will increase their overall commitment."[15]

"Interesting. We do have a few board members with sporadic attendance rates. I will check tonight and see what our giving rates are too. That may really help. Don't think I am being too negative here, I think ICA is an amazing organization, and they…I guess it's "we" now, do such amazing work with our clients. I ran into a client last week, and she was in tears thanking me for helping her son gain the confidence he needed to find a job. I have no idea how we found him a job, or even what his problems are, but apparently we did. I've never had a customer in all my life express such gratitude like she did."

"You're going to start telling stories like I do now aren't you?"

"Probably. I always did talk more than you. But my question is where do I lead this organization now?"

Diverse, Eclectic and Romantic Leadership

Darren's situation is not unique. The majority of for-profit executives state that their ideal next jobs are in the non-profit sector,[16] while 62% of for-profit employees would seriously consider a career in a non-profit.[17] Whether these executives do transition careers or not is another question, but there is definitely a romantic allure to working for a non-profit cause. If these executives do switch, they may face similar struggles to what Darren describes. Non-profit leadership requires a diverse blend of skills and a missional attitude towards "the cause," whatever that cause might be. The biggest adjustment for executives transitioning to the non-profit world may be adapting to the reasons people work there. Money is not the primary motivating factor. People work because of the mission and the cause, not just a paycheck. Employees, if they previously worked in the for-profit world, may have taken significant pay cuts to work at a job that helps a cause they believe in. Few non-profits, if any, are able to recruit based on monetary incentives.

A board governs non-profit organizations, like many of their for-profit counterparts. These board members are volunteers, and are not compensated for their time. This lack of monetary payment creates difficulties in recruiting board members, and most non-profit executives express extreme frustration with their boards.[18] Board members may be inexperienced, or have competing agendas. The board itself has working authority over the Executive Director, and board members may be involved in the day-to-day operations of the organization. On a positive note, most non-profits have a board of dedicated people to the cause of the organization.[19] These board members support the mission and have an interest in the organization's work.[20]

All organizations need to move forward, but non-profits move forward in different ways than for-profit businesses. Performance is still measured, although the terms might be different. Instead of sales growth, a non-profit, depending on the purposes, may measure performance by measuring an increase in donations, attendance or funding. The complicating factor for transitioning executives is not that some performance is impossible to legitimately measure, nor is there agreement on how to measure non-profit performance.[21] Even promotions are tough to predict or plan for in non-profits because leadership development programs may not be feasible within the finite budget.[22]

If an economic recession hits, and an organization's donations suffer, how does one separate the organization's performance from mitigating factors, and how does this reflect on the executives in charge? How do funders or donors evaluate the effectiveness and return on investment of their donation? These questions are tough, and illustrate the added responsibilities an Executive Director may have in leading a non-profit organization. James Gustafson, in his analysis of the leadership styles of non-profit executives, describes two aspects of socially responsible leadership: value shifting and core changing.[23] Analyzing these two concepts gives us insight into the differences between for-profit and non-profit organizations.

Non-profit organizations exist partly to shift the values of the world around them. They literally want to change the world, one person at a time. They exist to help people, but also exist to potentially work themselves out of a job. Darren's organization fulfills a need. If that need was no longer a need, ICA would no longer need to exist. Ironically, the extreme definition of success for a non-profit would be for the organization to no longer be needed. Our world is imperfect, and the thought of a world without the need for non-profits may be just an imaginative utopia. Regardless, it is still the goal.

Non-profits also exist to change the core of the society around them. Non-profit organizations want to create a dependency on their product. The ultimate business success is creating such a need for a product or service that the world could not imagine life without it. Imagine a world without Microsoft Office? Or Blackberries? Or Q-Tips? Are these products really necessary to our day-to-day lives? No. But could you imagine life without them? Probably not. A business succeeds by changing the world to create or increase an insatiable need for the product or service it sells. A non-profit organization succeeds by changing the world so that the world no longer needs its services. Once the core changes favorably, the non-profit withdraws; while the for-profit organization aggressively moves forward to increase sales and/or market share.

An Organization is an Organization is an Organization

"You know, I love the fact that we help people and that our work means something. I've given money to many organizations before and now I make about 1% in salary of what I made last year…and I don't care.[24] It seems like my life has purpose now. No one remembers something they bought 10 years ago. But they will always remember someone who helped change their life," Darren stated.

"I knew you'd love it. But don't ever forget that ICA is an organization too. In some ways, it operates exactly like a for-profit business too," Karen replied.

"How so?"

"Well first off, you have 100 plus employees who depend on you for a paycheque. They probably love what they do, but they still need to pay bills. You are still their employer. You have to figure out a way to fairly compensate them for their job duties. You have to make sure they get a paycheque each month. You might have to worry about benefits, maternity and paternity leaves, sick leaves and everything else involved in coordinating an organization. In this way non-profits are identical to for-profit organizations."

"I've figured that out already. I honestly can't believe that people are willing to work for sometimes less than half of what they could make in the for-profit world. I've made a lot of money in my life, so my salary doesn't bother me too much. But my frontline staff are just amazing. Agreed though, the coordination of the employees in this sense is much the same."

"Second, with that many employees, you need to organize them somehow. The principles of organizational behaviour apply to groups of people. You need leaders to lead people and policies to govern. Third, you will need to lead the organization and develop leaders within it. Leadership is important in all types of organizations. You need to find talent, recruit that talent, and keep that talent, all while developing the future leaders. You are getting kind of old. You should start thinking of succession planning too in case you die of old age."

"Very funny."

"Fourth, you need to develop effective followers within the organization too. Your people need to lead, but they also need to follow. They need to be courageous and advocate for people in need. Sometimes though, they need to follow and excel at whatever their job is."

"Sounds pretty similar to what I did with my manufacturing company. Find the right people. Find the right place for those people. Give them the resources and support they need, and get the heck out of their way."

"Not bad. You read that in a book somewhere? Karen asked.

"Yep. You should try reading a book for once. They are great," Darren laughed.

"Very funny."

"Go back to your first point. I know I am an employer, but what does that mean in this job?" Darren asked.

Some Things Remain the Same

An employer is any person or any organization that provides a paycheck to a person. In this sense, a non-profit and for-profit organization are very similar. A difference though, is that non-profits spend an average of 66% of their expenditures on employee compensation, while for-profit organizations spend an average of 27% on employee compensation.[25] Non-profits truly are "people" organizations. All employees need a paycheck of some kind in order to live. Whether the employee makes $20,000 per year or $200,000 per year, that paycheck becomes a motivating factor to showing up at work. Many non-profits do utilize volunteers, but those volunteers are inevitably coordinated by a paid staff member. Few non-profits can exist without some paid employees. To lead those employees and volunteers, organization, socially responsible leadership and followership are all needed

Organization

Organization is a necessary aspect of coordinating any amount of people. Darren's organization has 120 employees in it, and he will need policies and procedures to govern their work. He will need someone to coordinate accounting, human resources, payroll and all other duties that organizations have. He will need to determine which jobs utilize volunteers and why other jobs involve paid staff. Organization is needed because organizational anarchy will crash the organization (or inevitably subject it to lawsuits).

The structure of non-profits, like for-profits, will vary, but needs to include three key components:

- Designation of formal reporting relationships
- Identification of grouping together of people into teams or departments
- Creation of systems that make the organization work[26]

These systems are no different than any other organization. Some non-profits are hierarchal in nature. Others are organic. The structure could be structured by function, division, or geography, or could be structured in a matrix.[27] Victor Sohmen describes one model as being structured based on projects.[28] While this model will not fit all non-profits, it is consistent with the missional approach of many non-profits. Regardless of the model chosen, the leaders need to strategically implement an effective organizational structure to ensure the mission is fulfilled.

Socially Responsible Leadership

Leadership is required in all types of organizations. What this leadership looks like in action will vary depending on the situation and the personalities of the leaders. A situational view of leadership would allow for the adaptation of leadership styles depending on each situation. Non-profits require this adaptation, but are no different than a for-profit in this area. In non-profits, like in for-profits, there is a direct correlation between the effectiveness of the leadership and the effectiveness and stability of the whole organization.[29]

Ken Blanchard and Phil Hodges emphasize that leaders must differentiate between success and effectiveness. Success can involve only short-term gains, while effectiveness accomplishes results, as well as long-range growth and development.[30] Non-profit leaders may never see the true results of their labors in their lifetimes. Their legacy may be long-lasting changes in society, not just appreciated stock prices. James Gustafson's analysis of non-profit leaders illustrates how extraordinary many leaders of non-profits really are. Many have made extreme sacrifices in their lives to build an idea of hope into an organization that carries through with that idea.[31] Gustafson defined socially responsible leadership using a lighthouse metaphor where these leaders "give the gift of hope by lifting other along their own life journeys."[32]

Non-profit organizations that recruit for-profit leaders need to ensure that the potential leader has the core beliefs needed to lead a non-profit. Eleanor Josaitis, co-founder of the non-profit organization Focus:Hope, describes the essence of socially responsible leadership in this way:

> If I want people to pick up the paper as they're walking down the street, I damn well better bend down and pick up the papers when I'm walking down the street. If I expect these people to be ambassadors, I better be an ambassador. If I want to talk about integration, if I want to talk about breaking down barriers, I better live it.[33]

Regardless of the talents of a potential executive, the executive needs to believe in, and *live* the mission of the organization. The foundation of an effective non-profit leader is living that mission throughout his or her life, and leading out of that mission.

Followership

Followership is also required in all types of organizations. Leadership is necessary, but every leader inevitably follows too. Their skills at following become as important as their skills at leading. The "romance" of leading a non-profit organization can attract a potential leader, but in reality, the day-to-day actions of the leader will be closely tied to external factors that may be beyond the leader's control.[34] The leader will inevitably follow and lead simultaneously, and the asymmetrical power relations between the leaders and followers will coincide with the existing culture and organizational hierarchies.[35] Darren is already feeling this struggle as he tries to stay afloat with the workload, while leading the organization and leading (or perhaps following) the staff around him. This juggling act is an everyday occurrence amongst non-profit leaders.

In terms of developing followership, for-profit and non-profit organizations are identical. Courageous followership involves the courage to serve, take responsibility, challenge, participate in transformation and take moral action.[36] Non-profits require all employees to participate and follow each other to maintain fulfill their mission. Robert Kelley advocates that exemplary followers need to weave a web of relationships around them.[37] This "web" can help fulfill the mission. Regardless of individual preferences, all organizations require employees who are able to follow and lead. Effective followership will balance with leadership around the mission of the organization.

Conclusion

The non-profit world has many attributes that may attract unusual talent. The skills a corporate executive may learn in his or her career may directly transfer to the non-profit executive suite. There are some differences, and there will inevitably be bumps in the road along the transition path, but the opportunity to recruit this talent is there. Non-profits may not offer a lucrative salary, but they are "propelled along by some otherworldly energy source,"[38] as Anne Loecher wrote describing her own transition from the corporate to the non-profit world. Loecher humorously writes that,

> At one point I envisioned a new reality TV show, "Extreme Nonprofit," in which beleaguered visionaries competed to see who could do the most with the least. "Can I have the pen?" "Are you remembering to recycle the Post-its?" They are working in an

office with its own weather system due to broken furnaces in a subzero climate and lack of air-conditioners on sub-Saharan days.[39]

Not all non-profits are as extreme as Loecher writes about, but the allure and adventure of working for an organization may draw people away from their jets and mahogany desks to the romanticism and adventure of the nonprofit world. The transition is tough, but the long-term job satisfaction may be worth it. Just as importantly, the non-profit world may need these transitioning executives to help lead their organizations if they are to survive.

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Making Better, Stronger Churches Through Organizational Design

Kathleen Austin-Roberson

If contemporary churches want to increase their ministry effectiveness and experience enduring success, they must be willing to design and redesign themselves. To do so, they need to incorporate new strategies, structures and systems that give the strategic focus, momentum and operational support needed to thrive in an ever-changing world; while at the same time maintaining the very sacred nature that causes them to be uniquely different from all other organizations. This article seeks to examine organizational design in a ministry context by: 1) arguing its relevance and application to churches; 2) examining five trends that will impact the church over the next ten years, making church redesign efforts a must; 3) exploring design elements utilized by the first century church that are applicable today; 4) examining the critical role of church leaders in designing efforts.

The 21st century is in full swing and the world is experiencing rapid and profound change. In fact, it would not be an overstatement to say that change is inevitable for most contemporary organizations. Contemporary churches are no exception. Both internal and external forces are continuously in motion impacting churches all the time. Yet, change is often resisted as church leaders choose to hold on to traditional modes of existing and operating, often to the detriment of the successful fulfillment of the mission. A healthier approach to change is viewing it as an opportunity to reinvent something better. An example of this approach was captured in a popular television show of the 1970s called "*The Six Million Dollar Man*." Is there a lesson in this television show that could be applicable for the church of today? No child growing up during the 1970s could forget the opening narration of "*The Six Million Dollar Man*":

> Steve Austin, astronaut. A man barely alive. Gentlemen, we can rebuild him. We have the technology. We have the capability to build the world's first bionic man. Steve Austin will be that man. Better than he was before. Better, stronger, faster...[1]

Maybe the reason the show was so popular was that it embraced change, turning tragedy into opportunity, misfortune into success and used the power of redesign to create a better body for the bionic man than what he had before. Likewise, if contemporary churches want to increase their ministry effectiveness and experience enduring success, they must be willing to design and redesign themselves. They need to incorporate new strategies, structures and systems that give the strategic focus, momentum and operational support needed to thrive in an ever-changing world; while at the same time maintaining the very sacred nature that causes them to be uniquely different from all other organizations. This article examines organizational design in a ministry context by:

- Arguing its relevance and application to churches
- Examining five trends that will impact the church over the next ten years, making church redesign efforts a must
- Exploring design elements utilized by the first century church that are applicable today
- Examining the critical role of church leaders in designing efforts

The Unique and Sacred Nature of the Church

Churches are not just corporations, organizations or institutions. Churches are special. The word church derives from the Greek word *ekklesia* and originally meant, "an assembly called out by the magistrate or by legitimate authority."[2] Although the church is organized into local assemblies throughout the world, it is much more than an organization. It has a spiritual nature that makes it unique from all others organizations.

> The first time *ekklesia* (church) is used in the spiritual sense is in Matthew 16:18, where Jesus promised to build His church (*ekklesia*). Applied spiritually, *ekklesia* suggests the called out of - that is, the saved who are called out of the world (John 17).[3]

The sacred, spiritual nature of the church affects every aspect of the church's organizational life, from its mission to the structure and systems employed to fulfill that mission. In a spiritual sense, the church is the body of Christ and must maintain and protect the integrity of all that this holy description implies. In other words, the church must be recognized and set apart for is distinctive quality that relates not only to its divine origin, but also to its special function and mission on the earth.

> The church is a unique organism in which Christ and the Spirit dwell. The church has a unique source of life, is directed toward particular ends and goals, and is governed by particular commitments and practices—such as prayer, worship, study, witness, and service—that give peculiar shape to the church's life and ministry. The church cannot be explained in organizational terms alone and must guard against approaches to leadership that merely accommodate to the broader culture.[4]

The philosophy of this article respects the spiritual uniqueness of the church and seeks only to speak to the managerial aspects of the church, which would benefit from applying the principles of organizational design.

> Churches are characterized by both human (organizational) and godly (spiritual) attributes. The church is at once the body of Christ and a human institution. Because of its unique dual nature, the local church requires both spiritual and organizational management. Church management becomes a challenge of blending the spiritual with the organizational.[5]

Helping church leaders apply the principles of organizational design will help meet this challenge. "Churches must respond spiritually to spiritual challenges and managerially to organizational challenges."[6] Too often churches have failed because of ignorance and under utilization of the latter. However, applying the proven principles of organizational design to a ministry context will help reverse this trend, causing churches to be successful or even more successful in fulfilling their vital missions.

Understanding and Applying Organizational Design in the Ministry Context

While most books on the topic of organizational design focus on business, the topics and concepts are transferable to other types of organizations like churches. In fact, not only is organizational design relevant to churches, but understanding the principles of organizational design is as essential and beneficial to church executives as they are to their corporate counterparts.

Organizational design is a formal, guided process for integrating the people, information and technology of an organization. It is used to match the form of the organization as closely as possible to the purpose(s) the organization seeks to achieve. Through the design process, organizations act to improve the probability that the collective efforts of members will be successful. [7]

In laymen's terms, it is the process of:

- Identifying the organization's purpose or mission by answering the, "Why we exist?" question
- Developing the organization's strategy, the plan of action for accomplishing the mission
- Building the structure to support the strategy
- Creating and implementing systems that will help keep things running smoothly so that the mission can be fulfilled

Churches, like all other organizations, must consider these key elements in the design process. Strategy, structure and systems are essential components of church design. In considering church strategy, it would seem that most churches in one way or another primarily exist to address the spiritual needs of people. While the business of every church should be of a spiritual and religious nature, how an individual church approaches conducting this business lies at the heart of a church's particular strategy.

When defining its strategy, an organization needs to consider whom it wants to benefit, what the essential nature of the organization is, what makes it unique and how it gains its competitive advantage.[8] "Today's churches that wish to effectively reach out cannot depend on their "welcome" sign to bring people in…"[9] Thus, designing churches needs to be both strategic and deliberate. A church's carefully planned strategy is imperative because it is the plan and methodology for accomplishing its goals. Metaphorically speaking, it could be characterized as the brains of the organization, giving it the focus and direction it needs for success.

If strategy is the brain of a church's organizational design, then a church's structure is the skeletal system that holds the entire organization together. "Organizational structure is the hard wiring of design"[10] and can be defined as, "the form of an organization that is evident in the way divisions, departments, functions, and people link together and interact. Organization structure reveals vertical operational responsibilities, and horizontal linkages, and may be represented by an organization chart."[11] Determining structure includes deciding who does what, who answers to whom, who has the decision making power and to what degree there are rules in place to govern what everyone does. Just as the skeletal system provides support to the human body, while at the same time allowing it the agility to move and bend, the ideal structure for a church in today's world would be one that gives it both the stability and agility needed to meet its objectives in a continuously changing environment. If a clear strategy and a solid structure are essential to optimal church design, then developing effective systems in the church to keep everything running smoothly is equally important.

Organizational systems can be viewed as the circulatory systems of an organization and, "constitute the soft wiring of design."[12] "They are less visible aspects but play a crucial role in determining behavior and performance."[13] An organization's systems go directly to the heart of the organization, answering questions such as:

- How do people relate to one another?
- How are decisions made?
- For what reasons do people come together?
- How is authority exercised?
- How are people rewarded for value added behaviors?

"Organizational systems are stable, influence everyone's performance, and can be consciously designed."[14] Churches must evaluate its reward, decision making and meetings systems and make necessary changes to them as the need arises. In fact, churches must evaluate all elements of its current design, identify deficiencies and then redesign for improved effectiveness.

Unfortunately many church leaders believe that making changes to its organizational design to meet contemporary demands is somehow compromising the church's moral position and function in the world. For example, there are still churches that limit the leadership of women, believing that to do so equates to allowing cultural pressures and influences to dictate church policy. However, the truth is just the opposite. Letting go of outdated traditional designs and redesigning churches for effective ministry in contemporary society both strengthens and expands the church's moral voice in the world, causing it to influence more people instead of alienating them. Doing church as usual will simply not address the issues and challenges that people are facing. Without making changes many churches will lose their relevancy. How can church leaders determine if redesigning is necessary? How do they know what elements would need to be redesigned for maximum effectiveness? The world is constantly changing and being able to think strategically, recognizing the trends that will affect the church over the next ten years, would prove beneficial and should be considered in any redesign process.

Emerging Trends That Will Necessitate Churches to Redesign

In Mark 13:7, Jesus admonishes his disciples to watch for the signs of the times so that they would not be caught off guard by end time events. The word "watch" in this context is used 23 times in the New Testament and is the Greek transliterated word *gregoreuo*, which means to watch; give strict attention to, be cautious and active.[15] If church leaders take heed of Jesus' instructions by actively seeking to be aware of the trends and shifts that are taking place all around us, they will be better equipped to lead their organizations through the process of organizational design for optimal performance. Thus, presented here are five key trends and the

implications of these trends as it relates to the future of the church. They include globalization, technology, spirituality in the workplace, the Hispanic population and the leadership of women.

Globalization

Globalization is defined as the increasing global connectivity, integration and interdependence in the economic, social, technological, cultural, political and ecological spheres of our society.[16] As a result, the world is rapidly changing from a local to a more global community. People across geographical boundaries are becoming more interdependent on one another. Terms like "the human family" and the "global community" are being coined to describe this growing closeness and interrelatedness. This creates greater opportunities for the church, which has always had the mandate to reach the uttermost parts of the world with the Gospel. Churches must break through global boundaries in order to seize these new opportunities. "Successful firms that work across global boundaries respect and value local differences as a source of innovation"[17]

Many churches are moving outside of local and denominational boundaries, crossing geographic lines by forming strategic partnerships that for example connect churches in North America and Africa and South America together in covenant relationships. With this has come a shift in importance from the local church agenda to what is being called a "kingdom agenda." This kingdom agenda is referred to as a new "global theology."[18] It calls for the internationalization of the church, which supports a concern for humanity in all the communities of the world. The local church fits into and addresses the concerns of the larger kingdom agenda. In understanding what this means for designing churches, "we shall likely see a world church emerge that is much more diverse ethnically and culturally; exhibits a greater mutual respect for the leadership, styles, ministries, arid traditions of other Christian believers; is increasingly urban; and ministers more intentionally to the poor, oppressed, and suffering."[19] Church leaders must be aware of this trend, redesigning churches that remove global boundaries and viewing the local church as being intrinsically connected to the larger kingdom agenda of the universal church, connecting believers across the globe.

Technology

One of the driving forces behind globalization is the huge advancement in technology. Technology has literally revolutionized the world and ushered it into what is accurately called the information age. At the touch of one button, information can be disseminated all over the world at the speed of light. Technology has literally changed the way people interact and even speak. Most people understand what it means to be blogging, surfing the net and texting. This is the internet generation. The implication of technological advancement to the church is huge. However, in order to fully benefit from these advancements, church leaders must be willing to

think outside of the box. Strategically, the church must find ways to capitalize on the technological capabilities that will allow the spreading of the Gospel more effectively. This will mean a major overhaul of the way information is shared within organizations. "Today's explosion of information means that knowledge is now complex and widely dispersed. Rapid change forces people to seek continuous feedback about what is happening both inside and outside their organizations. Leaders can no longer rely on the small amount of information they alone can gather and remember." [20] Rapid technology expansion is a trend that the church cannot overlook. The evangelistic implications of this are extremely positive and far reaching.

Spirituality in the workplace

Another place where evangelism must be expanded is in the workplace. A growing trend that church leaders should be aware of is the growing relevance of spirituality in the workplace. This increasing interest opens up opportunities for evangelism that until now had not been possible. Some of the traditional ways that evangelism has been done is through crusades, which Billy Graham is most known for. Other popular forms are street evangelism and door-to-door evangelism. However, as society changes these methods may become less effective. People spend so much time on the roads travelling back and forth to work that when they are actually at home, the last thing that they want is an uninvited guest knocking at the door. A wonderful solution is marketplace evangelism. Marketplace evangelism is an effective alternative and is in its simplest form the sharing of the Gospel of Jesus Christ in the workplace. This is not a new concept. "Paul practiced marketplace evangelism. He didn't use a program or formula. No, Paul's evangelism was a natural outgrowth of his day-by-day interaction with those who happened to be there. Paul shared Christ at work, because he recognized the marketplace as a mission field."[21] Practically speaking, the marketplace is where people spend a great deal of time. Spiritually speaking, people are seeking spiritual solutions to life's many problems. Spirituality in the work-place is an increasing trend. "More than ever, U.S. workers are looking to bring religion and spirituality into the workplace, experts say."[22] The church must capitalize on this trend and offer seeking employees the spiritual support they need. This will require church leaders to redesign their strategies, breaking through external boundaries to reaching people where they are located, both spiritually and physically.

The Hispanic population

Another driving force that will affect the church in the next 10 years is the rapid growth of the Hispanic population in the United States. Hispanics are currently the largest minority group in the U.S. In fact, "as of July 1, 2006, 44.3 million was the estimated number of Hispanics in the U.S. Hispanics constituted 15% of the nation's total population."[23] According to census bureau projections, this number is expected to continue to grow. It is essential for churches to recognize

this trend and ensure that they are prepared to effectively minister to the spiritual needs of this growing community of people. Such preparation would include, at minimum, taking steps to overcome cultural and language barriers. Churches would need to loosen some external boundaries that "are barriers between firms and the outside world."[24] When external and cultural barriers are removed, collaboration and cooperation with the broader community result. "The Hispanic population is expected to continue its fast growth. With churches actively developing leaders for growing Hispanic flocks, the faith of clergy and church members is likely to play a strong role in communities, politics and public life."[25]

The leadership of women

Finally, another trend that will impact the church in coming years is the increasing role of women in leadership positions. Throughout the history of the church, women have played a significant role in the spreading of the Gospel. In fact, in Luke 24 women are centrally located and portrayed positively throughout the discourse. Clearly the leadership of women is seen as an important and effective method of accomplishing the mission of Christ, as they were first to be sent on the apostolic and evangelistic mission of telling others that Jesus was alive. The implications of this for the contemporary church are huge. As the numbers of women in church leadership continue to rise, "the definition of the pastoral role will probably become broader and more flexible as women bring more variety, fresh ideas, differing perspectives and a broader range of leadership styles into church leadership. The emphasis on community, informality and nurture in the church will be enhanced. Theologically and conceptually, more women in church leadership will increase the tendency toward organic and ecological models of the world and the church. More women in ministry may augment the trend toward lay ministry and the equipping of all believers."[26] With these benefits the contemporary church would do well to embrace female leadership, thus expanding its powerbase for the advancement of the kingdom of God.

Design Elements Utilized by the First Century Church that are Applicable Today

Scanning the environment to recognize the trends that will affect the future of the church is part of the strategic thinking process that all churches should engage in. Armed with the insight and foresight that strategic thinking brings, churches can design their organizations so that they are placed in a ready position to capitalize on these trends. In the search for the most effective design elements that will secure the enduring sustainability of the church in turbulent times, contemporary church leaders need not look far. The early Christian communities of the first century church provide great insights and parallels from which contemporary church leaders can glean.

The early Christian church also emerged during a time of tremendous change and transformation. Roman roads and shipping routes snaked across Europe, North Africa, and the Near East, allowing for an unprecedented movement of goods, people, and ideas. In this turbulent environment, horizontal coordination rather than vertical control allowed the early church to expand rapidly. As Paul's letters suggest, the movement of couriers, evangelists, and missionaries could only have flourished in a context of mutual coordination rather than centralized control.[27]

Another key element relating to the structure of early Christian communities is that they did not always meet in one central location. When people are united around a common vision and values, they do not have to meet or be organized in any one location to prosper. In the book of Acts, we see that the early Christians met in both the temple and in the houses of other believers. In this sense, the early church's structure was looser, fluid and more decentralized in nature. "Luke's narrative implies a vigorous network of autonomous local churches managing their own affairs and initiating and maintaining their own links with other churches."[28] Additionally, early church communities were neither structured as, "a centralized hierarchy or congeries of disconnected congregations."[29] A good description is that the early church was tightly connected but loosely structured. The overall implication that the early church structure model holds for contemporary organizations is that loose, fluid structures are better designed to flourish in difficult and changing times.

The Critical Role of Church Leaders in Designing Efforts

In any thorough discussion of organizational design, organizational change must also be discussed, as the two processes go hand in hand. Effective organizational change does not happen instantaneously; neither does it arise by happenstance. It has been stated that everything rises and falls on leadership. This is certainly the case when it refers to affecting and managing strategic change in organizations. The difference between regular leadership and strategic leadership is that the impact of the latter is much greater. It is felt over long periods of time and is broader in scope, extending beyond the organization, acting and responding to trends and issues in the environment. Strategic leadership usually results in significant organizational change.[30] As previously stated, for churches change is inevitable. "Change, not stability is the natural order of things in today's global environment. Thus organizations need to build in change as well as stability, to facilitate innovation as well as efficiency."[31]

The responsibility of guiding the change process rests in the hands of today's church executives. This role is critical in creating, implementing and sustaining the kind of effective organizational change that is needed to meet the new challenges that are emerging every day. Unfortunately,

some church leaders may not be up to the challenge and are more inclined to maintain the status quo.

> Our current church structures are strangling us, but we love them. More than that, they feel holy to us. To change them feels like disloyalty to God—even though we know it's just a chair, just an organizational arrangement, just a leadership position. [32]

This attitude will likely lead to a loss of relevancy in the world the church needs to reach. Church leaders who understand, embrace and lead change are needed to prevent this outcome.

Conclusion

Having a good understanding of the principles and benefits of organizational design is critical for contemporary church leaders to effectively lead their organizations through inevitable change. In order to be effective change agents, church leaders must think strategically by considering emerging and future trends that will likely have a profound impact on the church as it journeys through continuously changing and turbulent terrain. Fortunately, church leaders can look to the design elements utilized by the first century church. The experiences of early church leaders provide a biblical model from which contemporary church leaders can glean. In summation, church leaders who are willing to approach change as an opportunity to redesign a better, more functional church will lead their churches into the future with great success.

Revisiting the example of the six million dollar redesign project of the bionic man, which of course was mere fantasy, the imagination considers the possibilities for churches to become stronger, better and faster through the process of redesign. At first glance a sort of bionic church may sound a bit quirky, but given the critical mandate that churches have of effectively ministering to the spiritual needs of a desperate and hurting world, a church redesigned to perform at an optimal level is an exciting prospect and an appropriate response to a rapidly changing world.

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Emergent Innovation: A New Strategic Paradigm

Gary Oster

In perilous economic times, fresh ideas and innovation are the lifeblood of every corporation. Emergent innovation is a strategic innovation methodology. Emergent innovation does not impose new and foreign innovation techniques on company employees, but instead seeks out, recognizes and helps promote useful innovation methodologies already at work in the organization. To overcome historical corporate constraints to innovation and promote emergent innovation, leadership must intentionally clarify corporate ideals, draw ever closer to customers, seek and uncover existing invisible corporate innovators, share successful innovation methodologies with other employees and welcome productive internal friction. Progress is often quick, results are usually sustainable and emergent innovation may be broadly applied. Rather than massive corporate change, emergent innovation seeks to uncover and extend "small wins," which may develop momentum and beget many more "small wins." Changes in employee behavior coincide with changes in understanding. Local success is easily seen to be the forerunner of larger, systemic change. Small wins are generally finite, complete, implemented innovation, which may ultimately attract internal allies, deter opponents and lower resistance to further innovation in the organization.

For who has despised the day of small things?
Zechariah 4:10

In both good and bad economic times, protracted, successful innovation is critical to corporate competitiveness.[1] Innovation helps a company grow faster, better and smarter than its competitors and may allow it to influence the direction of its industry.[2] Although getting "better" is important when a company has reached its limit of efficiency, being "different" is a matter of life and death.[3] The only reason investors should consider a position in a company, is confidence in its ability to innovate.[4] This is a first exploratory article on emergent innovation, a new and intentionally low-risk innovation methodology. Most modern innovation techniques impose drastic changes on corporate employees, including alterations to the organization, values,

policies and procedures. Instead, emergent innovation seeks out, recognizes and helps promote innovation methodologies already at work in the organization. Emergent innovation mirrors the efforts of a surgeon who sets aside blood and tissue from a patient well before surgery, so that it will be available if necessary and has little chance of being rejected if utilized.

To help overcome historical corporate constraints and promote emergent innovation, this article suggests that corporate leadership must:

- Intentionally clarify company ideals
- Encourage employees to draw ever closer to customers
- Seek and uncover existing invisible corporate innovators
- Share successful innovation methodologies with other employees
- Welcome productive internal friction

Rather than significant change, emergent innovation seeks to uncover and extend "small wins," which may develop positive momentum and beget many more "small wins" in the organization. Local innovation success may be recognized as a precursor to systemic change. Emergent innovation uses that which is already successful in a company, albeit on a small scale, and leverages it to expand corporate innovation.

Historical Constraints to Workplace Innovation

Severe economic downturns often provide substantial clarity about the historical internal machinations of the corporation. That which was hidden or thought inconsequential is suddenly thrust to center stage. During these times, corporate leaders often discover that they have either directly discouraged corporate innovation or have fostered an environment that has made it consistently impossible. Some employees may have been innovating covertly, but they have hidden it from peers and superiors due to a work environment that is toxic to innovation. Leaders are often against new ideas because the innovation seems out of step with the historical trajectory of the firm or they feel that they need to protect the organization from disruptions from outside forces. Many now realize that this kind of thinking are placing their organizations at risk of becoming outdated and left behind in the marketplace.[5]

Empirical research has shown that the internal infrastructure, motivation and methodologies of innovation are oftentimes distorted during downsizing[6] or when a new CEO is recruited to run the organization.[7] In some instances, corporations aid and abet innovation resistance by

rewarding employees for their allegiance to the historical past of the company,[8] while sanctioning any change from the earlier corporate trajectory.[9] In a work environment that is very controlled,[10] it is likely that the corporation is providing little support for those who have questioned tradition, orthodoxy and legacy strategies.[11]

On a very human level, people generally dislike receiving new ideas, especially if that knowledge is conveyed by people seemingly different from them.[12] The qualities that make for great innovation—passion, drive, out-of-the-box thinking—traditionally have been viewed as arrogance, unreasonableness and uncompromising behavior by many peer employees and organizations[13] and cause for formal or informal sanction.

Organizations often fail to recognize or combat an enemy from within, usually referred to as an innovation antibody, organizational antibody or devil's advocate. This is an intransigent employee who may effectively drown new ideas in negativity and shortstop innovation.[14] Organizations obsessed with the goals of efficiency often develop strict policies and procedures that, in fact, encourage the corporate antibodies. One well-placed innovation antibody can quietly reinterpret corporate strategies to co-workers and ultimately wreak havoc on the corporation's future. Typically, the more radical the innovation and the more it challenges the status quo, the more and stronger are the antibodies. The greater the past successes of the company and the higher the current level of complacency in the company, the greater are the organizational antibodies.[15]

Innovation antibodies are considered by many to be the most dangerous idea-wreckers, as they always assume the most negative possible perspective, one that sees only the downside, the problems, the disasters-in-waiting and that drowns every new initiative in negativity.[16] Innovation antibodies are determined to slow or eliminate innovation and change in the organization. A historical review of innovation demonstrates that personal rejection has often been the reward for innovative people[17] and that those who were successful at innovation bravely ignored, dismissed or overcame the organizational antibodies that inevitably came out to attack and defeat innovations.[18] It is an important role of corporate leadership to recognize corporate antibodies in all of their forms and help them successfully integrate into the productive fabric of the company or excise them.

Corporate leadership should also institute employee training based on the importance of institutional learning, the necessity of identifying and end-running the "right" rules,[19] and alerting employees to the presence and substantive danger of corporate antibodies.[20] Companies cannot create the future by imagining entirely novel solutions to customer needs and

dramatically cost-effective ways of meeting those needs unless they abandon their historical trajectory and the shackles of policy, tradition and orthodoxy.

New Ideas Always Lead To Innovation

In our increasingly nonlinear world, only nonlinear ideas have the power to change customer expectations, alter industry economics and redefine the basis for competitive advantage.[21] The primary method to acquire some innovative and useful ideas is to generate many ideas. Only challenges and surprises can move a company forward.[22] To routinely generate valuable innovative ideas requires intentionality. If enterprises are to efficiently allocate increasingly scarce resources to create wealth for individuals and society, they must function much like a constructive intellectual arena, where new ideas are constantly pitted against each other and the best ideas win out.[23] There must be routine significant variation in what people think about, do and produce. To build an organization where innovation is a way of life requires employees to discard, and often reverse, their deeply ingrained beliefs about how to consider ideas, make decisions and manage the implementation of related changes. Individuals and companies focused on efficiencies and near-term profits often consider these changes to be counterintuitive, troubling or even downright wrong.[24]

Innovative organizations regularly change the "rules of engagement" with ideas,[25] isolate and define problems in new and unusual ways and look harder for plausible solutions.[26] Ultimately, firms must discover the internal sources of those "one-off" ideas that will allow them to alter their traditional corporate trajectory. While highly innovative employees may possess a broad range of skills and backgrounds coupled with diverse ages, race, country of origin, gender, education, etc., it is just as likely that they are simply intellectually curious, motivated by things different from other employees or simply like difficult challenges. Innovators may be slow learners, heretics, eccentrics, crackpots, weirdos, just plain original thinkers or they may be strong team players. Finding invisible innovators may require effort. The key is to locate corporate misfits with ideas, many ideas. While only "stupid questions" create new wealth[27] so too do they require new (or "stupid") answers.

Encouraging Emergent Corporate Innovation

Copying the successful strategies of one's competitors and peers will *never* provide the differentiation so important to successful innovation. The company must instead pioneer new and substantively different directions.[28] For any hope for positive change to occur, the company must intentionally disengage from the press, pundits and academics who typically parrot the

status quo promulgated by corporate peers and competitors. In order to demonstrate fiscal responsibility, especially in economically challenging times, companies traditionally have required activities to be eminently measurable, highly predictable and to promise a specific return on investment. In difficult economic times, internal emphasis is on the absolute elimination of the possibility of failure: before something new is tried, its ultimate success must be proven beyond a shadow of a doubt. Instead, a corporate culture that consistently encourages unusual ideas must be developed intentionally. This includes encouraging small experiments and prototypes that sometimes fail.[29] Failure to observe real or perceived rules is critical to successful innovation. True innovators consistently disdain, proudly ignore and often publicly flout virtually every corporate rule. The cost is worthwhile because they also generate a large pool of ideas, especially innovative ideas.[30] New ideas require more ideas and more ideas require intellectual freedom.

Innovation, regardless of how small or seemingly insignificant, is already occurring in the organization. If it were not, the company would already be insolvent. The only possible ways that the corporation could still be alive in the marketplace without innovation occurring in the depths of the company, is if it was a relatively new company with a single product that held significant market share or if it regularly "borrowed" innovative ideas from peer corporations. More likely, there are many low-level employees who are quietly developing innovative ideas "off-radar" and are successful despite lack of funding, corporate support and vicious internal innovation antibodies. These invisible innovators already have determined how to recast imposing corporate problems into small, tangible and quickly solvable opportunities. They use innovation to achieve continuous, rapid small wins. Each of these small wins has a fragmentary character and is driven by opportunism and dynamically changing market situations.[31] Regardless of its traditional antipathy to innovators, every corporation must search for, recognize, communicate with, support, reward, publicly thank and emulate the actions of its quiet "positive deviants."[32]

Working with, instead of against, the corporation's silent innovators will require a significant shift in corporate ideas regarding risk, something that is difficult to do in trying economic times. Firms must be intentional in creating an environment where appropriate risk is welcome and corporate incentives must likewise be designed to reduce risk-averse behavior. An environment must be cultivated where long-term results are valued[33] and where taking risks on breakthrough innovation is recognized as valuable to the company.[34] In order to achieve truly valuable breakthroughs in the long term, it is necessary to accept (and learn from) failures in the short term. Regular and methodical failure is essential to eventual innovative success and yet most

corporations brutally sanction failure. Leaders must make sure that employees do not find it difficult or dangerous to try something and must do so by their support of the company's invisible innovators. The right kinds of failure are very important and contain valuable information and should be "listened to."[35] An important role for leaders of innovation is to clearly signal the propriety of failure and to distinguish between "good failure" and "bad failure." Bad failure is that which is repeated and nothing new is learned from it. Good failure happens often, but the same event is not repeated because something is learned from it, duly recorded and disseminated to others.[36] Increasing the number of successful innovation "hits" is simply a function of an exponential growth in the right kind of failures.

Simplify and Clarify Corporate Ideals

Not all innovation has the same value or promise to the corporation. The value of innovation developed internally usually is greater if intentionally aligned with the corporate ideals, their values, mission, vision and strategies. For that reason, corporate leadership must be sure that the ideals are based on reality, are simple and are easy to understand. The foundation of useful corporate ideals is honesty, realism and transparency.[37] Although most businesspeople consider themselves to be realists, it is more common to find wishful thinking, denial and other forms of reality avoidance deeply embedded in most corporate cultures.[38] In successfully innovative companies, leaders always deal in reality, speaking the truth and demanding the same of subordinates. In scores of surveys conducted throughout the world and over decades, honesty has been selected consistently as the most important leadership characteristic in the leader-constituent relationship.[39]

Similarly, corporate ideals must align with legacy corporate values. Values are constant, passionate, fundamental beliefs collectively called a "world-view," that propel the actions of individuals and corporations. An individual's values provide needed order and direction to his or her life. In essence, an individual's core values answer the question, "Why do we do what we do?" and serve as constant standards or criteria to guide judgment, choice, attitude, evaluation and action. Values serve as core conceptions of the desirable within every individual and society and serve as standards to undergird choice, judgment and action.[40] Personal values are acquired through education, observation and experiences. They may be taught or influenced by parents, friends, work associates, religious institutions, community, culture, personality or significant societal events. Organizations are composed of people and as a result, organizations similarly hold values. Since personal values are capable of being openly articulated, advocated, exhorted and defended, they ultimately shape, and in turn can be shaped by, organizational values. All

activities of an organization are considered through the lens of corporate values, which therefore have major import to the long-term viability and growth of an organization. In many organizations, the personal values of the founder and early employees continue to shape the actions of the corporation decades and even centuries after their passing.[41]

An important activity that should take place coincident with the search for internal invisible innovators is a thorough evaluation and refining of corporate metrics or measurements. Metrics must be clearly stated, valid, reliable and expansive.[42] The rule of thumb is, "what gets measured gets done," so it is essential that the firm winnow the volume of metrics to the half-dozen or so measurements accurately encapsulating the key activities of the company.[43] This can only be achievable through appropriate support of the invisible innovators.

To the uninitiated "small wins" gained through innovation may seem hopelessly naïve.[44] It is crucial that new metrics are not clouded by legacy strategies;[45] that they focus more on outputs than inputs;[46] that all activities of the organization tie back to this small number of measurements;[47] that employees are appropriately motivated to achieve these metrics;[48] and that they continue to be the subject of review and internal conversation.[49] Most importantly, corporate metrics must accurately measure those innovation efforts tied specifically to how a company makes money[50] and be appropriately translated into individual day-to-day performance requirements that are clear, aggressive and unconstrained.[51] Developing and successfully using innovation metrics in support of both creativity and value creation, is essential to corporate success.[52]

Draw Closer to Customers

Every innovative idea starts and ends with a current or prospective customer in mind. It has become obvious that standard market research methods continue to yield progressively less useful information.[53] Traditional market research methods are inherently incomplete, because research subjects are generally imprecise communicators, often using verbal shorthand, metaphors, body language and facial expressions that can provide ambiguous information.[54] Therefore, the single most important step for a corporation struggling through difficult economic times is to know, understand and communicate with customers at a much deeper and broader level.[55]

To focus solely on efficiency turns the corporate focus away from customers and inward toward organizational mechanisms to the ultimate detriment of the corporation. Every business enterprise should be obsessed with the needs of its customers.[56] Every possible mechanism

should be employed to recognize both the public and unrecognized needs and desires of current and prospective customers.[57] Although traditional market research will continue to yield benefits, new methods for listening to customers must also be fully employed, including electronic, social networking and empathic research methods.[58] Primary research such as direct observation of much smaller cohorts and their compensatory behaviors will reveal more useful information than traditionally gained via traditional secondary research.[59] Detecting compensatory behavior through empathic research, provides valuable information about the unfulfilled and unspoken needs of consumers and help companies enjoy a higher acceptance rate of future product changes, as well as substantial competitive advantage.[60] Invisible innovators who have already been developing new products and services, should be given exclusive opportunities to interface directly with current and prospective customers. Through intensive study of the broader context of customer lives and activities[61] and a view beyond stale industry orthodoxies and corporate precedent, corporations may imagine new and more cost-effective solutions to meet customer needs.[62]

Although important customer information may be discovered through statistical analysis of regular market research data, qualitative empathic research translates into a rich body of lore to be systematically shared with co-workers, ultimately leading to helpful hypotheses and ideas. The ultimate goal is to form close partnerships with current and prospective customers to ensure the swift and comprehensive innovation of products, services and ideas that perfectly match both their realized and unarticulated needs.[63]

Seek Invisible Corporate Innovators

Instead of finding willing corporate employees and attempting to inculcate the attributes of innovation into them, this methodology finds those who are already successfully innovating within the corporation and builds corporate innovation practices around that which is already working. In brief, the goal is to look for the "positive deviants" in the organization and try to understand what is specifically different about their behavior.[64] Invisible innovators are not actually invisible: they have been hiding their innovation efforts to avoid the glare of public scrutiny. These are the slow learners, corporate heretics, eccentrics and original thinkers who routinely devise many successful and unsuccessful answers to problems plaguing the company. Employees who propagate valuable innovation ideas often possess an unusual personality or routinely disagree with company policies or methodologies. The intentions of invisible innovators may be difficult to fathom, because they may in be charge of projects that are not done on time, are done poorly or have to be redone. They may not publicly share their

knowledge, instead choosing to sit in stony silence in staff meetings.[65] Almost by definition, innovative employees eschew conventional wisdom and are thinking differently about the business. They may be mavericks who are dissatisfied with the direction of the business or they may be talented outliers in technology or sales departments with insights into customers and technologies providing them with ideas for new businesses.[66] Innovative employees are almost never insiders or corporate types on the fast track. Instead, they often lack traditionally accepted credentials or exist on the margins of their professions.[67] Innovators are often recognized by the simple, inexpensive prototypes of new ideas that they consistently surround themselves with and are often found in the workplace at "odd hours." Successfully innovative companies welcome those who routinely dissent, often have the zeal of recent converts and harbor personal idiosyncrasies.[68] They generally solve problems by being unconventional, determined or even obtuse, far different from the majority of people who are normally, "thinking in train tracks."[69]

The fundamental goal is to commence an informal, protracted conversation with each individual invisible innovator. He or she may be wary of talking, especially if castigated for innovating in the past, and the conversation may need to remain "off radar" for some time. Sometimes an intermediary person initially has to mediate between leadership and the invisible innovator. As the ongoing conversation quietly progresses, corporate leadership seeks to discover internal impedance to the efforts of the invisible innovator, without labeling it with a value judgment. Invisible innovators do not outline impediments that are not actually a problem. Next, leadership needs to cooperatively determine what will help the invisible innovator succeed easier and faster, what internal mechanisms may be dismantled to encourage quicker scaling of innovation. Invisible innovators often are rewarded by a clearer pathway for implementation of their innovations.

With the innovator's direct permission, leadership should thank and reward the invisible innovator for his or her experimentation. While money as incentive may be appreciated, innovators also covet thanks and recognition. Innovators should be rewarded for doing and failing, but not for "not doing." Finally, leaders should urge innovators to complete rapid, rough and inexpensive prototypes of virtually all their innovative ideas in an effort to enlarge the conversation to include others in the company. A key goal is to promote a multitude of bold, rapid, inexpensive experiments in all areas of the company and to gain a clearer idea of how to make the corporate environment more conducive to those occurrences.

Share Successful Innovation Development Methodologies

Leadership must surreptitiously study what has made the invisible innovators successful, oftentimes despite an environment hostile to any change. After leadership has, over time, won the trust of the invisible innovators by supporting their projects and streamlining the requirements to bring innovation to the forefront, it is time to train others to accomplish the same type of work. Although formal programs have worked in some companies, more often informal, "apprentice-type" programs seem to work even better. Innovation should be broadly inclusive and be promoted in ten key areas: the corporation's business model, networking, enabling process, core process, product performance, product system, service, channel, brand and customer experience.[70] When managers learn about the efforts of senior leaders to expand innovation, they often have a list of employees who have been quietly engaging in innovative activities for years. Corporate leadership has only to provide a specific amount of release time for employees to work together on new projects.

One of the first changes usually witnessed by organizations who seek to discover and aid invisible innovators, is a substantial increase in formal and informal institutional learning. Innovative people and organizations consider transmission of personal knowledge to others to be the central activity of the knowledge-creating company.[71] Appropriate information must be recognized, evaluated, shared and utilized. Institutional learning is predicated on a transparent internal market for information and ideas, freely open for all to utilize.[72] New information is embraced, not feared. Formal mechanisms is established for finding new information, ushering it into the organization and placing it into the hands of the people who can best use it.[73] Those who have created knowledge must quickly and efficiently come to the attention of those who seek knowledge creation. [74] Employees must engage in frequent and free dialogue for the necessary connections to occur spontaneously. In effect, there must be drastic expansion of the suggestion box, whether it is called a water-cooler, blue sky room or war room, but new ideas must be graphically "mapped out" and available to all employees. This, in turn, requires a culture of trust, respect and curiosity, as well as the recognition that information sharing is important to corporate success.[75]

Organizational silos, formal communications filters and other internal barriers to communications, must be intentionally disassembled;[76] the number of voices participating in conversations related to innovation must be increase;[77] formal and informal communications networks developed;[78] and incentives for effective sharing of information implemented.[79] Leaders must intentionally lower the barriers between them and their subordinates, necessary to

constantly remove physical and organizational barriers hindering information sharing[80] and to lead by welcoming surprising information and emulating the positive deviants in their midst.[81]

One of the first signs that innovation is not only accomplished by those who manage to remain "off-radar" and is now blooming in other parts of the organization, is an explosion of quick, inexpensive, rough prototypes to elicit feedback from current or potential customers and peers.[82] Prototypes may be regularly produced using paper, computer simulations, clay, foamcore, process maps, spreadsheets, bubble charts, videos, digital pictures and virtually any other inexpensive and malleable material.[83] A prototype, regardless of its type, is not meant to represent a final idea: a mountain of prototypes is utilized to get and refine many possible ideas on the path toward a smaller number of useful ideas.[84] Prototypes encourage staff to temporarily suspend reality in order to be inspirational and expansive, while considering new insights[85] and "try on" a multitude of possibilities.[86] Developing a "prototyping culture" [87] is a critical step toward effective corporate innovation.

Welcome Productive Friction

One reason invisible innovators choose to stay "off radar" in an organization is to avoid clashing with other more "normal" employees. Highly innovative people are often accompanied by personal idiosyncrasies, a strong will, a touch of hubris and arrogance and a tendency to ignore or reject the organizational code.[88] Recognizing and promoting their corporate innovation efforts is likely to lead to additional friction with other employees, who often view them as problems within the organization rather than potential channels of solutions. These difficulties between employees with varied backgrounds, experiences and skills sets is referred to as productive friction, creative abrasion or dynamic tension.[89] If properly harnessed, this friction can become very productive, accelerating learning, generating innovation and fostering trust between diverse participants. Productive friction from intentionally setting of opposing forces into direct conflict or competition with each other, is thought by some to be essential for breakthrough thinking.[90] Productive friction often requires difficult negotiations among people with very different skills, experiences and mind-sets.[91] The goal of leaders in innovative companies is not to reduce friction by diluting or compromising positions, but instead to develop leadership styles that intentionally identify and incorporate polarized viewpoints [92] At the same time, leaders must prevent that conflict from becoming personal or from going underground where the pressure of resentment can build. Over time, the dysfunctional aspect of diversity can be overcome when (and only when) heterogeneous group members learn to interact with each other.[93] In summation, innovative companies must learn to embrace friction, even to seek it out and to encourage it

when it promises to provide opportunities for learning and capacity building. Additionally, innovative companies must develop institutional frameworks that can foster productive friction, encourage team members to be willing to listen to and understand different viewpoints, to questioning each other's assumptions.

Conclusion

Emergent innovation is one of a myriad of innovation methodologies available to corporations. What makes it unique and oftentimes effective is that it does not impose new and foreign innovation techniques on company employees, but instead seeks out, recognizes and helps promote the innovation methodologies quietly at work in the organization. Progress is often quick, results are usually sustainable and emergent innovation may be broadly applied. In contrast to massive corporate change, emergent innovation seeks to uncover and extend "small wins" that may develop momentum, begetting many more "small wins." Changes in employee behavior are expected to coincide with changes in understanding. Due to the fact that employees often trust peers more than superiors, innovation antibodies may be won over without significant effort. Local success is easily seen to be the forerunner of larger, systemic change. Small wins are generally finite, complete, implemented innovation, which may ultimately attract internal allies, deter opponents and lower resistance to further innovation in the organization.[94] In perilous economic times, emergent innovation may be one of the few tenable options available to help corporations survive and thrive.

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Organizational Design during Financial Crisis

David A. Skipper

Organizational leaders are currently faced with increasing stress on their financial systems due to worsening national and world economic conditions. Even when the current crisis abates, better financial planning will be needed to help minimize the risk of further economic crisis. In this article, the author introduces the idea that organizational design itself offers a means of protection and mitigation of many financial risk factors and can be addressed in times of financial crisis to increase chances of survival. Discussion, case examples and organizational change models are offered to assist leaders in evaluating their individual organization's situations.

The year 2008 has taught organizational leaders many hard financial lessons.[1] Organizations wishing to remain in business have to remain solvent, with enough revenue on hand to meet short-term demands and enough capital available to meet future requirements. This is true of both for profit and not-for profit organizations.[2] Over this period, leaders have also been finding out how dependent their operations are on how well others manage their finances.[3] Many leaders are coming to the conclusion that their organizations may not be structured as efficiently as possible, resulting in tough choices in a number of areas including product quality and production; property and plant management; acquisition and expansion; and personnel.

When faced with significant changes in finances, organizations generally either accept some changes or they "tough it out," hoping for more comfortable conditions in the future. This article explores financial concerns and their impacts, as well as three areas of organizational design (operations, personnel and finances) that can be manipulated in times of financial stress to help offset the resulting concerns. Models for leaders to use in determining which areas of organizational design to modify are offered for consideration, as well as an outline of action

steps that leaders can take to assist them in making the most of their organization's design elements. While it is preferable to have a flexible enough organization to stave off economic crises without corrective action, many organizations are not able to do so. By carefully assessing their own requirements, leaders can use information provided here to develop an implementation plan for organizational design that works.

Financial Issues

No matter what product or services an organization produces or offers, how large or small they are and what the source of their income is, all organizations are involved in some exchange of resources. It is important for leaders to know how these exchanges work. "New leaders and managers should soon go on to learn how to generate financial statements (from bookkeeping journals) and analyze those statements to really understand the financial condition of the business." [4] McNamara notes that when leaders avoid this, they invite trouble. Finance issues are playing an increasingly greater role in helping shape organizational governance decisions at all levels. It might go without saying that businesses like AIG and Lehman Brothers would not have been in the shape they are currently in if their financial decisions were based on a more protective risk analysis of the products they were dealing with and their own internal operations. [5]

Organizations need resources, most recognizably money, to operate. Non-profits solicit donations and often attempt to obtain grants to create some form of social impact; while for-profits typically look to sales and investments to earn money for the organization. [6] It is often quoted that people are an organization's real resource, and while I do not disagree, it is important to note that with more cash available there is potential to hire better quality employees. Organizational resources are identified and utilized in many differing ways, especially in very large and complex organizations. Materials, supplies and equipment must be purchased; salaries, rent or mortgage payments and taxes paid; and investments acquired by means of finances. For the purposes of this discussion, these items can be considered as the *direct* impacts of finances on an organization, because they have immediate impact on the organization everyday from its start. *Indirect* financial impacts are those secondary concerns, oftentimes resulting from direct impacts that can and do influence an organization's operations and financial situation. These include items such as financial processes and reporting, credit rating, insurability, appreciation and depreciation of real assets and "experience" (in terms of insurance resources utilized over a specific period of time). They can also include other external factors such as market climate, competition, supplier reliability and regulation.

The bottom line is that perhaps more than any other single issue financial matters directly impact an organization's ability to function. Some financial matters are controllable internally and some

are not. It is the role of the organization's leaders to design a system for the efficient management of those factors that control internal financial factors and one that offers adequate protection for those uncontrollable financial factors.[7]

Designing for Financial Stability

Organizational design theorists group design issues generally around the themes of *mission, people* and *operations*. In other words, organizations are designed in certain ways to accomplish certain specific missions, provide structures policies and protocols to manage people in specific ways and develop systems and procedures for carrying out certain internal and external operations. Included in these themes are issues such as physical locations and environments, as well as processes that bridge internal and external systems such as sales, public relations and research design processes.[8] To provide a better understanding of the relationship between organizational design and finance during a crisis, each will be discussed in turn. It is important to keep in mind that since organizations vary widely, only selected issues will be covered here. Leaders are encouraged to consider the specifics of their individual organization's situation in some detail when reflecting on possible financial impacts of their organizational designs.

Mission

The mission may best be understood by the organization's mission statement. Basically, the mission is the reason for the organization's existence, describing its purpose and vision.[9] The financial implication of an organization's mission become apparent when one determines what kind of organization it is:

- Profit or not-for-profit
- Service or manufacturing
- Type of ownership: sole proprietorship, corporation, limited liability company, etc.
- Where its revenue streams generally come from: sales, donations, grants, investment dividends, etc.
- The basic costs involved in meeting that mission

Consider the differences between the start-up costs of opening a bicycle stand on the beach and a car dealership. It is likely that for a few thousand dollars a well-equipped bicycle stand could be up and running, while it is likely to cost well into the millions to open a typical car dealership.

How does mission come into play during a financial crisis situation? During a crisis (hopefully prior to a crisis) organizational leaders may want to revisit the mission, because the financial

situation may require a strategic shift that calls for a redefinition of what is most important to the organization at the current time.[10] They may not need to change it entirely, or not at all, but it is a good idea to examine the mission to make sure there is alignment between the mission and what the organization is actually doing. It might then be an easy step to cut out anything that is not mission related, thereby saving resources.

In extreme cases, the mission may need to change in order to keep the organization operating at all. For example, let us say Peach Day Care opens with the mission to provide day care services for two to four year-olds in an area dominated by families of factory employees. Everything goes along well for the first few years, until factory closures in the area force families out. Retired couples and older families without children at home take their place. With no young children to serve, Peach can either close its doors or determine a new mission, perhaps offering adult education classes. An organization's mission will influence its financial matters.

People

As stated before, people are often described as an organization's most valuable resource. It is by the actions of people that the organization's mission is realized as they effect operations. Yet, people come at a cost: hiring, training, compensation and other items such as transporting, feeding, sheltering, communicating with and protecting people combine into budget heavy items. Along with the individuals themselves, there are issues to consider such as the number of people required for the organization to produce its goods and services. This can vary depending upon factors such as the time of the year, weather conditions, knowledge, skills and motivation of workers. In the same way, the number of managers and supervisors required to assure that workers are doing what they should be doing will vary.

Personnel are often one area first affected during financial crisis. Layoffs, reduction in force (RIFFs) and downsizing are all fairly commonplace at the current time as businesses, especially financial services sector organizations, strive to remain afloat. It is easy to see why cash strapped organizations would look there first for quick cash. Of course, the problem with that is that the organization is left with fewer workers to meet its obligations, it is often forced to reduce its output and quality may suffer. Admiral Hyman Rickover once said, "Organization doesn't really accomplish anything. Plans don't accomplish anything either. Theories of management don't much matter. Endeavors succeed or fail because of the people involved." [11] In other words, it is the employees and other *people* involved in organizations that make things happen and without them, the mission fails every time. Other factors enter the picture if the organization is unable to meet its contractual demands or is then perceived to be foundering by customers or creditors as a

result of reducing staff. While layoffs, even relatively small ones, can have the positive affect of freeing up capital initially, they can also result in severe long-term consequences.

Sergio Marchionne describes being required to lay people off when he arrived at his new company, Fiat. This was as a result of a history of utilizing "the Great Man" model of leadership in which only the person at the top makes decisions.[12] Overtime, Marchonnie was able to identify natural leaders from within the organization and provide them with the authority to be innovative and make decisions that created value within the organization and ultimately for its customers. He also developed relationships with his employees, conducting performance reviews on the top seven hundred and engaging them personally and informally in conversations and via texts and email to help spread the feeling that he cares about them and the organization. As of 2008, Fiat has improved its financial standing and is becoming a force to be reckoned with in the world of automotive manufacturers. By taking steps to restructure the way people interacted with each other in his organization, Marchionne was able to positively and significantly impact the financial stability of his company.

Operations

Operations concerns how the work gets done. It may be cutting trees and creating lumber; designing buildings; digging ditches; or putting together a music album. It all depends on the mission of the organization. In addition to the actual work that is accomplished, there are a number of supportive services happening within organizations to make sure that the work is done as required.

These services include tangibles like providing a space to work; equipment to accomplish the tasks; information and communications systems; and utilities to make people more comfortable. These also include intangibles such as organizational culture and climate, market factors and workforce changes. Issues of time and scheduling, inventory management and delivery/distribution systems also come to bear on operations. In addition, this issue concerns decisions about expansion, relocation and plant closures as means to increase revenue or decrease liabilities.

During financial crisis, there may not be sufficient cash or credit to purchase the raw materials and supplies needed to meet demands. Unplanned problems in obtaining leased equipment or services may arise as these items become scarce. Property foreclosures or cash flow difficulties that result in late property rent or lease payments can result in eviction, utility shutoffs or loss of insurance. Organizations can take collateral operations "hits" such as their suppliers being unable to fulfill orders and their creditors or other service providers going out of business. Operations,

and therefore finances, can also suffer from changes in regulation, natural or man-made catastrophes and advances by competitors that render the organization's operations or products obsolete. There is potential to "build in" safeguards. Consider the following steps organizations can take:

- Develop relationships with alternate suppliers
- Create memorandums of understanding with lower production limits or longer delivery schedules during times of economic slowdowns
- Attempt to work out better credit or loan repayment terms with banks and other creditors when cash flow lessens.

Yet, these options are best done as a means of prevention, rather than response. Done in that way, they indicate good stewardship and proper planning. The better able an organization is to respond to either operational problems that cause financial instability, or financial crises that in turn lead to operational problems, the more likely it is that the organization will maintain its place within a given market.[13]

Design Components for Evaluating Financial Risk

For organizations, financial issues, like most other matters requiring strategic thinking, are really exercises in risk management. "A company's success is closely linked to the role risk plays in its culture."[14] In organizations with poor oversight of financial systems and decision making and those that fervently embrace the notion that, "to spend money is to make money," it should be no surprise that they operate at high levels of risk. Our discussions so far have concerned what might be termed a utopian setting, in that no mention has been made to risk and loss associated with theft, fraud and other criminal activities that can and do impact financial stability. These factors occur daily in many organizations from employees, non-employee outsiders and customers. These types of issues should also be considered as part of a comprehensive risk management plan, so are not belabored here. Organizational design can be used to respond to all kinds of financial risk by building in factors that help organizational leaders become aware of, evaluate and ultimately mitigate the risk.

In a companion article regarding risk, Buehler, Freeman and Hulme outline a five-step plan to help manage risk:

- Identify major risks and determine which risks provide an advantage to own and which should be transferred
- Determine how much risk your organization can reasonably carry
- Embed the risk, or take it into account, in all critical decisions and processes
- Align governance and organizational management around risk monitoring and management[15]

The key to any good decision, even those related to risk, is to first have good information. Finance department heads must be knowledgeable and experienced enough to provide information and reports that give senior leaders a clear and complete sense of the organization's finances and the financial risks associated with certain circumstances in a timely manner, so the information can be acted upon as quickly as possible. With this as a base, it is possible to hypothesize the effects of situational changes, making it probable that safeguards in the forms of either immediate changes or preliminary action plans can be created to offset the potential harmful effects of losses in other areas.

It is, therefore, necessary for the organizational design to allow for all financial related information to flow through the finance department and for the finance department head to have direct links to the senior leadership. Most organizations do this by the use of computerized systems for tracking data, although some continue to use more traditional hard copy invoices, work orders and billing/accounting systems. In the case of either system used, backups and redundancies are important to help assure that information is not lost.

Communications can also be enhanced by use of lateral processes such as informal processes. An example is rotating employees through different positions and departments. It has the added benefit of cross training employees to perform a variety of tasks adding greatly to workforce flexibility. Interdepartmental training events and meetings allows for cross departmental relationship building and sharing of ideas.[16] Galbraith also suggests that organizational departments can be physically located nearer to the other departments that they work most closely with. Contingent rewards systems can be designed that require cross-functional cooperation between departments, again to increase the amount of lateral communication. By increasing lateral communication, leaders can open up opportunities for a wide variety of information to be shared, including financial risk information.

Informal and internal discussions and evaluations of financial reports and related data can be completed by department heads and senior executives as part of regular management meetings or

in the form of special activities dealing with only selected areas of interest, as a means of keeping abreast of financial risk factors on the horizon.

Another way to evaluate financial risk is to undertake a formal financial risk analysis. While these can be accomplished by means of internal sources and regular reporting to the senior leadership on finances, I suggest, especially when a financial crisis is looming, that external auditors be used on a regular basis to remove any bias that might be associated by purely internal audits. Formal risk analysis can take some time and do cost money if they are to have any value. In them, assets and liabilities are defined and evaluated, as are financial processes and protocols. Assumptions are made about projected market conditions, potential growth or loss and other items. A report is generated that can supply a more detailed picture of actual and projected risks, depending upon the scope of the review. As with any similar audit or review, a great deal depends on the accuracy and ease by which information in supplied to the reviewing parties.

Decisions about personnel during financially stressed times require significant review and should not be done in a "knee-jerk" fashion, for reasons already noted. Employee input during such times is invaluable and can help guide leaders to making the right choices. Functionality, the ability to remain operational, is a key factor. Employees expect to be treated fairly and equitably. This treatment usually results in them giving their best efforts. In the best case scenario, organizational leaders will have contingency plans in effect for how to manage slowdowns and crisis. Yet, even these should be reviewed in light of the current situations before they are implemented. This is because the circumstances for which they were developed may not be the exact circumstances the organization is facing at the present time, and because personnel changes may have already taken place that negates the impact of the previously developed plan.

Idea Models

The following models contain suggestions based on selected review of current research that can be used by leaders to help determine areas of organizational design to target during financial crisis. Figure 1 is a model that gives an outline for preventative action. Figure 2 highlights responsive action for organizations.
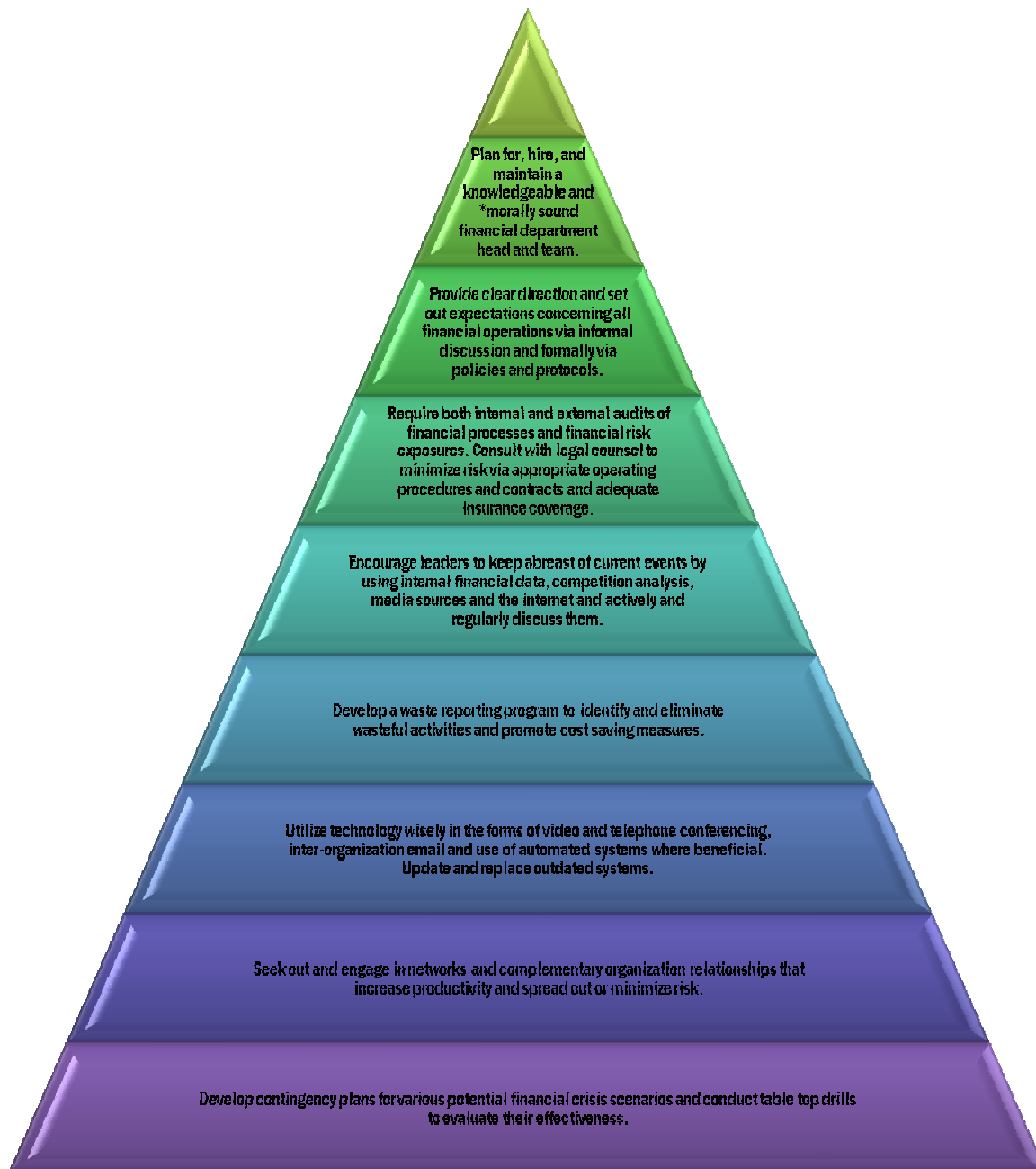
Figure 3. This model gives an outline for preventative action.

*_Morally sound_ refers to a personality characteristic in which the individual makes decisions based on universally accepted standards of right and wrong, ethical, professional standards of behavior, as well values that are held by and promoted within the organizational culture.
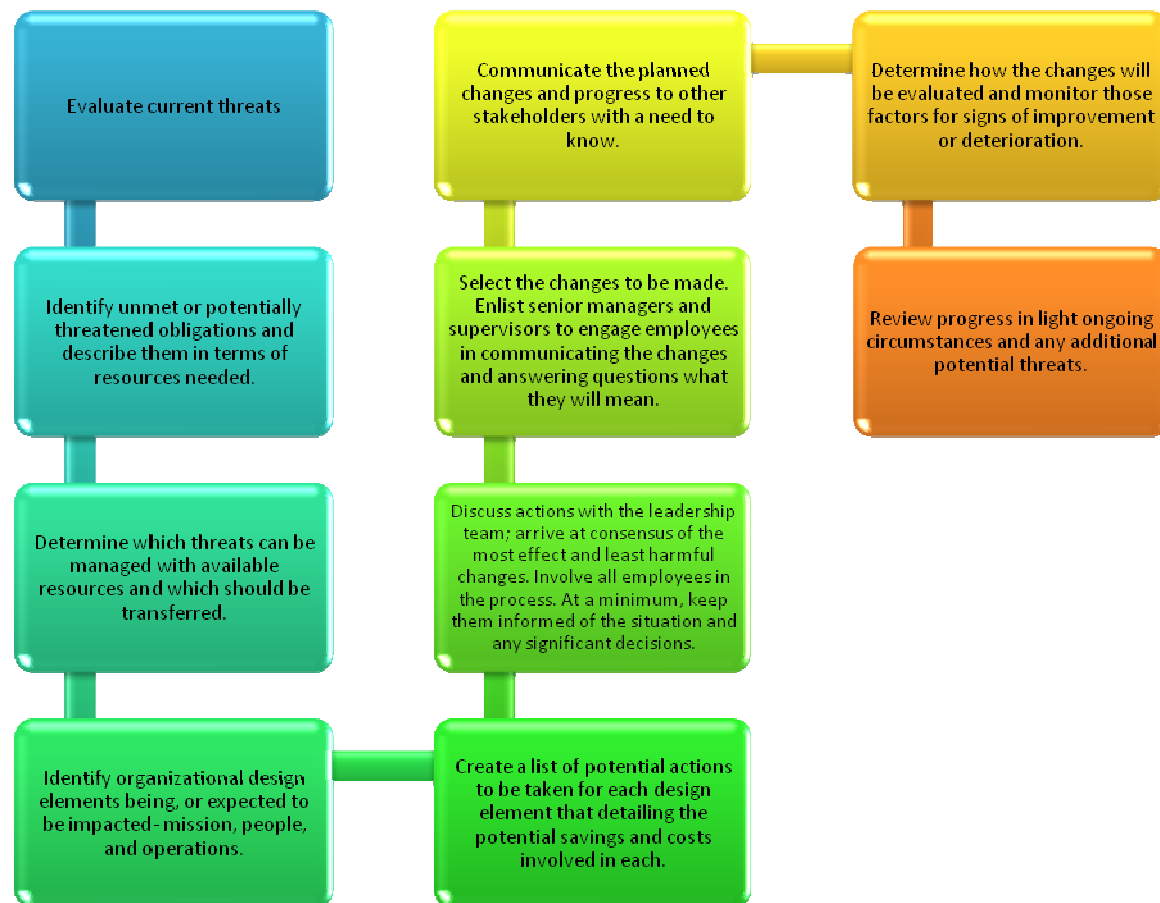
Figure 4. This model highlights responsive action for organizations.

Building a values-based, morally-sound organization can be accomplished in several ways. The hiring process should include background checks for criminal records, ethical or moral violations in the community or at work and may include personality assessments. Organization policies, procedures and protocols should reflect the credible values and behaviors expected of employees. Leaders and other supervisory personnel should model the norms and values being upheld. Training and professional development opportunities that describe and support the organizational value set needs to be required for all employees. Appropriate systems of recognition and reward for deserving employees are important; as are the inclusion of performance and supervision protocols that are mentor based and provide for genuine and caring feedback to employees. It is also important to offer employees opportunities to increase job

satisfaction by providing input into decision making, increasing levels of individual responsibility and obtaining employee feedback concerning job related wants and needs.[17]

Organizational leaders can also consider the congruence model, suggested by Nadler, Tushman and Nadler as additional means to explore their organization's design and assist them in determining if design change is needed. Step one calls for assessment and evaluation of the organization for areas of current concern or potential concern; a regular part of strategic planning processes. This is accomplished by:

- A detailed review of various outcome data elements surveys and focus groups on items like production and sale
- Identifying the organizational design(s) that support areas of concern and determining any congruence between the components of the processes
- Formulating a model of the cause of the concern identified
- Creating an action plan to address the issues, paying attention to any congruent processes that may also be affected
- As always, the final phases include monitoring and tweaking, if needed [18]

When faced with a bleak 1981 economy, large layoffs of their customer base and a recent history of poor product quality prompting extremely poor sales, Jim McCaslin, CEO and one of the then new owners of Harley-Davidson, and his management team took steps to turn their company around. The organization had dropped 1,800 of the 4,000 employees in an effort to survive. By reviewing its design the organization was able to identify several areas in need of attention. They implemented a materials-as-needed on demand system, instituted tighter data driven control operations and provided opportunities for greater employee input, all with a renewed focus on improving quality and addressing customer perceptions and value. With fewer resources being tied up in inventory and waste, as well as a decreased payroll, cash flow increased and allowed the organization to remain solvent. With additional innovations, over time the company has continued to grow and now employees over 9,000 employees with over five billion dollars in revenue last year.[19]

Conclusion

The economic pressures of 2008 have opened the eyes of many organizational leaders to the realities of the significant financial risks their organizations face. A significant number of these risks can be manipulated, transferred and mitigated by strategic decisions concerning organizational design. Focal points to these processes include reviews of the organization's mission, personnel and human resources practices and operations systems along with targeted

interventions within these areas. In times of financial crisis, organization's often use design change to help keep their doors open and their operations running. Leaders who plan ahead for such times, who follow a reasonable and considered approach to decision making during crisis, stand a much better chance of managing financial risk, while also maintaining efficient and productive operations compared to those who make rushed decisions in a panic stricken response. Rushed decision making in addition to decision making that is not based on an organization's key values, often leads to additional complications that are then difficult to overcome when the crisis is over. All that is required is a leader's desire to use these tools and make changes to the design of the organization so it remains functionally sound.

Endnotes

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