THE MEANING OF BUSINESS

A collection of essays on new models of leadership, collaboration, and value-creation

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A New Era of Meaning

An Introduction by **Tim Leberecht**

The doom and gloom of the economic downturn, the deterioration of mass markets, the pervasiveness of the digital lifestyle, and the fragmentation of traditional societal institutions are propelling a new search for non-economic value systems. Consumption-driven wealth and status are being replaced by identity, belonging, and a strong desire to contribute and do something "meaningful" rather than just acquire things. With capitalism in not only an economic but also a moral crisis, numerous thinkers have recently crafted visions of a more sustainable, social business. When you browse through their books, manifestos, essays, and blog posts, you'll find that their voices echo what management consultant John Hagel declared a while back: "The job of leadership today is not just to make money. It's to make meaning."

In A Survival Guide for the Age of Meaning, Sohrab Vossoughi, the founder and president of design consultancy Ziba, observes that "Gone are the days when the master brand was king and companies were customer-focused only to the extent that customers generated sales. More than ever before, today's savvy, choice-fatigued, and cash-strapped consumers crave meaningful connections with brands that allow them to be more authentically themselves."

Economist Umair Haque argues that we need to reboot capitalism, and he focuses on a redefinition of "capital": "20th century capitalism ... marginally valued pure financial capital too highly, while marginally valuing human, natural, social, and cultural capital at zero—or, at the limit, negatively." One possible form of the "capital deepening" Haque envisions are carbon assets. "Once they're capitalized, they become next-gen assets: assets that can be traded, hedged, remixed, tweaked, open-sourced, or shared," he writes. "The difference is that they're assets with intrinsic, durable, human value—not the lemons Wall Street was in the business of hawking. It is only by capitalizing the things we really value that the spark of value creation can be lit again." As an example of really valuable capital, Haque refers to Rypple, an ad-hoc social network that provides simple, direct, anonymous, and ongoing customer and employee feedback: "Rypple's economic engine is powered by human and social capital—Rypple taps the connections people have with friends, colleagues, bosses, and mentors, to help them get smarter and more productive."

Haque also published "The Generation M (as in "Meaning") Manifesto," which stirred some controversial reactions, from unconditional endorsement to accusations of naiveté.

Inspired by Haque's proposal, Landor's Scott Osman writes that "smarter brands are already aligning themselves with better activities, making better actions a brand attribute. Perhaps this is an honest shift by management, perhaps it is recognition that the game has already changed and they need to start turning their ships around before they find themselves going in the wrong direction."

Jeff Jarvis' concept of the "Share Economy" and Chris Anderson's notion of the "Free Economy" are both based on the assumption that there is no viable business in markets in which information and content are abundant (i.e., the news industry) unless you add the value of aggregation, create artificial scarcity, or give away those abundant assets (i.e., music recordings) that drive attention to assets that are truly scarce (i.e., the live concert experience). As Kevin Kelly put it in his blog post "Better Than Free," "When copies are free, you need to sell things which cannot be copied."

Retired Harvard professor Shoshana Zuboff is the co-author of The Support Economy: Why Corporations Are Failing Individuals and the Next Episode of Capitalism. In a recent BusinessWeek article, Zuboff proposes companies charter what she calls the "I-space," arguing that in order to release new value, "you need to get out of organization space and into the subjective space where individuals live." As she says, "This means shedding the 'us-them' mentality" so that "everyone is an insider." To succeed in I-space, companies "must federate and collaborate to compete ... You can't do it alone because the needs of individuals don't conform to existing organizational and industry boundaries. This means learning how to manage what you don't control or own. These economies of trust are becoming even more important than economies of scale." Zuboff is wary of the old paradigms still taught in business school and calls all previous "compasses" obsolete: "You're in a new place. The bad news: There are no maps. The good news? You are the mapmaker."

Similarly, Roberto Verganti, in his new book, Design-Driven Innovation, argues that there is a "Third Way of Innovation," beyond radical innovation pushed by new technologies and incremental innovation pulled by market forces. This Third Way, he asserts, is driven by meaning, or to be more precise, by those cultural "interpreters" who have the ability to "make sense of things" and give existing things new meaning—and thus create new markets. They don't have to be designers, but it turns out they often are—at least by a broader definition. How can companies apply this concept? By investigating the evolution of culture, society, and technologies, says Verganti, and by putting forward visions about possible new product meanings that people have not solicited but that they were eventually just waiting for.

Richard Edelman from Edelman PR believes we are entering an era of "Mutual Social Responsibility," in which "people (formerly labeled as 'consumers' by marketers) contribute to society's sustainability and well-being in partnership with business, government, and non-governmental organizations. But they demand a seat at the table and real voice in the discussion."

This new paradigm extends even to the world of finance—arguably the one industry sector that has suffered most from excessive short-term innovation and is in greatest need of real transformation. Social innovation platform Volans calls for a "WeBank" and asks: "Are people replacing institutions?" As an example of alternative micro- and real-time financing models it refers to Zopa, the world's first online social finance company: "With no middlemen, less overhead, improved rates for lenders and borrowers, and a sense of transactions between 'real people,' it creates trust and shared interests between lenders and borrowers."

The future of business may indeed be social. Dion Hinchcliffe came up with "12 Rules for Bringing 'Social' to Your Business," and the Dachis Group, which calls itself "the first social business firm," has developed a "social business design framework" for "understanding and applying social constructs to business." Social business design is "a mutually exclusive, collectively exhaustive way of considering how a corporation, business unit, or project can create and capture value from today's emerging technologies and evolving operating environment." The most interesting archetype of social business design is the Dynamic Signal, "the concept that every activity and action is recorded and made available, that every piece of data goes from being a database entry and is instead an event. An event which can be managed, shared, and collaborated on by all of those in the organization," as Dachis partner Jevon MacDonald explains. This concept resembles the familiar vision of the "real time enterprise." Real-time business is inherently social—there is no real-time without social.

Yet the accelerated transaction and interaction cycles on the real-time Web need to be balanced with sustainable thinking. Quick decisions are easier to make if they're grounded in a long-term perspective. Agility requires stability. The prerequisite for openness is a strong (and tight) community. It is evermore important that companies have a stable foundation, rooted in a set of shared of values and beliefs.

For A.G. Lafley, former Procter & Gamble chairman and CEO, "balancing present and future" is one of the key responsibilities of chief executives. "Don't allow the short-term interests to take precedence over the company's long-term objectives," he warns in a recent article for the Harvard Business Review, in which he describes the CEO as the only person in an organization who can link the external with the internal perspective. "It's a job that the CEO must do because without the outside there is no inside." You could argue, of course, that the real-time, hypertransparent social Web has made that distinction obsolete anyway: Inside and outside are congruent; they are one and the same.

Reading all these recent publications, it appears that the term "meaning" (obviously highly elusive anyway) is consistently used in two different ways: one focuses on sensemaking, the social and emotional relevance of products and services (that's the designer's perspective represented by Verganti, Vossoughi, and others). The other one is more concerned with meaningful actions, the social impact of brands and their contract with society at large (Haque and others). It is important to establish a clear nomenclature and distinguish these two dimensions of "meaning" in the current debate. Neither dimension is particularly new: The idea of design-driven innovation has been around for a while, and so has the idea of corporate social responsibility. What's new and interesting, however, is that these two dimensions increasingly converge. You can see more design-for-social-impact-type initiatives emerge and more design-driven innovation that takes social responsibility very seriously. The social media/social marketing/social impact cascade is gaining traction, and product innovation concepts striving for customer-focused meaning are moving to the macro-economic level, providing a template for, that's right, a new meaning of business.

Some recurring themes emerge: On the organizational and operational side, these themes are "social," "real-time," and "micro." And on the leadership and culture level, they are "authenticity," "generosity," and "empathy." If you combine the two sides, you get an interesting matrix—let's call it the Meaning-Driven Business Matrix. This is the playing field on which all product, service, and business model innovation will take place going forward.

WANTED: CHIEF MEANING OFFICER

By **Tim Leberecht**

We live in times of major uncertainty. The doom and gloom of the economic crisis, the deterioration of mass markets, the pervasiveness of the digital lifestyle, and the fragmentation of traditional societal institutions are not only inducing anxiety but also inspiring a search for simplicity and non-economic value systems. Consumption-driven wealth and status are being replaced by identity, belonging, and a strong desire to contribute to—or to experience—something "meaningful" rather than to acquire more things. Trust and reputation are no longer enablers for the exchange of goods, services, and information, they are replacements for them. Values are the new value. Meaning is succeeding customer satisfaction. "The job of leadership today is not just to make money. It's to make meaning," writes management consultant John Hagel.

This new cultural climate presents a historic opportunity for brands to transform themselves into arbiters of meaning. When your brand is a vector, your base becomes a movement—as we learned from Barack Obama's presidential campaign. A "meaning surplus" will become imperative: Only businesses that give more than they take will be able to create sustained brand loyalty. Out: bottom-line pragmatists and financial wizards. In: philosophers, ethicists, and social entrepreneurs.

Although all corporate functions are affected by this path-finding moment, marketing is best positioned to lead the transformation. Effort is required to move beyond simply connecting products and customers with the goal of facilitating transactions. Marketing must now create "meaning" through actions and interactions. What is needed is the marketer as chief meaning officer—someone who negotiates a "New Deal," a new social contract between brands, their stakeholders, and society at large.

There are two reasons marketing should take on this daunting task. First, marketers are disposed to transformation by the very nature of their role. They must constantly adapt to ever-changing customer behaviors, and because of this exposure to trends they can also act as innovators, challenging the status quo inside their organizations. Second, since marketers serve as the public interface of their companies, orchestrating the relationships between the key market actors (customer, media, and public), they can also fulfill that role *within* their organizations, facilitating among R&D, operations, sales, finance, and HR.

A Brand Is a Small Town That Never Sleeps

The advent of the social web has disrupted traditional marketing conventions and has democratized the concept of branding. The truth is, a brand is no longer exclusively the bastion of marketing. In today's open-sourced, hyper-transparent economy, customers own the brand, and no platform, book, or rigid compliance guidelines designed to protect marketers' idea of that brand can change this. You cannot control your brand anymore, period.

A brand is a small town that never sleeps. It is open to (almost) everyone, it is vibrant, and it is made of and by people who are willing to connect in pursuit of either utilitarian value or a common cause—or both. It is composed of myriad social networks, micro-communities that communicate 24/7. Companies that embrace this new continuum and act as "brand urbanites" will easily adapt to the new digital arena. Chief meaning officers recognize that in the *Cluetrain Manifesto* world of marketing, the brand belongs to everyone and everyone is the brand. But they also understand that this is

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their big chance to reconcile brand polyphony with a recognizable brand personality. Brands can be either the subject of conversations or the host of conversations moderated by brand advocates and attractors. It is the chief meaning officer's job to design, enable, facilitate, and curate these conversations and make them as meaningful as possible. If brands don't have a point of view, they won't be able to connect. If they don't have an argument to make, they won't be meaningful. Brands need to be well-traveled, well-read, and educated. If they only repeat the same message again and again, they won't be able to engage in a conversation.

In a blog post, John Battelle, chairman of the Conversational Marketing Summit, cited the venerable management guru Peter Drucker, who defined marketing as "the whole business seen from the customer's point of view." Put another way, every single interaction the customer has with a business can and should be seen as marketing. Accordingly, for Battelle, "A truly successful business is one that is an ongoing conversation. Those conversations are marketing—if you add value and connect to your customer, you're succeeding. If you don't, you fail."

This is a significant change. A decade ago, marketing was viewed mainly as a one-way push to get messages about products and services out to customers. Then marketers began to recognize the need to encourage a dialogue, propelled by the benefits of online marketing. Interactive tools, from wikis to blogs to social networks, have enabled marketers to engage existing and potential customers, not only at the most opportune times (when deciding whether to buy, for example), but also at all points along the value chain, including the development of the products themselves. The trend toward engaging in the ideation, development, distribution, and support of new products and services marks a new era in business culture. Marketers now need to have more than just an in-depth understanding of their audiences' needs, habits, and desires; they must also initiate or join conversations to engage their audiences in channels of co-creation.

Clustering customers into segments based on aggregated demographic or behavioral data has serious limitations in an "age of conversations" in which the boundaries between consumer and producer, amateur and professional, are blurring. An increasing number of companies, therefore, are adopting the principles of observational ethnographic research, looking at outliers and eccentric behavior on the fringes of their target audience. The resulting insights are often more meaningful than those from focus groups and quantitative consumer research, which are typically predictable and confirm certain assumptions. In this vein, Jump Associates' Dev Patnaik posits empathy as a critical skill set and calls for companies to be "wired to care."

The chief meaning officer's role is to generate this empathy by opening the "open brand" even further. The new marketer needs to urge old-school brand guards (who still think they need to "protect" the brand) to let go once and for all. The more invisible marketing becomes, the more effective it will be. The more control it gives up, the more influence it gains. Axel Wipperfurth, author of the book *Brand Hijack*, calls this "marketing without marketing," and author Stowe Boyd calls it "unmarketing." Chief meaning officers should evangelize this philosophy across their organizations and work with their CEOs to agree on new metrics that reward the subtle, implicit, and collaborative element, which is critical for establishing and fostering brands in the 21st-century. "Brands aren't defined by campaigns anymore, but by the consumer ecosystems we nurture to support them," HP's CMO Michael Mendenhall recently told *Strategy + Business* magazine. The creation of brand equity is a cooperative act based on the values that companies share with their customers. Brands are assets in the public domain. They are social funds. The chief meaning officer's mission is to raise their intellectual and emotional capital by "activating" customers.

An effective way to do this is to activate the dormant social networks customers inhabit (often without even knowing it). All online communications essentially have a social component and can be seen as expressions of underlying social micro-verses, worlds within worlds in which—shifting time and place—individuals can travel and interact online. As marketers face the daunting challenge of connecting with increasingly fragmented audiences, activating dormant social networks is their foremost task.

KLM's Africa and China clubs provide an interesting case study. The Dutch airline offers business customers the opportunity to meet fellow travelers who do business in either of these two regions—before takeoff and during the flight, online and in person. KLM plays the role of the matchmaker and adds value to the otherwise often value-free hours frequent travelers spend in airport lounges and in flight. It is the principle of the social-networking site Dopplr, applied to the exclusive crowd of business and first-class travelers: connecting travelers who share the same connections. KLM prefilters the club members so that travelers who sign up for the invitation-only network are afforded a certain quality of contacts. The clubs are a win-win-win: Trade groups and business offices from the travel regions are provided with a highly targeted way to advertise their services; travelers benefit from a true value-add and a richer travel experience; and, finally, the clubs bolster KLM's reputation as an airline that cares about its customers. Of course, these networks already exist; they're just dormant. KLM does not make immediate revenue, but it generates "social wealth" as long-term equity.

In this case, KLM activates the dormant networks through an actual common motivation, but the activation can also occur through a shared set of ideals, values, and beliefs. Joseph Newfield, founder and CEO of the marketing agency School of Thought, puts it aptly: "Start with beliefs and you'll get believers. Marketers still need to use every trick in the book and dozens that haven't been thought of yet to engage people in great, compelling stories. The difference today is this: To make believers, the stories have to be true."

The catalyst for these stories based on shared ideals, values, and beliefs is social content. The chief meaning officer connects members of dormant networks, creating and distributing the type of content apt to trigger the desired network effect. If that occurs, content is passed from one individual to the next in a cascade of viral distribution: partly through formalized online social networks (Facebook, etc.),

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partly through activated dormant networks of existing online populations, and partly by individuals who establish new networks within what *Logic + Emotion* blogger David Armano calls "social solar systems."

Increasingly, this content is small. Small content can go anywhere. With accelerated news cycles, shrinking attention spans, and communications fragmented into 140-character tweets, instant gratification and presence have become the predominant paradigms of online interaction. Microblogging services such as Twitter diversify meaning into myriad atoms of communication, hyper-targeted in-the-moment forms of looking at the world by expressing it in real time: As marketing strategist Geoff Livingston says, "Now is gone." The shorter the attention span, the more important the role of microformats. The more sliced up the content, the richer the channels of communication. The smaller your brand, the more you can share it.

The Obama for America campaign masterfully utilized the power of social networks to generate this small-world effect. "As networks grow, they shrink," says Jure Leskovec of Carnegie Mellon University. "As people accumulate friends, the distances shrink." The more people joined the social Web hubs of the Obama campaign, the easier it became for the messages to spread and for the campaign to amplify its outreach and turn undecided voters into Obama voters and passive supporters into active volunteers. The bigger the network grew, the more the distance between the brand and its followers shrank. The campaign became an inclusive movement for everyone: Obama was us, and we were Obama.

A growing number of companies are realizing that their brand is "a small town that never sleeps." Amazon (Amazon Flexible Payments Service), Netflix (Netflix Prize), Virgin Mobile (Virgin Earth Challenge), Procter & Gamble (Open Innovation Challenge), Dell (IdeaStorm), and Starbucks (MyStarbucksIdea), among others, have all moved from firm-centric to network-centric, empowering and leveraging their community of users by giving them a voice in strategy, product development, and marketing decisions. These companies understand that crowdsourced and peer-to-peer business intelligence helps them overcome the "not-invented-here" syndrome, reconciling inside-out and outside-in innovation. In addition, more and more brands are adapting to the new paradigms of the Distributed Internet and the new economy of micro-scale, and have launched a number of open-source Web services and APIs (application programming interfaces) that make their brands smaller and thus easier to share.

But only a few companies are currently committing to the underlying, more radical proposition: That they're all more or less in the content business.

Sharing Is Giving Is Taking

In his seminal 1960 article "Marketing Myopia," Theodore Levitt cited the railroad industry as an example of business failing to adapt to changing circumstances. Had it realized it was in the transportation business, it might have survived. Similarly, all businesses—regardless of their industry—need to realize that they're not just selling products or services: They're in the communication business, tasked with *sharing information*.

Bypassing ailing traditional media, companies can establish proprietary media channels to produce and disseminate their own social content and communicate with their audiences directly. These channels include social media, as well as micromedia (hyper-targeted formats that reach niche audiences). Through all of these channels, brands can "show by telling." This applies particularly to service marketers and marketers who promote premium brands (see The *McKinsey Quarterly* or the firm's recently launched expert group blog, *What Matters*, as examples). They sell intellectual capital, culture, and expertise, conveyed by stories based on shared values—in short, they sell meaning. In a digital economy where most transactions are free (or expected to be free), value is created through sharing. Sharing makes content meaningful.

A study from Nokia predicts that by 2012 a quarter of all entertainment will be "circular": created, edited, and shared within peer groups rather than generated by traditional media. "People will have a genuine desire not only to create and share their own content, but also to remix it, mash it up, and pass it on within their peer groups—a form of collaborative social media," wrote the study's authors. Similarly, management guru Gary Hamel (*The Future of Management*) proclaims a new "gift economy": "Power comes from sharing information, not hoarding it. To gain influence and status, you have to give away your expertise and content. And you must do it quickly; if you don't, someone else will beat you to the punch—and garner the credit that might have been yours." Economist Umair Haque points out that, "The pressure for sharing in a hyper-connected world is too strong to resist. It's not a fringe effect, relegated to geeks and hippies—it is one of the foundations, as we've been noting, of next-generation value creation. And it's doubly vital in a world where the fabric of value creation is breaking apart." As an example, Haque refers to car-rental company Hertz, which introduced a new "micro-chunking" service that allows customers to rent cars by the hour. This has helped Hertz compete with ZipCar, City Car Share, and similar services that were micro-community-oriented and green-marketed well before Hertz got into the space.

Sharing means exchanging information through open conversations, in the spirit of what *Wired* contributing editor Clive Thompson dubs "radical transparency." Companies that are not afraid of showing their vulnerability have begun to embrace radical transparency as an effective way to humanize their brands: Online retailer Zappos lets every employee blog, Comcast has its engineers go on message boards to answer customer questions, and more and more companies are using Twitter for what it is best suited for—ostentatiously public personal conversations. All these companies understand that personality—brand personality—comes from being personal. The more transparent and vulnerable they are, the more personal they will appear.

As much as transparency can underscore that you have nothing to hide, it can also highlight that you have a lot to give. Winston Churchill's saying, "You make a living by what you get; you make a life by what you give," is true for brands as well. "Giving Is the New Taking, and Sharing Is the New Giving," asserted a *Trendwatching* report, pointing at a new Generation G (for generosity) that is poised to reboot capitalism. "As consumers are disgusted with greed and its current dire consequences for the economy—and while that same upheaval has them longing more than ever for institutions that care—the need for more generosity beautifully coincides with the ongoing (and pre-recession) emergence of an online-fueled culture of individuals who share, give, engage, create, and collaborate in large numbers."

Case in point: the San Francisco-based firm Virgance, which shows that the new kids on the Web want to make a difference. *The Economist* described Virgance's model as "for-profit activism." Named after a plot device in Star Wars, the company aims to support social causes through a multi-pronged campaign platform that resembles the way Obama for America mobilized its supporters, and it typically consists of four core elements: a web-empowered network of volunteers, a presence on Facebook, a team of paid bloggers to promote the campaigns, and YouTube viral videos.

Virgance is not the first for-profit do-gooder, of course; there have been plenty of others whose business models have combined bottom-line thinking with social values. But Virgance is more like Facebook's Causes. It adopts the forces of amateur self-organization described in Clay Shirky's book *Here Comes Everybody* and builds its entire business on a social Web platform, embracing the principles of open source, mass collaboration, and transparency. The Virgance Web site describes the company's ambitious mission: "If a for-profit company did the type of work that nonprofits often do, but did it more efficiently, would people trust it the same way they trust nonprofits? What if everything the company did was completely transparent? What if it was open source? If we can create this kind of company, and succeed, how many other companies would follow our example? Along the way, could we change the face of the business world itself?"

Does that language sound familiar? Clearly the Obama-nization of business, both in terms of substance and style, has arrived, and we will see more examples going forward—brands that provide emotional, intellectual, and moral guidance and are steered by chief meaning officers.

Generation G has internalized the claim by philosopher Alain de Botton that "there is no wealth but life, so concentrate on your portfolio of life, and not your portfolio of cash." While the boundaries between work and life are dissipating, "lifeholder value" is gaining traction as the ultimate return on investment. But Generation G not only demands new concepts of quality of life versus concepts of material wealth, safety, status, and comfort—it also wants to have a say in developing them. Were Maslow's hierarchy of needs still a valid model, it would have to include social and environmental needs that are bigger than those individual, and it would also look less like a pyramid and more like what the Catalan tradition calls a *castell*, or a human tower, offering an endless array of configurations of balance that are possible through openness, experimentation, and cooperation.

Brands seeking to engage Generation G must replace outdated concepts of ownership, control, and coordination with concepts of open source, open IP, open innovation, and transparency. They must turn customers into "brand holders" by "activating" them, promising one or more of the following benefits: personal or professional growth; new insights and learning; a connection with like-minded people; and the opportunity to contribute to a common cause by using their talent and potential.

Meaningful Marketing

Transparency, Generation G, gift economy, social network activation—no wonder management consultancy McKinsey identifies a new need in a recent marketing report: "As companies confront changing consumer behavior, increasingly important third-party scrutiny, and more diverse target markets and segments, they must broaden the roles of marketing and the CMO."

Enter the chief meaning officer—a Renaissance man or woman, an interdisciplinary generalist who in light of the disruptive forces described above can carry out multiple tasks and integrate company, customers, and other "brand holders." The chief meaning officer is a disrupter, a storyteller, a "strategic activist," a media entrepreneur, a socialite and socializer, a leader, and a believer in personal union. The marketing tools this person employs look vastly different than the ones still taught in business school. They're a mosaic rather than a list of stringent strategies, tactics, and campaigns.

Starbucks' "I'm In" campaign is a great example of a brand applying this new model. On the day after President Obama's Inauguration, the coffee chain launched a major marketing initiative that encouraged latte lovers to visit soup kitchens or otherwise commit to giving back. For five days, Starbucks customers who promised to do five hours of community service during 2009 got a pledge card and a free cup of coffee at their local Starbucks store.

Starbucks' campaign was supported by HandsOn Network, the nation's largest volunteer organization, and tied to the national call to service by the incoming President Obama. "Everyone has heard loud and clear that this is a time to act, and what Starbucks is doing is breaking down the barriers of how to connect with your local community," said Starbucks spokeswoman Lisa Passe. The campaign provided a blueprint for meaningful marketing and presented the quintessential win-win-win situation: The coffee chain reinvigorated its grassroots image and underscored its ties to the local community; consumers were recognized in their desire to do something meaningful and provided with an effective and user-friendly platform to take immediate action; and the brand-facilitated volunteering benefited the common good.

The design of the "I'm In" campaign exhibited the key characteristics of meaningful marketing:

Social
The campaign not only helped the community but also built one online (Facebook, et al.) and offline. Through pledges, consumers could connect with like-minded people, make new friends, and take collective action. This provided them with a sense of belonging and identity, social recognition and impact: "Let's work together!"

Personal
Like Obama's fundraising campaign, Starbucks' effort relied on micro-contributions (of time, in this case) that were feasible and fully customizable for the volunteers. To reach its goal of a combined one million pledged hours of community service, the coffee chain sold the five-hour commitment as something anyone could do with just 25 minutes a month for a year. The campaign's Web site gave consumers a list of conven-ient volunteer opportunities, and the consumers determined individually how exactly they wanted to be "in."

Dramatic
The campaign was cleverly timed with Inauguration Week—as well as with the Martin Luther King Jr. holiday, which the president-elect suggested be celebrated through acts of service—and it hijacked some of the attention directed towards these bigger events. Participants became part of a greater narrative that echoed the memorable lines of JFK's inauguration speech: "Ask not what your country can do for you; ask what you can do for your country." "I'm In" wove together a historic moment, the consumer's "power of one," grassroots activism, and the resurrection of a once-proud American brand. That the campaign not only helped America but also helped Starbucks made sense in the context of the campaign narrative. The story transcended the brand.

Disruptive
The campaign challenged conventional advertising and surprised many consumers because it was something different and new that was immediately relevant for them. In addition, the campaign's signage disrupted the typical Starbucks store experience, and customers may even have felt some peer pressure at the point of sale (especially when in groups) to commit to the program.

Responsible
The campaign leveraged both the Starbucks brand and the Inauguration to attract maximum attention to a cause on the national stage. Honoring its customers' desire to do good, Starbucks offered personal recognition, a sense of community, and appropriate tools in order to prompt action, converting even those who may not otherwise have pledged their community volunteer commitment. Starbucks acted as the catalyst, and the campaign created social value far beyond business.

The Desire to Connect
We have seen that marketers can create meaning in a vibrant, open, 24/7 brand environment that exists mainly on the Internet. We understand that their efforts are increasingly collaborative and need to "activate" customers to co-create social content, which serves as the main catalyst for those cross-media conversations that provide the fabric for brands. And we are realizing that marketers can be change agents for causes that transcend the mere purchase push.

The chief meaning officer has the potential to transform business through meaningful marketing—marketing that consistently creates social value, not as an afterthought but as a sine qua non. While marketing has always been the art of turning friends into customers and vice versa, it is now the art of finding, befriending, and "activating" the like-minded for a common cause, for the common good—and for profit. Brands that have a reason to exist, an argument to win, will be more appealing than ever. The chief meaning officer, as the voice of good business, is the interface in a time when interface is everything.

Let others be the rainmakers; the professional marketer, as chief meaning officer, is the new sense maker, the one who leads the tribes, cultivates identities, tells stories, and offers people valuable choices. This new marketer studies and produces the social fabric of business with compelling narratives, affection, empathy, and imagination. Marketing stems from a deep desire to connect and to be understood, to experience and create meaning. In this sense, we are all marketers. The ability to harness this collective desire and convert it into action is the new social power—and the great responsibility—of the new marketer, the new business leader, the chief meaning officer. ■

INNOVATION STARTS WITH EMPATHY

The importance of developing deep connections with the people you serve.

By **Dev Patnaik**

A few years ago, my publisher asked me to write a book about innovation. They'd read some of the articles I've written on the subject over the years, and they wanted more. And although I was flattered, I had to tell them no. The world didn't need another book on innovation—there are too many as it is. I instead made them a counter-offer: Maybe what the world needed was a book about empathy.

At Jump Associates, my colleagues and I have had the chance to collaborate with some of the world's most amazing companies. And if there's one thing that we've learned in all that time, it's that companies prosper when they're able to create widespread empathy for the world around them. That's why I ended up writing Wired to Care, which shows how great companies around the world, from Nike to IBM, benefit from building a culture of widespread empathy for the people they serve.

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Every one of us understands empathy on an individual level: the ability to reach outside of ourselves and walk in someone else's shoes, to get where they're coming from, to feel what they feel. Widespread empathy is about getting every single person in an organization to have a gut-level intuition for the people who buy their products and services (the folks who really matter).

How many times have you stared at a competitor's new product and said, "We had that idea two years ago, but we just didn't act on it." Well, why not? Did you think the market research wasn't quite right? Did you become convinced that it wasn't a good idea when you couldn't rally other people around it? Did people get in your way with stupid or irrelevant questions that tied the team up in a state of analysis paralysis?

When your organization develops a shared and intuitive vibe for what's going on in the world, you're able to see new opportunities faster than your competitors, long before the rest of us read about them in The Wall Street Journal. You have the courage of your convictions to take a risk with something new. And you have the passion to stick with it even if it doesn't turn out right the first time.

Companies with widespread empathy can even ensure the quality of what they make when every part of the organization isn't firing on all cylinders. At Nike, people who work on running shoes tend to be runners themselves. So even if the market research isn't that great, the shoes end up being awesome anyway.

This isn't about market research. It's not about the Voice of the Customer. It's about strategy and culture. Imagine a place where every person has the same intuitive connection to the world—not just the folks in marketing and design, but the people who work in finance, too. And in HR. And legal.

The line between inside and outside the company starts to blur. Rather than seeing yourselves and your customers as us and them, you start to see yourselves as part of the same tribe. You start to think like your customers and feel confident enough to rely on your intuition. You find yourself anticipating what real people are up to and what they're looking for from you. The effects can be profound.

Getting Face to Face

Several years ago, a group of senior executives from Daimler wanted to understand how they could make cars that appealed to young Americans. They were concerned that the Mercedes brand had become so closely associated with wealthy baby boomers that it might have trouble connecting with a new generation of drivers. They needed to reinvent themselves. They needed to innovate. With that goal in mind, a group of 20 executives set out on a trip to San Francisco to meet with experts on innovation. As part of that trip, they invited a team from Jump to join them for an afternoon.

The meetings were held at the Fairmont, a luxurious hotel in San Francisco. As the team settled into their chairs, I ran through a quick slide presentation to give an overview of Jump's work and our philosophy, saying that what they were lacking was empathy, not innovation. I couldn't help but remark on how the Daimler team had traveled all the way from Germany to California, only to spend most of their time cooped up in a hotel conference room. If they really wanted to

create cars for young Americans, I said, perhaps they should meet some.

My teammates then opened the conference room doors to introduce 10 men and women from the Bay Area, all of whom were in their 20s. I explained that these folks had volunteered to spend time talking to Daimler about who they were and what their lives were like. The Daimler group divided into teams of two. Each pair then spent time talking with a participant. I asked each team to interview their participant and find out a little bit more about them.

After a half-hour, I asked the execs to talk about how well the interview had gone. Some felt that they had gotten to know their interviewee pretty well. Others remarked that they would have liked more time to get to know their participant better. A few of their comments reflected the shock of meeting someone who didn't view the world the same way they did. Especially surprising was the fact that many of the participants didn't really care about their cars. One or two of the participants even wished they didn't have to own a car, even though they were well-off enough to afford luxury vehicles. Up until then, nearly everyone these auto executives had ever met loved cars. As we finished capturing the initial gut reactions of our guests, we announced that it was time to begin the second part of their workshop.

Each team of executives was given two hours, $50 in cash, and a map of downtown San Francisco. Their assignment was simple: Purchase a gift for the person they just met. The activity would show the executives how much they had learned about the people they had interviewed. After all, when you give a gift, it's both a reflection of who you are and who you understand the recipient to be. As such, team success would be evaluated on one criterion: how much the recipient liked the gift.

Two hours later, the teams returned with admittedly mixed results. Some teams came back with generic tourist knick-knacks. When I asked them why they chose to buy mementos of San Francisco for people who live in San Francisco, they admitted that this hadn't occurred to them as a problem. One team came back with a bright red fanny pack, which similarly failed to thrill their 25-year-old participant.

Other teams fared much better. One group had met with a guy named Cam who, after years working for a big Silicon Valley technology firm, was gearing up to start his own business. Our execs bought him a book on entrepreneurship. They had a little money left over, which they tucked inside the front cover as a bit of seed money for the new venture. As they described why they thought Cam would like it, it was clear that they had come to know him surprisingly

All business is personal. People, not machines, steer the engine of capitalism. And people, not machines, actually buy and use products and services. It doesn't matter whether you're selling teddy bears or aircraft engines, your company could benefit from a deep intuition for customers that transcends explicit data.

well. They described in detail what it felt like for Cam to struggle with the uncertainty in his life. A few of the other execs snickered at the extra twenty bucks inside the book, but the team insisted that, when you're starting out on your own, every little bit helps. Many of the other gifts turned out to be nice little encapsulations of the empathy that the teams had developed in a short period of time.

The point of the workshop was fairly straightforward. First, we wanted the Daimler executives to meet some real-life Americans. Second, we wanted to get them out on the streets of a major American city, absorbing information through all of their senses. But most importantly, we wanted them to start to think differently about the cars they made. You see, on some level, a great product has to function like a great gift. It's a physical manifestation of a relationship. It's both an embodiment of who the giver is and what they think of the receiver. When you get a great gift, you can't help but feel like the other person knows you. When you get a lousy gift, you wonder if they even thought about you. The same is true for products. A great one makes you feel like someone out there gets who you are. A lousy one makes you wonder what the company was thinking—or whether it even thought at all. Maybe the company was just re-gifting something that was originally intended for someone else. Our auto executives needed to make their cars into thoughtful gifts if they wanted customers to care about them in return.

The trip to San Francisco gave the Daimler team a short glimpse into the lives of the people they wanted to sell to. But the team also walked away with personal memories of why it was important to pursue this business opportunity in the first place. Such memories can act as a guidepost throughout the course of a long project as trade-offs need to be made. Companies driven by empathy stay focused on what's important to their customers in the face of overwhelming pressures. Their so-called sensitive side gives them their courage and strength. A closer look at how our brains are wired may reveal why.

Creating a Corporate Limbic System

The human brain is the result of millions of years of evolution, and its structure is a reflection of that developmental process. Think of your brain as if it were an apple. In the center is a hard core. It gathers information from the most basic senses: sight, touch, pain, balance, and temperature. It also makes sure that your lungs keep breathing and that your heart keeps beating. This reptilian brain tells us when we're hungry, produces the sex drive, and even contains the most primitive of all emotions: fear. Modern reptiles, including snakes and iguanas, are rightly regarded by people as cold because they have no other brain. Thankfully for us, human brains are much more than an apple core.

The outer peel of the apple is what we call the neocortex. The neocortex was the most recent part of the brain to develop. It's responsible for all higher-level thinking. In lower-order mammals, such as mice, the neocortex is rather thin, not unlike an apple peel. In humans, it's a whole lot thicker, accounting for 80 percent of the human brain. Its intricate folds of gray matter hold systems for language, symbolism, abstraction, analysis, and deduction. The neocortex is what makes humans so darned clever.

These two brains represent two extremes. The reptilian brain is dedicated solely to survival, whereas the outer neocortex hosts reason and higher intelligence. In between these two, however, lies the sweetest part of the apple: the limbic system. It's a collection of processors and hormone controllers that govern memory and emotions. The limbic system also enables us to interpret the emotions of others. It is the part of our brain that allows us to care. All mammals have limbic systems, including humans, horses, and hamsters. The limbic system allows us to travel in herds, bond with our

mates, and nurture our young. Paul McCartney's neocortex is what allowed him to pen the words to "Yesterday." Our limbic system is what allows us to be moved every time we hear that classic Beatles tune.

The limbic system draws together many different elements of the brain to form an overall structure for handling emotional information. Among these are two regions that have particular implications for understanding how we learn to care about other people: the amygdala and the hippocampus. The amygdala is devoted to processing our emotions and those of other people. The hippocampus is essential in the formation of long-term memories. Together, these two regions serve to help us form lasting emotional connections with other people. As it turns out, the more emotionally charged an event is, the more vivid it feels to our amygdala, which then helps our hippocampus to hold on to the event for the long haul. That's why our most emotional memories are also our most vivid ones: Our brains literally encode them more forcefully than they do other data.

Humans are a social, caring species. Our limbic brains make us curious about the feelings of other people and animals. That ability to empathize is what separates us from lower-order creatures. It allows us to communicate and collaborate with others. And it allows us to read between the lines to glean information that may not be explicitly stated.

By this standard, most companies are corporate iguanas—ethically neutral beasts, focused on self-preservation. They're not immoral; they're amoral. They lack any sense for the impact that their actions have on others. And that goes back to how they're structured. They have a reptilian brain to act. They have a neocortex to think. They just don't have any way to feel. Without a limbic system, companies lack any sense of empathy or courage.

Modern capitalism has systematically sought to suppress our need to connect with other people. Managers and economists alike encourage businesspeople to look at the data, not the people. When we show up for work, they ask us to check half of our brain at the door. There are tangible costs to this. Through our focus on data and provable facts, we may have accidentally created an entire generation of assistant marketing managers who think that if they have five interesting bullets on a PowerPoint slide, they understand their business. They've lost sight of the fact that their real business doesn't exist on paper; it exists in the real world. This terrible trend can be summed up in the familiar phrase: "It's not personal, it's business."

That's a strange way to describe an activity that takes up so much of our lives. It's also not true. All business is personal. People, not machines, steer the engine of capitalism. And people, not machines, actually buy and use products and services. It doesn't matter whether you're selling teddy bears or aircraft engines, your company could benefit from a deep intuition for customers that transcends explicit data.

Operation Bear Hug

In the early 1990s, IBM was in crisis. The organization was laying off employees by the thousands as its profits and revenues collapsed for the first time in its history. Most experts agreed that the company as it had been—a technology integrator with its hands in everything from giant data centers to consumer printers—had to go. In fact, by the time Lou Gerstner was installed as CEO, just about everyone believed his job would be to divide Big Blue into a dozen Baby Blues. Everyone, that is, except Gerstner, who believed the company needed to survive.

To figure out how to make that possible, he sent his top 50 managers into the world to each visit at least five customers in person. He called it Operation Bear Hug, a culturally appropriate name for an empathy program at one of the least emotionally demonstrative companies in the Fortune 500. The managers weren't supposed to sell product in those meetings. Instead, they were to listen to customer concerns and think about how IBM might help. Those executives' 200 direct reports then had to do the same thing. Bear Hug immediately led to quicker actions to resolve customer problems, as well as greater attention to new market opportunities.

That empathic connection to real-world customers helped managers to see whether a particular decision added value for customers or destroyed it. It also revealed some major opportunities. Managers discovered that large corporate clients were fascinated by the Internet but unclear about what they should do about it. Beyond selling product, IBM realized that it could make a major impact by providing the infrastructure needed to help large enterprises leverage the power of the Web. The resulting e-business initiative was wildly successful and helped put IBM on the path to long-term growth.

Over time, the dogged attention Gerstner gave customers started to shift the company, making it less insular, less arrogant, and more outward-looking. By his second year at IBM, the company was back in the black, setting off a decade of uninterrupted double-digit revenue and earnings growth. Its leaders had the courage to take on that challenge because they had seen their customers face-to-face.

The Power of Firsthand Contact

The response of our limbic system is stronger when it's triggered by face-to-face interactions. Daimler and IBM wouldn't be the successful companies they are today if they hadn't made a sincere commitment to learn about people firsthand. Direct contact provides the human context that allows the limbic system to carefully weigh the impacts of a decision the neocortex wants to make. The biological mechanisms that determine long-term memory and personal associations simply can't get too fired up about numbers without the human context needed to interpret them. Few of us get inspired just by reading data on a page. We need to create a fuller picture of the people involved for the benefits of emotional memory to make a difference.

Yet, as sophisticated as our neurological systems for detecting the feelings of others might be, we've created a corporate world that strives to eliminate the most human elements of business. Companies systematically dull the natural power that each of us has to connect with other people. And by dulling our impulse to care, corporations make decisions that look good on paper but do real harm when put into practice in the real world. They behave like incredibly bright but unfeeling iguanas. They make clever but selfish decisions that ignore possible impacts on other people. Fortunately, people inside companies are not iguanas. They have feelings, and they're wired to care for one another. They just need to have that response triggered by human contact.

Especially in tough times, empathy is one competency that companies can't afford not to develop. It can help them to move more quickly, make better decisions, and create new businesses that can fuel their growth. It can even secure the future of their organization. And all that innovation can start with empathy. People are wired to care. Isn't it time our companies were, too? ■

SUCCESS AND THE POWER OF RESEARCH

Why It's Critical to Invest in R&D in an Economic Downturn.

By **Dr. Henry Tirri**

Almost two decades ago, Finland entered a horrible period of economic stress. Starting in 1990, despite a decade of investment in which the Finnish government made a concerted effort to refocus the nation towards high technology and modern industries, a global economic downturn caused Finland to enter a deep recession. From 1990 to 1993, GDP fell more than 10 percent, 400,000 jobs were lost, and unemployment rose from 3.5 percent to 20 percent.

It was, you can imagine, a time of considerable consternation for a country of only five million people.

However, in 1991, in the deepest trough of the depression, the very first standardized mobile phone call was completed in Helsinki. Within a few years, Finland began to recover and so did investment—growing at 10 percent a year throughout the 1990s. Not surprisingly, investment in research and development surpassed 25 percent in the last half of the decade.

In fact, most economists agree that the R&D investment made in the 1980s, combined with a continued focus on higher education in the 90s, is what allowed Finland to make such a startling recovery. As more emphasis was placed on government investment in universities and more companies invested in R&D, more opportunities for more of the country's population began cropping up. A foundation was laid that allowed for consistent, high-quality innovation, and it continues to this day.

At Nokia, we've taken these lessons to heart. In a recent report from the European Union on R&D spending worldwide, Nokia ranked first in Europe and fifth overall (moving from 17th last year), behind Microsoft, GM, Pfizer, and Toyota. R&D is, to say the least, a vital part of our culture, and we believe it is one of the keys to a successful business practice. Research is what allows a company not only to survive economic turmoil, but to actually thrive once the market has stabilized again. Finland's history as a nation shows this. It's a lesson that needs to be remembered as the world once again transitions through a time of economic uncertainty.

A Steady Process

It has to be said that investment in research is not always a sure-fire bet or a silver bullet. It's a process, but it's a process critical to providing a steady flow of new products and services to the marketplace.

Each industry may vary slightly in how much it will invest in the research process. Johnson & Johnson, for example, reportedly spends 10 cents per sales dollar on research. Pfizer spends 15 percent, and Cisco nearly 20 percent. Nevertheless, the common theme is the same: Without investing in research, future growth will be limited by stale, outdated products. Research is a strategic commitment, which is essential for growth.

According to the EU Commissioner of Science and Research, R&D investment by the world's top companies rose nine percent during 2008, but that is shifting—downward. Sadly, it looks like the current global financial crisis is going to affect spending for the foreseeable future, because there's a high correlation between R&D spending and overall economic output. Even though R&D spending growth has outpaced GDP growth in the EU over the past few years, there's now a real risk of a major decline in spending, rather than just a slowdown.

This is precisely what companies should not do. Organizations that cut research too drastically are in danger of saving in the short term to the detriment of growth in the long term. The pressure to reduce investment during a downturn is great, but that pressure can be fought with a vision of the future and clear, strategic decisions.

Hedging Your Bets

To form a clear strategy around research, one first has to understand that there's a difference between "research" and "research and development." At Nokia, R&D is done within an existing scope of products and services. In other words, R&D looks at the shorter-term future.

Research, on the other hand, looks at the much longer term. It looks outside of the company's current business initiatives. In this sense, research can be considered an insurance policy whose premiums are paid during good economic times, hedging against uncertainties in the marketplace. It's a gamble—a bet that investment in research will eventually pay off in innovative new products and services that can be used to replace aging products and spur growth.

But just as professional gamblers know that it's better to play the odds than the individual hand, businesses should understand that it's important to respect and understand the system of research and to make changes with care. Years of research progress can be ruined in a single quarter. The tendency for many companies is to expand and contract research efforts based on economic conditions, speeding them up during robust times and slowing them down during economic downturns. This can be disastrous for any long-term research effort.

Yes, in an economic downturn fewer products are sold as demand weakens, so some overall cost-cutting is a practical and necessary reaction. However, making drastic cuts is short-sighted, because when the market turns around, the companies with new products coming out of the development pipeline will be better positioned to profit than the companies that slashed research.

This is not to say that research should never be affected by an economic downturn. On the contrary, when the belt-tightening occurs, it's a time when the spotlight will be shining the brightest on research and its voice the most loudly heard. Financial stress creates a focus on the essentials and creates clarity of vision that may not have previously existed. In good times, companies can afford to have many different projects, and a lack of focus, but when budgets get tighter, tough choices have to be made and changes implemented, even in research.

That said, this is a positive event, because the whole purpose of research is to give choices.

The question then becomes, which choices should be made? As in a game of speed chess, where players have to make their best move within a strict time limit, research teams working in a downturn must focus on choosing the best opportunities they have within the constraints presented to them. Teams have to start making optimal decisions based on short-term goals rather than long-term plans. Under this sort of pressure, a good, approximate decision is better than a great decision made at the expense of time. Most researchers have a tendency to go with the most optimal decision, but economic situations create a need to move fast. This means selecting the most promising and mature projects, and accelerating the most disruptive products as well.

There still is substantial risk in this process. People and companies are naturally impatient, and they don't tolerate failures before wins. But it still may take time for the efforts of research to come to fruition. For those organizations that have the discipline, however, the benefits can be enormous. Apple's iPod, for example, was developed and launched during an economic downturn, and it took several years before the product went mainstream. Patience with research is a virtue that should not be underestimated.

Microsoft recently announced Project Natal, a natural user interface that allows users to control their Xbox game console using gestures and spoken commands. The demo showed full-body 3-D motion capture, facial recognition, and voice recognition capabilities—a true leap forward in user interfaces, and one that was a direct result of Microsoft's huge investment in R&D over the past decade. Whether the final product will be successful has yet to be determined, but Natal is a clear indicator of the type of new products that can come to the fore during an economic downturn.

Open Innovation

But what happens if your company understands the value and need for research, but may not have the staff or knowledge in place to effectively carry out a concerted effort? The answer may be a concept called "Open Innovation," in which companies openly collaborate with universities, research institutions, and other third parties to multiply the efforts of their own research. Nokia researchers work with academic and corporate research groups to help create proposals, provide funding, share equipment and labs, and generally work to find areas where the projects are mutually beneficial to all parties.

Based on collaborations with universities such as Stanford, MIT, Cambridge, and Finland's TKK, Nokia has created deeply meaningful relationships with top researchers around the world, resulting in accelerated cycles and more diversified thinking about problems or efforts. Open Innovation has a multiplier effect on research efforts—every corporate researcher has dozens, if not hundreds, of peers worldwide. Tapping into this vast pool of talent can enhance individual productivity, stimulate new thought, and raise the quality of end results. It can also boost morale for all involved during periods of harsh economic conditions.

According to a recent study published in the Harvard Business Review, Procter & Gamble (P&G) has 20 outside researchers for every internal one. In 2008, P&G reached its goal of having 50 percent of its innovations come from outside the company (up from 15 percent in 2000). The results for P&G were dramatic: a 60 percent leap in R&D productivity, twice the success rate for innovations, more than 100 products, and six percent organic growth (versus an industry average of two to three percent). The return for opening up has obviously greatly outweighed any negatives that P&G may have experienced.

In order for Open Innovation to succeed, there has to be a culture shift away from the standard "Not Invented Here" mentality that currently dominates many corporate research efforts. Accepting that solutions to problems can be found elsewhere is the first step. The next step is focusing on the "why" around projects. Researchers are human, and therefore drawn to explore their own curiosities, but research has to be aligned with real business needs.

Researching For a Better Planet

For some, the term research conjures up images of university scientists conducting experiments in white lab coats. But research can also encompass work done in the field, in the communities that will be impacted most by a product or service. Lots of research is now being done on the ground in developing countries. Even under economic stress, research should not be just about finding products that can sell in a market, but also about finding solutions for our fellow human beings who might find themselves in dire circumstances.

Approximately 80 percent of the African population, for example, lives in absolute poverty. Research can help companies and philanthropic organizations better understand these low-income communities and learn how to deliver devices and services that are affordable. The appearance of mobile phones in the hands of average Africans is already accelerating growth of grass-roots economics, even though there are not that many services that are designed for local needs. Improved products could lead not only to an improvement in so called "micro economies," but they can also help raise awareness of human rights and the need for better medical aid and jobs.

The world financial crisis will put undeniable pressure on many organizations and companies around the world, but by tapping into research efforts under way and by continuing to invest and believe in research, those companies that are able to focus their efforts and create innovative products will be best positioned as the situation improves. Like the economic depression that Finland experienced in the early 1990s, this current economic downturn will also pass, and those companies that have invested in research will be the ones to both survive and thrive in the coming years. ■

A CRISIS IS A TERRIBLE THING TO WASTE

How Marketers Can Help Rebuild the Economy

By **Beth Comstock**

At many companies, marketing has long been the fair-weather friend—highly visible when times are good, and starved of attention and resources when times are tough.

As a result of the economic downturn, marketing budgets are being slashed and the stewards of many of the world's largest and most prestigious brands have been forced into hibernation mode—waiting for the economy to turn around and the dollars to return to their function area.

But at GE, where I work, we're trying to increase the volume on marketing, even in the face of these tough times.

It wasn't always this way at my company.

When we sought to reinvigorate marketing six years ago, we did so with

Marketers are for all seasons. We heed a crisis as a cry to leverage the moment while at the same time transcend it. We're ambidextrous, with one hand optimizing today and the other hand building tomorrow.

the belief that marketing was a missing ingredient in our journey for more growth.

For decades we were so confident in our technology and the integrity of our products that we believed they could virtually market themselves. Then there was a collective awakening that we might have been leaving money on the table, and that seasoned marketers could push GE to go more places, organize technologies to accomplish new feats, and help point us in the direction to more sales. So we decided to harness the power of marketing to drive one key metric—organic revenue growth—to measure our success. Clearly, marketing is not solely responsible for growth—sales, engineering, and product development play pivotal roles as well.

In fact, once marketing was recognized and embraced as a potential growth-driver at GE, we marketers were only all too happy to hang our hats on good fortune—confident we could deliver for the company 8 or 10 percent growth year over year, more than double our historic rate.

But you know how this story ends; you've lived it, too. When you set yourself up to be the one who gets a halo for what grows, what happens when the business slows?

My thesis is that in tough times marketers are more under fire than are those in other business functions. Marketing budgets and resources can be an easy target because they tend to be more flexible—they're not tied to fixed costs or capital expenditures. Some may even see marketing budgets as a good-times luxury.

The reality, though, is that marketing serves as a hedge against economic crises. Good marketing minimizes negative impact and even slingshots the best (ideas, innovations, products) forward.

The marketer is the one who understands implicitly that the question isn't just "How do we make our year?"(or our quarter, or this month), but also "How will we thrive in 2015?"

Marketers are for all seasons. We heed a crisis as a cry to leverage the moment while at the same time transcending it. We're ambidextrous, with one hand optimizing today and the other hand building tomorrow. As Paul Romer, the Stanford economist, has said, "A crisis is a terrible thing to waste."

In the current economic environment, those of us in marketing at GE have found that this framework—Optimize Today; Build Tomorrow—is incredibly useful to focus our efforts and to remind our colleagues of the vital role marketing plays—in good times and bad. For most of GE's businesses, our ambidextrous strategy unfolds as follows: 60 percent to 70 percent of our marketing efforts support today's initiatives, with

the remaining focus on building tomorrow's initiatives. We think that's a realistic alignment of energy and resources.

There are three core strategies we have adopted to help us Optimize Today

- Understand the needs of customers like never before.
- Gain share.
- Re-examine value and how to measure success.

Understand the Needs of Customers like Never Before

A wide body of research indicates that companies which spend more time understanding their customers in a downturn are better positioned to do business with them when the economy recovers. On one level, it's counter-intuitive. You know your customers aren't buying, so why bother? The reality is that there is no better time than now—no matter the environment—to listen for clues, discern insights, and refine value. Customers remember the partners who picked up the phone and called when times were tough and they were not in a position to buy.

For example, at GE our Oil & Gas Services team has spent the past two years—during a particularly volatile time in the energy industry—reexamining the needs of its customers. This has led to a new approach to serving customers, as our team has organized customers into three discrete segments, based exclusively on production needs. Our Oil & Gas Services team annually hosts an industry summit, bringing together competing oil companies to examine current best practices and identify emerging trends. Interestingly, even in this current environment, competitors are collaborating to understand how to solve some of the biggest industry challenges, and GE gets a front-row seat at these invaluable brainstorming sessions. We're convinced that these efforts to connect with customers in bad times have helped grow our revenues in this segment; they have increased 20 percent over the past two years.

In a global marketplace that has in the past year not merely pushed the PAUSE button but has actually pushed the RESET button, what are you focused on? Do you have a core set of questions to challenge yourself to think differently in a reset world? Would different pricing models make an impact? Can you replace a product feature or look at whether costs are aligned to what's critical for your customers?

At my company, we're forcing ourselves to confront these tough questions every day. GE's Healthcare team, for example, recently drove a very smart, customer-focused process to take cost out of a product. Using lean process design and marketing-led customer insights, they found the old 80-20 rule was in effect: Our health care business had a product feature that only 20 percent of our customers wanted—in this case it was wheels that made an imaging accessory mobile. We redesigned the product without wheels, cut out millions of dollars of cost, and created savings. For the 20 percent who wanted wheels, we created a customized option for customers who see value in paying a little more for the feature. Everyone was happy.

Do you have "wheels" that can be redesigned?

Gain Share

In tough economic times, some firms will hunker down until the crisis passes.

But winning organizations will take advantage of the opportunity presented to them, capture more share, and achieve lasting success.

I've been fascinated to watch the online travel reservation companies in this downturn. *Priceline.com* clearly recognizes the opportunity to gain share. They've increased advertising, introduced several new products, and generally seem to be outspending and outfoxing the competition. Despite particularly tough times in the travel industry, at the end of the first quarter 2009, Priceline.com reported an 82 percent increase in profits and an impressive gain in market share, with hotel room nights up 36 percent, rental car days up 15 percent, and airline ticket sales up 28 percent. They're one to watch.

It seems that even in the worst of times, those companies that don't blink and instead remain utterly confident in their future potential are the ones that fare best in the long term. David Chase, CMO of Altus Alliance, recently wrote in iMedia Connection: "Those companies that not only survived but also thrived during the Great Depression were those that continued to act as though there were nothing wrong and that the public had money to spend. These are industries that didn't wait for public demand for their products to rise. They created that demand even during the most difficult of times."

All you need to do is look at the financial reports of most media companies to see that businesses ranging from American car makers to retailers have decreased advertising and marketing spending.

Yet, long-term thinkers—and winners—like Apple and IBM seem to be doubling down on their ad buys.

We've increased our promotions spend at GE, using the current climate as an opportunity to remind customers and investors that we're an innovative technology company with staying power—and we'll be here when the recession is over, emerging stronger and smarter from the experience, just like we always have.

Of course, we're watching the dollars we spend very closely. It's meant we've had to be very flexible, taking a quarter by quarter approach to everything from crea-tive development to media buying. We've also spent a lot of time developing ways to tell our story directly to key stakeholders and creatively using new media outlets.

Once the economy recovers, it's going to be a different game: The skeptical marketers forced to rely on new media in the downturn will discover themselves converts to it.

Here's a view from the creative guru Benjamin Palmer of the Barbarian Group, an interactive design and branding agency: "Budgets are definitely getting slashed for brand managers, no doubt. But if your focus is on long-term brand building, there are tons of small communities you can tap into for not a lot of money, and build significant affinity, especially online. The great thing about this approach is your efforts will be even more well-received in a time of economic distress—you might in fact be saving their community while you are marketing to them, which seems to be the best of both worlds."

Clearly, you can gain short-term success and long-term loyalty during a downturn simply by being engaged with your customers and partners.

That's a view expressed by the World 50 thought leadership group, in a survey of members conducted in March 2009. Said one CEO: "We look at how our competitors are cutting marketing, and we plan to spend relatively more than they are. We believe we can increase engagement, increase share. We believe it will make a difference right now, and that it will have a lasting effect into the recovery."

Research being conducted by Ranjay Gulati at the Harvard Business School underscores this prediction. He's finding that changes in market position as a result of a recession last an average of three to five years after recovery begins. There's clearly a lot at stake for getting it right.

Ask your team the following questions: Is this time to look at new or adjacent markets for existing products? Are you continuing to monitor the market and talk to customers to see who's cutting back service or support, possibly giving you an opening to take advantage of?

A CMO in the financial services industry told me that his team is contacting the customers of bank competitors that fared poorly in the US Treasury "stress test," to remind them of his company's historic staying power and long-range pricing advantages. I bet even Darwin understood

that nature could be a cruel marketer.

Maybe this is the time to evaluate alliances, where partners share risk and can build on the other's respective strengths or shared vision. NBC Universal and Fox took the "frenemy" path to partnership when they created Hulu.com in 2007 in the midst of disruption in the digital media landscape. At the time, they shared a vision of creating a unique experience for aggregated professional video content. Hulu is now the second-most watched video site on the Internet.

Reexamine Value and How to Measure Success

According to a *recent study of CMOs* conducted by executive recruiting firm Spencer Stuart, the top three measurements for success in a downturn are controlling expense budgets (60 percent), retaining high-value customers (49 percent), and demonstrating positive return on marketing investments (48 percent).

At GE, we've been particularly focused on understanding customer profitability. Do we understand the true cost of serving our customers? Which ones represent the highest value? Marketing can give you a laser focus on which customers are worth investing in—and which are destroying value for your company.

Despite so much effort, there's still no holy grail of marketing metrics, because the goals of a given effort differ. But if there were one metric on which to hang a marketer's hat, perhaps it is value—helping to define what something is worth in the context of the market and key trends, driving demand and capturing the highest possible return on a product offering. What is my product worth and how much am I delivering of my entitlement? How can I increase the perceived value of my offering?

The types of questions are top of mind at GE Aviation, where our marketers have developed with customers a software-driven value calculator. Customers are invited to plug in their data and the calculator outputs long-term savings versus competitors along with key engine attributes, such as fuel burn.

This is the time to ask: How do your customers measure success? Are you still operating on old assumptions about the value you provide?

In a crisis, needs change for both you and your customers. Understanding these changes early allows better targeting and differentiating of what you have to offer.

For the ambidextrous marketer, the first task is to gain firm control over the marketing levers that optimize today with one hand while pulling a different set of levers to help build tomorrow with the right hand.

Build Tomorrow

- Make innovation the lifeline.
- Invest in the best (people, partners, products).
- Instill confidence.

Make Innovation the Lifeline

We have all seen recessions—and survived them. Yes, they're tough. But inevitably they end. Yet, the Spencer Stuart survey found that more than half of the marketers they interviewed said the economic downturn had led them to neglect long-term strategy. Moreover, the business research firm known as the Corporate Executive Board found that industry leaders committed to innovation during a downturn have twice the number of breakthrough projects in their pipeline as lagging companies.

For the past six years at GE, we've refocused our innovation pipeline through an initiative called Imagination Breakthroughs, which has created a disciplined approach to finding, funding and nurturing ideas across GE. We've created a special class of 100 protected ideas, ensuring that they get a lifeline during tough times. Think of it as insurance against the question: "If I have to survive today, how can I invest in tomorrow?"

John Jacko, CMO of the global engineering supply company Kennametal, explains how his company is thinking similarly: "We have taken this economic down turn as an opportunity. The Kennametal CEO tasked a cross-functional team, led by Marketing, to step back and build what we think the next generation structure of the company would look like in 2010, aligned to our corporate strategies, voice of the customer, and employee and shareholder aspirations. This has been an incredible opportunity for the team to zoom out, re-examine our vision, and use the economic crisis as our burning platform for change."

Professor Gulati has been a great resource for GE as we evaluate how to define marketing success in a reset world. I find inspiration in these words of his: "Think of marketing as a beacon upon a cliff during the economic storm. It illuminates the landscape and shines a light on the best path ahead. The function works best when it provides key insights and helps lead strategy to meet customer needs and fend off challenges in the marketplace."

If your marketing radar is tuned to leading indicators and trends, maybe you were able to see signs of the downturn early enough to be prepared. It's this ability to see the world in panoramic view that makes marketing so vital to an enterprise's long term viability. No other function focuses on and can integrate these key elements:

- **Intelligence:** What's going on in the market, and how is the crisis affecting it?
- **Customer insights:** What do my customers need, and how do I serve them best?
- **Value proposition:** How do I articulate the value of my product or service and create differentiation?
- **Commercial activation:** How do I deliver via channel, marketing communications, training, etc.?

Ultimately, marketing is the key to sustainability and vitality—in good markets or economic crises.

Ecomagination—the initiative we launched five years ago to introduce an array of environment-friendly product offerings—is an example of how we at GE heeded the trend that business needed more clean technology. We heard our customers asking for help—from consumers requiring more efficiency to power utilities, airlines, and railroad, determined to emit fewer greenhouse gases without going broke in the process. We connected the dots from very different vantage points and saw a coherent pattern, a strategy that has allowed us to build something new and paved the way for more than $20 billion in revenues that didn't exist before.

Invest in the Best

Most CMOs agree that there are many good marketers looking for jobs right now. One CMO I know voluntarily cut her staff by almost 20 percent, using this slow environment as an opportunity to expand the roles of the most talented members of her team and recruit top talent for the future.

Marketing recruiter Greg Welch of Spencer Stuart believes that these are the times that make good marketers better. "Difficult business cycles actually make it easier for us at Spencer Stuart to identify the very best leaders," he says. "They are the ones who are able to take flight while facing head winds. Obviously, it takes both courage and strength to lead when the chips are down. During tough times, we often see many weaker companies pull back on their spending, reducing investments in both media and innovation. Interestingly, however, we believe that the best companies and their CMOs are able to actually strengthen their position—and grow market share."

Confidence

By nature, most marketers take a long-term view. And the ability to see into the future and motivate people to action is a marketing hallmark. So marketers have a role to play in creating a vision for the future, creating excitement about what's possible, and building confidence today that there will be a better tomorrow.

At GE, we are facing the worst economy in a generation, yet we recently announced a $6 billion bet to improve the health care system through new innovations that will help cut costs, improve access, and increase quality.

Jacko of Kennametal is equally optimistic. He believes that his company's focused efforts "give our employees hope for the future. This has been an excellent opportunity to internally re-establish our brand identity, promise, structure, and processes that will message and drive the future growth of the company."

Barbarian Group's Palmer sums it up well: "An economic crisis, especially this one, is in most ways about fear and perception. Companies that panic and try for short-term effectiveness in campaigns end up hurting their brand because what people want in a panic, more than anything, is to know it's okay. Some of that needs to be brands reassuring their customers, and citizens at large, that they are solid and not going anywhere. In other ways, a brand needs to tell people that it is still okay to go buy some blue jeans. It is."

A marketer is a terrible thing to waste. Why wait for a crisis to rebuild your marketing impact? ■

ELEGANCE AND THE ART OF LESS

By **Matthew E. May**

One recent New Year's, I had one of those epiphanies in which a tiny shift in perspective shines an entirely new light on something—and sets the stage for a breakthrough.

At the time, I was working as an instructional designer for Toyota, struggling to identify and then teach the creative process by which the company had been able to implement more than a million inventive ideas per year, at all levels of the organization. The project was not going as well as I would have liked: There were too many moving parts and too many things to teach people to do. Then I read an essay in USA Today by business author Jim Collins. It was titled "Best New Year's Resolution? A 'Stop Doing' List."

In his essay, Collins told the story of how, in his early days at Hewlett-

"Imagine that you've just inherited $20 million free and clear, but you only have 10 years to live. What would you do differently? Specifically, what would you stop doing?" - Jim Collins

Packard, he returned to Stanford Business School for a visit, during which his favorite professor reproached him for a lack of discipline. The expert in creativity and innovation informed him that his hard-wired energy was riding herd over his mental clarity, enabling a busy yet unfocused life. Her words rang true. At the time, Collins was aggressively chasing his carefully set goals for the year, confident in his ability to accomplish them all His life was crowded with the commotion of being on the career fast track. Her comment made him pull up short and reexamine what he was doing. To help, she did what truly great teachers do: She gave him an assignment. She called it "20-10."

Imagine that you've just inherited $20 million free and clear, but you only have 10 years to live. What would you do differently? Specifically, what would you stop doing?

The exercise did precisely what it was intended to do: It made Collins stop and think about what was truly meaningful, what mattered most to him. It was a turning point, for two reasons. First, he realized he'd been spending an enormous amount of energy on the wrong things. He woke up to the fact that he hated his job. So he promptly quit and headed back to Stanford to launch a new career in research, teaching, and writing. Second, the assignment became a constant reminder of just how important and precious his time is. He now starts each year by choosing what not to do, and each of his to-do lists always includes "stop doing" items.

Collins preaches what he practices, impressing upon his audiences that they absolutely must have a "stop doing" list to accompany their to-do lists. As a practical matter, he advises everyone to first give careful thought to prioritizing their goals and objectives, then to eliminate the bottom 20 percent of the list, forever.

What struck me most about his eloquent essay was its closing thought:

A great piece of art is composed not just of what is in the final piece, but equally important, what is not. It is the discipline to discard what does not fit—to cut out what might have already cost days or even years of effort—that distinguishes the truly exceptional artist and marks the ideal piece of work, be it a symphony, a novel, a painting, a company or, most important of all, a life.

I suddenly realized that I had been approaching my Toyota project in the wrong way. As is natural and intuitive, I had been looking at what to do, rather than what not to do. But as soon as I shifted my perspective, the vaunted Toyota Production System became a study of what wasn't there, and of how and what to stop doing. The Lexus brand, which had by then represented America's leading line of luxury cars, was suddenly a shining example of eliminating anything that lacked passion and perfection.

Designers often use blank space to convey visual power. The same principle of subtraction can lead to elegant solutions in other fields.

I embarked on the journey I'm still on, in search of solutions that derive maximum effect from minimum means, ideas that are elegant by virtue of their ability to achieve two conflicting goals at once: profound simplicity and surprising power.

The Heart of Elegance

The singular thought that what isn't can often be as or more powerful than what is presented me with a completely different view of the world. In fact, it offered an altogether unique reality—and a life-changing one at that. I embarked on the journey I'm still on, in search of solutions that derive maximum effect from minimum means, ideas that are elegant by virtue of their ability to achieve two conflicting goals at once: profound simplicity and surprising power.

It turns out that if you know where to look and what to look for, the "stop doing" strategy can be found at the heart of elegance in a wide range of fields— from the arts to athletics, from manufacturing to architecture, from science to media. Elegance is a widely sought-after quality, and it can take many forms. A few individuals, teams, and companies have become quite adept at exploiting the principle of subtraction to better sculpt their ideas, performances, and lives.

Scientists, mathematicians, and engineers search for theories that explain highly complex phenomena in stunningly simple ways. Artists and designers use white, or "negative," space to convey visual power. Musicians and composers use pauses—silence—in the score to create dramatic tension. Dancers and elite athletes deliver their maximum performances by minimizing unnecessary exertion. Physicians draw on Occam's razor principle—or diagnostic parsimony—to find the single cause of a patient's myriad symptoms, shaving the analysis down from a sea of possibilities to the most likely explanation.

Still, elegance remains an elusive target, perhaps because subtraction requires thinking differently. When neuroscientists examine brain activity using functional magnetic resonance imaging (fMRI), they notice that tasks involving subtracting numbers light up an entirely different part of the brain than those involving addition. Through stories that illustrate how others have applied the laws of subtraction, we can better understand the power of the principle.

Working Without Working

Here's a thought: What if you can get better results at work, by working less?

According to a 2009 survey of more than 600 U.S. workers by the Society for Human Resource Management, 70 percent of employees work beyond their scheduled time—staying late, taking work home, working weekends—and over half cite "self-imposed pressure" as the reason. In certain industries, the numbers are more dramatic. Harvard Business School researchers Leslie Perlow and Jessica Porter

[Brilliant insights throughout history] didn't occur while anyone was actually working on a problem; they happened after an intense, prolonged struggle with one, followed by a break. Stopping work seems to have played a part.

surveyed 1,000 people in professional service firms (management consultants, lawyers, investment bankers, etc.) and found that nearly half worked more than 65 hours per week and spent nearly 25 hours on their Blackberrys outside the office. Work is the top priority, with personal time a distant second.

"They believe an 'always-on' ethic is essential if they and their firms are to succeed in the global marketplace," Perlow and Porter wrote in their groundbreaking four-year study, the results of which were published in the October 2009 issue of the Harvard Business Review.

Having worked with and for a number of such firms and professionals, I know that this is indeed the prevailing mindset. But is it true?

Perlow and Porter's research seems to confirm just the opposite, that not working can yield better work. In the experiment, members of a dozen four- or five-member consulting teams at Boston Consulting Group (BCG) were required to take "predictable time off" every week, defined as one uninterrupted evening free after 6 p.m.—no work contact whatsoever, and no Blackberrys.

The downtime was awkward for many, nerve-racking for some, and a few fought the idea, fearful of poor performance ratings or more weekend work. The goal was to teach people that you can tune out completely for a time and still produce great results.

It worked. BCG's internal surveys showed that within six months consultants were more satisfied with their jobs and work-life balance, and were more likely to stay with the firm, compared to those who weren't part of the study. Also, BCG clients told Perlow and Porter that the teams turned out better work, in part due to "more open dialogue among team members," and that "the improved communication also sparked new processes that enhanced the teams' ability to work most efficiently and effectively."

It worked so well that BCG is now rolling out the strategy throughout the firm.

Thinking Without Thinking

Most people know the stories about Archimedes shouting "Eureka!" upon suddenly discovering volume displacement while taking a bath and about Einstein realizing the theory of relativity in a daydream. But there are many others. Friedrich von Stradonitz discovered the round shape of the benzene ring after he dreamed that a snake bit its own tail. Philo Farnsworth was gazing at the even rows of a freshly plowed field when he got the idea for projecting moving images line by line, which led to his invention of the television. Car designer Irwin Liu sketched what became the shape of the first Toyota Prius after helping his child with an elementary-school science project in which they manipulated hard-boiled eggs. Shell Oil engineer Jaap Van Ballegooijen's idea for a "snake drill" came as he watched his son turn his bendy straw upside down to better sip around the sides and bottom of his malt glass.

What's interesting about these brilliant insights is that each came at an unexpected time and in random locations. They didn't occur while anyone was actually working on a problem; they happened after an intense, prolonged struggle with one, followed by a break. Stopping work seems to have played a part.

Most creative types—artists, musicians, and writers—have also learned through experience that their process involves some seemingly unproductive spells, but that this downtime is actually important to their productivity. But until fairly recently, the how, when, and why of being kissed by the muse was something of myth and mystery, explained only by serendipity.

But science shows it's not just coincidence. Neuroscientists examining how the human brain solves problems can confirm that experiencing a creative insight—that aha! moment—hinges on the ability to synthesize connections between disparate things. And a key factor in achieving that is time away from the problem. New studies show that creative revelations tend to occur when the mind is engaged in an activity unrelated to the issue at hand. Pressure is not conducive to recombining knowledge in new and different ways, which is a defining mark of creativity.

Neuroendocrinologist Ullrich Wagner has demonstrated that the ultimate break—sleep—promotes the likelihood of eureka! moments. He gave volunteers a Mensa-style logic problem to solve, one containing a hidden rule enabling the solution. The subjects were allowed to work on it for a while, then were told to take a break. Some took naps. Others didn't. Upon returning to work on the problem, those who had napped found the hidden rule quicker than those who hadn't. Wagner believes that information is consolidated by a process taking place in the hippocampus during sleep, enabling the brain to reboot itself, all the while forming new connections and associations. It is this process that is the foundation for creativity. The result is new insight and the aha! or eureka! moment.

Though no one yet knows the exact process, the important implication for all of us is this: Putting pressure on ourselves to try to make our brains do more—to work harder, more intensely, or more quickly—may only slow down our ability to arrive at new insights. In other words, if we're looking to engineer a breakthrough, it may only come through a break, a "stop thinking" approach. It seems the brain needs the calm before its storm.

Ending Without Ending

On Sunday, June 10, 2007, nearly 12 million television viewers experienced the very same effect. David Chase, creator of the hit HBO series The Sopranos, used the subtraction principle to achieve what many critics have since hailed as the most innovative hour of TV in recent history. Fans waited with anticipation to find out the fate of mafia don Tony Soprano, the show's main character and the anchor of its story arc. Would he or wouldn't he get "whacked"? Debates raged for 22 months leading up to the finale's airdate. But there would be no tidy resolution: During the show's final seconds, everyone's TV screen suddenly went black. Credits rolled a few seconds later, and The Sopranos series came to an end.

Viewers' immediate reaction was: What just happened to my television signal? And it's interesting that most people had the same reaction. Few saw the blank screen for what it was: the ending. Instead, they believed something had gone wrong, and that made them stop and think. What occurred over the next 48 hours or so is even more notable. The initial disappointment of being left hanging without a clear conclusion was quickly replaced by an unparalleled level of post-show scrutiny and a fresh appreciation for "the genius of David Chase." This was spurred by Chase's semi-cryptic public comment that, "Anybody who wants to watch it, it's all there."

Realizing that every frame was carefully crafted by Chase, who wrote and directed the finale, viewers re-examined scene after scene, noting both blatant and subtle visual clues, soundtrack hints, veiled dialogue, references to previous episodes, camera angles, color palettes, and lighting effects. Theory after theory popped up online and in the print media. The debate took on a life of its own. Viewers crafted their own endings, filling in the missing piece with the trail of code Chase had provided. To most fans, Tony Soprano's fate became quite obvious, albeit only through a full retrospective. By not drawing a conclusion, Chase solved the wicked problem of how to avoid disappointing anyone—half wanted Tony Soprano to die, half wanted him to live—while tripling the number of viewers. It was a very effective no-ending ending.

An Age-Old Practice

While it remains rare and radical, the insight at the center of elegance isn't new. Chinese philosopher Lao-Tzu understood the power of what isn't there when he wrote this verse more than 2,500 years ago:

Thirty spokes share the wheel's hub, It is the center hole that makes it useful. Shape clay into a vessel, It is the space within that makes it useful. Cut doors and windows for a room, It is the holes which make it useful. Therefore profit comes from what is there, Usefulness from what is not there.

A final word: The subtractive "stop doing" strategy presents a completely different way of thinking about life, work, and the world. In an economic environment where time, money, and attention are fixed or decreasing, in which we all must achieve maximum effect with minimum means, having a good "stop doing" strategy may hold the key. At the very least, it will allow us to make more room for what really matters by eliminating what doesn't. ■

MISSION POSSIBLE

How to Build a Successful For-Profit Organization Using the Nonprofit Values of Respect, Inquiry, and Courageous Experimentation.

By **Pat Christen**

Over the past year or so, my colleague Dr. Jennifer Aaker and I have discussed her research on public perceptions of for-profit and nonprofit businesses and the impact these perceptions have on consumers' willingness to engage. Dr. Aaker, a professor at the Stanford Graduate School of Business, and her fellow researchers have found that the public often sees nonprofits as warm but incompetent and for-profits as competent but cold. But when it comes to consumer engagement—a key ingredient in most successful enterprises, regardless of their tax status—a mix of warm and competent is ideal. So, how can organizations achieve that rare combination in practice?

In my career, I've worked extensively in the nonprofit world. I currently

Leadership is not a singular experience. It is, rather, the ongoing process of keeping your vision and your values before you, and aligning your life to be congruent with those most important things.

serve as president and CEO of HopeLab, which combines research and innovative solutions to improve the well-being of young people with chronic illness, and I previously held similar positions at the San Francisco AIDS Foundation, the Pangaea Global AIDS Foundation, and the Infectious Diseases Institute. I've had the opportunity to see how global leaders in the nonprofit, for-profit, and government sectors manage their businesses and note the impact of their approaches on the consumers of their products and services. As a result, I am frequently asked what combination of attributes enable a successful, high-functioning enterprise—or, in Dr. Aaker's words, an organization that is both warm and competent and, as a result, able to successfully engage the people it aims to serve. My answer generally surprises those who ask.

I take as a given that any successful endeavor needs smart people who are committed to their work. But that alone is insufficient for success. An organization must also be clear and authentic about its core values and make certain that those values are not dissonant from the personal values of its staff. Successful, high-functioning enterprises find smart people who share core values and are committed to abiding by them even (and especially) when the going gets tough. In particular, I've found the values of respect, inquiry, and courageous experimentation to be transformative. But can values-based management work equally well in all types of business settings? And, on a day-to-day basis, what does that really mean?

By respect, I mean a deeply held conviction that every human being deserves respect. When applied to business, this means that you must treat everyone—the angriest customer, the most exasperating colleague, the fiercest competitor, the most difficult vendor—respectfully, even if their behavior toward you might encourage otherwise. You don't have to like any of them, but you must approach each one with a conviction that he or she deserves respect.

By inquiry, I mean maintaining an attitude of curiosity, even in the face of information, behavior, or other data that might otherwise be aggravating, frightening, disappointing, or, conversely, exhilarating and welcome. Skillful use of inquiry minimizes defensiveness, amplifies

Successful, high-functioning enterprises find smart people who share core values and are committed to abiding by them even (and especially) when the going gets tough.

learning, and paves the way for innovative thinking and creative solutions—both large and small—to difficult challenges. It is also an essential tool in respectfully engaging with your customers, colleagues, and others vital to maintaining a competitive edge and achieving impact. A disenchanted customer presents a fantastic opportunity for learning. And authentic engagement with such an individual can not only improve your product or service, but also turn a damaging critic into an invaluable ambassador for your business.

By courageous experimentation, I mean a willingness to act, not in a rash or mercurial way, but in an informed and decisive one, understanding the information available to you may be incomplete or inadequate but nonetheless sufficient to guide a thoughtful strategy. It means one must act with the full knowledge that one might fail—indeed one will absolutely fail at times—in order to transform the order of things. That's why it's both "courageous" and "experimental."

Worth the Risks

Taken as a whole, these three values are powerful tools in any business or organization. Over the decades, I've seen them produce breakthrough solutions to confounding problems. For example, the video game Re-Mission—designed by HopeLab to improve the health of young cancer patients—was grounded in the application of these values. Since its release in 2006, the game has helped the kids who play it to better adhere to oral chemotherapy and antibiotics and to increase their cancer knowledge and self-efficacy. Re-Mission's success (more than 150,000 free copies have been distributed to 81 countries) has prompted others to work on projects rooted in the idea that video games can be both fun and effective in driving positive behavioral change in health, education, and other applications beyond entertainment.

HopeLab involved teen cancer patients in Re-Mission's development at every step. To better understand the drivers of and barriers to treatment adherence, we inquired deeply, iteratively, and directly about patients' knowledge, attitudes, and beliefs about themselves and their disease. In short, we respected them for being the experts they were. Not surprisingly, they responded with candor, insight, and humor, all of which proved invaluable in the game's design.

Of course, when Re-Mission was first envisioned, it was considered a risky, if not ludicrous venture. Most game developers thought we were crazy to believe that we could develop a fun game in this way, and most oncologists thought we were crazy to believe that playing a video game would elicit real-world behavioral change. This is why courageous experimentation is so important. We did not know whether Re-Mission would succeed, but we believed that it was worth the risks to find out. Ultimately, we tested the game in a rigorous, controlled trial that proved its efficacy, forever changing stereotypes—and opening the door for more "serious" applications—in the health and video game industries. This is values-based work at its best.

As Stephen Covey wrote in The Seven Habits of Highly Effective People, "Leadership is not a singular experience. It is, rather, the ongoing process of keeping your vision and your values before you, and aligning your life to be congruent with those most important things."

Values-based decision-making is hard work. It demands that we be mentally present and fully engaged in and responsible for our thoughts and actions. In my work, I have found it to be effective, powerful, and rewarding. What about you? ■

DESIGN-DRIVEN INNOVATION

Managers are People First and Managers Second.

By **Roberto Verganti**

A marketing manager for Apple described its market research as consisting of "Steve looking in the mirror every morning and asking himself what he wants." This claim seems preposterous and illogical—almost blasphemous. It contradicts popular theories of user-centered innovation. We have been bombarded by analysts saying that companies should get a big lens and observe customers to understand their needs.

The framework provided in my book, Design-Driven Innovation, shows that even if a company does not get close to users, even if it apparently does not look at the market, it can be insightful about what people want.

That mirror in which Steve Jobs metaphorically looks at himself is not a magic gizmo that delivers soothsayings; it is the mirror of an executive's

Many of the executives I talked to revealed an interesting combination of two personal characteristics: a belief that culture is an essential part of everyday life (and therefore of business), and a significant unawareness of established management theories.

personal culture. It reflects his own vision about why people do things, about how values, norms, beliefs, and aspirations could evolve, and also about how they should evolve. It is a culture built from years of immersion in social explorations, experiments, and relationships in both private and corporate settings.

All executives have their own personal culture, their own vision of the evolution of the context of life in which their products and services will be used. Every person relentlessly builds a culture, often implicitly, by simply being immersed in society and through the individual explorations of life. Executives do not need to be experts in cultural anthropology or pretend to be like gurus or evangelists. Culture is one of the most precious gifts of humanity. Everyone has it.

Often, however, this gift remains latent. Management theories do not help us unleash it. Rather, they often suggest that people hide it. The innovation tools, analytical screening models, and codified processes that experts recommend are typically culturally neutral or even culture averse. When innovation is purely technical (such as when it optimizes an existing feature), these methods may work well. However, when a firm wants to radically innovate the meaning of products and propose new reasons why people could buy things, these culturally neutral methods fail miserably.

In Design-Driven Innovation, I take a look at how companies have transformed breakthrough ideas into acclaimed business successes right after other firms dropped them as uninteresting or outlandish. My question is, Why do some executives recognize the stunning business value of breakthrough proposals better than others? How can you prepare yourself to create and recognize these opportunities?

The answer, in terms of management practice, is in the book. However, there is a more subtle notion underlying the stories in each chapter. Many of the executives I talked to revealed an interesting combination of two personal characteristics: a belief that culture is an essential part of everyday life (and therefore of business), and a significant unawareness of established management theories.

That is definitely true of, for example, Steve Jobs. But it is also true of the Italian entrepreneurs I discuss. In Italy, primary and secondary education

Curiously, the same argument that has been used to promote design is now turning against it.

have been sharply focused on the humanities, making culture an essential part of the personality of entrepreneurs. Management sciences, in contrast, have developed much more slowly in Italy than in other countries (almost none of these entrepreneurs has an MBA). These managers somehow did not come in contact with what prevented other executives from leveraging their cultural assets. This does not mean that these leaders did not fulfill their role as executives. Simply, their management practice was completely different from existing theories.

What I'm suggesting is that you can direct your personal culture—your treasure, and the treasure of colleagues both inside and outside your firm—toward the creation of economic value. If properly nurtured and shared, this asset can become an integral part of your being a business leader, so that you will be unafraid of looking into the mirror to leverage your personal culture and of seeing in that culture things that others do not. Not because you are creative. Not because you are a guru. Because you are a businessperson.

Designers Are People Before Being Designers

My book is not about design. But I hope designers will appreciate it, because it unveils one of the forgotten angles of their contribution to business and society.

When executives think about design and designers, they usually have two perspectives. The first, traditional one is styling: They ask designers to make products look beautiful. The second, more recent one is user-centered design. Designers have an amazing capacity to get close to users, understand their needs, and then creatively generate countless ideas. First styling and then user-centered design have been portrayed as vehicles by which companies differentiate themselves from the competition. Design, many analysts say, makes a difference.

And indeed this message has hit the target. No company would dare release a product without caring about its style and attentively analyzing user needs. Design is in its heyday, even more in this period of economic turmoil.

Yet, as always, success brings greater challenges. As these practices diffuse to every company, they are losing their power to differentiate. They are mandatory and not distinctive. Curiously, the same argument that has been used to promote design is now turning against it.

This phenomenon in business is not novel. It happened 20 years ago with total quality management (TQM). In the late 1980s, firms considered quality a top priority: The highest-quality performers were succeeding, and every company adopted TQM principles. Each had a manager responsible for quality, and each had six sigma or control charts. Two decades later, quality is no longer among the top corporate priorities. It is mandatory, of course, and each firm still has quality managers, but quality is not considered a strategic differentiator.

However, designers sometimes forget, or have been told to forget, a third angle involved in innovation. Some firms—although they use styling and user-centered design for incremental projects—look for a different type of expertise when it comes to radical projects: radical researchers. These are experts who envision and investigate new product meanings through a broader, in-depth exploration of the evolution of society, culture, and technology. These experts, who pursue R&D on meanings, may be managers of other companies, scholars, technology suppliers, scientists, artists, and, of course, designers. Curiously, however, designers have recently been moving in a different direction.

In presenting design as a codified, predictable, and mandatory process—making it more digestible for executives educated in traditional management theories—designers risk losing their ability to do such forward-looking research. They have enjoyed being epitomized as the quintessential creative people. But creativity has little in common with research.

Creativity entails the fast generation of numerous ideas (the more, the better); research requires relentless exploration of one vision (the deeper and more robust, the better). Creativity often values a neophyte perspective; research values knowledge and scholarship. Creativity builds variety and divergence; research challenges an existing paradigm with a specific vision around which to converge. Creativity is culturally neutral, as long as it helps solve problems; research on meanings is intrinsically visionary and built on the researcher's personal culture. In attempting to mimic the language of business, design seems to have followed the pattern noted among executives: It values methods more than designers' personal culture, thus losing the capability to harness this precious asset.

Design-Driven Innovation does not question the essential value of user-centered design, styling, and creativity, which are relevant for incremental innovation. However, people need different attitudes and skills when it comes to breakthrough innovations—and those attributes are scarce. When more than 30 percent of the population belongs to the creative class, as urban studies theorist Richard Florida has suggested, creativity is not in short supply: It is abundant. What is in short supply, I'm afraid, are circles of forward-looking researchers whom firms involve in breakthrough projects because of their culture and vision and because they have something to say. Now that designers have become highly effective at being creative and user-centered, they can pursue an exciting new challenge that taps into their unique cultural background: that of being radical researchers. ■

THE MEANING ORGANIZATION

By **Umair Haque**

Welcome to the roaring teens. We're in the aftermath of the worst economic crisis, many people argue, since the Great Depression. As mightily as governments, central banks, and scholars have labored, a jobless, fruitless, and suspiciously *meaningless* recovery has begun.

Perhaps that's because the so-called Great Recession wasn't truly a recession at all. What if the downturn was actually a Great Transformation instead?

Ponder, for a moment, a troublesome paradox: The noughties (2000–2009) were a lost decade for America. Net job creation, wealth creation, shareholder value creation, and median wage growth were not just marginal, but *nil* or *negative*. Today, the ranks of the long-term unemployed have exploded, and their jobs seem to have simply vanished. Yet, corporations are hoarding cash,

The age of wisdom is about attaining a more authentic prosperity, one that doesn't just "grow" but one that sustainably nurtures the growth of individuals and society.

struggling to figure out where to invest it. Yesterday's jobs, already replaced at lower and lower cost, won't pass muster and neither will yesterday's factories, fleets, brands, "products," or "outputs." So what might?

A better and very different global economy made up of novel, more beneficial industries, more purposive types of organizations, and more passionate work will bring radically more fruitful approaches to commerce, trade, and exchange. We're in the midst of a bumpy, lengthy transition from a lackluster present, to an uncertain future. The grinding gears and titanic motors of the industrial age are coming, finally, to a clattering, juddering halt. What you might call the age of wisdom is being painfully and noisily born.

In this era, it's the ability to make up for the shortcomings of the prior decades—the belching, wheezing, crashing economic engine that gave us plenty materially, but has left us spiritually, relationally, emotionally, and developmentally empty. The age of wisdom is about attaining a more *authentic* prosperity, one that doesn't just "grow," but that sustainably nurtures the growth of people, communities, and society.

Consider an analogy: Just as we're learning to improve yesterday's internal combustion engine, radical innovators in the age of wisdom are learning to build better economic engines and novel, disruptive institutions. What do they look like? Let's delve into history to gauge the future of organizations. First, there was what you might call the executing organization that capitalized on the industrial age factory. Success was about churning out the most commodities. Then there was what the eminent author and MIT lecturer Peter Senge famously called the Learning Organization. Success was about integrating knowledge faster than rivals. Yet, the great crisis of yesteryear that includes mass unemployment, growing distrust in business, and the evisceration of community, to name just a few, all suggest that neither learning nor doing are sufficient for 21st-century prosperity.

Enter, the Meaning Organization. Meaning Organizations create micro- and macro-structures that fuel radically meaningful work, life, and play. They're concerned first and foremost not just with *making* goods, or *learning to make* goods, but with ensuring that production, consumption, and exchange scale ever more *meaningful* peaks of prosperity.

Here's a brief overview of the Meaning Organization: what its competencies are, what its potential is, and why a business might want to think about becoming one.

Significance.

A product or service is meaningful only when it has a positive economic impact. Impact happens when an organization creates what I call *thick* value or authentic economic value. We're all-too-familiar with thin value—value that's

merely transferred from others rather than created anew, which is essentially an economic illusion. CDOs (collateralized debt obligations), for example, were a value transfer machine, from homeowners to banks, and their example illustrates that thin value builds a house of cards liable to come crashing down. Thick value is more than the immediate, isolated value of a thing to shareholders, managers, the tuned-out market or consumers; it's the deep, enduring, human worth of a thing to everyone.

Outcomes thinking.

The wise general, it is often said, is one who can see several moves in advance. The Meaning Organization is one that has mastered deep vision: it can see several steps into the distant future, to the outcome of a product, service, or business model. Did the solution *actually* make people tangibly and authentically better off? It's a vital question for organizations to ask because the industrial age created negative outcomes, like Big Macs, SUVs, and McMansions. So, did the outcomes of your organization reach only a local optimum, or did it truly help people scale a higher peak? We're used to thinking that being "customer-centric" is the ideal companies should seek, but Meaning Organizations go further. They are *outcomes-centric*, seeking not merely to satisfy consumers, but to better them.

Harmony.

From *outcomes*-centric thinking flows harmony. In music, harmony happens when notes and chords fit together, to create a "good" sound. For the economy, harmony is a state in which outcomes fit together, to create a common good. Companies often put financial interests first. A Meaning Organization puts *people* first, on an equal footing with communities, society, and tomorrow's generations. Mastering the art of positive impact means understanding the outcomes of a product, service, or business model on all. Where there is a negative impact, the organization must strive to ameliorate it, so harmony, instead of discord, is retained.

Purpose.

Solely pursuing near-term profit will always yield discord by elevating the immediate rather than the sustainable interests. What harmonizes an organization is a *higher* purpose. What, beyond profit, knits the company, shareholders, individuals, and society together? What is the common goal that is meaningful to all and that everyone can be enriched by? What is the larger, more enduring conception of prosperity, whether it is happiness, wellness, or worthiness, that an organization can contribute toward? Those are the questions of higher purpose.

Perhaps the so-called Great Recession wasn't truly a recession at all. What if the downturn was actually a Great Transformation instead?

Peace.
Higher purpose cannot be created through economic violence like the hardball tactics of intimidation, brinksmanship, and unfairness that are part and parcel of industrial age business as usual. The costs imposed destroy the bond with stakeholders necessary to discover, create, and renew a higher purpose for the organization, therein turning the thickest of value vanishingly thin. So Meaning Organizations must learn to become masters of economic nonviolence. They must master not just free trade, but fair trade; not just enterprise, but ethics; not just innovation, but integrity.

Love.
Nonviolence, purpose, harmony, and impact can't be created by de-skilled, frightened, disengaged workers, bought and sold in bulk by the lowest bidder. Nor can they be created by calculated, soulless talent. Meaning Organizations aren't just composed of a bigger brain or cheaper muscle. Meaning is about what industrial age business always lacked: a bigger *heart*. The stuff of meaning can only be created, maintained, and re-created by people who are passionate enough not just to love what they do, but to do *what they love*.

Ambition.
Yes, organizations can start by taking small steps—and many organizations should. But to tightly knit these threads together, organizations must take the quantum leap in the final analysis. Instead of focusing on how to outperform competitors in terms of operational efficiency and customer service, they need a larger ambition. How are we to change the world radically for the better? Organizations are a cause, so what is the effect they want to have?

No doubt, to some, this approach sounds a bit soft. But then again, perhaps the dictates of yesterday's dogma were suspiciously *hard*. We were told that greed was good, penury was the price of progress, plenitude had to be exacted from nature's bounty, and efficacy demanded the dulling of the heart and the deadening of the soul. Today, these commandments of a tired scripture seem less like apothegms for sowing a more fruitful harvest and more like the faded myths of a rusting yesterday.

Perhaps, then, like me, you believe that we must do better. This is neither easy nor, I suspect, acceptable for most organizations. But then again, revolution rarely is. We're in the midst of a historic structural transformation. Its challenge isn't merely revival, or recovery, but revolution: *building* the novel, unseen institutions, like Meaning Organizations, of a 21st-century economy. The age of wisdom won't happen courtesy of Ben Bernanke, Lloyd Blankfein, or Paul Krugman. Rather, it begins with you.

I've sketched the barest portrait of seven competencies here. But, it's the renegades of tomorrow who will ignite, deepen, and develop them, by staring down the complexities, difficulties, and fine-grained nuances of each. So if you yearn to be a revolutionary, it's time to get radically meaningful. Be one, become one—or contend with one. ■

GETTING MORE MOJO FROM MASLOW

By **Chip Conley**

Viktor Frankl, the Austrian psychologist who was imprisoned in a Nazi death camp and wrote the influential tome *Man's Search for Meaning* once lamented, "People have enough to live by, but nothing to live for; they have the means, but no meaning." This is a predicament of modern man. Once we've addressed our basic needs in life, what do we strive for?

Modern man is a worker bee. To us, business means busy-ness. We work 25 percent more hours per week than we did a generation ago, not counting the time we spend e-mailing colleagues from home or while we're on vacation. As we toil away to keep up with the cost of living, we often fail to recognize the high spiritual price we pay for being more focused on means than meaning.

In order to survive the struggles of the economic recession, we need to reframe difficult business experiences as opportunities to find meaning in our work.

But why? Research shows that this approach can be counter-productive. Gurnek Bains, lead author of *Meaning, Inc: The Blueprint for Business Success in the 21st Century*, says that meaning directly drives employee commitment and engagement. Industry-leading companies like Google, Genentech, and Southwest Airlines—which regularly appear on lists of great places to work—have learned that the key to raising performance levels is to create a sense of real meaning for employees. "This has a tangible and demonstrable impact on business results. Now that other forms of competitive advantage have become commodities, creating a sense of meaning for people will be what makes the difference for most companies in the future." It is critical, then, to transform the economic challenges of the recession into opportunities for us to understand and infuse meaning into our work.

When I started my company, Joie de Vivre Hospitality, nearly a quarter century ago, I decided that the name of the business should also be its mission statement. Joie de Vivre has since grown into America's second-largest boutique hotelier, based on our commitment to "creating opportunities to celebrate the joy of life." We distilled our credo into a *two*-word mantra, "Create Joy," which is stamped into the blue rubber bracelets that all new employees receive during orientation and that many veteran staffers routinely wear.

But one learns the difference between a glorified mission statement and a belief system that guides behavior when a company faces a "once-in-a-lifetime" economic downturn—and, really, we've faced two of these in the San Francisco Bay Area in the past decade. In late 2001, I was struggling. I had 1,000 employees, and I didn't know how I was going to make payroll. The combination of the dot-com crash, 9/11, and a worsening economy had put Joie de Vivre at risk. One afternoon, I walked into a local bookstore in search of a business book that would help ease my financial pains—or at least give me a clue about how to survive. I quickly realized that what I really needed was some serious personal guidance. So I moved from the Business section to the Self-Help section of the bookstore (conveniently located next to each other), where I reacquainted myself with Abraham Maslow's Hierarchy of Needs theory, one of the most famous psychological concepts to explain human motivation.

I suppose that a guy who names his company "Joie de Vivre" should naturally gravitate toward self-actualization. Maslow is known as an early leader in the human potential movement; he believed that psychology was too obsessed with our worst behaviors when a lot can be learned from our best practices. He first popularized the axiom, "If the only tool you have is a hammer, everything starts to look like a nail," aptly describing his peers' over-emphasis on neurosis

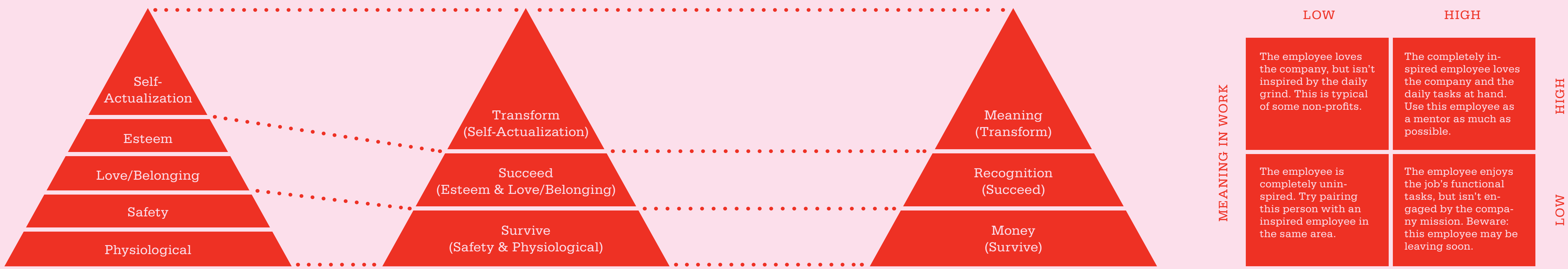
in the mid-20th century. Re-reading Maslow helped me to see one of the most neglected facts in business: the fact that we're all human. And, no matter what our role—CEO, line-level employee, customer, investor— in a particular business is, we each have a hierarchy of needs that determines what's important to us. Late in his life, Maslow started applying his hierarchy of needs to organizations and businesses. Unfortunately, he died in 1970 (at age 62) before he could closely examine how his theory might shift from the individual to the collective.

During that downturn nearly a decade ago, I started "channeling Abe" to see how I could apply his theory to my company. I figured the worst that could happen is we'd go bankrupt, so why not learn something along the way? I distilled the Hierarchy of Needs Pyramid from five to three levels, or key themes, which make up what I call the Transformation Pyramid: survive (safety and physiological); succeed (esteem and love/belonging); and transform (self-actualization). These themes aren't just relevant in business; they're fundamental in life. I looked at how to apply them to the three most important stakeholders in Joie de Vivre: employees, customers, and investors. For the purposes of this article, I'll focus on employees.

Maslow concluded that individuals' deepest motivations sit at the top of the pyramid—and take on an inspirational quality. For example, in his research on people's relationship with their work, he asked dozens of nurses, "Why did you go into nursing?" "What are the greatest moments of reward?" and "Tell me a moment so wonderful it made you weep or gave you cold shivers of ecstasy." The nurses answered by describing peak experiences that were virtually life-altering. Nurses who were most able to express a peak experience seemed most "called" by their work.

In *A Simpler Way*, Margaret Wheatley and Myron Kellner-Rogers wrote, "People do not respond for long to small and self-centered purposes or to self-aggrandizing work. Too many organizations ask us to engage in hollow work, to be enthusiastic about small-minded visions, to commit ourselves to selfish purposes, to engage our energy in competitive drives. Those who offer us this petty work hope we won't notice how lifeless it is ... when we respond with disgust, when we withdraw our energy from such endeavors, it is a sign of our commitment to life and to each other." Maslow helped me understand that my Employee Pyramid was defined by *money* (survive), *recognition* (succeed), and

Now that other forms of competitive advantage have become commodities, creating a sense of meaning for people will be what makes the difference for most companies in the future.



MASLOW'S HIERARCHY OF NEEDS PYRAMID

TRANSFORMATION PYRAMID

EMPLOYEE RELATIONSHIP PYRAMID

MEANING AT WORK

meaning (transform).

We all have basic needs that need to be met, and our work compensation package is the means to that end. But Gallup has shown in multiple surveys that money is not the primary reason that people leave a company (in fact, it usually comes in fourth place). People join a company, and they leave their boss. Recognition, which addresses people's success needs and usually taps into one's sense of social belonging or esteem needs, is what creates loyalty in the workplace. But money and recognition are external motivators for doing any job. Those who are engaged in something they're passionate about—such as the nurses Maslow interviewed—have transcended the bartering relationship that defines most relationships between employer and employee. They have tapped into an internal motivation that fuels them. They are *inspired* by what they do. They have moved from just focusing on the tasks they do each day to imagining the impact of their work. As they become more aware of that intangible we call *meaning*, employees move to the transformational peak of the pyramid.

Most companies get a little lost in the ether at the top of the pyramid, because it's easier for bosses to "manage what they can measure," and it's simpler to do a benchmark compensation survey than to try to gauge meaning. Someday we may have a "Corporate Meaning Index" just like we have a Dow Jones stock index, so that we can quickly scan who is playing at the top of the pyramid and who isn't. In studying my own company and dozens of other meaning-driven businesses, I've come to realize that workplace meaning can be dissected into meaning at work and meaning *in* work. Meaning at work relates to how an employee feels about the company, their work environment, and the company's mission. Meaning *in* work relates to how an employee feels about their specific job.

I believe that meaning at work is far more important than meaning in work. When employees believe in the work of the company, the whole Hierarchy of Needs is satisfied. Those employees clearly have their basic needs met because they have confidence in the financial stability of the company, which means they have job security. Believing in the company's mission also typically creates deeper alliances among employees because the sense of being part of a connected crew and the pride that comes from group success satisfy our social or esteem needs. Finally, their self-actualization needs can be met by feeling that we are part of an organization making a difference in the world, plus there's a halo effect that may render the work they do day-to-day even more meaningful.

One of the most profound decisions I made during the depth of that last downturn was to start managing the business based on meaning and to start measuring meaning in various ways, from asking questions on biannual work-climate surveys to querying line workers in monthly staff meetings, "What's the best experience you've had in the past month here at work?" The question I really like to ask our employees goes something like this, "Most of us think of our job in terms of 'What am I getting?' What if you asked yourself daily, 'What am I becoming as a result of this job?'" Helping our employees reframe their work, changing their tasks to make their jobs more meaningful, and creating a democratic culture in which employees help define our business strategy has helped Joie de Vivre's turnover rate drop to one-third the industry average. We were recently crowned the "second best place to work" in the San Francisco Bay Area, a remarkable feat for a service company that's full of people cleaning toilets in a region full of high-tech companies famous for plush corporate campuses.

I learned quite a bit about meaning in business during the last downturn, but this downturn has been full of lessons, too. During the dot-com bust, my desire to learn tended to be organizational, but the worldwide Great Recession has led to more personal lessons. I've found myself on an emotional roller coaster the past couple of years. I've had five friends or colleagues commit suicide, primarily due to stresses at work, and I've seen countless companies in the travel and design industries dissolve under the pressure of this relentless economy. My greatest epiphany resulted in a series of what I call "Emotional Equations" (also the title of my next book, due out in 2011) that help remind me how the world works. The most profound equation that I've used for myself and for the managers in my company has been despair = suffering–meaning. I learned this from reading Frankl's *Man's Search for Meaning*.

As teenagers, we learned algebra and found there were constants and variables in an equation. That's true in life, too. The constant in a concentration camp, or in a recession, is suffering. There will always be suffering. Yet, the variable in life is meaning: How do we find a sense of meaning, even in the most difficult times? This is a question that I've asked my employees and myself, because if you can find meaning in the rubble, you will lessen your despair. That's how this equation works: more meaning equals less despair. Yet, most of us in a difficult time put our attention on the suffering. Life and business are all about where you place your attention. If Frankl can live through a death camp by rediscovering the importance of meaning in our lives, we can live through a painful recession by reframing difficult economic experiences. ■

OPENNESS OR HOW DO YOU DESIGN FOR THE LOSS OF CONTROL?

By **Tim Leberecht**

Openness is the mega-trend for innovation in the 21st century, and it remains the topic du jour for businesses of all kinds. Granted, it has been on the agenda of every executive ever since Henry Chesbrough's seminal *Open Innovation* came out in 2003. However, as several new books elaborate upon the concept from different perspectives, and a growing number of organizations have recently launched ambitious initiatives to expand the paradigm to other areas of business, I thought it might be a good time to reframe "Open" from a design point of view.

What sparked my interest in particular was the dachis Group's list of Six Social Business Trends to Watch, which referenced the phrase JP Rangaswami coined at this year's Enterprise 2.0 conference: "Design for

Companies have to come to terms with the fact that the traditional model of managerial resource allocation and coordination has become outdated and no longer reflects the social fabric of today's workforce.

the loss of control." His point was more IT-specific, arguing that the combination of pervasive digital infrastructure, software-as-a-service, cloud computing, social software, and smart phones have enabled employee- and customer-driven solutions to a degree that renders top-down IT systems obsolete. As Dion Hinchcliffe of the Dachis Group writes: "Enterprises currently expend considerable resources trying to impose control on a situation that increasingly appears like it not only can't be controlled, but almost certainly doesn't need to be."

No Longer in Control

The new paradigm Hinchcliffe describes has implications far beyond just IT. For one thing, employees, who are facing an increasingly hybridized work/life proposition, are eager to do what they are passionate about, and they will increasingly find the digital spaces and tools that allow them to do this most effectively without having to ask anyone for permission. Companies have to come to terms with the fact that the traditional model of managerial resource allocation and coordination (mainly coerced through extrinsic motivation in the form of rewards and punishments, such as payments, promotions, demotions, etc.) has become outdated and no longer reflects the social fabric of today's workforce.

Moreover, customers, too, seek out relationships with brands that go beyond the merely transactional. Empowered through ubiquitous access to information and therefore radical transparency, through an abundance of choices on the web, as well as the ability to contribute and tap into social networks (and thus social capital) in real-time and on-the-go, they expect brands to offer engagement and collaboration models that match the more distributed and multi-layered mechanisms of value creation through social media.

Commitment is fickle, reputation volatile, and loyalty scarce. In short: Companies have lost control – over their workforce, their customers, and as a result, their brands. Or, more precisely, as Charlene Li points out in her book *Open Leadership*, they have never really been in control – what they are actually forced to give up now is their need for control.

The Power of Pull

So what can they do besides just bemoaning this loss and passively observing how the new centrifugal forces of the Social, Real-Time Web are disrupting their traditional business and engagement models? Li lays out how business leaders can and (must!) embrace the new rules of openness. John Hagel, John Seely Brown, and Lang Davison, in the *The Power of Pull*, provide an actionable framework for how these new forces can be leveraged through "shaping strategies" on the individual, institutional, and societal level.

These "shaping strategies," as the term suggests, present an exciting challenge for design. If designers embrace the insight that influence is replacing authority as the new currency in the "pull economy" and that the best way to gain influence is to give up control, they will have significant impact on how this new economy is shaping up. In fact, they are uniquely positioned to develop what Hagel, Seely Brown, and Davison call levers of "access, attraction, and achievement" that provide the "creation spaces" and tools for employees and customers alike to design their own destiny, create their own meaning, and thus convert their very own skills and passions into productivity and loyalty.

In essence, businesses can use "shaping strategies" to amplify and accelerate the inevitable loss of control in order to avoid employees and customers abandon them. This may sound counter-intuitive but the upside is considerable. A deliberately designed loss of control grants companies the only remaining and arguably most critical competitive advantage – access. As long as they enable and facilitate knowledge flows, ideas, passions, skills, and experiences, they have access to them. In fact, if they fully leverage the "powers of pull," these assets will gravitate towards them.

Openness is no longer just a nice stunt but a fundamental requirement for any business that wants to thrive in the new "pull economy.

X-Problems and Social Networks

Openness is no longer just a nice stunt but a fundamental requirement for any business that wants to thrive in the new "pull economy." Because we're increasingly dealing with "X-Problems," as my colleague Adam Richardson reckons in his book *Innovation X*, we need approaches that allow us to come up with creative solutions to problems we may not even know yet. In other words: Solutions that help define the problem. Or as Hagel, Seely Brown, and Davison put it: "If you want to find out what it is you don't know that you don't know, you need to hang out with other people who might already know it."

The loss of control enables the creation of more weak ties in a company's network (inside and outside of the organization), and, as social network research has shown, weak ties are more conducive to transporting foreign ideas, knowledge, and skills – because they move faster from one node to the other as the network becomes more accessible and nimble on its fringes. The further you get away from the core of your network, the less control you (may want to) have.

You could argue that designers have been designing creation spaces, feedback mechanisms, and other participatory experiences for some time now. They certainly have, but perhaps without fully recognizing or deliberately orchestrating the amount of loss of control that their designs represented. It seems like the time is ripe to understand these efforts as part of a broader shift and consolidate them into a series of formats that, going forward, shall serve as blueprints for "design for the loss of control," across different corporate functions and disciplines.

Frequently, these solutions will involve de-institutionalizing decision-making by removing the intermediary. In many cases, this may imply an act of democratization, but it is also important not to see this as a zero-sum game. Control

The loss of control enables the creation of more weak ties in a company's network (inside and outside of the organization), and, as social network research has shown, weak ties are more conducive to transporting foreign ideas, knowledge, and skills.

is not just shifting from one hand to many; rather, it is dissolving and defragmenting and along the way diminishing – or turning into something else, far more valuable: social capital that resides in the public domain and is no longer controlled by anyone. The formats that propel this new mode of collaboration and value creation are emergent and informal, and they typically carry a significant amount of tacit knowledge.

Here are some recent examples:

Open ideation/crowdsourcing

Open ideation (or crowdsourcing) is based on the assumption that the best ideas for new products, services, and business models may come from outside of your organization or from those people inside your organization who are typically (by function or hierarchy) excluded from the ideation process. Like all open innovation efforts, crowdsourcing redistributes control from an elite group of thinkers and doers to a broader group of self-selected participants. By broadening the funnel, companies can harness the accumulated or aggregated knowledge of these voices. Crowdsourcing is usually focused on ideas and insights but can also cover a wider array of collaborations with external parties throughout all stages of the innovation cycle. Dell, Starbucks, P&G, and many other organizations use crowdsourcing. Nike partners with Creative Commons and Best Buy for GreenXchange, a platform that promotes "the creation and adoption of technologies that have the potential to solve important global or industry-wide sustainability challenges." TED is expanding its reach through TEDx, "independently organized TED events," without compromising the exclusivity of its brand. Furthermore, Victors & Spoils brought crowdsourcing to the world of advertising; and IDEO recently launched its crowdsourcing platform, OpenIDEO, inviting the public to join "creative challenges" that tackle social issues through design. And there are firms such as InnoCentive that specialize in crowdsourcing services for other companies. All these companies not only make ideas accessible to more or less open publics (to some extent, giving up control over IP) but also commit to making the follow-up on these ideas (at least partially) transparent (giving up some control over agenda-setting and strategic planning).

Open design research

frogMob, developed by frog design, is a tool for crowdsourced design research, based on the idea that everyone can be a researcher for a day, just by paying a little more attention to the world around them. frogMob uses guerilla photography and stories to take a quick pulse on global trends, behaviors, and artifacts. Launched internally first – tapping into frog's eight global studios – we are now expanding frogMob to a broader public. Through frogMob, we are able to "mobilize" not only our internal network around a specific assignment but also external contributors on an ad hoc basis, in a short amount of time (like a Flash Mob). frogMob allows us to provide lightweight, rapid design research for clients who ask for a "trend scrape" that identifies patterns and offers unexpected inspiration. The key here is to tap into existing knowledge flows - in a nimble way that does not require too much commitment from the participants and eliminates bureaucratic hurdles.

Open strategy

Crowdsourcing can also take place as a combination of online and offline collaboration, as demonstrated by NPR and its Think-In on the future of digital media. Supported and facilitated by frog, NPR hosted an open strategy session, bringing together 60 thought leaders at the intersection of media and technology to explore new approaches to content creation, distribution, and funding for NPR and NPR member stations. The Think-In harnessed the collective expertise and creativity of an exceptional group of entrepreneurs, executives, and innovators, and it developed concepts that NPR incorporated into its organizational roadmap. The event was augmented through live-commentary and streaming via various social media channels. This social augmentation made the workshop accessible for a broader audience, which – like the on-site participants – felt so genuinely passionate about NPR that they committed some serious time to this collective brainstorming. Such passion for brands could also be put to work through a more radical version of a Think-In: a "brand hijack" that convenes customers and other interested parties to explore new directions for a brand – yet with the twist that the brand itself would not participate (but may have the option to co-opt the results of the session afterwards).

Open-source humanitarian software

In the software space, open-source projects have long been an established form of open innovation, see IBM's Eclipse platform. Random Hacks of Kindness (RHoK), founded by teams from Google, Microsoft, Yahoo!, NASA and the World Bank, uses open-source methods to "hack for humanity." It describes itself as a community of "developers, geeks and tech-savvy do-gooders around the world, working to develop software solutions that respond to the challenges facing humanity today." The group runs "Hackathons," inviting the best and the brightest hackers from around the world, who volunteer their time to tackle disaster relief issues with through software applications. The Hackathons are designed as so-called "codejams," fast-paced competitions that give the participants a set amount of time to solve the challenges they are given. At the end of a two-day marathon of hacking, a panel will review each hack, and the winners will walk away with prizes, as well as the right to call themselves "RHoKstars" ever after. Another example of open-source humanitarian software is Ushahidi's CrowdMap which displays crowdsourced crisis data on maps as a free cloud-based service.

Open-(source) social networks

Lockheed Martin, the giant defense contractor, built its own networking site called Eureka Streams and released it open-source for the public to use. As Fast Company writes in a recent blog post, "The company's management had recognized that an internal social networking tool could have all sorts of procedural benefits for a large, and geographically disjointed organization. Essentially it lets 'knowledge workers' inside the company find and talk with other experts who may have valid input to particular projects, but who would otherwise have zero oversight or input." Dow Chemical is another example of a company setting up its own social network, in this case to help managers identify the talent they need to execute projects across different business units and functions. Dow has even extended the network to include former employees – a smart move. Closed networks are of diminishing value.

A recent McKinsey Quarterly report argues, "In the longer term, networked organizations will focus on the orchestration of tasks rather than the 'ownership' of workers' and advises executives to 'make the network the organization.'"

Open branding

In the spirit of transparency, design firm Continuum is partly revealing to the public its creative process. The specific challenge is to create a brand identity for the Design Museum Boston, a nomadic institution that exhibits mainly in the virtual space. For six weeks, Continuum is partnering with Core77 on a blog series that will reveal the firm's process and progress as it takes on the challenge. Readers are invited to comment but it is not quite clear to what degree they can influence the creative work. It's a non-commercial client and a low-risk project but in any case, making a creative project transparent – even somewhat haphazardly – is an interesting experiment that is worth following. The more radical experiment would of course be to put the creative control over a project fully in the hands of the "smart crowd" and have the creative team steered by a disperse group of "remote creative directors"- beyond just input comprising of insights and ideas. Other, more radical formats are imaginable: For example, sharing a company's entire communications (some, more or less tightly managed corporate Twitter accounts are in a way a precursor to this) with the public. This would be radical transparency indeed, and an experiment with unpredictable outcome – will the benefit of enabling reciprocal, collaborative relationships outweigh the risk of reputational landmines and IP violations? Is it IP, in the end, as proprietary "knowledge stocks" (*The Power of Pull*), that serves as a company's greatest asset or isn't it rather the ability to attract talent and grant access to knowledge and skills? There's another, softer benefit to it: Brand personality comes from being personal. The more transparent and the more vulnerable brands are, the more personal, they more authentic they will appear. Transparency is a prerequisite for authenticity – an unmasked and immediate act of communication.

Open social-capital enablers

Small, ad-hoc, start-ups are popping up that leverage the principles of self-organization, which Clay Shirky so aptly described in *Here Comes Everybody*, to rethink "capital" and reinvent human resources allocation in order to tackle global issues. Originated from the Sandbox network, an exclusive network of young innovators and entrepreneurs under 30, this movement calls itself "Emergent Transformation," and Max Marmer, one of its masterminds, writes on its group blog: "Lately we have been observing an accelerated movement of ventures that are revolutionizing how we take initiative on a global scale. They can be mostly found in the areas of education, innovation, collaboration, networks, entrepreneurship, and human development: spaces that most likely will dominate the future of value creation in our society. These ventures are leveling the global resource play, unleashing unused & undeveloped human capital and leading to a socioeconomic transformation." For example, there is Supercool School, an online school platform that strives to give people worldwide access to education by building a new global infrastructure of live online schools. Or Assetmap, an online platform that helps individuals discover and leverage resources directly from the community around them, using the methodology of Asset Based Community Development (ABCD). Max Marmer believes "One huge differentiator that sets these projects apart from almost all other organizations is their emphasis on 'human potential' or 'social capital,' rather than economic capital. The hope is that by creating a clearly defined space for these organizations to work in, there will be more opportunity to share this social capital, allowing them to achieve complimentary aspects of mutually shared visions. Their aspirations are tied to value creation, based on co-operative contribution, and will allow them to fulfill personal passions. Giving new meaning to their work, it's helping people lead happier lives."

Open conferences

Un-conferences are facilitated, face-to-face, participant-driven conferences centered on a specific theme or purpose. They are the antidote to the conventional conference format, radically disrupting the delineation between curator and attendees, speaker and audience. The attendees are the experts. Many organizations and groups have begun to use un-conferences to capture and externalize the full breadth of expertise assembled at conferences. Some conferences prefer to incorporate only some un-conference formats into their program – participant-driven sessions that are developed on site in real time.

Open conversations

Modernista did it. Skittles did it. And ad shop Crispin Porter + Bogusky did it. All of them use their corporate web sites as social hubs that curate what is being said about their brand rather than staging what their brand has to say. These efforts are attempts to at least co-opt the conversation on the Social Web before brand-specific aggregators could benefit from being parasites of the brand's social universe. In other words, what if a brand faced unexpected competition from a third-party site that provided a much more comprehensive and easier-to-access curation of Skittles conversations than the brand itself? Or if McDonalds suddenly saw itself confronted with a site aggregating blogs, videos, news, and tweets, all about but not by McDonalds? Think of this as the logical extension of the company profiles that already exist on LinkedIn and Glassdoor.com, which aggregate individual member data into a fairly transparent view of companies, including employee information, salary information, and recent news. Indeed, third-party brand curators might realize that brands live in the 'social commons,' and that whoever builds the right aggregation mechanism and establishes the most popular channels to reach a mass audience will "own" the branded conversation on the web. Take a look at how Get Satisfaction's "community-empowered customer support" plays this – it is not an uncontroversial model, but it is "designed for the loss of control (of brands)," enabling customer-to-customer service. You could also spin the idea of a "social homepage" a bit further and not only curate the social web conversation about your brand but actually give away your whole homepage to third parties and to public service announcements, stories, or art. Give up control – gain social currency.

Open HR

Of all critical business functions, HR might be the one with the greatest potential for innovation. With dynamic, quickly accessible expertise replacing static piles of proprietary knowledge, and companies moving from organization-centric to network-centric modi operandi, HR becomes a key enabler of assets through the nurturing of relationships, developing talent, and fostering a culture of openness and participation. This is not just pep talk but includes new tools and methodologies that radically alter the relationship between employee and firm. A recent study by Birkman International that surveyed nearly 20,000 HR professionals found that 83 percent of respondents see great potential in social media-based HR solutions, particularly when it comes to improving communication, learning, and knowledge sharing. Here at frog design, we have launched frogForward, an open-ended, conversational, and social performance management app that allows our employees to provide 360-degree feedback any time throughout the year (not just during review cycles). Goal-setting is entered as a stream, and the feedback – peer, managerial, and employee feedback – can be shared openly or privately. This new approach reflects the changing realities of work performance, from a task-driven control and coordination approach with quantifiable goals to a holistic view that is more situation-and context-aware, gives the employee significantly more control of the process, and considers intangibles such as tacit knowledge, social intelligence, and relationship-building. frogForward shares this approach with Rypple, an ad-hoc social network that provides simple, direct, anonymous, and ongoing customer and employee feedback.

All of these initiatives, whether they apply to brand, CRM, product development, R&D, customer service, or HR, exhibit some similar characteristics:

- easy access;
- Intelligence: open platforms that harness the creativity and expertise from people outside of the organization or untapped sources inside;
- open-ended formats that can evolve as the problem statement changes;
- ample room for participation and emergent self-organization;
- easy mechanisms for tinkering and hacking (e.g. through open-source formats);
- small formats that can be easily shared
- strong incentives (ideally intrinsic motivation or social currency);
- real-time visibility (through sharable content);
- tie-ins to dormant or active social networks;
- and distributed decision-making.

Openness as Permanent Crisis

There is another aspect to this: The most imminent and urgent manifestation of "loss of control" is of course a crisis. And in times where terrorism, financial downturns, natural disasters, as well as catastrophic events on the individual level are a steady companion to our societies and personal lives, designing for crisis has become a default skill, forcing designers to make contingency planning an integral part of the experiences they create. Often, this means developing exit scenarios that are flexible enough to provide a structure for emergent solutions in response to emergencies. (The notion that architects design spaces so they can be escaped from has been thoroughly examined by Stephan Trueby in his book *Exit-Architecture - Design Between War and Peace).* In other words: an easy way out. And in. Because exits are entry points as well. If you design ways *out* of the system, they might as well serve as ways *into* the system.

If you think about it, this insight may provoke a different notion of openness – understanding it as a system where exit and entry are identical. In this line of thinking, an ecosystem on the Social Web could be seen as a system in permanent crisis – it is always in flux, and its composition and value are constantly threatened by a multitude of forces, from the inside and the outside. What if we understood "designing for the loss of control" as designing for structures that are in a permanent crisis? Crises are essentially disruptions that shock the system. They are deviations from routines, and the very variance that the advocates of planning and programs (the "Push" model) so despise. At their own peril, because they fail to realize that variance is the mother of all meaning; it is variance that challenges the status quo, pulls people and their passions towards you, and propels innovation. "Designing for the loss of control" means designing for variance.

One system in permanent crisis that contains a high level of variance is WikiLeaks. The most remarkable thing about the site appears to

be the dichotomy between the uncompromised transparency it aims at and the radical secrecy it requires to do so. The same organization that depends on the loss of control for its content very much depends on a highly controlled environment to protect itself and keep operating effectively. But not just that: Ironically, secrecy is also a fundamental prerequisite for the appeal of WikiLeaks' "there are no secrets" claim. Simply put: there is no light without darkness. And there is no WikiLeaks without secrets.

Applied to systems and solutions design, this means that *total* openness is the antidote to openness. When everything is open, nothing is open. In order to design openness, one of the first decisions designers have to make is therefore to determine what needs to remain closed. This is a strategic task: making negative choices for positive effects. You need to build enough variance into a system to make it "flow" and yet retain *some* control over the underlying parameters (access, boundaries, authorship, participants, agenda, process, conversation, collaboration, documentation, etc.). Only if you maintain the fundamental ability to at least manage (and modify) the conditions for openness, will you be able to create it. To design for the loss of control, control the parameters that enable it. ■

BRIDGING THE VALUES GAP

By **Tim Leberecht**

The current economic crisis presents an opportunity to realign our collective moral compass. First, by understanding the values that underlie our economies. Second, by reconciling the agendas of business with the true needs of individuals.

Clearly, the bond between society and business is broken, and the legitimacy of companies is at a new low point. Movements such as Occupy Wall Street express a growing indignation over the disconnect between the perks for a few and the rights of many. When Harvard undergraduate students stage a walkout of an Economics 101 class in sympathy with the Occupy movement to protest the 'corporatization' of education, you know something is wrong. It is not just the redistribution of wealth that's being

The reality in many companies today is that there appears to be a gap between the articulation of lofty principles and their application, despite all the talk about purpose, social power, emotional engagement, and community-building.

scrutinized, however. What citizens, in the U.S. and elsewhere, demand are new, more collaborative and inclusive models of value creation that produce meaning as much as profits.

Many leading business thinkers, from Gary Hamel to Michael Porter are listening to this groundswell. Beyond conventional concepts of corporate social responsibility, the discourse has shifted to more fundamental questions that prompt us to rethink the very gestalt of the enterprise. Hamel proclaims the "reinvention of management" to make our organizations more human-oriented, Porter promotes the concept of "Shared Value," and Umair Haque heralds the "Meaning Organization." Rosabeth Moss Kanter, in a signature piece for a special issue of the Harvard Business Review on the 'Good Company,' makes the case for the enterprise as a "social institution" that thrives on a shared social purpose, a long-term view, emotional engagement of all stakeholders, community-building, innovation, and self-organization. In a similar vein, but at the macro-level, the economist Robert C. Solomon, in his book A Better Way to Think About Business – How Values Become Virtues, asserts that "Market systems are justified not because of efficiencies and profits, but because humans are first and foremost social and emotional beings, and markets provide a sympathetic community for social exchange."

And yet, the reality in many companies today is that there appears to be a gap between the articulation of lofty principles and their application, despite all the talk about purpose, social power, emotional engagement, and community-building. A 2010 survey by Deloitte showed that nearly half of the workers polled who plan to seek out a new job say they have been motivated by a loss of trust in their employer. Startlingly, 46 percent of those surveyed reported a lack of transparency in their current company's internal communications. Forty percent said they have been treated unethically by their employer.

It is important to understand the Values Gap, which manifests itself in several ways:

First of all, the high-level frameworks designed to support shared values at the corporate level (e.g. the Codes of Conduct crafted by most Fortune 500 companies) often fall short of being meaningful at the individual level. A recent study conducted by the Boston Research Group, surveying thousands of U.S. professionals across industries and hierarchy levels, found that 43% of them described their company culture as "based on command-and-control, top-down management, or leadership by coercion," and 54% as top-down, but with "skilled leadership, lots of rules, and a mix of carrots and sticks." Only a modest 3% believed their firm to have a culture of "self-governance," in which everyone is guided by a "set of core principles and values that inspire everyone to align around a company's mission."

But even if employees genuinely buy into the values of their company, self-governance remains challenging, since well-articulated and generally supported principles—from transparency to corporate social responsibility—are hard

to translate into day-to-day individual decision-making. The 'netizens,' or the digital generation of Millenials, in particular, are keen on doing 'good business,' but may be at odds with their managers, making it harder to practice universal moral principles in the workplace. A 2010 IBM study, for instance, found that young people born after 1980 found were 35 percent more likely than CEOs to include sustainability in their lists of top three leadership qualities.)

The good news is that the pervasiveness of social networks and micro-blogs, ubiquitous computing, and smart devices present a new opportunity to drive adoption of values-centered management. The transparency and reciprocity inherent in these social technologies have created new, innovative models of 'prosumption' (the consumer as producer) that can not only engage business professionals in a dialogue on values but also provide them with practical tools to make more values-based decisions every day. These tools can be software apps and services that take advantage of network effects, instant feedback, and peer pressure, as well as insights from behavioral economics and gaming to design compelling interactions and user experiences.

Think of a mobile app that uses real-time peer feedback from social networks to help business professionals resolve ethical dilemmas; an online portal serving as a repository of case studies tailored to users' respective business context; a web-based Happiness Index that measures the happiness and well-being of employees on a regular basis; a data visualization tool that illustrates the unintended consequences or the externalities of decisions at a global level; an augmented reality app that maps out and archives decision-making paths; a web service that personalizes a company's Code of Conduct, etc. If we can make the moral economy tangible for users, we can make it real.

Lastly, the most acute and possibly widening gap is between individuals and governmental institutions. People—and not only young people who grew up online—are adapting quickly to social technologies; think of Facebook's population, at more than 800 million to date, nearly

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triple that of the U.S. and rapidly approaching those of India or China. In a hyper-connected, trans-national world, people move faster than institutions, as we have witnessed in the Arab Spring and experience on the Social Web every day. Social power evolves into movements long before institutions decide where they want to move, and in the lack of action, activism is born.

The new social movements may be leaderless and have multiple and even conflicting agendas (see Occupy Wall Street) but it doesn't matter when the platform is the medium and social technology-enabled collective action, bottom-up, is driving radical, immediate change that can be aligned with a more succinct purpose later. The point at which agency becomes more important than agenda is the very point at which social power becomes stronger than institutional authority. This is a true leveling of the playing-field. As economist Bernard Lietaer pointed out in a recent talk at the Poptech conference: "In the information age, every country is developing. There are some who realize that and some who don't."

Those who do, trust the power of social technologies, the principles of self-governance, and the passions of entrepreneurs and other change-makers to restore trust in business and create the social capital we need for a new social covenant. Only if we move from a merely transactional to an interactional concept of business, will our economies produce the morale we need to live in connected, happy, and sustainable societies, and the Values Gap will come closer to closing. ■

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