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ON THE COVER

Selfridges Building at the Bullring Shopping Centre in Birmingham, United Kingdom. The 260,000 square-foot structure is designed with 15,000 aluminum discs.

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Organizations and their leaders have a growing pool of stakeholders with a growing chasm between individual stakeholder values. This, accompanied by global diversity and constant pressure to innovate gives rise to continually changing contexts. In turn, these phenomena require executives and leaders to respond and adapt to quickly changing contexts. The purpose of this article is to assimilate the concepts of context, intelligence, intuition, and experience, and present a conceptual model for *contextual intelligence*. Contextual intelligence involves the ability to recognize and diagnose the plethora of contextual factors inherent in an event or circumstance then intentionally and intuitively adjust behavior in order to exert influence in that context. As a concept, contextual intelligence may help to delineate inherent leadership skills as the intangible element that keeps so many managers from reaching their leadership potential.

The turbulence caused when companies downsize places unusual demands on human resources personnel. For their efforts to be successful in such an environment, these professionals must understand the challenges and effects of downsizing on the survivors. With a looming economic recession in the U.S. market, downsizing remains an escalating issue as companies increasingly employ downsizing as a strategic business decision. To effectively deal with employees during downsizing engagements, companies should employ value-based management that provides an authentic focus on the people remaining in the organization. Managers should center on certain values such as altruism, honesty, trustworthiness, open communication, autonomy, human dignity, social justice and integrity. This article addresses the topic of downsizing and downgrading based on a focus of value-based management practices that can help to effectively manage change.

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Customers frustrated by the inadequacies of products frequently engage in compensatory behavior by altering the original form or use of a product. Some companies ignore or disdain the improper use of their products. Conversely, companies who use the direct observation techniques of empathic research gain game-changing knowledge by engaging this cost-effective research and development accomplished by consumers. By continually providing prototypes of revisions in products to customers, companies may accelerate the review and development of new products. The competitive advantage gained though tenacious study and use of compensatory behavior is enormous, and is crucial to corporate viability.

More and more companies are moving toward partially or fully operating in virtual environments. Whether from expansion into global markets or the need to mitigate increasing costs, a growing number of companies are functioning in decentralized organization structures and are experiencing the challenges that come with it. Despite the relative novelty of this trend, there is guidance from among the most ancient of texts for leaders in today's companies about principled approaches to effectively strengthen and guide their decentralized organizations. In this article, the role of organizational structure is examined from the perspective of the early church and provides contemporary business leaders with principles for leading in decentralized structures.

CONTEXTUAL INTELLIGENCE

An Emerging Competency for Global Leaders

by Matthew R. Kutz

and diagnose any number of changing contexts quickly, then seamlessly adapt to that brand new context or risk becoming obsolete and irrelevant. Diagnosing context successfully requires intentional leadership and a paradoxical devotion to having a global perspective in the midst of local circumstances.

For business leaders to better appreciate contextual intelligence, it helps to understand the general concepts of context, intelligence, and experience. Context consists of all the external, internal, and interpersonal factors that contribute to the uniqueness of each situation and circumstance. Intelligence is the ability to transform data into useful information, information into knowledge, and then most importantly, assimilate that knowledge into practice.

Experience is measured by the ability to intuitively extract wisdom from different experiences and is not necessarily dependent on the accumulation or passage of time. In culminating these concepts, contextual intelligence consists of a specific skill set whereby an individual effectively diagnoses their context. It applies intelligence and experience, and is fundamentally about recognizing and interpreting the proverbial baggage people bring to the table, then determines how that baggage affects the current context and possible future. The contextually intelligent person then uses that new knowledge to exert influence in crafting a desirable future.

Diagnosing Context

Context is the background in which an event takes place. Contexts come in various forms and involve any set of circumstances surrounding an event. It is a rudimentary fact that knowing the specific context of an event is imperative to a correct interpretation. The context of an event or circumstance is much more involved than knowing the specific work setting, a geographic or demographic, or the mastery of technical competencies required of a given work setting.

Context is often real and perceived and includes such things as: geography, genders, industries, job roles or titles, attitudes, beliefs, values, politics, cultures, symbols, organizational climate, the past, the preferred future,

The Need for Contextual Intelligence

In the midst of globalization, emerging technology, global citizenship awareness and the advent of the global organization, the contextual environment in which leaders must operate is increasingly complex, even mind-boggling. Today's business and organizational context is dynamic, turbulent, continuously evolving and requires innovative leadership. Like Israel, in the days of the sons of Issachar, there is a clarion call for leaders who can both diagnose the context they are in then exercise their knowledge to know

what to do in the midst of changing and turbulent times. Quite literally, decisions must be instant, pragmatic and offer real solutions for real problems. Leaders who have the ability to contribute to these kinds of solutions, regardless of age or experience, are a valued commodity. These leaders have a high *contextual intelligence*.

Contextual intelligence is a leadership competency based on empirical research that integrates concepts of diagnosing context and exercising knowledge. Today's leaders, managers, and employees must be able to foresee

and personal ethics. Compounding the difficulty of context is the growing need to recognize these contextual variables in self as well as in various external and internal stakeholders. The presence of these contextual variables and any number of other external or internal, overt or covert variables makes each context unique. These and other contextual variables come together to create the contextual ethos.

The implication of this is that the ability to diagnose context can become a leadership skill that transcends specific roles or environments. Context (such as background events, attitudes, and stakeholder values) is relevant. When context is approached with the intent to extract knowledge from it, the knowledge extracted is transferable to any different or future work setting. Contextual intelligence and the requisite skills have a high degree of transferability. The implication is that a contextually intelligent person can influence others regardless of their job setting or role.

The Intuitive Practitioner

"My people are destroyed for lack of knowledge," (Hosea 4:6, NIV) is a commonly quoted scripture. Knowledge in this case is described as perception, discernment, or wisdom. This is not referring to the accumulation of or storing away of data or facts for later recall. The root word is *yada*, which means "to know." Inherent to contextual intelligence is the use of intuition or to use a biblical phrase *revelation*.

Intuition is a unique application of experience. Traditionally, experience is described as the accumulation of time or a long history of related experiences. However, intuition as described of contextual intelligence is not dependent upon years of experience or the accumulation of time. As used to describe contextual intelligence, it involves being adept at instantly assimilating past events into the current context, irrespective of the context in which the original event occurred. It is "an innate ability to synthesize information quickly and effectively" note researchers Erik Dane and Michael Pratt.

For example, they note the accuracy of decisions decreases as more time is used in deciding suggesting that using intuition is a way to leverage this inverse relationship. Intuition also appears to be especially acute in turbulent environments. Therefore, since contextual intelligence involves diagnosing a dynamic context, intuition is an asset.

Furthermore, what you know and how you came about learning it (i.e., experience) is much less important than the ability to learn. Knowledge [intelligence] is not purely the result of theoretical propositions, analytic strategies, or in identifying the elements of the decision. In short, knowledge (or discovering the correct answer) is not always linear. In a contextually rich world 1+2 does not always = 3. Intuition (i.e., arriving at knowledge without rational thinking) often forms the basis for later intellectual exercises.

The business implication of this is that intelligence can be gained from interpreting different events and using intuition, and therefore, does not purely result from formal education, experience, or intellect. Experience results when preconceived notions and expectations are challenged, refined, or unconfirmed by the actual. Therefore, demonstrating appropriate behavior is the best indicator of experienced-based intelligence and not longevity or experience.

Aristotle wrote in *Nicomeachean Ethics*, that wisdom is an issue of maturity or, as he states, the "defect" of not having wisdom is from "living at the beck and call of passion." Therefore, presumably wisdom itself is not necessarily a direct result of the passage of time or living per se, but is a result of coming to maturity. Because experience is so unique and individualized, it is difficult to use it as a learning model with any kind of predictive strength. Therefore, within the framework of contextual intelligence, experience can be measured by the amount of knowledge extracted from a single event.

The most intelligent people, the ones with the greatest business acumen or organizational savvy can extract the most knowledge from a single event, regardless if the event is positive or negative. Presumably, the newly acquired knowledge, when applied, is transformed into wisdom that can be "reused" in new context. Intelligence is certainly rooted in experience, but more importantly in the ability to extract valuable information about people, events, attitudes, behaviors, etc., from those experiences. The value and relevance of experience is measured by the magnitude of an individual's contribution to values and goals. Experience is validated in the ability to contribute early and often in a new environment.

For example, a leader may have one year of experience, but that year could be significantly bolstered by myriad, meaningful experiences that significantly influence his or her practice of leadership. Based on the ability to extract wisdom from a single experience, one year may be equivalent to four or five years. That phenomenon is what I like to refer to as "experience in dog-years." Therefore, the description of novice and expert must not be solely set by age or even number of past experiences per se, but "experience" should be evaluated in light of significant contributions. In this respect, experience is best defined by the leader's ability to effectively use history in making decisions, even if the individual has a very limited history (i.e., experience). A meaningful history can be gained from personal experience, but also from the observation and study of others past and present. The contextually intelligent practitioner is able to extract lessons from a single experience, versus the less contextually intelligent person who requires multiple experiences before learning the same or similar lessons.

Contextual Intelligence

Considering the above descriptions of context, intelligence and experience, *contextual intelligence* is the ability to quickly and intuitively recognize

and diagnose the dynamic contextual variables inherent in an event or circumstance and results in intentional adjustment of behavior in order to exert appropriate influence in that context.

The contextually intelligent practitioner is knowledgeable about how to do something (i.e., has technical knowledge from formal education and observation), but more importantly is wise enough, based on intuition and experience, to know what to do. Knowing how to do can put someone in a position to influence and often is the result of formal education and traditional applications of experience. Knowing what to do keeps one in the place of influence and is a result of an intuitive awareness of past, present, and future. Knowing what to do, as opposed to knowing how to do something enables an individual to act appropriately in a context of uncertainty and ambiguity where cause and effect are not predictable. Figure 1 illustrates the conceptual framework of the contextual intelligence triad. The three interlocking circles represent the relationship of the three elements of contextual intelligence that work together within a contextual ethos (dotted line).

Awareness of the *contextual ethos* involves being able to discern and accurately detect the attitudes, motivations, and values of many or all of the people who have a stake in the current situation. Awareness of the *relevant history* involves being able to reconcile the outcomes of past events and decisions into information that can be leveraged for the preset context and for future position. Awareness of the *preferred future* involves an acute understanding and vision of the future. It is an innate understanding that an individual's present circumstances are not a result of the accumulation of past decisions. Rather, the current context is also a product of the intended or preferred future.

Practical Implications

The concept of contextual intelligence has far reaching implications, and may help explain what happens (or what is missing) when, in one context a leader flourishes, but that same leader, when promoted, transferred, or transitioned into another context, is not as successful.

FIGURE1: CONTEXTUAL INTELLIGENCE TRIAD

Intuitive grasp of preferred future

Awareness of relevant past events

Acute awareness of present contextual variables
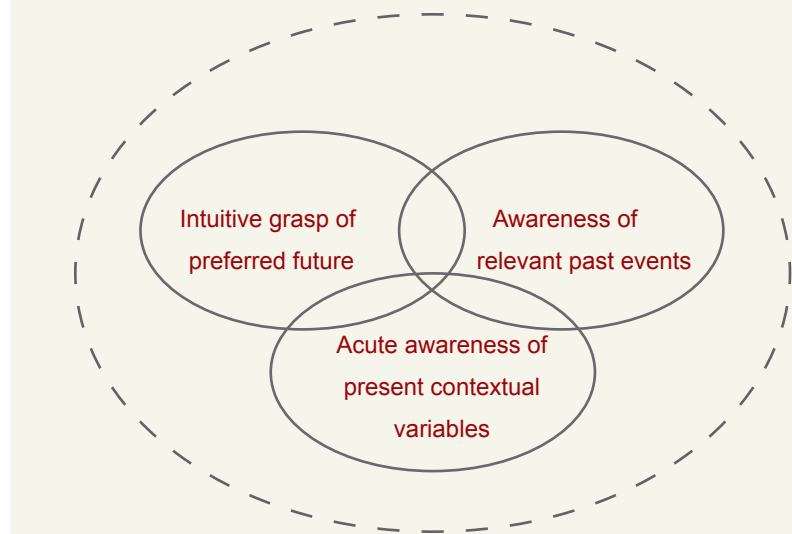
Furthermore, it may help to bring a proverbial name and face to an intangible skill set needed that if lacking, hinders some from truly excelling or reaching their full potential. Understanding contextual intelligence as a concept may also help practitioners and scholars develop training programs that teach leadership skill sets that transcend a specific context, and that has tangible value to any organization regardless of their uniqueness.

From a biblical framework, contextual intelligence has multiple applications. Consider the sons of Issachar. "From the tribe of Issachar, there were 200 leaders of the tribe with their relatives. All these men understood the signs of the times and knew the best course for Israel to take" (I Chronicles 12:32).

The sons of Issachar are potent examples of how contextual intelligence is supposed to operate in a changing world or in turbulent environments. They had two very distinguishing abilities, which presumably were the hallmark of their qualification to lead and direct Israel. Those qualities were: understanding the times (akin to "diagnosing context") and knowing what to do (i.e., application of knowledge).

These two abilities, when used in tandem, can be powerful leadership tools. Tools, when applied in the context of past and future events, can transcend roles, positions, and titles, and can influence the carrier of these tools in whatever context they are found. Therefore, leadership can be exercised by the contextually intelligent practitioner in any setting or in any role.

Conclusion

Contextual intelligence has merit in that it warrants discussions on how the practice of leadership can and should transcend context. Business leaders who exercise contextual intelligence are able to assimilate, cognitively and intuitively, past and current events in light of the preferred future. They think and act quickly when the circumstances and events surrounding their context change. They tend to intentionally lead by always seeking to be empathetic and scanning the horizon for value that can be used instantly and in the future.

Contextually intelligent leaders are multitasking thinkers who routinely go outside of their existing context to acquire useful information about the world in which they live and integrate that information into their decision making. In light of

FIGURE 2: BEHAVIORS, SKILLS, AND BRIEF DESCRIPTORS ASSOCIATED WITH CONTEXTUAL INTELLIGENCE.	
Future Minded	Has a forward-looking mentality and sense of direction and concern for where the organization should be in the future.
Influencer	Uses interpersonal skills to ethically and non-coercively affect the actions and decisions of others.
Ensures an Awareness of Mission	Understands and communicates how the individual performance of others influences subordinate's, peer's, and supervisor's perception of how the mission is being accomplished.
Socially Responsible	Expresses concern about social trends and issues (encourages legislation and policy when appropriate) and volunteers in social and community activities.
Cultural Sensitivity	Promotes diversity in multiple contexts and aligns diverse individuals by creating and facilitating diversity and provides opportunities for diverse members to interact in non-discriminatory manner.
Multicultural Leadership	Can influence and affect the behaviors and attitudes of peers and subordinates in an ethnically diverse context.
Diagnoses Context	Knows how to appropriately interpret and react to changing and volatile surroundings.
Change Agent	Has the courage to raise difficult and challenging questions that others may perceive as a threat to the status quo. Proactive rather than reactive in rising to challenges, leading, participating in, or making change (i.e., assessing, initiating, researching, planning, constructing, and advocating).
Effective and Constructive use of Influence	Uses interpersonal skills, personal power, and influence to constructively and effectively, affect the behavior and decisions of others. Demonstrates the effective use of different types of power in developing a powerful image.
Intentional Leadership	Assess and evaluates own leadership performance and is aware of strengths and weaknesses. Takes intentional action toward continuous improvement of leadership ability. Has an action guide and delineated goals for achieving personal best.
Critical Thinker	Cognitive ability to make connections, integrate, and make practical application of different actions, opinions, and information
Consensus Builder	Exhibits interpersonal skill and convinces other people to see the common good or a different point of view for the sake of the organizational mission or values by using listening skills, managing conflict, and creating win-win situations.

(*Continued from page 7*) the potential contextual intelligence has as a leadership competency, there is much dialogue and work to be done toward validating contextual intelligence as a transferable construct for effectual leadership in global business.

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Dealing with the Downs

DOWNGRADING ▪ DOWNSIZING

Using Value-Based Approaches to Effectively Manage Change

By Freda Powell

At a time when companies today face many market changes and economic challenges, the allure of reporting strong earnings sometimes leads to the implementation of downsizing strategies as a so-called necessary corporate solution to mitigate financial problems. Yet, the turbulence caused when a company downsizes its workforce, not only displaces employees, but places unusual demands on human resources personnel. For their efforts to be successful in maintaining a healthy corporate culture in such an environment, these professionals must understand the effects of downsizing on the survivors – those employees who remain. How should human resources executives handle the impact of downsizing? What implications and strategies should be considered to demonstrate genuine interest in the development and performance of remaining employees?

Scholars define downsizing as an intentional management action involving a reduction in personnel designed to improve a company's competitive position in the marketplace. To understand the impact of downsizing in the United States, one needs only to reflect on the news headlines of a tumultuous upward spike in downsizing episodes throughout the decade. The words on the February 2001 issue of *Newsweek*, "Laid Off: How Safe Is Your Job?" were an ominous prediction of a series of corporate downsizings.

In that *Newsweek* article, authors Daniel McGinn and Keith Naughton quoted a spokesperson for one of the firms that was laying off 400 staff. The spokesperson described the situation as "a periodic rebalancing of the skill sets of our work force." The reality

is that some companies today, when faced with poor economic performance, use downsizing as part of a cost savings strategy. For example, in December 1999, Eastman Chemical Company laid off 1,150 employees, a move that was part of an overall downsizing project by its parent company, Eastman Kodak, to decrease global staffing by 20,000. From 2001 to 2002, notable companies resorted to mass layoffs, including Boeing, American Airlines, IBM and Sears.

By the end of 2001, *Fortune* reported Fortune 500 companies with cumulative layoffs of more than 1,040,000 positions with an additional 255,260 layoffs reported by April 2002. Furthermore, this same report indicates in 2002, approximately 80 million new jobs had been created since 1982; while nearly 40 million jobs had been eliminated. Today, with the U.S. in the early stages of recession, the uncertainty of future economic growth is made more difficult with layoffs affecting even the most once prosperous companies such as Starbucks, Sprint and Wachovia.

But, behind every downsizing, there are both victims and survivors. The question human resources development professionals, in particular, must respond to moving forward is: What happens to the survivors? Companies must now focus their attention on the survivors. Organizations place priority on retention because keeping experienced and skilled employees saves on training costs. Furthermore, management needs to communicate effectively its desire and commitment to retain high-performing individuals along with those who have the greatest potential for performing in the downsized organization. Research on survivors' loyalty perceptions shows that employees stay as long as the working conditions are suitable, the pay is commensurate with the marketplace, training is available and opportunities for advancement are attainable.

As the next decade approaches, managers must concern themselves with employees' loyalty. In general, managers have been incapable of wrapping their arms around the loyalty factor. As downsizing continues, employees will challenge management and human resource managers to put a stop to declining survivor loyalty, which affects

the health of the whole organization. Downsizing has severely changed forever the work environment and how employees perceive their commitment to organizations leaving a host of real issues to contend with including employee involvement, employees regaining control and employee need for job security.

Therefore, to effectively deal with employees during downsizing engagements, companies should employ value-based management that focuses on the people. Managers should focus on certain values such as altruism, honesty, trustworthiness, open communication, autonomy, human dignity, social justice and integrity.

look profitable again in the eyes of their stockholders.

So, with this new direction, the company underwent a major reorganization effort corporate wide. The consolidation of departments and reorganization of staff resulted in many layoffs, especially management positions. Some people had to decide whether to accept a severance package or accept being downgraded. He was also faced with this tough decision. I concluded, after talking to these two individuals and others, that one of the hardest parts of downsizing on remaining employees is the lack of attention to the remaining employee needs. This includes a lack of communication from upper

A SNAPSHOT OF WHO IS DOWNSIZING - THEN AND NOW			
2001	**CUTS**	**2008**	**CUTS**
Boeing Company	2,900	AT&T	4,600
BAE Systems	1,700	Continental Airlines	3,000
Isuzu Motors	3,300	Office Depot	2,000
IBM	1,180	Starbucks	1,000
Sears	4,900	Wachovia Corporation	6,350

SOURCE: USA TODAY, ASSOCIATED PRESS, AND MULTIPLE LOCAL NEWS SOURCES (SEE NOTES)

When Downsizing Hits Home

In talking with a friend of mine, she shared her own personal downsizing experience. She had worked for a company 12 years when management decided that it wanted to try an outsourcing engagement in order to reduce costs and increase profit. So, the company outsourced their IT division. This caused the termination of many jobs because the outsourcing company would only take the key positions and critical personnel from the client company. Several non-essential positions were eliminated. After two years, the consulting firm that acquired the client's resources decided to outsource their maintenance and support roles to India, Canada and Europe. This outsourcing decision again resulted in a downsizing and the loss of many more U.S. jobs.

For another colleague, however, his experience was different. He worked for a top Fortune 500 company. After being employed there for one year, his company cleaned house and eliminated top executives, replacing them with others to bring new ideas and new direction for the company. Their goal was to turn the company around and

managers. This lack of communication gives way to rumors and speculation, which increases distrust for management. For both of the situations these two employees experienced, there was limited or no communication and the decisions came right out of the blue. They just hit – bam!

One of the hardest parts for the remaining employees was not knowing what was going on and not knowing if something was going to happen to them or how it would impact them their role with the organization. This is why open communication must be valued.

In looking at open communication, we find that communication should be open, appropriate and timely. Communication should encourage open discussion even if the issues presented are controversial and contrary to management's point of view.

Ken Blanchard asserts that through values-based approaches to management, managers know communication is the oil that keeps the company operating smoothly. They seek to communicate frequently to employees

at all levels of the organization and to allow optimal opportunity for employees to communicate in any direction within the organization.

Downgrading Impacts Productivity

During a downsizing exercise, especially in information technology departments, many times the positions that are impacted the most are those where efforts are duplicated as a result of reorganizing staff and consolidating divisions, departments and roles. Also, non-billable positions with excessive overhead such as the support roles or core positions that are not billable to projects, and top-heavy management positions are impacted as well. This is to level or flatten the organization and reduce cost.

What about morale? When downsizing occurs, there is low morale on the teams. This often results from workload increases for those left behind. In some cases, the surviving employees consider the present work environment to be difficult and insecure. Survivors indicate that job insecurity is a major job related concern. Out of guilt for the downsized or downgraded staff members, they are concerned about job security, lack of stability and impact from constant change. In other words, those remaining in the organization feel stress about their jobs.

However, the aftermath of downsizing can also provide employees with greater autonomy and participation in decision-making, which leads to more interesting work and greater job satisfaction. As Jim Clark and Richard Koonce indicate in their article on organization survivors, effective survivor programs will focus on employee empowerment and reestablishing loyalty. To foster organizational loyalty, management must consider effective methods to meet survivors' needs, they must communicate with them, they must allow them to participate in right decisions, and they must recognize, develop, and continue to motivate survivors.

Importance of Value-Based Management

To empower employees and cultivate loyalty, management needs to employ values such as altruism, human dignity and social justice. Through altruism,

managers show concern for the welfare of others and give full attention to the employees during change. Managers should work with professional support networks such as human resource partners, training and development, and employee relations personnel to meet the holistic needs of the employees. They should show empathy, respectfulness and enhance their self-esteem through words and actions.

The value of social justice is also important because managers' actions should be guided by moral, legal and human principles. During a downsizing engagement, they should provide equal treatment to all their employees. When a person is downgraded, there may be feelings of disloyalty. The employee feels that they may have done something wrong or they may feel embarrassment.

Their productivity may diminish as they start focusing more on themselves and not the job. They may focus their energies on reevaluating their careers and aspirations. They may start thinking of leaving the company because they feel cheated and that they have been wronged. Some even think of changing careers altogether.

By employing the values of integrity, honesty, accountability and commitment to learning, HRD professionals and should use this as an opportunity for people to be mentored and coached. They should be open to people pursuing avenues of interest. If the company supports its people during this period, they will be surprised how they may become more loyal to the company for allowing them to expand their skills and develop themselves.

Researches find that workers' satisfaction and commitment persist as long as the form of employee involvement in place

increases worker input and control in their jobs; and as long as management is perceived to be making clear efforts to enhance the future security of employee positions. In return for their commitment, survivors want management to provide avenues to discuss employment and solutions to employment issues. To that end, HRD professionals are key in helping managers cultivate programs that focus on empowerment, reestablish loyalty and assist mangers with job designs that promote empowerment and internal motivation for remaining employees.

Workers must be trained to accept greater autonomy. They must have the skills necessary to increase skill variety and they must be capable of understanding and interpreting the feedback given to them. Furthermore, managers must be trained in how to develop the skills needed to empower workers effectively, provide feedback and redesign jobs so that a greater variety of skills can be utilized.

Empowered individuals believe that they are autonomous, that they have an impact and therefore tend to perform at higher levels. Managers who design jobs that create a greater degree of empowerment will likely increase motivation in the workplace and produce desirable results.

HRD professionals are essential in helping managers understand that a job design promoting empowerment and intrinsic motivation is more important than the impact of past or threat of future downsizing. They have a challenging role ahead of them in helping manage change effectively when downsizing occurs. Yet through continued research, dialogue and sound practice, they will be more capable at advising organization leaders in creating approaches to authentically deal with surviving employees of downsized organizations.

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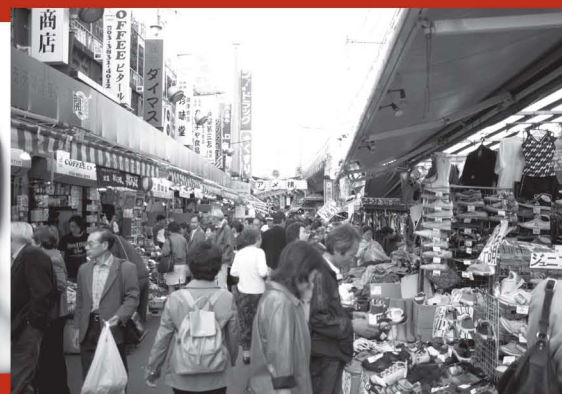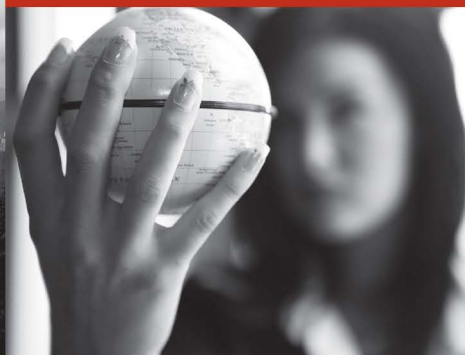
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DIVINING
The Need

COMPENSATORY BEHAVIOR OF CUSTOMERS

BY GARY W. OSTER

Although valuable, traditional market research methods do not always provide the product development information needed in the dynamic modern-world marketplace. End users frequently customize products and use products in ways other than originally designed. To their detriment, some organizations discount the actions of consumers who improperly use their products.

Conversely, companies that maintain intimacy with customers observe the alternative form or use of a product, and subsequently incorporate those concepts into future incremental changes or entirely new products, enhancing opportunities for marketplace success.

For example, a design firm was contracted to develop a new ironing board for a global consumer product company. They immediately conducted extensive market research, including surveys and focus groups, to learn of customers' real and perceived needs. Although this focused deductive method yielded a mountain of data, the information was ambiguous and of no value to the design process.

With deadlines looming, the design firm tried a new approach. First, they located an ironing enthusiast, a young bachelor who wore razor-sharp creases in his trousers and shirts with perfectly pressed clothing in his closet and dresser. Three young researches went to the young man's home and watched him iron for an evening. As he worked his way through shirts and trousers and on to his underwear pile, the researchers plied him with questions. Although the young man admitted to no problems with his ironing board, the researchers noted two interesting and wholly unconscious behaviors.

First, he had placed his ironing board against a wall, where it left a faint line as it rubbed against the paint. Secondly, the man routinely placed his foot on one of the legs of the ironing board to give it additional stability as he ironed. Using the information gained from their observation, the firm designed a new ironing board with radically different legs and weighting to give it incredible stability. The ironing board proved to be a blockbuster and ultimately sold millions

worldwide. Both secondary research and first hand observation contributed to the remarkable success of the product.

Divining Customer Needs

The first product patented by Thomas Edison, a giant in the pantheon of American invention, was an abject failure. Edison had designed a vote-tabulating machine for lawmakers in New England. Legislators could cast votes from their seats and have them counted instantly and accurately. To Edison's surprise they despised the machine because they wanted time lags in the process so that they could lobby and influence votes before a final count. The importance of finding an initial customer need became painfully clear to Edison, "Anything that won't sell, I don't want to invent. Its sale is proof of utility, and utility is success."

The significant downside for corporations who have not identified a market for their product is that they might invest in great innovation at inopportune times or inappropriate ways. In other words, as innovation scholar Tony Davila notes, "It is possible to innovate and die by taking the wrong kinds of risk and by playing the wrong kind of strategy."

> ## "A desk is a dangerous place from which to view the world."
> ### John Le Carre

Strategist Gary Hamel says, "It is possible to de-risk bold new strategies through low-cost, low-risk experimentation. Imagination and prudence are not mutually exclusive."

As companies develop innovation strategies, they must recognize the important role of customers in the process. A focus solely on the competition's novelty limits a company's ability to innovate. Rather, if the focus shifts toward understanding the customer, the end user, companies may find they are immersed in unlimited innovation possibilities. In an article by Diego Rodriguez and Ryan Jacoby they concur saying, "The best efforts come from organizations that solve for human

desirability early in the process. You must uncover human needs to design compelling user value propositions. Otherwise, why would anyone want to buy what you sell?" Rodriguez and Jacoby compel innovators to consider, "Design thinking starts with people and looks for evidence of desire. This is one of the most fundamental ways to mitigate risk. Because marketing things that people don't want increases one's risk of failure substantially. Ask yourself, what is the bigger risk: placing a bet on a value proposition that customers are asking for either latently or directly, or investing in an idea that springs from the cloistered assumptions of a conference room deep within your company?"

Christians in business are further compelled to learn and fulfill customer needs because they view customers in an eternal context, exceedingly worthy of their very best efforts. In Genesis 4:9, God questioned Cain about his actions related to his brother. "Then the Lord said to Cain, 'Where is Abel your brother?' He said, 'I do not know. Am I my brother's keeper?'" The Lord's response illuminated the relationship that Cain was supposed to have with Abel, that of brother. Using this principle, Christians in business should be concerned with their customers and their needs.

Weaknesses of Traditional Market Research

Traditional market research surveys and focus groups continue to be a valuable component of customer intimacy. However, they contain inherent weaknesses. In brief, they tend to uncover explicit needs and not implicit or latent user needs. Communication is also a critical issue. As Ferdinand Fournies notes, "The major reason people don't say what they mean is that people are sloppy communicators; they don't say what they mean because they don't know how to accurately say it. Most

people talk in shorthand and metaphors and use nonverbal body motions and facial expressions which communicate ambiguously." In addition, many people don't know what they want and are incredibly poor reporters of their own behavior.

It is, therefore, incumbent upon all organizations to know current and prospective customers so well that they don't require their explicit assistance to determine the customer's real and perceived needs.

New capabilities may be required to intercept and interpret "signals" from customers. In his book, Positive Turbulence, S. Gryskiewicz explains it this way, "Learning to detect weak signals in the distance helps the astute organization to recognize the once unrecognizable. Learning to do so ahead of the competition provides the strategic advantage that can ensure survival. What becomes immediately clear is that organizations that consciously decide to tune in to these far-off, fuzzy, intermittent signals get critical information faster than those who wait for it to arrive in a neat, orderly bandwidth."

The Important Role of Empathic Research

Empathic research is derived from the word empathy, which refers to the ability to recognize and understand a person's state of mind, to metaphorically live inside someone else's skin. Similar to anthropological studies of people in foreign lands, empathic research is qualitative in nature and based upon focused observation.

As Catherine Fredman notes, "One of the favorite sayings at IDEO, a leading innovation and design firm, is 'Innovation begins with an eye.' The firm tends to see different things than what focus groups and other conventional forms of market research typically turn up." Similarly, Joan Fulton Suri of IDEO believes no matter the project, the initial phase of development begins with teams and their clients observing behavior in natural settings to directly identify context, values, habits and other user phenomena related to determine design needs. IDEO CEO David Kelley maintains,

"Focused observation can be a powerful source of innovation. As you observe people in their natural settings, you should not only look for the nuances of human behavior but also strive to infer motivation and emotion."

In most cases, empathic research should be the purview of corporate employees. Authors of the international best seller, Blue Ocean Strategy, W. Chan Kim and Renee Mauborgne suggest companies should, "Send a team into the field, putting managers face-to-face with what they must make sense of: how people use or don't use their products or services. This step may seem obvious, but we have found that managers often out-source this part of the strategy-making process. They rely on reports other people (often one or two removed from the world they report on) have put together. A company should never outsource its eyes. There is simply no substitute for seeing for yourself."

Empathic observational techniques, including those utilizing photos, videos or the insertion of researchers to view the behavior of consumers in action, provide a completely different window into customer needs and desires. T. Stevens illustrates this point in an earlier article on innovation noting, "Whether capturing people at home, in the car, at work, or at play, ethnographers interested in driving new-product innovations look for work-arounds, improvised solutions, and contradictions between what people do and what they say they do…Consumers are performing all kinds of operations they don't even realize they are performing, and engaging in many forms of compensatory behavior. Consumers will actually deny doing something like bending over during a laundry operation, when videotapes clearly show they are doing so. We view these unarticulated needs as product-improvement opportunities and apply usability engineering to make products more intuitive and easier to use at the on-set."

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

coworkers, ultimately leading to helpful hypotheses and ideas.

In addition, direct observation should be augmented with continual review of customer letters, emails, company help lines, website customer contacts, corporate and industry blogs – everything that enhances communications with customers. Direct web-based connections with customers such as Dell's IdeaStorms and Starbucks' MyStarbucksIdea have yielded thousands of useful (and revenue-producing) tips on customer needs for today and the future.

Compensatory Behavior of Customers

The direct observation techniques of empathic research often reveal intentional or unconscious changes customers have made to the form or use of a product. This is called compensatory behavior. The term compensatory behavior was adapted from psychology, where it refers to the behavior that individuals exhibit in their response to anxiety-causing problems in their life. In business, compensatory behavior refers to the use of a product in a manner

different from its original intent.

Consumers adapt their behavior to compensate for product inadequacies. Interestingly, few people realize they are compensating and, therefore, are unable to explain what is wrong with a product or how that product might be improved. As Alan South notes, "People are inventive and left to their own devices, they will often fix a problem themselves. Spotting a fix can give clues on how to do a redesign, and highlight a problem not previously spotted." Compensatory behaviors are very common. They can refer to any type of physical modification or unintended usage.

A simple example is double stacking coffee cups so that you don't burn your hands on hot coffee; or, putting a piece of red tape on the handle of your black suitcase to help you spot it on the crowded airport luggage carrousel.

As Suri ably summarized, "Everywhere we look there is evidence of people's creativity in reinterpreting and adapting things, improvising solutions to make up for something that's missing or poorly designed…Quite simply, this kind of observation can be a direct source of ideas for design."

Therefore, the companies who effectively use empathic research methods to ferret out the unfulfilled and unspoken needs of consumers demonstrated through compensatory behavior logically enjoy a higher acceptance rate of future product changes and substantial competitive advantage.

Further Examples of Compensatory Behavior

When tasked to develop a next-generation walker for the home-based, medical market, design firm Sundberg-Ferar sent researchers to visit elderly residents of a retirement village. Despite significant earlier market research, the company struck a gold mine when it observed the participants' compensatory behavior. None of the existing walkers on the market offered a mechanism for storing magazines, cell phones, knitting supplies or food items.

Sundberg-Ferar researchers noted that one resident had liberally used duct tape to attach an automotive coffee-cup holder to the frame of his walker. Another had attached a bicycle basket to his walker, and still another had attached a bicycle horn. Sunberg-Ferar incorporated the unspoken compensatory behavior into its early prototypes, which were favorably reviewed and vigorously tested by the retirement village residents.

Researchers from Procter and Gamble continually travel the globe to observe people as they use cleaning products in their homes and businesses. In Puerto Rico, one P & G team watched a retired hotel housekeeper use a broom with a wooden broomstick "extender" taped on to help her reach up and clean the ceiling of her shower.

Procter and Gamble translated the concept into the Mr. Clean Magic Reach, a bathroom cleaning system that features an extendable pole. Procter and Gamble forecasts sales of the new product to exceed $150 million this year.

In all, numerous products have been successfully developed or enhanced through careful study of product inadequacies highlighted by consumers' compensatory behavior such as the use of spray cooking oil on home satellite dishes (to keep snow off and the signal clear), the customization of cars, home-made wooden boxes and dividers in the rear deck of minivans (to keep grocery bags and soccer equipment from rolling about), and the personalization of shoes with unusual colors, rhinestones and lights on the beaches of southern California.

### Accelerating Gains from Compensatory Behavior

Forward-thinking corporations do not always wait for the compensatory behavior of their customers from which to glean product enhancements. Instead, they develop an intimate relationship with customers and make them an integral part of the ongoing product development process. Cheap, inexact, one on prototypes showing possible iterative modifications of current corporate products are continually placed into the hands of consumers to gauge their response and seed new product ideas.

Just as a chef gives away samples of a new and unusual dessert in a restaurant to learn whether customers like it, corporations must provide a steady stream of improved prototypes to customers, ask what they would change if they could and then ultimately hope for acceptance from prospective customers.

Summary

Every product is in perpetual beta test. Every product feature begs for improvement. Customers frustrated by the inadequacies of products, frequently engage in compensatory behavior by altering the original form or use of a product. Companies who use the direct observation techniques of empathic research gain game-changing knowledge by engaging this cost-effective research and development accomplished by consumers. As innovation researchers Rodriguez and Jacoby note, "It is difficult to design something compelling without picturing a face or feeling empathy for a person's wants, needs, and behaviors." As companies recognize and incorporate consumers' desired needs and modified use of products, they ultimately satisfy customer preferences while they also continually innovate and gain competitive advantage.
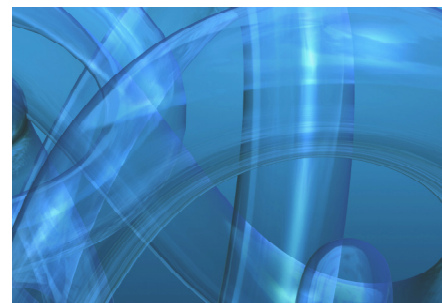
Dr. Gary Oster joined the faculty of the School of Global Leadership & Entrepreneurship in 2007 after more than two years as Associate Dean for Academics in the Regent University School of Under-graduate Studies and a decade in senior administrative roles at William Tyndale College. He has served as a classroom and online instructor since 1994. Prior to his academic endeavors, Gary was an executive in high-technology corporations, both domestically and overseas, focusing primarily upon the computer, electronics, and automotive industries. He can be reached at garyost@regent.edu for comment.

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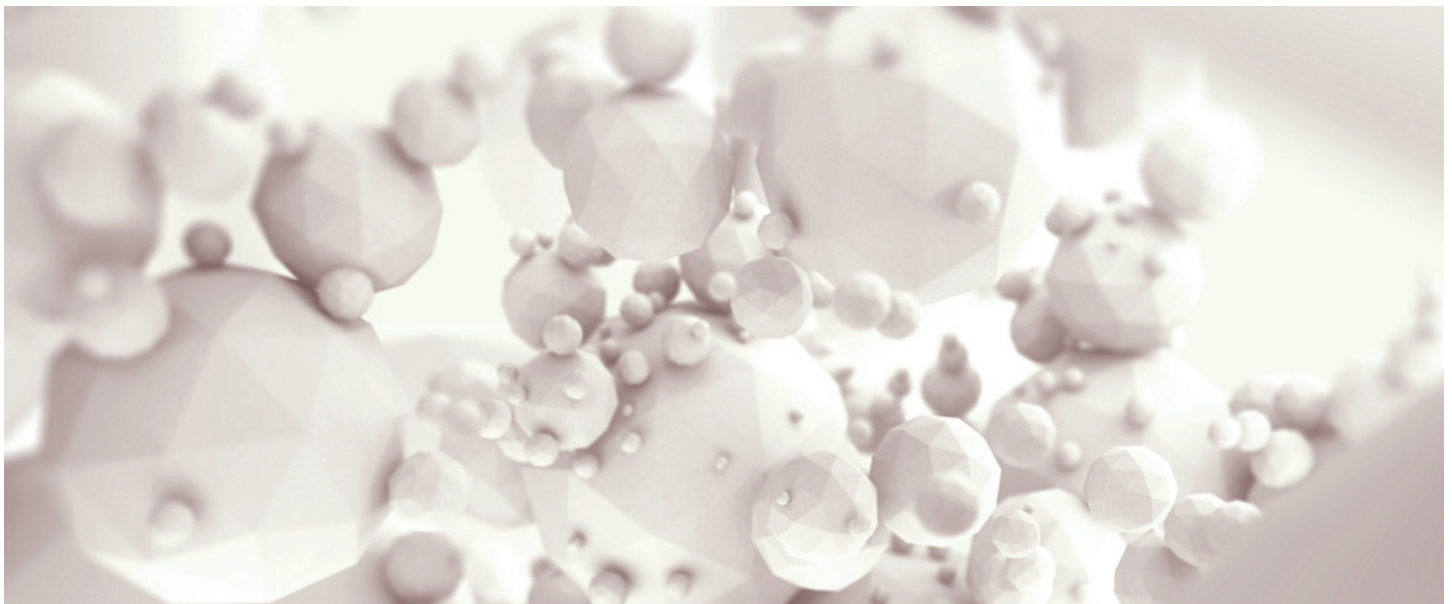COMING OCTOBER 2008

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Strengthening and Guiding Decentralized Organizations

DARYL D. GREEN | GARY E. ROBERTS

Jesus spoke. People listened. As he proclaimed, "Therefore go and make disciples of all nations, baptizing them in the name of the Father and of the Son and of the Holy Spirit" (Matthew 28:19, KJV, the great commission launched one of the greatest decentralized organizations. As Christians of that day operated under persecution and in a hostile environments (Acts 28:22), the culture, guided by the Holy Spirit, began to shape the organizational structure of what is known today as *the Church*.

However, how can a leader guide followers that cannot be seen? This dilemma of the apostles is the same issue that executives in business, government and nonprofit organizations must address today. Answering this leadership challenge, the Apostle Paul began to virtually create community, order and structure through his pastoral epistles (1 Tim. 2:1-6:1). In this sense, there was not a distinction made between church culture and structure. They were integrated.

Businesses today face a similar challenge. Globalization and technology advancements create opportunities, but also provide a new set of problems for traditionally structured organizations. Demographic changes continue to shape the realities of globalization. For example it is difficult to apply the same marketing approach for a product or service in multiple countries.

Doing work globally requires two dimensions of complexity: business and cultural complexity. Furthermore, global customers require businesses to humanize globalization. In responding to this market need, multinational companies are decentralizing their workforce.

The church faced similar issues of business and cultural complexity. The early church's foundational strategy was the development of a clearly defined and embraced world view. The first century Roman world presented similar diversity challenges and the only means to unite the geographically dispersed Jews and the many ethnic and racial gentiles was to develop a unified culture with a common set of suppositions or theology to cultivate mission, vision and values consensus.

More and more employees are working remotely today; therefore, they function like a virtual organization, which is geographically separated and has very little personal contact. As a result, some workers feel alone and disconnected. Today's organizations are increasingly becoming self-directed. Furthermore, the impact of globalization has decentralized most multi-national companies and damaged the value alignment of organizations.

Contemporary leaders can benefit from

models of the early Christian church in learning how to lead followers in decentralized organizations. Three key lessons from Acts of the Apostles demonstrate how leaders in a decentralized context can create vision; develop a unified world view and encourage followers in the face of adversity.

Leaders Create

Exemplary leaders provide a vision for followers. Vision relates to the ability to look beyond physical constraints of the natural realm; a shared vision denotes that followers have bought into the leader's vision. In the beginning of Jesus' ministry, the disciples did not understand Jesus' mission. In Acts 2, the Holy Spirit was critical in forming the vision for the church and supplying it with the vital skills (Ephesians 4:11) for service. Thus, the works of Jesus and his apostles are perceived as the eschatological outworking of the divine plan for renewal among God's people.

For example, the Apostle Paul supported the vision established by Jesus Christ. He understood that this vision was the unified force to a scattered group of believers undergoing persecution. In Ephesians 4:3-5, Paul encourages, "Make every effort to keep the unity of the Spirit through the bond of peace. There is one body and one Spirit…one Lord, one faith, one baptism." The unified vision enables organization members to focus with clarity and precision on specific goals and objectives. It enables, what Jim Collins notes in his acclaimed book, *Good to Great and the Social Sectors*, the necessity for organizations to avoid distractions and rabbit-trails that lead to mission drift.

Likewise, in dealing with decentralized organizations, contemporary leaders need to create a shared vision for employees. The inherent power of vision can inspire followers to action. For example, research conducted by Jim Kouzes and Barry Posner found that highly effective leaders inspire a shared vision. However, most business leaders are too busy with the current issues of today and find little time for vision building. This leaves workers, as well as the organization, unfulfilled. In a changing environment, communicating

a clear vision is important for survival. Having a shared vision provides an organization with a competitive advantage. Many senior executives carry the burden of leader and do not want to share strategy for the organizations. In this type of organization, information does not flow well, and employees are kept in the dark about major organizational changes. This leader may

feel he or she is protecting this staff by keeping the vision hidden. However, it creates an environment with no clear direction. Therefore, today's leaders should inspire their workforce with a shared vision.

There are numerous modern day examples of the power of vision casting across all sectors. The growth and success of Southwest Airlines is a testament to an intense focus on high quality customer service within tightly defined parameters. Southwest did not attempt to emulate the growth of other airlines by trying to maximize customer choice. Rather, they focused on the key issues most important to customers: price, reliability, safety and customer treatment; then unabashedly devoted all management systems to solely implementing those values.

Leaders Build

Leaders must provide an organizational structure for achieving their objectives that is flexible and organic. From the very beginning, God provided structure for His people. In the Old Testament, God's people were led by priests, judges, prophets/prophetesses and kings. However, at times, followers paced

slowly behind the leaders. In the ancient world, a few typical leadership types emerged: leaders chosen to make the decisions and exercise authority, a Roman characteristic; leaders chosen to carry out the will of the people, a Greek trait; and a society of unequal members where leaders make decisions in conjunction with other members, a Jewish trait. The last type of community was characteristic of the early Church.

Furthermore, Jewish officials, such as scribes, were essential to certain functionaries within Jewish society during the Greco-Roman period. Jerusalem was the religious center for as many as four million Jews scattered abroad from Rome to Babylon. Mingled with these various beliefs in Jerusalem were the cultural, social and political influences of the Greeks and Romans. Even during the time of Jesus, an elite group in the synagogue selected which individuals could take leadership positions in a Jewish community. Unlike the Jewish establishment, the early church structure was agile, mobile and reactionary to hostile environmental forces. Faced by heavy persecution by the Jewish establishment and the Roman Empire, the church had to function remotely. Clearly, there is a transformation of the apostles' roles and status in the early church. Thus, the apostles were able to transfer leadership to the new church leaders, in effect, building the Church.

The autonomous, self-governing congregation had no external body or hierarchy ruling it. It functioned as a virtual organization, meeting with small groups of believers in homes for worship and fellowship. When Paul wrote to the church in Rome, there was no ecclesiastical hierarchy; therefore, "fellow workers" provided this leadership led by Holy Spirit.

The early church structure was a two-fold ministry of presbyter-bishops assisted by deacons in the churches over a wide geographical area in the latter part of the first century (Acts 11:30; Acts 15:6; Acts 14:23). There are elders (1 Timothy. 5:1), bishops (1 Timothy. 5:17-18) and deacons (I Timothy. 3:8). Therefore, strategy preceded structure for the early Christian church. Furthermore, exemplary leaders understand the importance of organizational development. On the

contrary, some senior managers want to provide the business strategy for getting the work done while leaving the details of organizational structure to their subordinates. When new strategies are implemented and fail, these same leaders are puzzled as to why their initiatives failed. In many cases, this is because the organization was not structured in a way that supported effective implementation of these initiatives. In today's contemporary organizations, leaders who want to be successful must provide structure for followers.

Successful executives recognize that strategy and organizational structure must be organically derived from the mission and vision, that purpose always trumps technique and process. This is a critical factor in the success of major corporations and nonprofit organizations such as Southwest Airlines and the American Red Cross, which both allow for varying combinations of centralization and decentralization based upon mission enhancement. For example, every Southwest employee is empowered and instructed on the need for working outside of their job description to solve problems, a form of accountability and ownership.

Leaders Encourage

Effective leaders inspire followers even in the darkest of times. In Acts, the early church was confronted with conflicts on several levels. As the Church faced persecution and spread to other parts of the world, factions formed over conflicting claims and interpretations concerning Jesus and the apostles. Without a doubt, the early church found itself in the midst of contentious struggle. During this time, heresy threatened the Church and at this point, the early Church needed something to unite its organization. Jesus knew that His church would face this challenge.

In Acts 1:8, Jesus responds to this challenge saying, "But you will receive power when the Holy Spirit comes on you; and you will be my witnesses in Jerusalem, and in all Judea and Samaria, and to the ends of the earth." The early church leaders exhorted followers to continue despite their circumstances. Therefore, instead of destroying the early

Church, dissenting opinions and beliefs appeared to spur the development of a unified position that helped strengthen the dominant segment of Christianity. The enabling power of God came through the Holy Spirit as the central agent in Acts for the instruction and empowerment of the early church (Acts 1:2; 2:1-12). The Apostle Paul understood the psychological pressures of persecution and what it could do to an individual; therefore, he was constantly inspiring the early Church by having them focus on the ultimate vision.

Today's leaders need to provide encouragement to employees operating remotely. Good leaders know their followers' needs. Exemplary leaders provide a model for their followers by seeing these qualities in their leader.

One of the most important means for encouraging employees is driving fear from the workplace through values of godly excellence. This requires the redefinition of excellence as a long-term character and competency growth building process that by definition requires mistakes, errors and setbacks. Organizations should encourage and reward employees for good-faith efforts that fail to reach objectives through forgiveness policies and formally recognize and thank employees for their efforts and sacrifice.

For example, Men's Wearhouse embraces encouragement and forgiveness as essential mission elements. George Zimmer, founder and CEO explains that the policy of forgiveness provides tough love,

accountability and grace. This helps employees recognize the genuine care that the company demonstrates, which results in character transformation.

Concluding Thoughts

As today's companies restructure operations to better position for the global market, new ideas and approaches must be considered to ensure continuity of corporate values in decentralized structures. There are clear similarities between contemporary organizations and early Christian churches as it relates to decentralized structures.

Corporations are yearning for leaders who share a special connection with followers. Building effective organizations that operate remotely requires that leaders function within higher levels of complexity. Through the guidance of the Holy Spirit, leaders can be as effectual in today's virtual environments as the early church leaders were in their decentralized contextual environment.

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