

A HEURISTIC INQUIRY INTO A SUPPORT MODEL OF LEADERSHIP

by

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(Under the Direction of Jerry Gale)

ABSTRACT

Contemporary business organizations are demanding models of leadership congruent with a contextual shift in culture and values. Systems thinking lies at the heart of this shift and focuses the leadership lens on person-context relationships as the unit of analysis. This study is an exploration into the meaning of leadership for one corporate leadership team self-described as systemic in nature. A phenomenological research lens was selected as the method of inquiry, specifically, the heuristic method. This method brings to the forefront personal experience and insights of the researcher by asking the question: What is *my* experience of this phenomenon and the essential experience of others who also experience this phenomenon intensely? Heuristics is concerned with meanings, not with measurements; with essence, not appearance; with quality, not quantity; with experience, not behavior. Eight core themes emerged from the heuristic process. The first, Support, functions as the framework or overarching structure for the model. The second, Core-Team Evolution represents the movement of the support model through time. The remaining six, Vision, Ground, Self-Awareness, Team-Success, Challenge, and Validation explicate the support model itself.

INDEX WORDS: Family Therapy, Consultation, Organizational Leadership, Heuristic

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A Dissertation Submitted to the Graduate Faculty of The University of Georgia in Partial
Fulfillment of the Requirements for the Degree

DOCTOR OF PHILOSOPHY

ATHENS, GEORGIA

2003

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DEDICATION

To Kelly, for providing the most supportive, loving, and encouraging home that I have ever known. Without you, this work would not have been completed. And to Karsen, an unimaginable gift of inspiration!

ACKNOWLEDGEMENTS

Many wonderful people have contributed to the completion of this project. I would like to thank each of them. First and foremost, thanks to the co-researchers who participated in this study, Scott, Joe, Debbie, and Elizabeth. Thanks for candidly sharing your experiences and for allowing me to participate within such a supportive and committed team.

I thank my dissertation committee: Jerry Gale, Gene Brody, Andy Horne, and Mark Huber. Thanks for sticking around through all of my fits and starts. Thanks for your encouragement, responsiveness, persistence, and extreme accommodation. A special thanks to Connie Rash in the administrative offices of Child and Family Development. Connie is an angel, always willing to help in a moment of need, and there were many. I will remember your never ending enthusiasm and smiling face, thanks so much.

Thanks also to my friends and financiers, Bob McCarthy, John Horvath, the Gessners, and the Scotts. Without their encouragement and financial support this research would not have been possible.

Thanks to Toni Reed and Ed Schmookler, for their spiritual, psychological, and editorial support. Thanks for keeping me sane when I had other plans.

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CHAPTER 1

INTRODUCTION

The environment that businesses are now faced with is radically different from the one they were faced with less than twenty years ago. Words such as “turbulent,” “fast-paced,” “complex,” and “ever-changing” describe the workplaces of the new millennium. In order to survive, business organizations, like other systems, need to adapt to a changing world (Senge, 1990). Significant changes impacting today’s industries include expansion into global operations (van Bergeijk & Mensink, 1997), employees who work or travel abroad, increased competition (Perlow, 1995; Powell, 1998), a shift from a manufacturing to a service-oriented economy (Parasuraman & Greenhaus, 1997), as well as a greater reliance on rapidly changing technology.

At the same time, the intersection of work and family roles, such as the increasing prevalence of dual earner couples, the influx of women into the workforce, and family arrangements that deviate from traditional family-based roles have significantly affected how organizations relate to the workforce (Bailyn, 1993; Lee & Kanungo, 1984; Rodgers & Rodgers, 1989). Also, compounding these workforce demographic and gender-role changes are shifts in the value orientation of many employees. With the increasing toll of downsizing and the destruction of loyalty and lifetime employment, many employees are reevaluating their values and priorities. This shifting of values has been documented as increased expectations of self-fulfillment (Greenhaus & Beutell, 1985), a turning away from career striving as the dominant measure of individual success (Bailyn & Schein, 1976; Kanter, 1977b), family welfare becoming more important than work (Gutek, Searle, & Klepa, 1991; Wohl, 1997), and a greater interest in the quality of life (Zedeck, 1992) and quality of worklife (May, 1998).

Organizational theorists (e.g., Lewin, 1947; Kotter & Schlesinger, 1979; Tichy, 1983; Beckhard & Harris, 1987; Morgan, 1986; Mink, Esterhuysen, Mink, & Owen, 1993; Argyris & Schon, 1996; Pedler, Aspinwall, 1998; & Rathmill, 1999) have noted that a significant factor affecting organizational success is the ability to cope with and adjust to rapid and perpetual change. Increasing environmental complexity, dynamism, and uncertainty create pressures to develop more responsive and adaptive organizations. The literature on organizational change emphasizes the processes of internal and external assessment (e.g., Mink. et al., 1993), the development of appropriate strategies dependent upon that assessment (e.g., Kotter & Schlesinger, 1979), and the implementation of initiatives to enhance organizational functioning (e.g., Beckhard & Harris, 1987).

Throughout the past decade, a new understanding of the process of organizational change has emerged. This process is commonly referred to as “systems thinking.” At its broadest level, systems thinking encompasses a large and fairly amorphous body of concepts, methods, and tools, all oriented toward looking at the interrelatedness of forces and seeing them as part of a common process (Senge, 1994). Systems thinking crosses many disciplines and fields and includes cybernetics (Weiner, 1948; Becvar & Becvar, 1999; Bateson, 1972, 1979), general systems theory (Bertalanfy, 1968), and family systems theory (Bowen, 1966, 1978). All of these diverse approaches share the perspective that behavior of all systems follows certain common principles, the nature of which can be discovered and articulated.

This movement, both theoretically and in practice is a paradigmatic shift that demands a fundamentally new way of understanding and practicing leadership. It is a shift away from approaches that view organizations as distinct units constrained and determined by environment (Reed & Hughes, 1992) and toward theories that define organizations as unique, interrelated cultures with complex symbolic dimensions as

construed by their members (Turner, 1990). This different way of thinking does not view rationality and bureaucracy as the dominant elements for organizational structures, but rather, is built on the valuing of diversity and demand for flexibility. Fundamental to the success of these new organizations, which are built on systems thinking concepts, are leadership theories and practices that are congruent with emerging organizational forms.

Zacarro & Klimoski (2000) state that although leadership has been a major topic of research in psychology for almost a century and has spawned thousands of empirical and conceptual studies, this literature still appears disconnected and directionless. In their opinion, a major cause of this state of the field is that many of the studies of leadership are examined context free. Thus, these authors among others (Day & Lord, 1988; Hunt, 1991; Jacobs & Jaques, 1987; Katz & Kahn, 1978; Zaccaro, 1996; Wheatly, 1999), recommend a more situated approach that examines the contextualized influences of organizational leadership.

In her work *Leadership and the New Science* (1999), Wheatly frames the demand for new theories and practices of leadership under the rubric of a systems paradigm. Leadership, when viewed through a systemic lens, focuses on person-context relationships as the unit of analysis. It is how the person experiences and understands the work environment and the attributions that they make about the work environment that impacts the organizational system and their style of leadership. The leader and the organizational context, such as organizational structure, operational resources, and company values, and the relationship to outside influences like funding sources, market influences, and political climate, mutually influence one another in ways that result in qualitative changes in both leadership and the context.

When we view organizational systems from this perspective, we enter an entirely new landscape of connections, of phenomena that cannot be reduced to simple cause and effect, or explained by studying the parts as isolated contributors. We

move into a land where it becomes critical to sense the constant workings of dynamic processes, and then to notice how these processes materialize as visible behaviors and forms (Wheatly, 1999, p.10).

In concert, Kuhnert (2001) suggests a movement toward forms of knowledge based on non-rational, interrelatedness, and dedifferentiation. Clegg (1992) also challenges the entrenched rationalistic, deterministic, and bureaucratic view of organizations and replaces it with a concept of values-driven organizations characterized by flexibility and principles of interaction and synthesis. In line with Clegg, the recent confluence of events such as corporate restructuring, intensification of global competition, and a worldwide recession have required other leaders to rethink organizational forms and processes (Denard, 1997; Sennett, 1998). These emerging forms also call for new leadership and leaders who pursue an agenda more consistent with basic systemic concepts.

When applied to business organizations, systems thinking looks at the logical interrelatedness among jobs and tasks, assigning responsibility and demanding accountability on the basis of the “whole” rather than the parts of a job. Systemically oriented organizations also reward employees for flexibility and creativity in response to the rapidly changing environment in which they must operate (Kuhnert, 2001).

A systemic orientation may require leaders to base decisions on beliefs, values, and preferences. Systemic leaders will need a better understanding of the function of complex internal relationships among worker’s jobs, organizational units, and related organizations as well as the external relationships between the organization and its environment. Systemic leaders also must be able to manage flexibly and foster diversity and creativity among employees.

This study is an initial investigation into the experience and understanding of a corporate leadership team self-described as “systemic, value driven, and non-

hierarchical in nature.” These characteristics represent the new direction for organizational leadership for today’s corporations. The processes, experiences, and meanings gathered from the participants of such a leadership team will provide valuable information regarding new models of leadership congruent with evolving contextual demands. The overarching question guiding the study is: “How have you, as a leader and member of the *core team* of an organization that defines itself as systemic, value driven, and non-hierarchical, experienced and understood organizational leadership?”

I approach this study from a phenomenological perspective, using a heuristic method, in order that the experience of leadership by the “Core Team” is examined through the detailed descriptions of those participating in the study. This type of inquiry focuses on the self-descriptions of people’s experiences that are involved in the phenomenon under investigation (Patton, 1990). In addition, the heuristic method requires and validates the experience of the researcher as an active participant in the research process. The depth provided by a qualitative approach provides insight into the complexities and subtleties of the process of leadership. This approach may be particularly useful in humanizing the corporate environment where typical communication focuses on quantifiable measures of performance such as income statements and evaluations based upon profit and loss.

CHAPTER 2

REVIEW OF THE LITERATURE

This chapter presents literature that highlights concepts fundamental to organizational leadership and new models congruent with evolving contextual demands. It is beyond the purpose of the study to give an overview of the entire area of leadership, and it would divert attention from important areas such as utilizing systems concepts or the relationship between the shifting value orientation of employees and respective shifts in perceptions of leadership process.

The Paradigmatic Shift

The majority of literature on organizational leadership is filtered through the lens of organizational change. Kotter (1996) states, "...[B]y any objective measure, the amount of significant, often traumatic, change in organizations has grown tremendously over the past two decades" (p.3). It is evident to business practitioners and researchers that effective adaptation must occur if organizations are to thrive. What are not so evident are the forms that this adaptation will take.

Many researchers suggest that we are experiencing a paradigmatic shift in our fundamental way of understanding and practicing organizational leadership (Senge, 1990; Rost, 1993; Sims, 1997). It would be a mistake, however, to suggest that this shift resides solely in the domain of leadership; it does not. The construct of organizational leadership is embedded within a larger contextual shift in basic values. The values upon which our industrial era was based are changing radically, and those values are not the ones that support transformation in our post-industrial world.

Gozdz (2000) goes on to state, "It appears that in the West, our fundamental assumptions related to the nature of reality and the nature of humanity are undergoing a

transformation. . . . This evolutionary process is affecting our institutions, including business organizations. The role and shifts of paradigms in businesses are changing society both inside and outside the workplace” (p. 1262). He goes on to say, “[T]he world is undergoing transformation, and business organizations are caught in the turbulence of a change they are not able to control. The fundamental assumptions of our Western orthodox world view, on which our business institutions were founded, has proven inadequate to regulate either our society or our business institutions. New business structures are emerging” (Gozdz, p. 1262).

In their work contrasting individual psychology with systemic family therapy, Becvar & Becvar (1999) address this transformation in terms of a change in worldviews. They describe our Western epistemology as moving away from concepts such as linearity, subject/object dualism, either/or dichotomies, value-free science, determinism, laws and law-like external reality, historical focus, individualism, reductionism and absolutism toward a world view that embraces concepts like, reciprocal causality, holism, dialectical process, subjectivity, perception, freedom of choice, pattern, relational focus, context, and relativism. This paradigmatic shift lies at the heart of evolving models of organizational leadership.

What exactly does this shift look like in terms of organizations and organizational leadership? Becvar & Becvar’s description of values and assumptions that underlie this new worldview are surfacing in contemporary models of organizational leadership. To reiterate, reciprocal causality, holism, dialectical process, subjectivity, perception, freedom of choice, pattern, relational focus, context, and relativism are forming the new ground on which new models are being built. Business and leadership are becoming more aligned with “the deeper values which should and perhaps can be reflected in our lives: a sense of community and meaning, commitment to human growth, empowerment

that relies on both education and trust, service, and organizational structures that reflect order without the traditional hierarchical lines of authority (Fraker & Spears, 1996, p. xiii).

Historical Overview of Organizational Leadership

Surveying the history of research on the topic of organizational leadership one soon realizes that scholars and practitioners alike do not know with certainty what leadership is. There are as many definitions of leadership as there are people who define it. In an exhaustive review of organizational leadership literature, Rost (1993) is disturbed by the failure of scholars to develop an agreed-upon definition of leadership: "There are almost no arguments about definitions . . . [and there] have been no criteria established to evaluate definitions. Without a precise, accurate, and concise definition of leadership, neither the scholars nor the practitioners are able to label it correctly when they see it happening or when they engage in it. Without an agreed upon definition, all kinds of activities, processes, and persons are labeled as leadership by both scholars and practitioners. Finally, there is no possibility of framing a new paradigm of leadership if scholars and practitioners cannot articulate what it is they are studying and practicing" (p.6).

Related to the absence of an agreed upon definition of leadership is the fact that no one has presented an articulated school of leadership that integrates our understanding of leadership into a holistic framework. This does not mean, however, that there is no school of leadership. Rost (1993) believes that there has been a school of leadership in the literature since 1930 that has been hidden by the obvious confusion and chaos of the literature. A more penetrating analysis, one that looks under the surface for background assumptions and takes a more holistic view of the literature over the long haul, suggests that despite all the apparent confusion of the hundreds of definitions and dozens of models, leadership has consistently been understood since the 1930s as *good management*.

More than 130 books published in the 1980s reinforced the conventional, orthodox message that leadership is basically doing what the leader wants done. Rost (1993) identifies three common myths about leadership that exist within the idea of leadership as good management: 1) Leadership is being number one; leadership is producing excellence (note that this first myth can be viewed as underlying the “what kind of leaders lead great companies” approach to leadership studies); 2) leadership is a substitute word for a collective of leaders who are in office or the leaders in an administration; and 3) leadership implies one person directing other people. Leadership is equated with what one person *does to* a group of people who make up an organization. Rost states that all three of these meanings of leadership are legitimate uses of the term because they reflect the dominant characteristics of the industrial paradigm as people have experienced it for the past century or more. Being number one, putting top officials into a collective unit, and having one person in charge are how people have made sense of the world in the industrial era.

These notions of leadership are proving simplistic given the complex realities that leaders and followers face in their societies and organizations. Rost’s mythology of leadership makes sense when leadership is understood as good management. There is some consensus, however, among scholars that the concept of leadership as management is breaking down (Senge, 1990; Greenleaf, 1997; Graham, 1988).

Graham proposes that leadership is not the equivalent of office-holding or high prestige or authority or decision-making. It is not helpful to identify leadership with whatever is done by people in high places. The activities of contemporary leadership may or may not be engaged in by those who are formally in positions of authority. If it is in fact the case that leadership has consistently been defined as good management, then what is good management, and how do more contemporary definitions of leadership differ?

The Management Approach to Leadership

The management approach to leadership largely defines management in terms of what managers do (e.g., planning or motivation) to get a job done; however, since managers' behavior makes no sense without the behaviors of subordinates, it is also defined as a relationship. Management, according to Rost (1993) is "an authority relationship between at least one manager and one subordinate who coordinate their activities to produce and see particular goods and/or services" (p.145). Management scholars, therefore, approach the study of leadership in terms of a focus on one or more of three elements: characteristics of leaders, characteristics of subordinates, and characteristics of their relationship (Zacarro & Klimoski, 2001).

Most significant to point out is that leadership as management is composed of identifiable elements: 1) management is an authority relationship, 2) the people in this relationship include at least one manager and one subordinate, 3) the manager(s) and subordinate(s) coordinate their activities, 4) the manager(s) and subordinate(s) produce and sell particular goods and/or services. The first element of this definition (authority) is the central difference between management as leadership and more contemporary models of leadership.

The management relationship is based upon authority, and authority, at least in organizations, is a contractual (written, spoken, or implied) relationship wherein people accept superordinate or subordinate responsibilities in an organization. "By its very nature," Rost points out, "authority includes the use of both coercive and noncoercive actions. The contract allows managers to tell the subordinates what to do, and some of this telling is coercive" (p.146).

Telling someone what to do because one has the right to expect compliance does not fit definitions congruent with emerging values. Management as an authority relationship implies a hierarchical, top-down relationship where the person at the top has

the power to withhold goods or inflict punishment if the orders are not carried out.

Leadership as manifested in emerging models has more to do with influence, implying persuasion and voluntary cooperation.

Systemic Models of Leadership

Newly emerging definitions of leadership are comprised of many “systemic elements” described earlier. Central aspects of this evolving definition of leadership includes moving away from linear and mechanistic views of the world to a perspective of the world as nonlinear and organic, characterized by uncertainty and unpredictability (Regine & Lewis, 2000). Classical science seeks order and stability, but systems theorists see nature as too dynamic, unstable, unpredictable, and complexly stable to be described with such simple models (Prigogine, 1997). Instead, systems theory encourages us to see organizations as complex adaptive systems composed of a diversity of agents who interact with one another, mutually affect one another, and in doing so generate novel behavior for the system as a whole (Marion, 1999; Regine & Lewin, 2000).

Rost (1993) cites four primary components that make up contemporary definitions of leadership. First, the relationship is based on influence. Leadership is a relationship based on influence, and influence is “defined as using persuasion to have an impact on other people in the relationship. Leadership as an influence relationship has two primary characteristics: (a) it is multidirectional (reciprocal, mutual, dialectical), in that influence flows in all directions and not just from the top down; and (b) it is non-coercive, meaning that it is not based on authority, power, or dictatorial actions but instead is based on persuasive behaviors, thus allowing anyone in the relationship to freely agree or disagree and ultimately to drop into or out of the relationship

Second, leaders and followers are the people in the relationship. Rost distinguishes between leaders and followers in his conceptualization of leadership

because, as he puts it, “leadership is a relationship and leaders must interact with other people. If all the people with whom the leaders interact were other leaders, leadership as a meaningful construct would not make much sense” (p.108). It is theoretically impossible for everyone to be a leader in each of his/her influence relationships, and even if it were possible given what we know of humanity from past experience, it is highly unlikely.

Leadership scholars acknowledge that the notion of *followers* can be problematic. The issue is not with the word but with the passive meaning given to the concept by people who lived and worked in the industrial era. Followers, as a concept, connoted a group of people who were willing to let other people (the elites) take control of their lives and were more or less unproductive unless directed by others. In the leadership literature since the 1930s, followers were considered to be subordinates who were submissive and passive, and leaders were considered to be managers who were directive and active. In the post-industrial frame only people who are active in the leadership process are followers. Passive people are not in relationship. They have chosen not to be involved. Therefore, they cannot have influence.

Third, leaders and followers intend real changes. According to Rost (1993), for example, the most important element of leaders is the ability to introduce change. Leaders and followers get together to accomplish something, to effect a change in the present situation. “Intend” in this context means that the changes are purposeful and are in the future. The intention is in the present, and the leaders and followers give solid evidence of their intention by their words and actions. The intention is part of the glue that holds the relationship together. “Real “ means that the leaders and followers intend changes in people’s lives, attitudes, behaviors, and basic assumptions, as well as in the groups, organizations, societies, and civilizations they are trying to lead.

Because change is the most distinguishing element of leadership it must be substantial in order to maintain the integrity of the word; otherwise, people cannot possibly distinguish leadership from other social processes. It is also important to make clear that because the post-industrial school of leadership is process oriented and not product oriented, to be leadership, the intention to change is all that is required. The focus is on the process, not the outcome. Leadership does not require the leaders and followers to accomplish the changes. Leaders and followers can fail to achieve real changes and still be in a leadership relationship.

Fourth, leaders and followers develop mutual purposes. What leaders and followers want to accomplish must be mutual, and if the purposes are mutual, the changes cannot reflect only what the leaders want or only what the followers want. They must reflect what the leaders and followers have come to understand *from numerous interactions* as the *mutual purposes* of the leaders and followers. Selection of the word purpose in contrast to goal suggests a broader, more holistic and integrated concept, more oriented to what people ordinarily think of as a vision or mission. Mutuality steers away from the elements of hierarchy and coercion that can exist in outdated conceptions of leadership. Mutual purposes are common purposes directing the focus of leadership toward community.

To summarize, both management and leadership require a relationship between people and are defined in terms of the relationship and what the people in the relationship intend to accomplish. Distinguishing management from leadership becomes relatively straightforward, 1) leadership is an influence relationship versus an authority relationship, 2) participants are leaders and followers versus managers and subordinates, 3) leadership relationships intend real change versus produce and sell products or services, 4) leadership relationships are organized by mutual purposes vs. coordinated activities.

Team Leadership

Effective team performance derives from several fundamental characteristics (Zacarro & Klimoski, in press). First, team members need to successfully integrate their individual actions. They have specific and unique roles where the performance of each role contributes to collaborative success. This means that the causes of team failure may reside not only in member inability, but also in their collective failure to coordinate and synchronize their individual contributions. Team processes become critical determinants of team performance and often mediate the influences of most other contextual variables.

Second, teams are increasingly required to perform in complex and dynamic environments. This characteristic applies particularly to organizational teams, especially to top leadership teams (Zacarro, Rittman, & Marks, 2001). The operating environment for today's organizational teams features multiple stakeholders with sometimes clashing agendas, high information load, dynamic situational contingencies, and increased tempo of change. These performance requirements heighten the need for member coordination. Further, because of the greater rate of change in today's environment, team members need to operate more adaptively when coordinating their actions.

Third, most teams contain certain individuals who are primarily responsible for defining team goals and for developing and structuring the team to accomplish these missions. These roles exist even in self-managing teams (Nygren & Levine, 1996), although the conduct of leadership roles in such teams varies considerably from similar roles in more traditional teams. However, the success of the leader in defining team directions and organizing the team to maximize progress along such directions contributes significantly to team effectiveness. Indeed, I would argue that effective leadership processes represent the most critical factor in the success of organizational teams.

Despite the ubiquity of leadership influences on organizational team performance, and despite large literatures on both leadership (Bass, 1990; Yukl, 2002) and team / group dynamics (Forsyth, 1999; McGrath, 1994), we know surprisingly little about how leaders create and manage effective teams. Previous leadership theories have tended to focus on how leaders influence collections of subordinates, without attending to how leadership fosters the integration of subordinate actions (i.e., how leaders promote team processes). Path-goal theory, for example, represents an excellent example of leadership influences on subordinate outcomes. However, it specifies the leader's role in creating performance expectancies and valences for individual subordinates (House & Mitchell, 1974) or in developing and maintaining effective team interaction and integration.

Most leadership theories that mention team processes treat them as moderators that indicate what leadership behaviors are most appropriate or effective in particular circumstances (E.g., Fiedler, 1964; Kerr & Jamier, 1978; Kerr, Schriesheim, Murphy, & Stogdill, 1974). Accordingly, Hackman and Walton (1986) noted, "...[W]e have not found among existing leadership theories one that deals to our satisfaction with the leadership of *task-performing groups in organizations*" (p. 73). Kozlowski, Gully, Salas, and Cannon-Bowers (1996) also stated, "Although there are substantial literatures in both [the team development and leadership] areas (e.g., Levine & Moreland, 1990; Yukl & Van Fleet, 1992), existing models are limited in their ability to provide prescriptions to guide team leadership and to enhance team development" (p. 255).

Alternatively, few team performance models specify leadership processes as central drivers of team processes (e.g., Hirokawa, 1980; McGrath, 1991). Thus, in summarizing future research needs on team performance, McIntyre and Salas (1995) raised some critical questions related to the behaviors that define effective team leadership and corresponding knowledge, skills, abilities, and other characteristics that

enable such behaviors. These observations point to the need for conceptual models of collective performance that integrate both leadership influences and team dynamics.

In the light of the existing literature on team leadership, the theme team-success offers considerable promise through the identification of processes contributing to effective leadership-team performance (McIntyre and Salas, 1995). McGrath (1991) specifically calls for the discovery of processes that drive team-leadership performance.

Community-Based Leadership

A number of other researchers are also reformulating their conceptualizations of leadership. Kouzes and Posner (2002) state that the dominant metaphor of our time is still the hierarchy, organized by rank and authority. This message is reinforced whenever people refer to each other as “bosses” or “subordinates”. Using the words boss and subordinate daily continuously reinforces a top-down, rank-order, superior-inferior, us versus them, management versus labor relationship. These authors suggest that this dominant organizational metaphor in history, myth, legend, and management textbook will not serve us well for much longer. Their research shows that constituents are very disappointed in their leaders these days and are increasingly unwilling to accept the superior-subordinate relationship.

The authors go on to state that the new metaphor, which should shape the conception of work relationships, is “community.” In a productive work community, the authors say, where people are contributing members and professionals, leaders serve the people’s needs and interests, and they are servers, supporters, partners, and providers. Their research finds that people want leaders who hold an ethic of service and are genuinely respectful of the intelligence and contributions of their constituents. They want leaders who will put principles ahead of politics and other people ahead of self-interest.

Servant-Based Leadership

Extending the metaphor of community, Freiberg and Freiberg (1996) talk about the concept of service or servant leadership. This conceptualization fits well with the other definitions discussed here. The notion of servant leadership is clearly connected to the transformation of ideas and values occurring in our time. Greenleaf (1977) initially framed servant leadership within humanity's shifting understanding of authority: "A fresh critical look is being taken at the issues of power and authority, and people are beginning to learn, however haltingly, to relate to one another in less coercive and more creatively supporting ways (pp. 9-10). Greenleaf goes on to state that a new moral principle is emerging which holds that the only authority deserving one's allegiance is that which is freely and knowingly granted by the led to the leader in response to, and in proportion to, the clearly evident servant stature of the leader. Those who choose to follow this principle will not casually accept the authority of existing institutions. Rather, they will freely respond only to individuals who are chosen as leaders because they are proven and trusted servants.

Sims (1997) based many of the ideas in his book *Servanthood* on Greenleaf's work and tells us

"...[S]ervanthood is the name for the quality of leadership that is needed to secure the world as we move into the third millennium. Servant power functions as a two-way exchange, never as subjugating dominance; it not only influences others, but is also open to influence. Servanthood acknowledges and respects the freedom of another and seeks to enhance the other's capacity to make a difference. Whenever such leadership is exercised—at home, at work, in business and the church, in the classroom and throughout the world—it can result in an astonishing increase in zest, creativity, productivity and best of all, in bonding people onto communities of caring" (pp. ix-x).

In a study comparing 21 “derailed” executives with 20 who had “arrived,” Sims (1997) found that those who had arrived had certain qualities and skills that the others did not. These skills and qualities are: 1) sensitivity to others, 2) personal warmth and availability, 3) integrity, 4) loyalty, 5) superior overall performance, 6) ability to delegate, 7) the ability to build relationships, 8) ability to think strategically, 9) ability to adapt to superiors, and 10) independence of spirit. Sims does not describe each quality in detail; rather, he notes that only two of the attributes are what might be called “executive job skills” with direct application to success in business (numbers 5 and 8). Some of the attributes are more relational than others, but all represent spiritual, emotional, and intellectual skills in using power for participation—that is, in a collaborative or “looping” mode as opposed to the use of power in a competitive top-down or linear mode.

Sims goes on to state that the emphasis on relationships in business squares with the slow recovery in our time of the “perennial wisdom” that understands the universe as a network of interconnectedness; in other words, reality is relational, not mechanical. Sims believes that at its deepest level, leadership is a matter of spirit, of loving one’s people, not mastering them.

Emotional Intelligence and Leadership

Another relationally relevant concept that needs to be addressed in the context of community is that of emotion and its relationship to organizational leadership. Although it is being examined from various perspectives, primarily via its impact on cognitive functioning (Walsh, 1995; Parkinson, 1995; Williams, Watts, MacLeod, & Mathews, 1997; Daniels, 1998), emotionality in the workplace has been advanced primarily through the concept of emotional intelligence. Emotional intelligence derived from the concept of “social intelligence,” originally defined as the “ability to understand and manage people” (Thorndike & Stein, 1937, p. 235). The term “emotional intelligence,” or “EI,” was originated by co-researchers Jack Mayer, Ph.D., and Peter Salovey, Ph.D.

(1990, 1993, 1995, 1997) and has been popularized through the research and writings of Daniel Goleman (1995, 1998a, 1998b).

The five components of emotional intelligence include skills such as self-awareness, self-regulation, motivation, empathy, and social skill (Goleman, 1998a). A Consortium for Research on Emotional Intelligence has been established at Rutgers University Graduate School of Applied Psychology to further investigate the concept. Recent findings applicable to organizational leadership demonstrate that emotional intelligence plays an increasingly important role at the highest levels of an organization where differences in technical skill are of negligible importance. When elite performers were compared with average ones in senior leadership positions, nearly 90% of the difference in their profiles was attributable to emotional intelligence factors rather than cognitive abilities (Goleman, 1998).

Other researchers have confirmed that emotional intelligence not only distinguishes outstanding leaders but can also be linked to strong performance (Martinez, 1997; Tynan, 1999). Goleman (1998) states that when correlated with performance, IQ accounts for as little as 4-10 percent and “in comparisons of emotional intelligence, IQ and technical capability, emotional intelligence proved to be twice as important as the others for jobs at all levels” (Goleman, 1998b, p.94). His conclusion was based on the perspective that promotional criteria focused on technical skills can lead to success for individual contributors, but the competencies needed to influence and inspire others may be key to reaching collective, organizational objectives.

In the most recent research on the impact of emotion and leadership on organizational function (Boyatzis, Goleman, & McKee, 2002), the researchers found that the leader’s mood and behaviors drive the moods and behaviors of everyone else in the organization. Their findings suggest an overwhelming impact of the leader’s “emotional style,” as they call it, upon the creation and maintenance of the respective culture or

work environment. The research showed that high levels of emotional intelligence create climates in which information sharing, trust, healthy risk-taking, and learning flourish. Low levels of emotional intelligence create climates rife with fear and anxiety. Because tense or frightened employees can be very productive in the short-term, their organizations may post good results, but they rarely last.

This study also looked at how emotional intelligence drives performance, more specifically, how it travels from the leader through the organization to bottom-line results. These researchers found the answer in the latest neurological and psychological research. The reason a leader's style—not just what he does, but how he does it—matters so much lies in the design of the human brain: what scientists call the open-loop nature of the limbic system, our emotional centers. An open-loop system depends largely upon external sources to manage itself. In other words, people rely on connections with other people for their own emotional stability.

Lewis, Amini, and Lannon (2000) describe the open-loop as “interpersonal limbic regulation,” whereby one person transmits signals that can alter hormone levels, cardiovascular function, sleep rhythms, and even immune function inside the body of another. Kelly and Barsade (2001) conducted a study at the Yale School of Management and found that people in work groups inevitably “catch” feelings from one another, sharing everything from jealousy and envy to angst and euphoria. The more cohesive the group, the stronger the sharing of moods, emotional history, and even so-called “hot buttons.” This concept of emotional contagion moves us into the realm of “emotional systems.”

Emotional Systems Theory

The study of emotion and its role in organizational leadership has been extended into the realm of systems thinking primarily through the ideas of Murray Bowen. Bowen family systems theory conceptualizes human functioning in terms of *emotional systems*.

Bowen theory views “human systems” as emotional units, as a network of interlocking relationships. These interlocking relationships, which are assumed to be governed by the same counterbalancing life forces that operate in all natural systems, are seen to have enormous impact on the thinking, feelings, and behavior of each family member. Each person is not viewed as an autonomous psychological entity, but, instead, is strongly influenced by the organizational relationship system.

Of the various systems theories that have been applied to human functioning, Bowen theory is not only *descriptive* of functioning, but accounts for what is occurring, for what *drives* the system. Bowen makes a distinction between the relationship system and the family emotional system. The relationship system describes what is happening, while the emotional system explains why it is happening.

Bowen family systems theory was derived from the direct study of one type of natural system, the human family. Bowen’s concepts were developed from the direct study of relationships and pertain to relationships. The psychology of the individual is not ignored, but instead is simply placed in a larger context. It is this integration of intrapsychic, relational, and emotional processes that is most appealing about the expansion of the theory from families into business organizations. This expansion could potentially serve as a turning point for understanding human behavior in organizational contexts.

Additional contributions include *The Evaluation and Treatment of Marital Conflict* (Guerin, Fay, Burden, & Kautto, 1987); *Genograms and Family Assessment* (McGoldrick, 1985); and *Generation to Generation: Family Process in Church and Synagogue* (Friedman, 1985), which applies Bowen theory to work systems and the interconnection between work systems and family systems.

In order to further this connection, the Georgetown University Family Center published *Understanding Organizations: Applications of Bowen Family Systems Theory*

(1982) and *The Emotional Side of Organizations: Applications of Bowen Theory* (1995), representing a long-standing interest in developing and applying family systems theory in the workplace. The papers and studies presented in these two works constitute the largest body of literature dedicated to expanding Bowen Theory in the workplace.

Thirty-seven papers comprise the two books. They are organized into seven sections: "Theoretical Considerations," "The Organization as an Emotional System," "Human Social Systems," "Defining a Self within Social Systems," "Case Studies," "Practitioners," and "Nonhuman Social Systems." Three articles address the concept of leadership, each from a Bowen family systems perspective. None of the three is presented as formal research studies, as they are written from a practical, experiential, or clinical perspective. The articles basically conclude that the concept of leadership from a Bowen systems perspective can only be understood in the context of emotional systems.

Leaders emerge in these systems largely as a result of their "level of differentiation," theoretically, representing the balance between two forces, the force to be an individual and the force to be part of the group (Bowen, 1978):

Effective leadership is practiced when one can find an organizational leader with the courage to define self, who is as invested in the welfare of the organization as in self, who is neither angry nor dogmatic, whose energy goes to changing self rather than telling others what they should do, who can know and respect the multiple opinions of others, who can modify self in response to the strengths of the group, and who is not influenced by the irresponsible opinions of others. . . .

An organizational leader is beyond the popular notion of power. A responsible organizational leader automatically generates mature leadership qualities in other members (adapted from Kerr & Bowen 1988, pp. 342-43). Bowen concepts of

differentiation, systemic anxiety, emotional reactivity, and triangulation are emerging as legitimate areas for exploration beyond the family system.

Research Direction

Three propositions set the stage for expanding the study of systemic approaches to leadership. First, rational models of leadership must be complemented with non-rational models. This proposition has to do with traditional notions of power, authority, and organizational hierarchy. Organizational theories of leadership have tended to focus solely on those individuals, who by the nature of their position in the hierarchy of the organization hold positions of power (Landy, 1989). There is a growing recognition that not all leaders hold bureaucratic authority, and individuals with such authority are not necessarily leaders. In contemporary organizations where work is less differentiated and structures are more flexible, more workers will hold authority and the bureaucratic structure will be less useful in identifying the positions of true leaders.

Second, leadership is fundamentally about human values. There is a growing body of research that shows that some leaders lead through an appeal to shared beliefs and values. Traditional approaches to leadership often assume that leaders are antecedent and independent of their followers and that individuals are primarily self-interested and motivated by their own perceptions of what is good. Similarly, modern theories of decision making have assumed that leaders consciously and logically think through the causes of problems, the available alternatives for solving problems, criteria for choosing among alternatives, and the plans for which the chosen alternatives will be implemented (Vaill, 1992). There is also overwhelming evidence to suggest that leaders do not make decisions through logical analysis. Russell and Kuhnert (1992) and Goleman (1998, 2000) propose that researchers pursue the study of emotions and personal values rather than focus on skills and task performance.

Third, searching for a single cause or a single model of leadership does more harm than good. Marshall Sashkin (1989) suggests that the leader's personal characteristics, behaviors, and situation be considered simultaneously. This approach requires contextual variables such as the company's developmental stage, capital resource base, relations with the board of directors, etc., be taken into consideration when evaluating leadership practice and process.

The above stated propositions set the stage for reframing our conceptualizations and study of organizational leadership. These propositions tie directly into the questions that drive this investigation. First, within a contemporary leadership team, how do the leaders define/experience "leadership?" Second, what are the shared values of a contemporary leadership team, and how do these values fit into the leadership process? Third, what are the contextual factors that impact the leadership process? Systems researchers (Hunt & Ropo, in press) suggest that such complex dynamics can be studied with phenomenological procedures.

I have chosen a form of phenomenological inquiry known as heuristics as the method for this study. Heuristic inquiry seeks answers to the question, "What is *my* experience of this phenomenon and the essential experience of others who also experience this phenomenon intensely" (Patton, 1990).

CHAPTER 3

METHOD

This study is an initial heuristic investigation into the experience and understanding of a corporate leadership team self-described as “systemic, value driven, and non-hierarchical in nature.” These characteristics represent the new direction for organizational leadership for today’s corporations. The processes, experiences, and meanings gathered from the participants of such a leadership team will provide valuable information regarding new models of leadership congruent with evolving contextual demands.

The Self of the Researcher

The purpose for this research evolved from a combination of professional and academic interests. My academic, clinical, and philosophic orientations are rooted in variations of systems thinking and have been, for the most part, practiced in clinical settings. Over the past five years my interest and practice have migrated into more overtly corporate contexts. The thinking has remained relatively the same, but the context has changed dramatically.

I am including a fairly extensive description of my developmental migration from family systems theorist and therapist to human systems business consultant for two primary reasons: first, it sets the context in which the research occurred, and second, it is the *reason* for the research. Let me begin by stating that for a period of eight years prior to receiving a M.Ed./Ed. S. in Marriage and Family Therapy in 1989, I had been employed in a corporate role with the Chart House Restaurant Corporation. This exposure to and interest in the dynamics of corporate culture would re-emerge in the new light of my continued educational pursuits.

When family systems theories were formally introduced to me in my masters program, a light bulb went off in my head: “So this is *the way* I have been seeing all along.” I had innately understood these epistemologies, however, I did not have the cognitive map or the language to express them. I immersed myself in the myriad of family theories throughout both my master’s and doctoral programs. Upon admission to Ph.D. candidacy, I embarked upon an internship at Summit Medical Center, working with families of chemically dependent persons. Utilizing family systems theory I worked for four years as a family therapy intern in this medical setting.

My exposure and interest, however, was not exclusively focused on the client population. The corporate structure of the hospital at the time of my internship, was in a state of transition and crisis. My department was experiencing two huge changes: first, we were moving from a medically oriented “dual diagnostic facility” to a less intensive “12-step-based recovery model,” and second, the entire hospital was undergoing drastic budget reductions and no department was spared. These changes generated significant anxiety and concern among staff members on every level.

To assist in this process, the hospital brought in an “expert corporate consultant” to oversee the transition. His title was “Clinical Director.” Ultimately, it was revealed that his role existed largely to assist in the generation of additional revenue, not to assist with the internal direction or management of the clinic, as the staff had assumed. Being an intern, I was not much concerned for my position and was therefore able to gain a degree of objectivity from which to observe the transition. I could not help thinking that this consultant understood not one aspect of the principles that underlie systems organization, especially where emotion was at issue. It was in that moment that the idea of extending family systems theory and practice into corporate America was born.

I began the process of redefining family systems concepts in the context of business relationships. I immersed myself in literature on the topic and sought out

practitioners who shared similar perspectives. Eventually, I created “Human Systems Consulting” in 2001, and began marketing my skills as a “human systems consultant.” I have since found that there is a real need in corporate contexts for the knowledge and expertise possessed by well-trained family systems therapists. It is in this light that this study has emerged, and it is my hope that the connection between family systems theory and corporate business contexts will inspire further research and practice, ultimately creating healthier lives for organizations and employees.

In addition and generally speaking, for the purpose of this study it is important to elucidate the nature of my assumptions that formulate and guide the direction of this research:

- Cosmological assumptions – These are grounded in the understanding of the universe as a totality such that everything is connected to everything else. Parts can only be understood in context.
- Ontological assumptions – The essence of nature and human nature. Behavior is intentional and creative. It can be explained but not necessarily predicted. People shape their own reality.
- Epistemological assumptions – Knowledge arises from interpretation and insight; it is contextual, a symbolic/social construction. Phenomena can be explained and their meaning for people uncovered. In terms of research, knowledge arises from empathetic communication with co-researchers.
- Ethical assumptions – Values are the subject of research, not separate from research. My position on morals and ethics is relativistic; the criteria for judgment varies with regard to individuals and environments.
- Spiritual assumptions – Such beliefs are important in the social construction of meaning; I believe in relativism here, also.

These assumptions about the universe, human nature, the nature of knowledge, ethics and morality, and spirituality strongly influence the nature and direction of this research. They form the lenses through which this research is filtered and therefore need to be considered when interpreting this inquiry.

Heuristic Research

“Heuristic” in this usage simply means any problem-solving strategy that appears likely to lead to relevant, reliable, and useful information (Tyson, 1995). This approach to research is consistent with mainstream contemporary philosophy of science, which has been accepted by the social sciences (see Bhaskar, 1978; Bixstein, 1976; Blalock, 1979; Bronfenbrenner, 1977; Campbell, 1975; Iser, 1975; Cronbach, 1975, 1986; Mishler, 1979; Nobel, 1974; Oldman, 1981; Rubenstein, 1984; Rychlak, 1980; Schultz, 1971).

The notion of a “heuristic” was introduced into the philosophy of science by Nobel Laureate Herbert Simon (1966). “A heuristic is a problem solving strategy whose goal is utility rather than certainty” (p. 224). The heuristic researcher takes the realistic view that much of the phenomenon of life are too complex, interactive, and perceiver-dependent to lend themselves to comprehensive analysis and exact solutions.

The heuristic method, as developed by Moustakas (1990), is a form of phenomenological inquiry that brings to the fore personal experience and insights of the researcher (Patton, 1990). Heuristic inquiry asks: “What is *my* experience of this phenomenon and the essential experience of others who also experience this phenomenon intensely?” There are two narrowing elements of heuristic inquiry within the larger framework of phenomenology. First, the researcher must have personal experience with and intense interest in the phenomenon under investigation). Second, others (core searchers) who are part of the study must share an intensity of experience with the phenomenon (Moustakas, 990). “Heuristics is concerned with meanings, not

with measurements; with essence, not appearance; with quality, not quantity; with experience, not behavior” (Douglas & Moustakas, 1984, p. 42).

The uniqueness of the heuristic method is the extent to which it legitimizes and places at the forefront the personal experiences, reflections, and insights of the researcher. The researcher, then, comes to understand the essence of the phenomenon through shared reflection and inquiry with core searchers. A sense of connectedness develops between researcher and research participants in their mutual efforts to elucidate the nature, meaning, and essence of a significant human experience (Patton, 1990).

Heuristic Concepts and Processes

Heuristic method is a way of engaging in scientific search through methods and processes aimed at discovery. It is rooted in self-inquiry and dialogue with others with the goal of finding the underlying meanings of important human experiences. Moustakas (1990) believes that the deepest currents of meaning and knowledge take place within the individual through one’s senses, perceptions, beliefs, and judgments. This requires a passionate, disciplined commitment to remain with a question intensely and continuously until it is illuminated or answered. An overview of the central concepts of heuristic inquiry follows.

The first primary concept of heuristic research is *identifying with the focus of inquiry*. Through exploratory open-ended, self-directed search, and immersion in active experience, one is able to get inside the question, become one with it, and thus achieve an understanding of it. Salk (1983) has called this kind of identification with the focus of the investigation “the inverted perspective.” This perspective, in essence, is putting oneself in the position of the phenomenon under investigation.

From this perspective, the second primary concept emerges, *self-dialogue*. The researcher enters into an internal dialogue with the phenomenon under investigation.

Moustakas (1990) states, "...[S]elf-dialogue is the critical beginning; the recognition that if one is going to be able to discover the constituents and qualities that make up an experience, one must begin with oneself." The researcher's own self-discoveries, awarenesses, and understandings are the initial steps in the process. Preliminary awareness of one's own knowledge and experience of a significant issue, challenge, or problem enables one to begin a study of the question or problem. As the inquiry expands, such self-knowledge enables one to develop the ability and skill to understand through the eyes and voices of others.

The third concept is termed *tacit knowing* and underlies all other concepts in heuristic research. Polanyi (1983) has stated that all knowledge consists or is rooted in acts of comprehension that are made possible through tacit knowing: "We can know more than we can tell Take an example. We know a person's face, and can recognize it among a million. Yet we usually cannot tell how we recognize a face we know . . . this knowledge cannot be put into words" (p. 4). Such knowledge is possible through a tacit capacity that allows one to sense the unity or wholeness of something from an understanding of the individual qualities or parts. Polanyi (1964) breaks tacit knowing into two elements, subsidiary and focal. Subsidiary elements of knowing are those that attract immediate attention, they are elements of perception that enter our conscious awareness; they are visible and can be described. Focal elements of knowing, otherwise known as "implicit" or "subliminal," on the other hand, are the unseen and invisible aspects of an experience that enable a sense of wholeness,. These two dimensions of knowing combine to enable a sense of unity, integration, and wholeness. Tacit knowing is a basic capacity of the self of the researcher and gives birth to the hunches and vague, formless insights that characterize heuristic discovery (Douglas & Moustakas, 1985).

Intuition is the fourth central concept in heuristic research. From the tacit dimension, a kind of bridge is formed between the implicit knowledge inherent in the tacit and the explicit knowledge that is observable and describable. The bridge between the explicit and the tacit is the realm of the between, or the intuitive. “While the tacit is pure mystery in its focal nature—ineffable and unspecifiable—in the intuitive process one draws on clues; one senses a pattern or underlying condition that enables one to imagine and then characterize the reality, state of mind, or condition” (Moustakas, 1990, p.23).

Intuition makes possible the perceiving of things as wholes. For example, one can view a tree from many angles, sides, front, and back; but one cannot see a whole tree. The whole tree must be intuited from the clues that are provided by careful observation, experience, and connecting the part and subtleties of the tree into patterns and relationships that ultimately enable an intuitive knowing of the tree as a whole. Every act of achieving integration, unity, or wholeness of anything requires intuition. At every step along the way, the heuristic researcher exercises intuitive clues and make necessary shifts in method, procedure, direction, and understanding that will add depth, substance, and essential meanings to the discovery process.

The fifth central concept of heuristic research is termed *indwelling*, referring to the process of turning inward to seek a deeper, more extended comprehension of the nature or meaning of a quality or theme of human experience. In order to understand something fully, one dwells inside the subsidiary and focal factors to draw from them every possible nuance, texture, fact, and meaning. Throughout a heuristic inquiry, indwelling is an essential process, particularly in the elucidation of the parameters and details of the experience.

The sixth and final essential concept in the heuristic process is that of *focusing*. The steps of focusing as used in heuristic research include the clearing of an inward

space to enable one to tap into thoughts and feelings that are essential to clarifying a question, getting a handle on the question, elucidating its constituents, making contact with core themes, and explicating the themes. Focusing facilitates a relaxed and receptive state, enables perceptions and senses to achieve more definitive clarification, taps into the essence of what matters, and sets aside peripheral qualities or feelings.

The glue of the heuristic research process is the *internal frame of reference*.

Whether knowledge is derived at through tacit, intuitive, or observed phenomena; whether the knowledge is deepened and extended through indwelling, focusing, self-searching, or dialogue with others, its medium or base is the internal frame of reference. Moustakas (1990) states that only the experiencing persons, by looking at their own experiences in perceptions, thoughts, feelings, and sense can validly provide portrayals of the experience. If one is to know and understand another's experience, one must converse directly with the person. One must encourage the other to express, explore, and explicate the meanings that are within his or her experience. One must create an atmosphere of openness and trust, and a connection with the other that will inspire that person to share his or her experience in unqualified, free, and unrestrained disclosures.

Table 1

Heuristic Concepts and Definitions

<u>Primary Concepts of Heuristic Inquiry</u>	<u>Brief Definition</u>
Identifying with the focus of inquiry	Getting inside of the question/immersion in the phenomenon
Self-dialogue	Conversing with the phenomenon, a dialectic between "leadership" and researcher
Tacit knowing	The seeds of intuition/moving from part to whole to part to whole again
Intuition	Following hunches toward explicit knowledge

Indwelling	Internally focusing on the phenomenon, sitting with it, making “room” for deeper meaning
Focusing	Refers to the internal process facilitating the integration of core themes

Heuristic Design

In addition to the above stated concepts, six phases of heuristic research guide unfolding investigations and comprise the basic research design. They include: (1) the initial engagement, (2) immersion into the topic and question, (3) incubation, (4) illumination, (5) explication, and (6) culmination of the research in a creative synthesis. Each phase will be discussed briefly.

The initial engagement phase consists of the discovery of an intense interest in a topic, problem, or question that holds important social meanings and personal, compelling implications. During this phase the question takes form and significance. Phase two is immersion. Once the question has been discovered and clarified, the researcher immerses him/herself into the topic. The researcher becomes alert to all possibilities for meaning and enters into life with others wherever the theme is being expressed or talked about.

Phase three refers to the incubation process. This is where the researcher retreats from the intense concentrated focus on the question. Here the researcher allows space for the inner workings of the tacit dimension and intuition to continue to clarify and extend understanding on levels outside the immediate awareness. Phase four is the process of illumination. This phase occurs naturally as the researcher is open and receptive to tacit knowledge and intuition. As Moustakas (1990) says, “...[T]he illumination as such is a breakthrough into conscious awareness of qualities and a clustering of qualities into themes inherent in the question” (p. 29).

The fifth phase, explication, arises out of the illumination of relevant themes, qualities, and components of the question. The purpose of this phase is to fully examine

what has emerged in order to understand its various layers of meaning. The final phase of heuristic research is the process of creative synthesis. Once knowledge has been gained from illuminating and explicating the question, the researcher is challenged to put the components and core themes into a creative synthesis. This usually takes the form of a narrative depiction utilizing verbatim material and examples. The purpose and ultimate outcome of the creative synthesis is to comprehensively, vividly, and accurately represent the meanings and essences of the experience.

In heuristic investigations, verification or validation of accuracy is enhanced by returning to the research participants, sharing with them the meanings and essences of the phenomenon as derived from reflection on and analysis of the verbatim transcribed interviews and other material and seeking their assessment for comprehensiveness and accuracy.

Data Collection and Analysis

Co-researchers

The co-researchers (participants) in this inquiry comprise the “core leadership team” at Athleta Corporation, a women’s sports outfitting company located just outside of San Francisco, California. I made the acquaintance of all participants through my work at Athleta as a Human Systems Consultant. This consultancy developed through an expansion of family systems concepts and practice into the field of business. Athleta was among my first client systems beginning in 1999.

My rationale for selecting Athleta’s leadership team as the focus for this course of research is as follows: First, I have had the opportunity to observe and participate in the culture of this organization, noting many non-traditional elements in their conceptualization and practice of leadership. Second, I have a considerable understanding of Athleta’s organizational structure and underlying value orientation. Third, Athleta’s leadership is attempting to meet the changing contextual demands of our

time by creating an alternative practice of organizational leadership. Athleta's utilization of systemic concepts as a foundation for business practice makes them a novel organization and worthy of investigation. And fourth, Athleta's leadership has requested that this alternative practice be explored and documented in hopes of educating other business leaders in potential alternative strategies of leadership.

The co-research group consists of four members, two men and two women. I informed them of my research and gained permission to interview them verbally. Once they agreed to participate in the study, I provided them with a confirmation letter explaining the nature of the study and reminded them that I would be asking for comprehensive descriptions of their personal experience of leadership at Athleta. I included a letter of informed consent; a copy of the confirmation letter and informed consent form are attached as Appendices A and B respectively.

Interviews

Moustakas (1990) states that, "...[A] typical way of gathering material is through interviews that often take the form of dialogues with oneself and one's research participants" (p. 46). Ordinarily, such interviews are not ruled by the clock, the inquiry is complete only when the individual has had an opportunity to tell her story to a point of natural closing.

Patton (1980) presents three basic interviewing approaches that are employed in collecting qualitative data appropriate for heuristic research: 1) The informal conversation interview, 2) the general interview guide, and 3) the standard open-ended interview. "Of the three methods, the conversational interview or dialogue is most clearly consistent with the rhythm and flow of heuristic exploration and the search for meaning" (Moustakas, 1990, p. 47).

This study incorporated both conversational interviews and an interview guide (a copy of the guide is attached as Appendix C). The purpose of the guide was to initiate

dialogue around the identified topics of values, hierarchy, and systems as they relate to leadership. This said, co-researchers were encouraged to express whatever ideas, thoughts, and feelings emerge in the course of the interview; the guide did not function as a source of limitation.

In order to depict experience in accurate, comprehensive, rich, and vivid terms, all interviews were taped and later transcribed. These transcripts provided the basic data for illuminating the question and provided a basis for analysis of constituents, themes, and essences.

Procedures

Generating and analyzing interview data addresses the issue of researcher as primary instrument. In heuristic inquiry, the researcher acts in a very prescribed, thoughtful, and albeit, subjective way. Researcher “bias” is a requirement for this type of analysis. This bias, however, is recorded and elucidated in the form of personal and analytical journals. This process takes the form of “bracketing in” the subjective experience of the researcher.

The implementation of the study were conducted in the following sequence, utilizing the processes of immersion, illumination, and explication of the phenomenon of leadership. The six steps in heuristic research are:

1. Gathering data from the first co-researcher, first interview (recorded)
2. Transcribing of audiotaped first interview
3. Review of data generated from first audiotape (coding of data)
4. Identify qualities or themes manifested in the data
5. Create individual depiction of first co-researcher’s experience
6. Co-researcher validation of core themes (member checks)

Repeat 1-5 with each co-researcher. Gather of each co-researcher’s experience and depictions, followed by a creative synthesis of the experience. Moustakas (1990) refers

to the researcher as a scientist-artist developing an aesthetic rendition of the themes and essential meanings of the phenomenon.

What follows this section involves the analysis of data. I will discuss the thematic structures and illustrate them, in addition to the themes themselves. Included will be depictions of the experience as a whole and exemplary portraits that are vivid, comprehensive, and accurate. As Polanyi (1962) states, "Having made a discovery, I shall never see the world again as before. My eyes have become different; I have made myself into a person seeing and thinking differently. I have crossed a gap, the heuristic gap, which lies between problem and discovery" (p.143).

CHAPTER 4

DATA ANALYSIS

This chapter describes the organization and analysis of data derived from multiple sources; these original data sets include dates of construction.

Table 2

Data Sources

- (03/03) Transcriptions of formal tape-recorded interviews with co-researchers
- (03/03-06/03) Informal conversations with co-researchers
- (03/03-06/03) Personal notes and research memos
- (12/02) Appreciative Inquiry Assessment Summary - Appreciative Inquiry is a collaborative approach to seeking, identifying, and enhancing the “life-giving forces” that are present when a system is performing optimally in human, economic, and organizational terms – Conducted with core-leaders (Appendix F)
- (N/A) Athleta People Plan Review - Athleta’s employee performance evaluation document (Appendix G)
- (N/A) Athleta Organizational Chart (Appendix I)
- (04/02) Harvard Business School Case Study (Appendix H)

A Review of the Procedures

The handling and presentation of data followed Moustakas’ (1990) research stages described in the preceding chapter. To reiterate, they are: immersion, incubation, illumination, explication, and creative synthesis. The implementation of the study followed the sequence outlined in Table 3.

Table 3

Chronological Summary of Procedures for Handling Interview Data

1. Gather data from the first co-researcher, first formal interview (recorded)
2. Transcribe of audiotapes from first formal interview
3. Review data generated from first transcription
4. Identify qualities or themes manifested in the first transcription
5. Code the Initial Formal Interview
6. Submit initial themes to co-researcher for reliability and changes
7. Conduct informal interview with co-researcher for purposes of clarification
8. Co-researcher validates identified themes
9. Repeat 1-8 with each co-researcher
10. Gather data from the first co-researcher, second formal interview (recorded)
11. Transcribe audiotape from second formal interview
12. Review data generated from second transcription
13. Identify qualities or themes manifested in the second transcription
14. Code the Second Formal Interview
15. Submit revised themes to co-researcher for reliability and changes
16. Conduct informal interview with co-researcher for purposes of clarification
17. Co-researcher validates identified themes
18. Create individual depiction of the co-researcher's experience
19. Repeat 10-18 with each co-researcher

All formal interviews were conducted with co-researchers in on-site offices, providing for confidentiality and convenience. Locations for informal interviews and conversations varied from on-site locations to the co-researcher's homes. This flexibility facilitated ease of conversation and convenience for co-researchers. Co-researchers were also given written verbatim transcripts of their own formal interviews along with copies of "researcher generated themes" in order to obtain written clarification and additional commentary. This member-check procedure helped ensure the reliability of data.

The researcher transcribed each interview, as this is a significant part of the research process. Transcribing provides insight through increased familiarity with the data (Hopper & Koch, 1986 as cited in Gale, 1991). Using the transcriptions of each formal interview, informal conversations and written clarification with co-researchers, Appreciative Inquiry Summary (Appendix F), Athleta People Plan Review (Appendix G), Harvard Business School Case Study (Appendix H), as well as personal notes and research memos, the data were explored and studied.

The research progressed through the phases of immersion, indwelling, and illumination, described earlier as ways of gaining access to deeper meaning. In addition, periods of retreat from the study of the data allowed for internal meanings to awaken during periods of rest. Initial data were collected, written up, and input into the NVivo QSR software program for review, coding, and management. Data was then reviewed line-by-line using phenomenological analysis, which involves an ongoing and constant comparison such that new insights and questions inform data collection throughout the evaluation process (Glaser & Strauss, 1967). Themes emerged through an inductive process; and no *a priori* coding was conducted.

In time, through the processes outlined above, qualities and themes in the data began to emerge. Each theme representing the researcher's understanding of any and all factors that the co-researchers viewed as meaningful to their responses. Initial themes were identified and categorized. Second and third reviews of the transcripts resulted in the coding of identified themes, facilitating greater ease in the reduction and comparison of data. Over 200 initial themes were identified upon coding and analysis of data compiled prior to the second round of formal interviews. The codes changed and developed as field experience continued. Protocol for the revision of themes followed the procedures outlined by Lincoln and Guba, (1985), briefly they are: "filling-in, extension, bridging, and surfacing." Throughout this process, I returned to the co-

researchers for clarification and elaboration regarding the previous interview. Through this informal dialectical process, co-researchers were able to correct and elaborate on my record of their experience, thereby thus increasing clarity and reliability of the data. In this way the reasoning process proceeds actively and concurrently with the data-collecting procedures of observation and dialogue (Engel, 1988).

A second round of formal interviews was conducted with each co-researcher based upon the identification and coding of initial themes. Data collection continued until saturation was reached, meaning when categories were repeating and no new information was being presented. In the final analysis eight central themes emerged. These themes represent a distillation of a myriad of coded categories, examples of these codes and corresponding themes are listed below in Table 4. These have been alphabetically arranged for ease of review.

Table 4

Examples of Codes Comprising Each Theme

Support	Core-Team Evolution
Bottom-up model Caring Clear boundaries among members Collaborative in nature Compassion Core life-giving value for self and team Encourages mistakes High degree of empathy among members Lack of blaming and judgment Mutually respectful Non-competitive/internally Nurturing Relational orientation Safe to take risks (14)	Availability of resources Contribution of individual members Dysfunctional to functional Emotional volatility to reasoned calm Immature to more mature Impact of consultation Impact of individual members on team dynamics Importance of shared values Increased confidence Increased levels of interpersonal trust Less differentiated to more differentiated Less expertise to more expertise Less skilled to more skilled Mix of members/"fit" Reactive dynamics to proactive dynamics Role of the company's developmental stage Selection of members Short-range focus to long-range planning Significantly diminished levels of anxiety Structural change in membership Therapy Unconscious individual and family patterns to conscious individual and family patterns (21)

(Table 4. continued)

Challenge	Validation
Content challenges Sustained profitability Balance of support model and profitability Internal process of challenge/method Relationship with new Board of Directors Lack of macro-system support for leadership model Selection of members' "fit" Provision of resources for member growth Issues of scale Constant striving to achieve established goals Pushing limits (11)	Recognition and celebration of people Recognition and celebration of effort Financial rewards Consistent positive feedback Encouragement (5)
Vision	Ground
Brand Identity Company values reside here Company's directional compass Forward looking Future oriented Humanistic Idealistic and aspirational Non-traditional Static and dynamic Support Model of Leadership Treatment of customers Treatment of employees Viable and profitable business model (13)	Constant process, never complete Implementation/operationalization of vision Increasing effectiveness Individual and team contribution Present centered Problems with idealistic rigidity around vision Role of consultation Role of resources, infusion of capital Situated in reality (9)
Self-Awareness	Team-Success
Accurate self-evaluation Awareness of emotions – self and other Behavioral competency Bring comfortable with oneself Capacity for introspection Diminished defensiveness Emotionally intelligent Evolved Increased professionalism Open to feedback Practiced empathy Recognizes interpersonal impact Self-governance/regulation (13)	Cohesion through flexible collective action Happiness and enjoyment Holistic or systemic understanding and practice Honest emotional expression Influencing positively the performance of other members Performance associated with profitability (6)

In order to capture a verbatim representation of themes, heuristic research includes the *construction* of individual depictions (see Table 3, step 18) drawn from each co-researcher's experience of the phenomenon of leadership. The researcher,

subsequent to themes being identified and validated by co-researchers, constructs these depictions. Individual depictions must fit the data and contain the qualities and themes essential to their experience of leadership. These depictions must retain the language of the individual co-researcher and are derived from all data sources (see Table 2). The only changes made by the researcher were those necessary to create connections or enhance flow of the material. These changes are inherently subjective and licensed by the heuristic method. Each individual depiction was then shared with each co-researcher for affirmation of its comprehensiveness and accuracy and for suggested deletions and additions. Verbatim individual depictions have been included (see Appendix E).

In understanding the analysis of the co-researcher, it is useful to first outline the organizational structure of Athleta. The subsequent paragraph and chart were taken from the “Athleta People Plan Review” (see Appendix G):

Athleta customers comprise the first and primary level in our structure; we strive to be a *customer-centered organization*. The next level is where direct service providers fit into Athleta’s Organizational Structure. These people directly support Athleta customers; these are some of the most integral roles in the organization. The level beneath DSP’s, *in support of DSP’s*, is the management level. These folks are team-leads and department managers. Beneath the managers are the members of the “core-team,” as they are referred to at Athleta. These folks are responsible for supporting the managers in their respective departments, strategic planning and implementation, and departmental performance. On the next level lives the Chief Operating Officer; a core-team member who is responsible for supporting other core team members, and for the overall operating performance of Athleta. At the deepest structural level dwells the Chief Executive Officer, our fearless leader and founder, Scott Kerslake. Scott’s responsibilities are myriad, both within and outside of Athleta. He is the direct supporter of the COO and other core team members, as well as the heart and soul of the company. He is accessible to all.

Introduction to Researcher and Co-researchers

Researcher perspective and participation

To reiterate, my academic, clinical, and philosophical orientations are rooted in variations of systems thinking and have been, for the most part, practiced in clinical

settings. Over the past five years my interest and practice have migrated into more overtly corporate contexts. In my role as a “Human Systems Consultant,” Athleta became one of my first corporate clients in 2001. A review of my role and experience at Athleta is especially relevant in light of the heuristic method that legitimizes and places at the forefront the personal experiences, reflections, and insights of the researcher. The researcher, then, comes to understand the essence of the phenomenon through shared reflection and inquiry with core researchers. A sense of connectedness develops between researcher and research participants in their mutual efforts to elucidate the nature, meaning, and essence of a significant human experience (Patton, 1990).

My initial participation began at “off-site” planning meetings for the entire company; at that time total employment was 14 people. I was hired by the CEO to facilitate learning of systems concepts, general, and human relationships. I used didactic and experiential methods to accomplish this learning. Feedback from the group was very positive, and I began getting requests for more in-depth work with Athleta.

Initial calls for assistance focused on issues of increasing emotional volatility among core-team members. I was hired to help diminish reactivity and unproductive interactions among these leaders. The theoretical lens that fits the context most appropriately is Bowen’s Emotional Family Systems Theory, reviewed in Chapter 2. This was my theory of choice as I began an initial assessment of core-team dynamics. The assessment consisted of structure and process mapping, a genogram, in essence, with core-leaders. We called it an *organogram* (see Figure 1).

The organogram depicts the structural and process dynamics of the initial members of the core-team. Much of the specific data gathered in this consultation process cannot be reported here because of prior confidentiality agreements with

participants. All of the data presented here has the full consent of participants whose real names have been used.

Scott is the president and CEO, Tracy is the director of circulation/accounting, Debbie is director of inventory control, and Lara is the director of merchandising. Based on interviews conducted in order to create the organogram, roles were described as relatively open, not well defined, and flat in terms of overt hierarchy. There existed significant overlap in terms of tasks and responsibilities. It was apparent that all of the members were working at their capacity in terms of volume of work and use of available resources. I assessed the skill level of the group at the moderate level for an upstart organization. One thing that stood out was the level of overt and covert conflict among two of the members and the way that conflict organized the behavior of the other members. Scott and Tracy were embattled, extremely reactive, and destructive. This was having significant ramifications for all. A summary of the structure was:

Athleta Core-Team Organogram, 2001

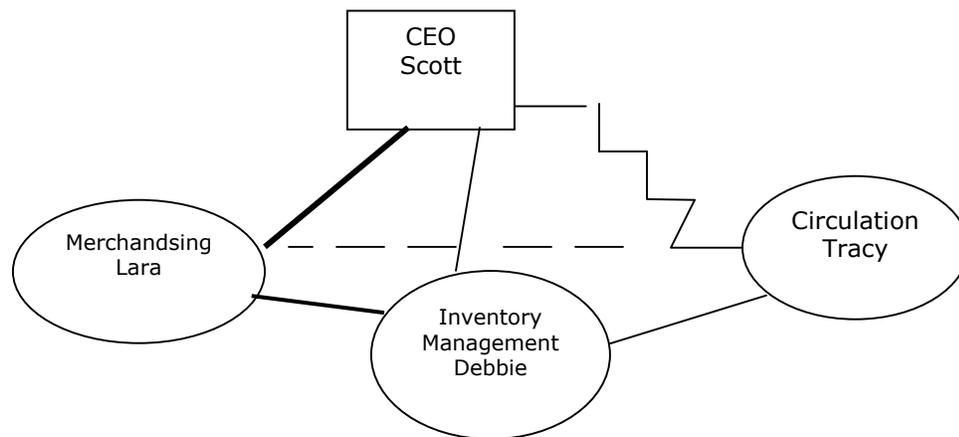


Figure 1

Figure 1 represents the core-team structure as it existed in 2001 at the time of the initial assessment. The lines depict the relational dynamics: 1) Scott and Tracy demonstrated significant and perpetual conflict in their relationship; 2) Debbie played the

role of mediator between Scott and Tracy, responsible for bridging communication and repair; 3) Lara maintained an alliance with Scott as a protégé and was also close with Debbie, maintaining a strained relationship with Tracy.

To begin the work, I reviewed the organizational history, work histories of each member, and investigated family-of-origin linkages associated with presenting issues. Specific dynamics are confidential, per the request of participants. We examined the dynamics as a whole, the roles and contributions of each member, and the potential effects of continued conflict and escalation.

Intervention strategies included:

1. Education on emotional systems
2. Maintaining the non-anxious presence of the consultant
3. Detriangulation strategies with Debbie
4. Increasing Lara's participation with Tracy
5. Reducing the alliance between Scott and Lara
6. De-escalating the conflict between Scott and Tracy

The reactivity between Scott and Tracy proved to be inexhaustible and did not respond well over time. In my opinion, moderate to low levels of differentiation of members, inadequate capital resources, and stress pile-up contributed to the static nature of the dynamics. The dynamics of the core-team remained in this state of dysfunctional equilibrium for another year and my role evolved into a form of crisis management. This management of emotional crisis was not restricted to core team members but began filtering through to other levels of the organization. My working hypothesis at the time had to do with a systemic or overall low level of differentiation filtering down from the leaders, not unlike families with poorly differentiated parents.

In February 2002, Joe was hired as the Chief Operating Officer and I began observing changes in the core-team dynamics almost from the outset. Joe

demonstrated a reasoned and rational approach to the business and did not become embroiled in the emotional dynamics that surrounded him. He brought a level of leadership skill, maturity, and self and relational-awareness that inspired confidence and pushed the core-team beyond their current stasis. Within the first year, Tracy and Lara resigned. Elizabeth was hired to replace Tracy and Ron Campo, a consultant, was hired to head up merchandising in an interim basis.

The structural changes virtually eliminated emotional reactivity, previously a hallmark of core-team interaction. Team cohesion improved, and effective, proactive strategies for growth increased. There also began a filtering throughout the organization of the same positive impacts. The more crisis-oriented and reactive personnel began to resign, like dominos falling. As a result, my role evolved from crisis manager into a more proactive “non-traditional” human resource capacity. The core-leadership utilized my “human systems training” to assist with ongoing systems learning, executive coaching on core-team dynamics, and operationalization of the “Athleta Values.” In order to have these responsibilities not impact this dissertation study, I have not actively participated in these activities since the commencement of this study, and will return to these duties upon completion. A discussion of strengths and weaknesses of my dual-role status is explored in Chapter Seven.

In sum, the family-systems lenses through which I make sense of human interactions play a significant role in the gathering and interpretation of data in this study. It is that orientation that differentiates what is selected for inclusion, interpretation, and outcome in this study from another researcher with another background. This is, after all, a study being conducted through the department of Child and Family Development: Marriage and Family Therapy.

Co-researchers

Introductory paragraphs have been written by each co-researcher and are included in the “Executive Summary” section of a Harvard Business School case study on Athleta (see Appendix H).

Scott W. Kerlake (37) founded Athleta and serves as President and Chief Executive Officer of the Company. Mr. Kerlake has investment banking experience with Salomon Smith Barney (formerly known as Smith Barney), as well as operating experience in two different industries including retail. Mr. Kerlake was previously a management consultant at Sapient Corporation. He played a significant role in starting Sapient Corporation’s San Francisco office by helping grow and manage its team from 3 to 250 employees in a little over two years. He subsequently served as Sapient’s Director of Marketing and was instrumental in the company’s initial public offering.

Joe Teno (49) serves as Athleta’s Senior VP of Operations and brings a wealth of operational experience from the direct marketing and retailing world. Most recently, Mr. Teno ran all operations for Travelsmith, a \$130mm direct-mail company with 250 employees. Prior to Travelsmith, Mr. Teno spent 13 years at L.L. Bean in a number of senior management positions, including Director of Total Quality and Human Resources; Director of New Customer Acquisition; and senior manager roles for Corporate Forecasting, Marketing Operations, and Inventory Planning & Liquidations.

Debbie Overton (41) is responsible for Inventory Control and Reporting at Athleta. Ms. Overton has eighteen years of experience in inventory forecasting, planning and purchasing for both catalog and retail. She spent six years with The Sharper Image as Merchandising Control Manager and Store Planning Manager and six years with Biobottoms as Director of Merchandising and Manager of Systems, Reporting and Analysis. Ms. Overton has experience in the operations of high-growth companies and has been a critical member of teams that have grown from \$15 million in sales to over

\$200 million. Prior to joining Athleta, Ms. Overton consulted for a number of mail-order companies.

Elizabeth Howland (48) is Athleta's Director of Circulation. Ms. Howland has 20 years of experience in catalog circulation, marketing, merchandising and senior management positions. Most recently she served as the Vice President of Client Services at Triplex Direct Marketing, a list supplier to the direct-marketing industry. Prior to her work at Triplex, Ms. Howland held various senior positions at Biobottoms including General Manager, Executive Vice President, Director of Marketing and Interim Director of Merchandising. Additionally, Ms. Howland has served as Director of Database Marketing at Gymboree.

Introduction to the Themes

As I poured through all of the data, I began to find threads of experience that depicted and connected their experiences. Below are listed the themes that emerged from the data and the organization of those themes into a conceptual model. It is important to state that the themes themselves were identified and defined directly by the co-researchers. The construction and explication of the conceptual model is the work of the researcher and represents the creative synthesis integral to heuristic research.

The conceptual model emerged from the heuristic processes of self-dialogue, tacit knowing, intuition, indwelling, and focusing. My intention was to define and present the themes separately, as the co-researchers had explained them to me. But as I sat with them over time, they became "spontaneously organized." In retrospect, my internal systems epistemology pointed out the seemingly apparent complementarities among them. Thus, the emergence of the conceptual model.

The "Support Model of Leadership" is the defining and organizing theme identified by the Athleta core-leadership team. To begin, "Support," more than any other descriptive term, is used by each co-researcher to describe the overall working model of

leadership practiced at Athleta. Second, each co-researcher identifies a process of change over time, moving from lower levels to higher levels of support among core leaders; this theme is labeled “Core-Team Evolution.” Six sub-themes fill out the model, they are: 1) Vision, 2) Ground, 3) Self-awareness, 4) Team-success, 5) Challenge, and 6) Validation. Each sub-theme explicates a different component of the support model and is paired with its complement along three “continuums.” For example, Vision is a theme defined as future directed, representing the ideals, aspirations, and values of the team, while Ground, its complement, is present centered, representing the current operational reality. Although pairings of themes along continuums demonstrates significant complementary interaction, the intersection of these continuums illustrates the dynamic and interactive nature of all components.

Conceptual Support Model of Leadership at Athleta:

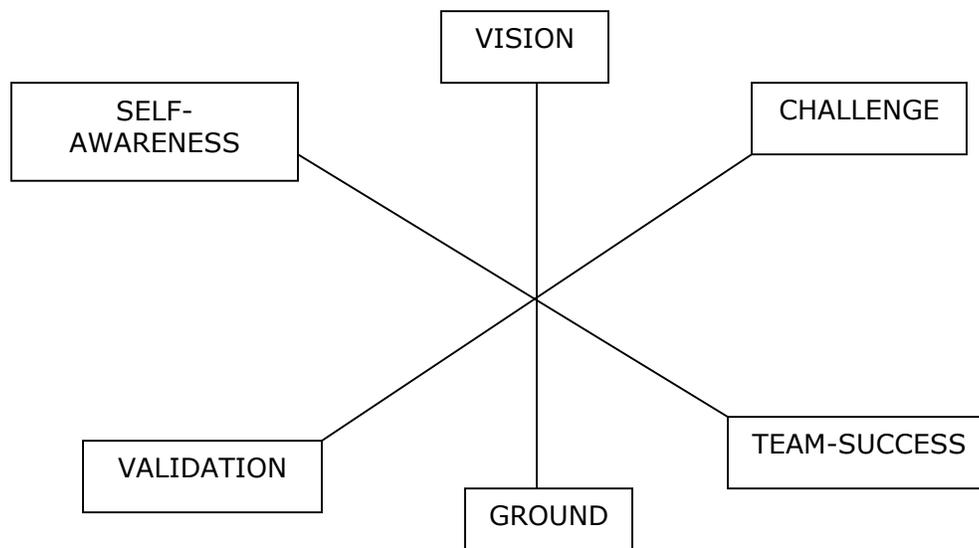


Figure 2

Each theme is defined with supporting narratives drawn from co-researcher interviews. These narratives include summarizations of core-leadership commentary taken from the Appreciative Inquiry Summary (see Appendix F).

Presentation of Themes with Supporting Narratives

What follows is a general description of each theme, an operational definition constructed by the researcher with supporting quotations taken from co-researcher-coded interviews, and relevant researcher commentary. Supporting quotations are also drawn from the Appreciative Inquiry data source described in Table 2. Miles and Huberman (1984) suggest that operational definitions of themes help ensure consistent application by the researcher. The array of supporting quotations from the co-researchers are numbered 001-215 for purposes of reader reference. Attached to each numeric code are categories referencing the original data sources. These sources are identified as: 1) "Interview 1 or 2" — all designees with this code come from one of two rounds of formally recorded interviews, 2) "Clarification" — codes with this designation refer to informal verbal conversations clarifying some aspect of formal interview 1 or 2, 3) "Written" or "Informal" — is used in reference to any unrecorded informal conversation with the researcher.

Support

The word "support" appears more often than any other descriptive term in the narratives of the co-researchers when describing their experience of core/senior leadership at Athleta. It is the central organizing and defining construct of the model, the lens or framework through which other themes make sense. It is formally illustrated by the company's organizational chart depicted in Appendix I. The chart is a traditional organizational structure turned upside-down. The Chief Executive Officer and Chief Operating Officer reside at the "bottom" of the chart rather than at the "top." Those members with the most power and responsibility in the organization provide the foundation for supporting all others.

Each co-researcher fills out the richness of the word “support” through his or her vivid descriptions. Debbie describes her experience of support in terms of a genuine caring for and collaboration with others in an environment where it is safe to take risks:

001 Interview 2: “There is a supportive piece here, very different than at other places. People are genuinely interested in the other members of the leadership team succeeding. And they are willing to step out of whatever they are doing or to kind of stop the world for a second in order to be supportive to other people. So there is a supportive and I dare say nurturing piece of the environment.”

002 Interview 1: “One quality or dimension is the bottom-up approach that we have been working with officially. When we talk about this approach I think that it makes so much sense that each layer within the organization feeds the layer above it and it keeps moving upward and I think that that is such a good model.

003 Interview 1: “Like you have the roots of a plant down at the bottom and it feeds up and you have the beautiful flower that if anywhere along the line, if the roots were not healthy you will not have this beautiful flower. And I think that this model has the opportunity to create a very powerful, vibrant, healthy organization.”

004 Interview 1: “. . . being allowed to make mistakes in a supportive environment with appropriate boundaries and expectations is critical. This is something that goes back to the environment here at Athleta. We’ve tried to create an environment that allows for mistakes. It encourages people to take risks.”

005 Interview 2 clarification: “I believe that the leadership at Athleta is truly about teamwork, truly about collaboration, and working together and supporting one another. And it’s a very positive experience, and in other environments where I have worked it has not been about that. It’s been more about protecting yourself.”

006 Interview 2: And so then being at Athleta the leadership team I believe truly holds (pause) our ability to lead others and to work with one another in a very high place.”

007 Interview 2: “You feel it. It is where, for example, people are aware of how their actions and words impact the rest of the group, and not just aware of it but take it into consideration in any setting, individual or group. Individuals make sacrifices for the greater good.”

Joe, the most seasoned and experienced member of the team, describes support as the defining element in a leadership relationship, and like the other members, describe factors such as respect, self-awareness, emotional expression, and influencing positively the growth of other members. In his own words:

008 Interview 1: “Some of the major components of the model are going to be this awareness of leaders, this desire to do things in a different way. They’re expressed in this bottom-up approach to leadership, the notion that we are going to support people.”

009 Interview 1 clarification: “And I have found in my own practice here in the last two years, that support really is the defining element in a relationship, in a leadership relationship. I mean supporting someone, how they want to be supported. It’s really important.”

010 Interview 1: “. . . and the ingredients in the support model soup include the following things: respect for one another, wanting one another to succeed, the individual personalities and people in the soup, and that manifests itself by how people go about doing their jobs, how can I help you succeed, how can I help you do what you are going to do around any particular challenge. I think that genuinely exists among this core team.”

011 Interview 2 clarification: “. . . and that the whole premise is to really encourage and support and grow, help people flourish, the people that you lead, theoretically, who work with you in your group, for them to really blossom in their skills and satisfaction and success at Athleta.”

012 Interview 2: “I just do not think that put up against truly finding satisfaction in your work and developing your skill sets from a positive nourishment kind of approach I always think that that side, that view will win in the long range in terms of true success and sustainable success.”

013 Interview 2: “My leadership style or what I strive to achieve is one of support, more of a gardening metaphor—fertilizing, watering, educating, supporting and encouraging people to find their way toward their successes and achievements—and that I, for me there is nothing more satisfying or that makes me feel that I have done a better job as a leader in the company than that.”

014 Interview 2: “Part of what makes the team so effective is that the leadership environment is one of support and nurturance. People can be themselves without pretense. This contributes to effective leadership and individual and team success.”

015 Informal 2 written: “The soup is much more complex than just support. I mean you can throw potatoes in water and get one thing, then put some salt in there and get another thing, throw some onions in there and get another, maybe some garlic—still potatoes, but now you have a whole bunch of other stuff that is working in unison that is working to produce something that is much greater than the sum of its parts. Support represents a very complex phenomenon.”

Scott identifies similar factors in the make-up of the support model of leadership, such as respect, compassion, empathy, and promoting growth in other members.

However, he identifies safety from judgment as a key in the facilitation of risk-taking:

016 Interview 1: “And it is different because there is a more supportive environment. There is a less competitive environment; most other organizations have a certain level of internal competition within the leadership team and among the ranks of the company. My perception of Athleta is that we are less competitive, genuinely less competitive internally than other places.”

017 Interview 2: “The context of Athleta, you can assume that one of the central concepts of Athleta is support, that gives people a little bit more leeway to grow and to shine and to step out, to actualize their potentials. I think there is a support and intimacy within the

leadership team that provides a safety that does not exist in other places, to risk, to make mistakes.”

018 Interview 1: “Another important aspect of what we do is to create a supportive environment for the leaders where they feel secure and free from constant scrutiny. Although we maintain high standards, we do everything possible to prevent the leaders from feeling personally responsible when we experience losses.”

019 Interview 2 clarification: “The support model for me looks like, it is relatively free from judgment, it is with perspective, and it is non-competitive. If you are having a hard time with something, either completing something or figuring something out, there are other people there to help you accomplish it.”

020 Interview 2: “That kind of mutual respect and support was critical to how we wanted to work together as a group, and basically we should think about who we want to attract to be apart of our leadership team, for example, as we search and expand.”

021 Interview 2 written clarification: “Well, I think it comes from this philosophy of wanting to support, because when you look at the schematic of the chart upside down you are meant to support the people who are theoretically above you, who are coming closer to our customers. Supporting whatever they need to thrive and to support our customers better. So that concept is meant to be part and parcel to a more supportive approach to leadership.”

022 Interview 2: “. . . there is a strong degree of empathy in how people relate to each other, and there is a genuine support and compassion for other people on the leadership team.”

Elizabeth’s voice is very organic. She uses living metaphors to describe the nature of the support model, and she stresses the importance of mutual respect.

023 Interview 1: “Bottom-up” represents it, but if I were to draw it I would put some vines in there and some gourds blossoming out and some flowers and in water colors. Or maybe the CEO role at the bottom would be represented as a super muscular entity that speaks to support, not bearing up the whole thing but that this incredible massive successful strong organization can be built with all these arms of energy supporting each other.”

024 Interview 1: “So build it like an Andrew Goldsworthy sculpture, about the relationships.”

025 Interview 2: “Well, I really believe that Athleta has a leadership culture that really goes almost beyond any one individual about the leadership team supporting each other. And truly supporting each other, sharing responsibilities, sharing successes, sharing failures, bailing each other out being there to bring information talent and that is very different than any place I have ever worked, although I have worked in really great places.”

026 Interview 2: “And I think also that support does somewhat pervade the organization beyond the core-leadership team, as well into all areas where people truly feel that their voices are welcome, that they are respected for having knowledge, and that they have the opportunity to participate, not just be told what to do.”

027 Interview 2: "I think evolved communities of people are ones where people treat each other very respectfully and supportively. And understand their own foibles and stop well enough to not have their relations with their coworkers [be] just a reflection of their own personal struggles and unfinished business."

The following quotations are taken from the data source labeled "Appreciative Inquiry Summary." The three summary quotations are taken from the section, "What We Value about Our Best Work":

028 "Our core life-giving factor: Supporting ourselves - Supporting each other"

029 "Collaborating with others"

030 "Influencing others positively and helping them grow"

Core-team evolution

Core-team development is another theme that was universally identified by each member, and describes the development of the support model over time. It addresses the experience of co-researchers that "support," although a significant part of the leadership vision, was not always a common practice. Co-researchers identify the factors of change in this process of evolution. First, Debbie's perspective is the most historic, as she is an original core-team member:

031 Interview 1: "Well, I am thinking that when Joe came on board the dynamics of the team or the leaders of the company were different than they are now. The dynamics when Joe arrived, we were a dysfunctional leadership team to some extent. There were dynamics of the team at that moment in time that were unhealthy."

032 Interview 1: A relationship between Scott and Tracy that was very unhealthy, very distracting, and required a tremendous amount of energy and took us off track significantly. That relationship was volatile and disruptive, not supportive, just very negative."

033 Interview 1: ". . .it required so much energy from the entire core team to just keep things moving that we never really made any major progress because we were so busy dealing with that relationship and trying to keep it calm, trying not to disturb the waters, and I know we have talked about this. Looking back, especially now, I can see that I played a part in that. I was in the middle. I tried to mediate to keep things going, and what would have been better is to just let it. Maybe it would have erupted sooner and ended sooner."

Other members share Debbie's description of the emotionally volatile dynamics that existed within the core-team. Change in these dynamics is in large part attributed to structural changes among the membership.

034 Interview 1: "There were emotional dynamics in addition to the work itself. So when Joe first came on board we were unhealthy in that way. So here we had this aspiration to be a certain way, and we just couldn't make progress, and so when Joe came on board, shortly there after the issue of the volatile relationship ended. Tracy left not too long after that."

035 Interview 1: Once Tracy left and Joe's position was established there was air in the room to some extent, and that alone helped everyone else, like the garden metaphor. If you have these weeds in your garden, if you do not remove them then it does not allow the garden to grow. And so once some of those weeds began getting removed, then the garden could continue to grow."

036 Interview 1: "That was a big change and a shift for Athleta as a company and for the team. I think that brought something to light. It underlined the importance of carefully selecting every member of the leadership team, because we clearly saw the impact of what could happen if the person who is on the team does not share the same goals, aspirations, and insights as the rest of the team."

037 Interview 2: "The components of the team structure changed—you came, Joe came and the model shifted naturally, and we also wanted to change the processes intentionally in terms of focus and structure. The people who arrived and promoted positive change brought the basis for the support model. The new folks brought expertise and depth of awareness in terms of support, what it looks and feels like, realistically. Some of the vision was on target and some of it was not realistic, the new folks could implement that vision."

038 Interview 2 clarification: "The characteristics of the new people that facilitated the shift, for example, Tracy versus Joe, Joe was not reactive. He could think and respond, where Tracy would react first and create all kinds of chaos around that reaction, unnecessarily. Where Joe would think about how and what he does or says is going to impact the person or group to whom he is delivering the message."

039 Interview 2: "... he is thinking about all that before, he processes that first and that has made all the difference in the change from reactive to proactive. It moves the group from reactive to more thoughtful and methodical and changes our thought processes and our behaviors."

The core-group moves from emotionally reactive organizational dynamics to a more mature and proactive operation. The impact of the structural changes and associated characteristics of new members positively impacted existing members.

Again in Debbie's words:

040 Interview 2: "I think that when Joe came on board, his experience as it relates to leadership, not to mention his experience in the industry and all that which is profound, but his experience in leadership I think raised the bar, raised our level significantly."

041 Interview 2: “It opened the door for us, basically. Here we were, all aspiring to create this model of leadership. We weren’t there, we wanted it, we worked on it every day. Well, consciously or subconsciously we wanted it. But when Joe came on board he brought with him a level of leadership that opened the door for us and we have grown significantly since then.”

042 Interview 2: “Joe has brought first of all an approach in dealing with people. Whether it’s folks on the leadership team or the way that he deals with other members of the staff, he brought an approach that is very positive; that is, really strives to really develop each individual to their fullest potential in a very positive way.”

043 Interview 2: “Positive and team-building is such an overused term but Joe truly builds people to their fullest potential, and he does that by really listening to what people have to say and absorbing what people have to say, and you can see him kind of filtering it through his mind, and he will come back with a response, and I am always learning from him in developing my own leadership ability.”

044 Interview 2: “He is living it, he is doing it. He came to this position walking the walk, doing what we were aspiring to do. So he was an example of what we were aspiring to do. He is a model for us.”

045 Interview 2 clarification: “I think his leadership skills have evolved to a place where it is a natural process for him. Where before he came we wanted to operate on that level and we were working at it everyday, but it’s just more natural for him. Joe brought a maturity, not just as it relates to leadership, but a different of leadership and of structure of the business itself; he has helped to provide a disciplined focus for us.”

As the founding member of the core-team, Scott shares a similar yet different perspective on the core-team’s evolution. Because he assembled the original leadership team, he can speak to the criteria for selection of members. Describing these criteria provides insight into historical and current levels of functioning. Incorporating selection criteria for self-awareness, relational-awareness, and support has dramatically improved core leadership health and functioning. Scott also agrees with the other member’s perceptions that the selection of Joe was the most significant factor in this change process. He also stresses the importance of “fit” in the successful operation of the support model going forward. In his own words:

046 Interview 1: “Okay, let’s go back to the beginning. My goal was to find people with a deeper level of expertise than you would typically grab in a start-up. I wanted to grow faster, hit the gas immediately, and get out and prove the business model. Selection of leaders centered on technical skill level, expertise, much less on self-awareness and relational support than it does now.”

047 Interview 1: “The dynamics of the core leaders early on was crisis-like, somewhat chaotic. It seemed to be much more emotionally driven and short-term focused. We were always reacting to situations rather than proactively planning.”

048 Interview 1 clarification: “My relationship with Tracy was exceptionally reactive, and I really tried to temper that, and we talked about it and worked on it, but it never really got much better. I know it impacted the entire leadership team negatively and distracted us, moved us off track. We just could not get it under control. There were certainly unconscious family dynamics at work.”

049 Interview 2: “I knew as CEO that it was my responsibility, ultimately, to in some way redirect the volatility and promote a more proactive approach to leading this company. You played a very important role in this decision process through education and coaching. Understanding the nature of reactivity and the impact on the system seriously influenced my thinking.”

050 Interview 2: “Bringing senior people into the company who have as part of their DNA the ability to plan and be proactive. The selection of Joe was central here. That part of Joe was definitely selected for. The characteristics that I was looking for was a calm demeanor, being able to handle many things at the same time, and being able to prioritize depending on the goals of the company and also having the experience and skill.”

051 Interview 2: “There was a calmness that came to this team after Joe arrived. A planning and proactive approach that came and is coming more and more and more. There is a reactive piece that started to dissipate. There is an interesting relationship between people’s level of self-awareness and reactivity. The higher level of self-awareness, the lower reactivity. Reactivity is that automatic anxiety-driven behavior. Triggered behavior.”

052 Interview 2 clarification: “. . . for example, if there is something wrong within the team, there would be an immediate emotionally driven reaction versus finding out why it happened, the difference between a symptom and a cause. Now there is more cause related action than symptom-related reaction. One-hundred percent less reactivity now in Athleta. It underscores the original concept of leadership, was I think that it took us a while to get there, to actualize it, and to really formulate it. It shows a really positive powerful effect on the long-term health of the business.”

053 Interview 1: “Slowly over time, our aspirations and vision of what leadership at Athleta meant became more clear. Over time it would become clear whether people would fit into the vision of the leadership system and function well or not, including myself. Joe came in and moved us closer to the vision.”

054 Interview 2: “The organization, overall, is also responding to the calm on the leadership team. There is some holdover to the way things used to be and some people are still attached to that old pattern of reactivity and they create that, that is almost gone. Two or three people who are invested for various reasons on that old pattern just tendered their resignation in the past two weeks. Deselection. The environment is less reactive and more mature.”

Joe’s perspective on the evolution of core-team dynamics relates to structural change in membership, addresses formal leadership theory, and includes aspects of

family dynamics. His story still focuses on a movement from reactive, less skilled, and immature to a more proactive, skilled, and more mature state.

055 Interview 1: "Well, the leadership has evolved, and we replaced those leaders that have been most detrimental to the realization of that leadership. Structural change in terms of people, that is a lot of the explanation for how things have changed. And, I think the presence of new people has driven the organization in a different direction. So there is the lack of influence of the negative people and the presence of influence of the new people."

056 Interview 1: "I think we have to go back to Bennis's model. He defines leadership in terms of these three interconnected rings. He is saying that to be a good leader you have to have energy, you've got to have skills, and you've got to have a moral compass, which means this rudder that drives your energy and skills, the combination of those things that drives it in a good way. Well each of the people who have left had shortcomings in one of those three areas. There are too many examples to count."

057 Interview 1: "And I think that what's here now; what is different is we've got people who are more level headed on the moral compass side in terms of understanding what's going on with them, and people with far more skills than we have had before. We have a greater concentration of people with initiative, skills, and direction—the compass piece—and these people are working well together. Also, it's something around that chemistry."

058 Interview 2: "The old chemistry, well, it seemed to be driven at least in part by these unseen or unacknowledged familial dynamics. Familial, I'm really on loose ground here and I don't, I'm not questioning the thoughts that I am having, I just do not know how to express them."

059 Interview 2: "Worst case, an old member would treat you like a child in a family as opposed to a person on a team, if you let her. And I would submit that the difference is the right range of behavior for a business. If you think of a yardstick, the right range for a business might be 0-12; this familial thing expresses the range 0-36. And you have all this other stuff that doesn't have to be part of the leadership relationship. Current leaders operate in the 0-12 range."

060 Interview 2 clarification: "The way this relates to the evolution of the leadership team is that current members take responsibility more so for their "familial stuff" than old members did or could, in a conscious and appropriate way. It is part of the responsibility of an effective leader to have an awareness of his or her relational patterns. That is what I am trying to say."

061 Interview 2 clarification: "Whether the therapy was administered by an outside person or whether your life experiences have given you self-therapy. One way or the other there is an appreciation and understanding of behaviors and how they impact other people and how you behave, and it's an appreciation that's at a much deeper level here, now."

062 Interview 2 clarification: "Currently, the leadership group is less emotionally reactive, more professional, more evolved interpersonally, and more confident. Though they still have places they lack confidence, on the whole they are much more functionally based. They have functional skills; they are functional people."

063 Interview 2: "I think also that there is wisdom in this group, these people are wise. I do not know when you get wisdom, I do not know where it fits on the interpersonal scale

or on the interpersonal palate, I don't know how you get it, but these people have it. It is the little bit of artwork that goes into a picture that separates it from being a painting and a work of art."

Elizabeth is the newest member of the core-group and therefore has the least historical perspective. As a result, she has the least to say on the topic of evolution. Her commentary and experience relate to the current level of functioning. Her statement in quotation #065 regarding the ability of members to take a position without becoming emotionally reactive speaks volumes about the level of maturity among current members and relates directly to Bowen's concept of differentiation. She is also in agreement with the other members on the importance of Joe's selection and role:

064 Interview 1: "There may have been a true lack of experience with the old team and extreme reactivity with no resolution."

065 Interview 2: "Now the group is very straight forward about the way and what they think, and they are a much more confident group. These members can express themselves, take a position in relation to another member, be it Scott or another, and not become emotionally reactive. The old members could not do that as well."

066 Interview 2: "Now we can find those intermediate places that are successful, and we do not get polarized. And because we now have more experienced and mature members."

067 Interview 2: "It was like magnetic attraction; it followed from the hire of Joe. He is why I came, why Debbie stayed." He is so respectful, so reasoned, I just felt like I could trust him from day-one."

068 Interview 2 clarification: " Joe brings a measured sensibility. Nothing really shakes him. He never lets his emotion get the best of him. That is not to say that he does not have emotions, he can be expressive, appropriately so."

The "Appreciative Inquiry Summary" provides a general statement that was agreed upon by the original core-leadership team as a central touchstone in the development of the support model. It is found in the section entitled, "Athleta Best Experiences" and identifies the process of evolution:

069 "Evolving from reactive to proactive"

Vision

Vision is comprised of the ideals set forth by the leadership and is described generally as the Brand, relationships with customers, and relationships with employees. Regarding the research being conducted in this study, relevant aspects are addressed under the area of relationships with employees. The context for making sense of the relational experiences among the leadership team is established by the espoused values of the organization. These values were constructed by the original members of the core-leadership team and serve as guideposts for behavior. As such, they perform a significant role in organizing the context in which the processes of core-leadership take place. The values and their definitions are included in the “Athleta People Plan Review” (see Appendix G).

Debbie identifies the vision as the ideals of the company. It represents what Athleta wants to stand for both internally and externally. In terms of core-leadership, the “ideal support model” represents vision—ideal because it is our aspiration, not our reality. It is like our values. We put them out there and shoot for them; we will never achieve them perfectly, more like processes.”

069 Interview 1: “It is complex. The vision really embodies our ideals regarding every aspect of the company, and it is forward looking. What we aspire or dream of being. What we want to represent, internally and externally. The vision is different somewhat for each leader, filtered by our own perspectives. As I understand it, it is in part what we mean to our customer. This has to do with what we offer, our Brand, the best in a category for fitness in terms of function and style, not necessarily in price. Vision also lives in each department. It defines the work environment, the leadership environment as represented by the support model, bottom-up. Give people the room to grow and develop and to take ownership in the company. Provide guidance, direction, accountability, and nurturance, like the plant metaphor.”

As a member of the original core-team, Debbie was a contributor to the development of the values. She describes their origination and the challenges of “living them on a day-to-day basis,” as a part of her experience of the vision:

070 Interview 1: “The values came from a group of 4-5 people sitting at a park thinking about what type of company we were hoping to create. What was important to us as

individuals and as a company, an organization. What were the values that we thought would help make us better people and what values would create a stronger organization.”

071 Interview 1: “I think initially it is not easy to live those values every day and I do not think that we have been successful living those values, particularly early in our development. So having that value sometimes contradicted what we actually could do, because they went up against some parameters like limited resources, things that were out of our control to a large extent, but they were the reality.”

072 Interview 1 clarification: “Those values. Pushing limits. I think that’s been true from day one, and I think that early on we weren’t as careful or aware really setting the expectations that go around pushing limits, where now I think that we have significantly grown in that area. And courageous communication that is something that speaks to the structure of Athleta in that we want to create this open respectful environment that is different from other corporate environments outside Athleta. But that has not been easy to achieve.”

073 Interview 2: “With regard to Courageous Communication, I see it broken out into two pieces. One, it’s about creating an environment where we have the opportunity to approach anyone and discuss issues that may have arisen in a respectful way, so that’s one piece. Just having that environment. The core leaders practice this value quite well now. Two, is education and teaching beyond the core-team; that is where we need to focus.”

074 Interview 2 clarification: “The bottom line is, I think that it will be important as a company to continually check ourselves against those values: do they still hold true, are they the right values for us, and are we living up to them.”

Debbie identifies another central aspect of the vision that is referred to as a systemic perspective or holistic understanding. This concept is an integral and functional part of the vision, however, it is described and defined in detail under the theme labeled, Team-success. Debbie includes it here, also:

075 Interview 2: “Another piece of the vision has to do with a linking of core-team members and areas. Our leadership structure is not set up like the structure of other companies where people do a certain piece of the work and fit into a box in terms of responsibilities. We envision this team as a collaborative unit and although we have designated areas of expertise and responsibility we also have an eye on the big picture, how we are connected.”

076 Interview 2: “The vision for the leadership team is embedded in our bottom-up support structure. It lives in our core-values, in the ways we interact with one another, very humanistically and respectfully.”

Scott, as the founding member of Athleta, played the initiating role in the creation of the vision for the company as a whole, and more specifically, for the leadership structure. He is very clear about internal aspects of his vision. His vision is dynamic, forward looking, and inspiring. It is organized around cultural values that are based in

humanism, respect, and support. He also identifies the creation of an environment or philosophy that revolves around systems concepts. With regard to the vision, Scott states:

077 Interview 1: "The context for the vision is important . . . the thing that was most apparent to me in terms of all of my experience and virtually every organization that I had been with was, organizations as a whole I don't think are particularly adept at treating people as humans, and I envisioned creating an environment that was perhaps a little more intimate. And perhaps a little bit more respectful and honoring of people's lives both at work and at home or outside of the workplace. So what's different is trying to create a little bit more of a human dynamic, a genuinely human dynamic. The other thing I envisioned about Athleta...the second thing is trying to find people within the organization who can lead the organization with a certain level of self-awareness so they can lead people successfully. That's a real important piece. The third piece is wanting to create an environment or philosophy that revolves around systems, the interconnectivity of things and using that as a premise for people's perspectives of the functioning of the company."

078 Extract from HBR Case Study: "We work hard to create an exceptional culture where the employees embrace the company's five core values. The company's values all stemmed from a single premise: The most important values in one's professional life should not differ from those in one's personal life. For example, Athleta employees are encouraged to put their families first even though this occasionally results in employees leaving work early to pick up their child or take an animal to the vet. Recognizing the importance of staying healthy, the company headquarters were located close to an open preserve so that employees could easily go running or cycling during breaks. The employee-friendly culture enables Athleta to maintain lower than average turnover rates and attract top talent in key positions. Finally, the open-concept Athleta office was designed to facilitate open communication and to accommodate employees, pets, and on occasion, children."

079 Interview 2: "I started the vision, my vision that may have attracted others is two macro pieces. One of the most attractive pieces was the aspiration to create a culture that was comparatively different than other models. An environment that is meaningful in somebody's life as opposed to just a job. To create meaning by allowing people to feel recognized and feel like they matter and have an impact in shaping something. And one of the other ways to do that is via support. Creating a supportive environment, also included are the values, and people can identify with that and make the culture more tangible."

080 Interview 2 clarification: "For the vision to evolve it needs to be dynamic and forward looking, true to the original ideas but room to evolve. The more people that are introduced to the vision, depending on their individual characteristics, they are going to ball it up and shape it in a different way, they need to have an impact on the vision for themselves, an ownership. There are some pieces that are stable, I would have said values because institutions that endure tend to be values focused, in *Built to Last* cultures are built on values, but I think there need to be periods of clarification and evolution there. Elastic."

081 Interview 2: "Strengths to the vision depend on the execution or implementation. It can create more loyalty in both of those constituencies externally with customers and internally with employees. Also happiness. People are happy here and enjoying themselves and contributing to something that is meaningful to them."

For Joe, the vision for Athleta's core-leadership team "process" (the way they work together) comes closer to the reality than any other aspect of the vision. He is not particularly concerned with the operation of the "support model"; it is working well. His concerns about the vision have to do with the proverbial "cart before the horse" issue. In other words, Joe is concerned about introducing the concept of sustained profitability into the vision and its potential impact upon core-team functioning. The core-leadership team's vision has focused upon the internal working processes, values, and culture, and has been very successful in those regards. It has been less successful at sustaining profitable outcomes in the marketplace. Joe's concerns about the vision follow:

082 Interview 1: "Well, the overall vision has not been finely articulated. It has been more left to, either you get it or you do not, or coming up with your own definition of what it is based upon what you see. I think that it is carried in the hearts and minds of the leaders that are here. And not so much in a paper or written down. It comes closest to being represented in the support model as an ideal process."

083 Interview 1: "In general, the overarching parameters of the vision are static—performance women's athletic gear, treating customer's right, treating employee's right. Those have not changed. We are focusing our efforts right now on defining the first two of those parameters."

084 Interview 2: "The brand also refers to internal working mechanisms and relationships which have definitely changed, and so is it better or worse. I think it is better, moving in the direction of being far better. In fact, the vision of leadership, the structure and processes of leadership are closer to the reality than other aspects, like defining the external branding strategy and sustained profitability. Those are my concerns."

085 Interview 2 clarification: "The leadership vision, the support vision are just that, visions. They are not end states, they are stars to shoot for, and they keep us moving in the right direction, our compass. I think some of the constraints of the vision, well, really, not the vision itself but the idealism surrounding the vision, by some people, are their knowing unwillingness to modify that idealism in any way. It is the translation of the vision into reality and what that entails; that is where the issues lie."

086 Interview 2: The introduction of a formal board, and heretofore our policy has been we are going to stay true to our ideals. We are not going to vacillate at all, and we are going to grow our way into profitability; the board is now saying no, you are going to become a successful/profitable franchise and grow your way into your vision. And I think that is a healthy dose of reality. I think that is good. They are not saying we want you to sell washing machines; they're saying, just get profitable. And then we do not care what you do."

Elizabeth's understanding of the vision reflects the same three core aspects identified by the other members—brand, treatment of customers, and

treatment of employees. Her aspirations for the leadership experience, grounded in an organic representation of the support model, are described as static; however, the implementation of those aspirations is dynamic:

087 Interview 1: “As I spent time with Joe I felt the vision of what he felt. How his interpretation of the Athleta culture and what Scott wants to do at Athleta, in terms of running a company in a different way, that truly gives people an opportunity to flourish and take responsibility and grow. And that the best can be brought out of people by support and tender nourishment rather than punitive criticism.”

088 Interview 2: “The vision is like two visions, but they reflect upon each other. The vision of the brand, what we are offering the world, athletic, healthy, powerful women achieving goals in sports and fitness; and for the company that, the individual within the company will be treated as an individual and that their own personal development and happiness and growth is important to the company’s success, too. They reflect one another.”

089 Interview 2: “The vision lives in the whole organism, making it more diffuse and more rich. The vision is both static and dynamic. Much of the vision is somewhat static and implementation varies. The ways we treat customers, employees, and define brand are static, implementing those looks different.”

090 Interview 2 clarification: The static elements of the vision are somewhat simple, like the values. We should be open to interpreting them differently as the context changes. The amendments to the constitution are a good example; we should be open to asking questions about their value. The crux does not change.”

The following core-team summary statements are taken from the “Appreciative Inquiry Summary” under the section “Athleta Best Experiences”:

“Vision inspired”

“The challenge: How to “appreciate each of these assets going forward. . . How can we re-vision ourselves as a \$100 million company?”

Ground

Ground represents the reality of implementing or operationalizing the vision.

Where vision is forward looking, ground is situated in the present reality. It begs the question, where are we now in relation to our goals, aspirations, and values, and it provides direction for movement:

Debbie on Ground:

091 Interview 1: “When it comes to actually implementing the model of support, I think that every member of the core-team would agree, this is where we are living the values best. . . we really live the values among ourselves. You can see the progress that we have made over the last two years. It relates directly to our growth as a cohesive

leadership team. Our processes are much more clear, we have defined our roles better, and we are more efficient and proactive. This team is among the best that I have seen and worked with.”

092 Interview 2: “Joe has been a big part of making the transition from idealism to reality. Prior to his arrival, we were not as balanced; there were too many obstacles, as I had mentioned earlier.

093 Interview 2: “He was already walking the walk when he arrived, like actually living the values in his actions. We had them as our ideal but we were not practicing very well. The mix of leaders now makes it much easier, much smoother.”

094 Interview 2: “ I think that you have played a big part in assisting us in this process. Diminishing the volatility and the reactive nature of the group has allowed us to focus in better ways on working the values on a daily basis. I honestly believe that our vision for the way we want to work together, our values, will always be a work in progress, we will never be perfect at it, I do not expect anyone to be that perfect. But I do think that we can continue to improve on all of them. It is what makes us different from other companies that I have worked for in the past.”

095 Interview 1: “We are implementing successfully in some places, and there are places where it is more challenging. A continuum, different areas do better at different times. Sometimes, for example, the people in merchandising do not have the opportunity to live some of the core values in their personal lives because of the demands of the business. I think that we would get a B there instead of an A if we were rating it. I do not think that it means that we do not want it to be different.”

096 Interview 2: “Making accurate assessments about where we stand and how we are functioning as a leadership team is now a part of what we do on a regular basis. We just sit down and talk about where the impasses are; we are able to do so in rational ways, very unlike the early days. We could have never accomplished that before.”

097 Interview 2 note: Rick, I wanted to leave this message to elaborate on an element of implementing the vision that I remembered. Since we have moved to a functional place with respect to our core dynamics, no more volatility, etc., the implementation of the vision has shifted. We no longer focus on the support piece as much, it just happens. That has freed us up to focus on the business end of things more actively; I feel that this is a huge shift. Joe and I are on the same page here.”

Joe’s perspective on the implementation of the leadership vision is mixed. He identifies the support process aspect as successful, but he is concerned about the perceived validity of the model in light of a floundering business model. He is concerned that ultimately, for the support model to be validated, mostly by outside sources, such as the board of directors, the business model must succeed first. In his own words:

098 Interview 1: “It is a lot like every year they have these car shows and each maker comes out with a concept car. Now one of the true successes in the last couple years has been the Chrysler Corporation, almost true to form, developed cars that look exactly like the concept car, the Viper, the Roadster, the Cruiser, etc. Now with the new all-wheel-drive station wagon and they are directly translating from concept to reality. In

other cases things lose a lot when they go from concept to reality. And I guess we have to ask the question of how closely we can translate concept to reality.”

099 Interview 1: “Our vision is classified more under concept; now we are getting into the reality and how much of the concept can we bring and how much of it do we leave behind, and there is no right answer to that. Very dynamic. And there are repercussions go too far to one side and you go out of business, fall too far to the other and side and you do not have the same company. So it is a complete judgment. Instincts tell us where the lines are.”

100 Interview 2 clarification: “Let me attempt to clarify some of this. I think that there is a difference between the vision of the support model and the vision of the business model. At the same time, validation of the support model of leadership is to some degree contingent upon the success of the business model. So implementing a successful process model of leadership is happening the way we envisioned it. The business model needs closer scrutiny.”

101 Interview 2 clarification: “Deep inside, I feel that ultimately we will not be validated unless we are profitable. My wife would say, no, that reasoning is flawed. All you can do is provide for an environment where it its possible, but you cannot ensure profitability. And you should find your validation in a place short of profitability because you may tie yourself to an unachievable goal in this model. And it would be a shame if you throw out all this stuff that is good just because you did not achieve profitability. Profitability may not be an accurate measure of the success of the support model.”

Scott’s experience of implementation of the leadership vision is that it has become a successful effort. His concern is that the model requires a great deal of time, increased effort, and resources, especially for a growth company.

102 Interview 1: “Time and effort are issues to implementing this core leadership vision or model. Like we were just talking about the self-awareness aspect. Most other companies do not care about self-awareness for the most part. I mean they would love for people to have it, but they are not actively going to cultivate it, and we have made a decision to actively cultivate it. Now, that is a messy business because you are dealing with people’s history and patterns that have developed over many years, and so getting awareness around that stuff is different than saying okay here is what your job description is, do ABC. This is a messier model and way more complex.”

103 Interview 2: “Another constraint is resources. We actively promote the development of self-awareness, relational awareness, systems understanding, emotional expression, value awareness and practice, etc., among the core leaders and management. This becomes a rather expensive undertaking, especially when you are a growth company struggling to sustain profitability.”

Self-Awareness

This theme refers to the individual aspects of members of the core team. The entire team identifies this construct as a basic awareness of emotions in self and others. They extend the application of the term into the realm of behavioral competency or

emotional skill that one uses in interaction with others. This component is identified as an integral component throughout the entire support model.

Scott on Self-Awareness:

104 Interview 1: “At a basic level it is knowing yourself and how your actions impact other people. How are other people experiencing your behavior? It is a very relationally defined experience. A lack of self-awareness manifests in insensitivity or lack of awareness around one’s actions. Sensitivity is a key piece.”

105 Interview 1 clarification: “Every member of the leadership team has excellent people skills. They can relate to people, there is a strong degree of empathy in how people relate to each other, and there is a genuine support and compassion. Self-awareness is a key.”

106 Interview 2: “Including self and other-awareness in the selection criteria for core-leaders is another key strategy. We need people to get to phase 2-3-4. We need a certain depth of expertise, that’s a given. And the other piece is they are likely to be more successful if they have higher levels of self-awareness. So that is a huge screening criteria. So everybody that interviews here, that is probably the thing that I look at first and foremost, how well do they know themselves? How comfortable are they with themselves.”

107 Interview 2: “There was a calmness that came to this team. A planning and proactive approach that came and is coming more and more and more. There is a reactive piece that started to dissipate. There is an interesting relationship between people’s level of self-awareness and reactivity. The higher level of self-awareness, the lower reactivity.”

108 Interview 2 written: “I believe that greater levels of self-awareness lead to greater levels of self-governance, the ability to regulate inappropriate emotionally driven behavior. We had a lot of that here when the company was new. We have a lot less now.”

109 Interview 2: “At Athleta we attempt to help leaders gaining a little more self-awareness, help them discover how their behavior affects other people, help them discover those patterns and processes that are automatic. However, we can only provide the opportunity and that only goes up to a point. This is why selection of members is so critical—fit is critical.”

Joe includes self-awareness in the same category as emotional intelligence. His rationale for including this theme in the model of leadership is theoretical. Joe’s theory of effective leadership essentially states that individuals who have been introspective and have achieved a certain level of self and other-awareness can “be themselves” without putting on airs or pretenses. This ability to be oneself in an environment that supports that, promotes effective leadership. Athleta’s support model provides the safety to be yourself and get feedback on your behavior. It also invites exploration into

personal and interpersonal dynamics and patterns of behavior; Joe sees a direct positive correlation between self-awareness and team-success. In his own words:

110 Interview 1: "What's different here is it's okay and expected to weigh in a little more heavily on the emotional intelligence scale, the self-awareness scale. In other words it's okay to be out front with your emotions. It's encouraged. It's encouraged to have self-awareness, it's encouraged to vocalize that, it's an okay place to do that, and I think that the presence of that makes it okay to be human. And that makes it more effective leadership."

111 Interview 1: "My theory is that the more people, self-aware people, are like themselves, and are not thinking that when they walk into the building they put on this leadership hat and they have to be something different than themselves, the more effective leaders they become."

112 Interview 2: "The more our leaders are who they are when they walk through the door, the more effective the leadership becomes, and I think Athleta provides a place to be yourself when you are here. You get to wear what you want, and you get to say what you want, your inner-most feelings are; there's encouragement to express them, and I think all of that somehow like in a soup or an artwork produces a painting or a finished product that provides a deeper, more effective leadership team."

113 Informal 2: "We have become less emotionally reactive, more professional, more evolved interpersonally, and confident. Though they still have places they lack confidence, but on the whole they are much more functionally based. These leaders are much less driven by unconscious patterns of behavior."

114 Interview 2: "Elizabeth will indicate that she wants feedback about her participation same with Debbie. That is fuel for the self-awareness piece. I think also that there is wisdom in this group. These people are wise, I do not know when you get wisdom I do not know where it fits on the interpersonal scale or on the interpersonal palate, I don't know how you get it, but these people have it. So what does that mean, sometimes you let things slide, it is the little bit of artwork that goes into a picture that separates it from being a painting and a work of art."

115 Interview 2 clarification: "And there is a direct positive correlation between self-awareness and team-success. People become aware of their impact or lack of impact on the group. And if that were not to happen they might be completely out of synch, there is an in-synch-ness to this group that would be missing if someone were not self-aware, and the self-awareness goes to group awareness, and you begin to think, "Okay, I have certain self-awareness I bet Elizabeth has certain self-awareness, and I bet she is reacting this way because of this. "

116 Interview 2 written: "This increased awareness allows for the possibility that what is coming in your direction or appears to be coming in your direction may not be aimed at you personally but really may be more an indication of the person who is delivering it and what space they are in. It provides all kinds of outs and possibilities in interpersonal relationships that do not automatically lead you to someplace that would be dangerous or threatening. It allows for more of a degree of introspection than would normally be the case."

117 Informal 3: "We try to promote self-awareness by walking the talk, showing it in what we do. By having a certain level of vulnerability, not just ourselves but to one another, by showing support for one another."

118 Interview 1: “With problems, you give them the benefit, you are warm, and you have to be the change. You want to make happen, to plagiarize Gandhi. So if someone is not doing that, and they are doing something else you cannot go in and correct them in a way that they are used to. You have to correct them in a much more supportive, generous, warm, kind, almost loving way, and if they cannot respond to that you replace them. You do not hang around with that for too long.”

Debbie also identifies self-awareness as one of the key attributes of effective leadership at Athleta. She talks about the relationship between self-awareness and team dynamics as complements of one-another. She is quick to point out the importance of including self-awareness in the selection process. For the addition of new leaders, goodness of fit is seen as a crucial element. Debbie also identifies environmental and process factors that complement self- and other-awareness, such as clear lines of communication, establishing trust, and promoting an emotional safety. In her own words:

119 Interview 1: “Self-awareness is being comfortable with who one is, not having to hide weaknesses.”

120 Interview 1: “One of the key attributes of a key leader at Athleta is self-awareness—aware of how you impact other people, where your strengths and weaknesses lie.”

121 Interview 1 clarification: “For example, Tracy could not realize the impact that she had on the team dynamics; she did not take ownership for her part. I felt she lacked an adequate degree of self-awareness and other-awareness. The experience with her really helped underscore the need to bring folks on board who have the experience that can take us to the next level, but the person needs to bring with them relational awareness.”

122 Interview 2: “I know that fit was a very important piece to selecting Joe for that leadership position. Joe’s level of experience was important, but his fit was something that I was personally very aware of, of wanting someone who embodied the characteristics of his calm, his reasoning process, his awareness and empathy.”

123 Interview 2 note: “Fit is in large part self-awareness, meaning people who are, for me, comfortable with who they are, who are not highly defensive, comfortable with their level of expertise and knowledge, open to other ideas, and open to challenges. When challenged, they are respectful in terms of self and others and need to understand how they impact other people.”

124 Informal 3: “Self-awareness complements contextual elements that facilitate the support model, like clear lines of communication, a defined support structure in terms of responsibilities, and process and flow. The environment must facilitate genuine trust for one-another, safety to say what is on your mind, honesty among leaders. Another piece is doing what you say you are going to do. Living your word.”

Elizabeth uses the term *evolved* as a synonym for self-awareness. From her perspective, self-aware leaders have ample self-knowledge to assess their impact on

others and can control potential negative impacts. Other aspects of self-aware leaders include empathy, support, and compassion. Elizabeth also identifies self-awareness as an integral part of the selection process for leaders. In her own words:

125 Interview 2: “Evolved to me means self-awareness. How well does that person know himself or herself and how well do they understand the effect that they have on other people. And how able are they able to regulate the behaviors that negatively impact other people. For instance, Joe, 99% of the time because he has worked so hard at it is very able to regulate how his behaviors affect other people; he has got his negative issues under control. Extremely difficult to select for. These characteristics have made this leadership team successful and is one of the things that will continually set us apart.”

126 Informal 2: “That has a broad range of meaning, and the core of it for me is, self-aware people have mutual respect. They do not trash other people and don’t promote themselves over others nor close out other ideas.”

127 Interview 2: “Self-awareness is recognized through interaction and observation. Much of the discernment is intuitive. It boils down to mutual respect and being respected. Self-awareness for me has to do with balance in my life, and joy and healthiness overcomes the part of my life that isn’t. I am not so weighted by my unmet expectations, self-doubt and fear. I have those but my ratio is balanced.”

128 Interview 2: “There is a real relational aspect to self-aware people, they can assess accurately their own behaviors and the potential impacts on others.”

129 Interview 2 written: “Selecting for it is very subjective and you must spend significant time with people and experience them in various contexts, such as working interviews. Not like a group interview but more of a project. Often you find people that do not fit. In core level positions this piece needs to be a criteria for selection.”

130 Interview 2: “Everybody on the leadership team has very good people skills. They can relate to people, there is a strong degree of empathy, and there is a genuine support and compassion for other people on the leadership team. Self-awareness is a key.”
The following core-team summary statements are taken from the “Appreciative

Inquiry Summary” under the section “What We Value about Our ‘Best’ Work”:

131 “Greater self-awareness that leads to greater “self-governance”

132 “Opportunities to learn and grow “from within”

Team-success

As Joe states, “Team-success has to be defined at least by a “multivariate equation,” and I have to agree. Where self-awareness addresses the individual contributions to the support model, team-success is defined by factors that promote the success of the group as a whole. The data for this theme identifies the following constructs as the most significant defining aspects of team-success: First, from the

model of support, *influencing positively the performance of other members* is cited more frequently than any other aspect contributing to team-success. Second is *cohesion through flexible collective action*. This aspect addresses the collaborative nature of the structure and processes underlying the core-team. The third aspect has to do with *emotional expression* and honesty among members. Promoting appropriate emotional expression among members is identified as a process that facilitates trust, openness, genuineness, and caring. Forth, team-success requires *a holistic or systemic understanding* in order to function effectively. Each member speaks to this dynamic; their voices express a diverse range of understanding and practice. The fifth aspect that has been cited and is gathering significantly increased attention is *performance associated with profitability*. The sixth and last aspect defining team-success is *enjoyment and happiness*. Each of these aspects will become apparent and alive when expressed through the narratives of the co-researchers themselves.

Joe's vast experience from within the ranks of various corporate leadership "teams" serves as the context for much of his description of team-success at Athleta. He stresses more than any other member the importance of sustained profitability as the bottom line measure for determining whether the "support model" will prove ultimately successful. On more of a group-process side, Joe describes core-team success in terms of expanding creativity and opportunities for learning. He describes the emotional context as one of openness, safety, and exploration. These aspects diminish defensiveness and interpersonal stress among members. Finally, Joe speaks to the relationship between self-awareness and team-success. In his own words:

133 Interview 2: "In this environment success has to be defined at least. I am thinking of a multivariate equation; one of the variables has got to be profitability because other than that you just had a good time, treated each other well and went out of business. So one of the variables is profitability."

134 Interview 2 clarification: "Another measure of success is in the open space that we create. So if we contract or shrink we're not successful; if we continue to expand we are

successful. That is such a simple answer, a one-word answer to a very complex situation, but I think it boils down to that. If there is expansion in the group, well, individually you can be expanding or contracting—you might not be anything else, probably some neutral place—but generally you are either contracting or expanding. If the group is expanding interpersonally, then they are creative they are learning they are open they can ride out the little bumps. They can share support from one to another if they are open and expanding; if they are not then they are not doing that, not succeeding.”

137 Interview 1: “Another important element is, I think it is a safe place to experiment, to be yourself. It feels that way for me; I can’t speak for anybody else. I hope that the people that I work with feel the same way that it is a safe place. But I can’t speak for them, but I can speak for myself, way way way way way way safer than being at X, for example, where you have to, you know, think about your footsteps before you go down there, that’s just not what you have to do here. You can make mistakes; they’re not fatal.”

138 Interview 2: “Self-aware people are aware of their impact or lack of impact on the group. And if that were not to happen they might be completely out of synch, there is an in-synch-ness to this group that would be missing if someone were not self-aware, and the self-awareness goes to group awareness, and you begin to think, ‘Okay, I have certain self-awareness. I bet Elizabeth has certain self-awareness, and I bet she is reacting this way because of this. It allows for more of a degree of introspection than would normally be the case.’”

143 Informal 3: “I hear ‘systems’ in a very positive way ‘cause it means to me that someone is willing to take a more holistic approach to what is going to go on here than they otherwise would.”

Debbie’s responses on the theme of team-success focus strongly on the systemic interconnectedness of leaders and the reciprocal impact of action. She states further, that the levels of collaboration and cohesion would not be possible without this holistic process in place. In addition, she identifies the relationship that individual self-awareness and practice play in terms of their impact on team learning and growth. In her own words:

145 Interview 2: “Certainly that we hit our targets and goals, profitably, whatever we set as targets.”

147 Interview 2: “The structure of Athleta, the linking between leaders of departments, that is what systems means. Each person is linked; it starts with the leaders at the bottom and moves up. If the leadership was not linked arm in arm, we could not expect each of the other layers to be linked. And in other organizations that I have worked in the leadership has not been linked.”

148 Informal 2: ” When we talk about systems, what I think about is a great exercise at an off-site with giant rubber band connecting the leaders in every area. When you were in the bands and when you looked at the interconnections, that was great. It physically demonstrated that how what I do impacts 10 other people outside of my area, what you do impacts several people over here and the process is always moving. So when I think

of systems, that's what I think of, how does what I do impact what you do or folks over here, the ripple effect."

149 Informal 3: "At Athleta we are linked, and I believe that with all my heart. Every member of the leadership team is connected, and that has not been true for the entire life of Athleta. And we have seen what that has done; it has created dysfunction, but you could never have a cohesive, supportive structure if the leadership was not connected."

151 Interview 2 clarification: "I think that an important piece of our team-success is the facility to talk openly. It helps us continue to grow as a cohesive team as a collaborative team."

152 Interview 2: "Outside of the individual, I think that the values that we have set up as company contribute to our success. Each of those values has helped to create the environment at Athleta and enabled us to achieve the structure that we talked about. I think that each leader who fits here shares the same values and goals."

152 Interview 2: This may be obvious, but our overall success and our leadership success also results from the fact that each individual is an owner in the company in terms of the stock, that hopefully sets the tone from day one, to some degree. Ownership makes a difference."

Scott's experiences of the factors that make up team-success are in line with previous expressions from other members. Systems thinking is a passion for Scott, and he attributes the strategic success of the team, in large part, to this holistic perspective. Like Joe, Scott states that without sustained profitability the support model of leadership will become a charitable experiment. In his own words:

154 Interview 2: "... wanting to create an environment or philosophy that revolves around systems, the interconnectivity of things, and using that as a premise for people's perspectives on improving the functioning of the company. "

155 Interview 2: "People are genuinely interested in the other members of the leadership team succeeding. And they are willing to step out of whatever they are doing or to kind of stop the world for a second in order to be supportive to other people."

156 Informal 3: "Our values, core-values, are shared by our leadership team, we are unified on meaning levels. The result is that we do not have to sort out underlying meanings or philosophies when we are discussing operational strategies. For example, you know what I mean, sometimes a cigar is just a cigar, and that is a good thing."

157 Informal 2: "I love systems concepts, but I really stink at defining them. But it is important that leaders have some understanding of how we affect one another, of how our work is connected, and how we impact one another as people. The interconnectivity of things within a whole and what those parts contribute to the whole. Very crucial understanding from a leadership perspective."

158 Informal 3: "If you are unaware of how your actions are affecting people in other areas, then the other areas may have to compensate for "isolated actions." For example, Elizabeth develops a circulation plan that spends too much money to acquire the sales, then the rest of the company will suffer and compensate. We see that right now with

gross margins. Gross margins are too low, so we have to bring down everything else in response to that. Compensating for one piece of the puzzle that is deficient.”

159 Interview 2: “The success of the business and the team will be judged on financial results because it is a for-profit business. End result is important and verifies the model. Now the support model must execute or it is a charitable experiment.”

Elizabeth provides a well-balanced description of the factors that comprise the team-success theme. She includes quantitative measures such as profitability and retention of employees, in addition to the qualitative measures of relational quality, holistic processes and enjoyment of the culture. In her own words:

161 Interview 2: “This is also defined by profitability and the ability to track and retain customers and employees. As a business, profitability is a key quantitative measure for team-success.”

162 Interview 2 clarification: “There are other qualitative measures, also. We may not become profitable, and that will be due to the success of the business model (price points, scale, attraction to customer), not the support model.”

163 Interview 2 written: “Qualitatively, people want to work here, retention is good, and relationships are good. Team success has to do with the way we treat one-another, supportively. ‘Support’ may not be the best word to define the model, and it looks different in terms of promoting team-success. For example, Joe supporting Debbie in her need to liquidate millions of dollars of merchandise can be challenging, not simply supporting and caring solely about how she feels. Joe supports her in getting it done by his guidance, being there in terms of expertise and skill, and the way he treats her to help her accomplish the goal. ‘I have a responsibility to you as a core team member to help make you successful.’ Power is used in a collaborative way.”

165 Interview 2: “To have a group of people with a strong commitment to an ideal, there is a good likelihood of achieving success, and that is why it is so important that the ideal includes being economically healthy. We share the values, and nobody in this group is just doing it because they want to stand out, but so that the team will be successful. I believe in these people, and they will flourish and do well as a result.”

The following core-team summary statements are taken from the “Appreciative Inquiry Summary” under the section “Athleta ‘Best’ Experiences”:

166 “Influencing positively the performance of others”

167 “Productive groups and teams

168 “Valuing others: ability, input”

169 “Communicating in an open and non-threatening manner”

170 “Collaborating with others”

171 “Influencing others positively and helping them grow”

172 “Truly balancing people and performance”

Challenge

In general, this theme represents a striving to achieve individual and group goals. Challenge is represented in the core values as “pushing limits.” The leadership team identifies two different aspects of challenge, process and content. Within the core-leadership team, challenge includes a “process” aspect. This piece focuses on the way challenges are handled within the core-team—the “how” of facing challenges among members, regardless of content. Elizabeth defines the method clearly in the following quotation:

173 Interview 2 written: “Challenge. I think the model works when people challenge in a way that makes it clear where they are coming from, and it is a way of challenging that is constructive. There is a method of challenging here, for example it is so simple, when you ask a question that is challenging you start by clearing the table, putting out your reason or rationale for the question, ‘Here is what I think. Will you share with me your thoughts?’ You have the courage to reveal yourself, so that the person you are challenging can understand where you are coming from before they respond. All honest and straightforward, no hidden agenda or tricks. Respectful language.”

Debbie reinforces the understanding of the method of challenge. Once again, the primary focus is on process:

174 Interview 2: “The way we challenge within this team is different. There is always a safety net or support net around challenge. If you fall the members are there to catch you. We challenge in respectful and positive ways, we do not make assumptions and we do not think we know the answer. There is not a lot of judgment in this method, no finger pointing.”

Scott addresses the relational impacts of utilizing a respectful, open, and supportive method of challenge:

175 Interview 2: “There is the what and the how. The what can be consistent in any model. What is different here is the how, how we challenge. It is virtually free of self-interest and it is motivated by the genuine desire to be supportive. The how creates the reality of safety and a reduction in defensiveness.”

The second aspect identified by leaders addresses the content of challenge. This is termed the “what” of challenge. The most significant content challenge faced by the leadership team is identified as maintaining the support process in the face of increasing pressure and urgency to achieve profitability goals. The introduction of a new

board of directors that assumed voting control of the company in April, and has as its number one agenda item profitability and the protection of their investment, has added a new dimension for the leadership team. Further complicating this new dynamic is the shared awareness that the new board does not understand nor do they value the support model of leadership. Negotiating this rather hostile interface presents the core leaders with new challenges.

Additional content themes that have been identified include the difficulty and arduous nature of expanding the leadership team. The process of recruiting, assessing, and selecting members that “fit” is a costly and time-consuming process, and there is concern about issues of scale as the company grows.

Joe is the most outspoken with regard to taking up the challenge of sustained profitability. He is also the most confident about the ability of this leadership team to achieve success. He does, however, allude to potential unforeseen changes or a moving beyond the team’s current comfort zones. Joe experience, beyond that of other members, seems to provide him with an insight to which the other members may not be privy. My perspective is that Joe is the informal leader of the leaders, and he has taken up the gauntlet in terms of his own professional challenge to unify a support model of leadership with exceptional profitability. In his own words:

176 Interview 1: “Because we work outside of the mainstream, challenge is in everything that we do. We are not going to deal with people in some ritualistic business way. We are not going to sit idly by while we just try to squeeze the most out of our customers, or sell them junk. We are going to keep our values in the face of adversity. It is a huge challenge.

177 Interview 2: “So I think before we had the investors we did not have those kinds of pressures. And we could spend a lot of time formalizing how we treat each other, our core-team processes. But now there is a more realistic and disciplined imposing force acting on us that says if you do not put money on the bottom line we’ll get someone else to try it. I think that’s good. It will make us really focus like a laser beam on just what parts of these models we want and we can afford and which of them we can’t afford and don’t really need. And we have not had that pressure before.”

178 Informal 3: “Well, the first thing that hits me are a board member’s words when he saw the inverted pyramid, the organizational chart, in the conference room. Weren’t you

there then? Something like, 'Well what's that? Well, how does that work? Was that Rick's idea?' He just wouldn't let it go; it really, really bothered him. That we were going to have this support thing, and who is going to lead things, and who is going to perform, in his model, the typical leadership role. Which is not a leader at all."

179 Interview 2 note: "I do not think that the majority of board members have an ounce of interpersonal awareness, or it is stuffed so far down and they are so unwilling to talk about it. That they can say, this is business; we're not going to talk about emotions, you can actually take that path which many people have done. There is no place for emotions; I don't give a darn how you feel, and I don't care what you think. I care about performance, you know. You're a good person or whatever, but that's not going to come into play here. That's the challenging part of getting these external investors. They do not get what Athleta is trying to do. And in some ways I don't think they need to—I think that that is a good thing. Because it will challenge us to never forget that we have to perform or we will just be a charitable experiment. Which is something that I do not want to have happen."

180 Informal 2: "But there is really a big, big interface issue between us and the outside world. Currently, there is a very clear threat. They could come in and wipe out the management structure. But in the moment, because we're not getting fired yet, in the moment, the way it impacts us is that it imposes a certain amount of discipline and pressure on the organization so that this model we've created does not get out of hand."

181 Informal 3: "I think you're gonna see some lapses in things, getting things to work, lapses in behavior. If there is no pressure, you can always be the way you are and that's pretty definable and controllable. But now with this external pressure that you cannot control you have to do things out of the box, and when you get out of the box, by definition are not in your comfort zone, you're gonna do things that may make you uncomfortable and might make other people uncomfortable. So we're gonna see some of that out-of-the-box behavior and with it comes the accompanying mistakes, things like that. I think a welcome dimension."

182 Interview 2: "This is really important for me to make this work for my own career. I wanted a place to perform like a Bean but to behave like an Athleta. And I want to bring those two things together. I want that to be this place; so there is a lot of passion, a lot of energy, around wanting this to work, and by 'work' I mean it's a great place to work and we have great profits. A lot of personal accomplishments and sense of fulfillment wrapped up in that for me, and I love doing what I'm doing. I love being here. It feels like a fulfilling a worthwhile endeavor while you're on this Earth to be doing this work."

Scott's focus has historically been on the creation of an alternative corporate culture, the humanistic, supportive, non-traditional culture that has become the hallmark of Athleta. Putting processes in place for core-team leaders that reinforce established values has been a time-consuming endeavor for Scott. In addition, as founder and CEO, Scott assumed primary responsibility for securing investment capital to keep Athleta operational. With these challenges successfully in his wake, Scott must now navigate more immediate and pressing threats. Achieving profitability and interfacing

with a board of directors that does not share his passion, nor his valuing of non-traditional corporate culture, may be the biggest challenge to date. Scott states:

183 Interview 1: “Our foremost challenge, the one that is before us at this moment, is demonstrating that we can be a profitable company while at the same time retaining the internal model of support.”

184 Interview 1: “I have dedicated a large amount of time and effort to the creation of a leadership structure that can function in collaborative and cohesive ways. That has been a passion for me. Now we are faced with what feels like an external threat, a more traditional board of directors, but they are not really a threat. They are pushing us to become successful in the marketplace, and perhaps we have not focused forcefully enough in this way or direction.”

185 Interview 2: “We are not a viable model unless it performs, and I think that we may be guilty of being so caught up in the past with this model and how it should work that we forgot it’s got to perform.”

186 Interview 2: “I am confident in this team and in the processes that are in place. We will rise to this occasion just as we have done with prior challenges like budgeting sessions, enterprise challenges, and financing.”

187 Interview 2 note: “That is crucial, absolutely. Historically, creativity was a critical part of our functioning due in part to the limited resources, no cash. We really pushed our limits. Recently, the budget process and addressing some of the board’s concerns required a great deal of challenge, focus, creativity, and different areas have stepped up and make the numbers work.”

188 Interview 2: “Another challenge is long-term growth of individuals within the organization. In contrast to continually upgrading your team—for example, when somebody hits the top of their trajectory—instead of devoting the resources and time to get them to the next level, they’re out, and a person with the requisite experience is in. We do not work that way, I want there to be adequate resources available for continued individual development and opportunity.”

189 Informal 2: Another challenge we face is selection of new members as we grow. Where would you find these kinds of people? I mean, you would have to work your way into it. It is so people specific.”

190 Interview 2: “Time and effort are also serious challenges for us. Like we were just talking about the self-awareness aspect. Most other companies do not care about self-awareness for the most part. I mean, they would love for people to have it but they are not actively going to cultivate it and we have made a decision to actively cultivate it. Now, screening for that is spending a lot of time with somebody before they are hired. For example, it took us a year and a half to find a COO, which is Joe. It has taken us a long time to find every major position here. It is not about just slotting somebody in; it is about finding somebody who has the level of self-awareness and who also has the technical skills. As opposed to filling a spot.”

Debbie’s experiences of challenge in the content sense parallels those of Scott and Joe:

191 Interview 2: “This team has been through the wringer when it comes to facing down challenges. It is our history. From the outset we have had to be creative because of

limited resources, which has been a challenge itself. Now that we have some cash in the bank our challenges have shifted, naturally.”

192 Interview 2: “I see our biggest challenge as the incorporation of more of a disciplined performance mindset, if that makes sense. We are great at leadership process; maybe we focus too much here. Now we have to prove the model works, getting to profitability and doing that with regularity. It is really proving the business model.”

193 Interview 2 clarification: “Tied to this challenge will be maintaining the collaborative process that we have established; pressure has a tendency to change things. We’ll see what happens.”

Elizabeth’s experience of the content challenges faced by the leadership team at Athleta is focused almost exclusively upon performance and achieving profitability. She attributes this perspective to having only been with the company for one year and takes for granted the support process, having been established prior to her arrival. She identifies opportunity and threat in the participation of the new board, positive and negative challenges. She summarizes the positive side:

194 Interview 2: “The goals outlined in the performance covenants and established cooperatively with our team are very reachable. It is not an unreasonable proposition to have profitability designated as the key quantitative measure of our performance as leaders. The board has every right to establish this expectation and we owe it to them, to ourselves, and to the staff to reach that goal.”

The negative aspects of the board are identified as a lack of cultural fit:

195 Informal 3: “This board is largely composed of traditional, successful, male, venture capitalists. They are not concerned with intervening in the internal working processes of our leadership team, unless we do not achieve our financial obligations and goals. If that happens, they will turn the microscope on the team and attribute our lack of success to those things that they do not understand and do not value. That would not be a challenge, that would be annihilation of the leadership model and possibly of the members themselves.”

Appreciative Inquiry Summary:

Athleta Best Experiences

196 “trimming the lean – meaning that the core-leaders have proven to be adept at successful operation for the last five years while very undercapitalized”

197 “Our never give up nature, persistence, we are all picking up the log together”

Validation

Where challenge represents a pushing of limits and a striving to achieve goals both individually and as a leadership team, validation represents recognition and

celebration. This has always been a large part of the leadership culture at Athleta.

Debbie recalls early memories of off-site weekends designed around recognition, celebration, value development, and fun:

198 Interview 2: "For the first three years of our existence, the entire company would go camping or to a funky resort or somewhere away from Athleta. We would celebrate our successes from the past year, recognize leadership and other contributions, and we would have a lot of fun with one another. We had some very close bonding sessions, very personal, and very emotional. They were wonderful times. Exceptionally validating."

199 Interview 2: "One of the off-sites was dedicated to the rededication of and commitment to the Athleta values. We had river rocks engraved with each value and we awarded them to the person who best lived that value throughout the preceding year. It really made me feel that all the work was paying off."

200 Informal 3: "We play together as a group; humor is a big deal around Athleta. The core-team has always been known for being practical jokers. It keeps things light, even when the pressure is on."

Scott recalls a core-team celebration dinner that occurred after the most recent round of capital financing had been acquired. He also discusses plans to formalize an incentive/bonus structure for core-leaders:

210 Informal written: "We made arrangements to celebrate all of the intense effort that each member had contributed to the tasks around acquiring the financing, a lengthy and taxing process. I purchased a specific gift for each member that I felt most accurately represented their position and what they meant to the company. For example, I gave Joe a bronze buffalo, a Tatonka, representing his wisdom, guidance, and the spiritual-like calm that he brings to the team. For Debbie, I gave a compass with the engraving 'steady-on,' representing her relentless optimism and perseverant nature. To Elizabeth, I gave a 'Happy Buddha' statue representing her Bohemian roots and creative style. For Rick, I gave a globe, representing the holistic perspective that he brings to the team. This type of celebration and recognition are a part of the larger culture."

211 Interview 2: "As we grow, we are having to change the ways we validate leaders and their efforts. We are in the process of developing an official bonus structure tied to performance as a part of the push to profitability. We also want to continue to validate people not solely on that basis but on how they contribute to the culture and values. We have been good at this in the past."

Validation also takes the form of direct feedback from member to member on a regular basis; again Debbie states:

212 Interview 2 clarification : "Absolutely. There is an acknowledging of challenge. We acknowledge the effort, the product of the effort, the quality of work. We validate also when something does not always go as planned, when a member may be feeling particularly vulnerable. It is feedback that is healthy and accurate."

Elizabeth shares this perspective:

213 Interview 2 clarification: "Absolutely. There is validation of people and of effort. It is so often body language, subtle actions. Also, expressions of direct feedback. You feel the genuine caring and concern. We know when someone needs support, not always. If a challenge does not work out for an individual, there is an optimism and promotion of alternatives, not negativity or blaming. Very little blaming in the core group."

Joe on the same theme with a twist:

214 Interview 2: "After a meeting or public expression of one's opinions or a public review of one's work, there is a lot of validation that goes on among group members. This is a feedback mechanism. And it wraps into the support piece. They want to know, and they respect the opinions of the other members. Was their choice a valid path?"

215 Interview 2: "Ultimately, we will not be validated unless we are profitable. My wife would say, no, that reasoning is flawed. All you can do is provide for an environment where it's possible, but you cannot ensure profitability. And you should find your validation in a place short of profitability, because you may tie yourself to an unachievable goal in this model. And it would be a shame if you throw out all this stuff that is good just because you did not achieve profitability. Profitability may not be an accurate measure of the success of the support model."

CHAPTER 5

FINDINGS AND SUMMARY

Introduction

This chapter is designed to elucidate and discuss the significance of the findings identified in the preceding chapter. The significance of these findings will be evaluated in the light of the study's original intent and stated purpose, current literature and relevant theoretical perspective, and its potential contributions to future research and practice. I will begin with a review of the study's purpose, followed by an interpretation of themes.

Review of Purpose

This study is an initial investigation into the experience and understanding of a corporate leadership team self-described as "systemic, value driven, and non-hierarchical in nature." These characteristics represent the new direction for organizational leadership for today's corporations. The processes, experiences, and meanings gathered from the participants of such a leadership team provide valuable information regarding new models of leadership congruent with evolving contextual demands.

Interpretation of Themes and Relevant Literature

Support

As I interviewed each co-researcher about his or her experience of leadership at Athleta, it became increasingly evident that the word "support" held special relevance and importance. Initially, from my perspective, the word seemed lacking in richness, not descriptive enough of their experiences. This, however, was not corroborated by their descriptions and clarifications. I had to assume that the lack of understanding regarding

the richness and meaning of the word lay on my side; in fact, that proved to be the case.

Webster (1997) defines “support” in the following ways:

1) to bear or hold up (a load, mass, structure, or part, etc.); 2) to sustain or withstand (weight, pressure, or strain, etc.); 3) to maintain (a person, family, institution, etc.) with the necessities of existence, provide for; 4) to sustain (a person, the spirits, etc.) under trial or affliction; 5) to uphold or advocate (a person, cause, or principle, etc.); 6) to corroborate a statement of opinion; 7) to undergo or endure; 8) to perform in a secondary role; 9) an act or instance of supporting; 10) the state of being supported; 11) something that serves as a foundation; 12) backup or assistance in combat; 13) to carry.

After reading the inclusive definition in Webster and hearing co-researcher descriptions, I came to understand the nature of support as a central theme. It is evident from the examples of codes presented in Table 4, that support is not simply one aspect of a larger model but is the defining and organizing framework for the model, the “Support Model of Leadership.”

A number of researchers and writers have identified the importance of incorporating aspects of support into current leadership models. Kouzes & Posner (1993) state that leadership models should be honest, supportive (not self-serving), forward looking, inspiring and competent. Sims (1997) suggests that contemporary models of leadership should demonstrate sensitivity to members’ warmth, integrity, collaboration, and caring. In his presentation of “Servant Leadership,” Greenleaf (1996) suggests that leaders are more effective when they provide caring, support, and the opportunity to grow. The identification of support as a primary model of leadership is a divergence, even from current community and servant-based models. The identification of support as an organizing framework has the potential for making a significant contribution to evolving models of leadership.

Core-Team Evolution

Core-team evolution is a developmental success story. The story relates the transition of the core-leadership team from their self-described historical state of relative dysfunction, emotional reactivity, and immaturity, to a proactive, highly functional, and mature group. There are a myriad of factors that are described as contributing to this transformation. The most pronounced factors in the narratives of the co-researchers are also among the more interesting from a family-systems therapy perspective.

The dynamics of the core-leadership team, described earlier in the section labeled “Researcher Perspective and Participation,” and later in the narratives of the co-researchers, identify individual and relational factors as contributing to transformation. The original dynamics are characterized as “crisis like,” and are attributed to the “exceptionally reactive” nature of a key relationship between two members.

047 (Scott) Interview 1: “ The dynamics of the core leaders early on was crisis-like, somewhat chaotic. It seemed to be much more emotionally driven and short-term focused. We were always reacting to situations rather than proactively planning.”

048 (Scott) Interview 1 clarification: “My relationship with Tracy was exceptionally reactive, and I really tried to temper that, and we talked about it and worked on it, but it never really got much better. I know it impacted the entire leadership team negatively and distracted us, moved us off track. We just could not get it under control. There were certainly unconscious family dynamics at work.”

The researcher’s experience of this dynamic parallels that of the co-researchers. My interpretation of this volatility relates directly to the individual components of emotional intelligence including skills such as self-awareness, self-regulation, motivation, empathy, and social skill developed by Goleman (1998a). Assessment of the individual contributions to this relational dynamic revealed low levels of self-awareness, self-regulation, empathy, and social skill on the part of at least one participant. Each member, at least overtly, identified moderate to high levels of motivation to improve the functioning of the relationship.

In addition, the co-researchers' experience of this volatility extends beyond the original dyad. The narratives identify the negative impact on the functioning of the core-team as a whole.

033 (Debbie) Interview 1: “. . .it required so much energy from the entire core team to just keep things moving that we never really made any major progress because we were so busy dealing with that relationship and trying to keep it calm, trying not to disturb the waters, and I know we have talked about this. Looking back, especially now, I can see that I played a part in that. I was in the middle. I tried to mediate to keep things going, and what would have been better is to just let it maybe it would have erupted sooner and ended sooner.”

032 (Debbie) Interview 1: A relationship between Scott and Tracy that was very unhealthy, very distracting, and required a tremendous amount of energy and took us off track significantly. That relationship was volatile and disruptive, not supportive, just very negative.”

This finding corroborates the most recent research on the systemic nature of emotion in business organizations. Boyatzis, Goleman, & McKee (2002), found that the leader's mood and behaviors drive the moods and behaviors of everyone else in the organization. Their findings suggest an overwhelming impact of the leader's “emotional style,” as they call it, upon the creation and maintenance of the respective culture or work environment. The research showed that high levels of emotional intelligence create climates in which information sharing, trust, healthy risk-taking, and learning flourish. Low levels of emotional intelligence create climates rife with fear and anxiety.

In my role as consultant and coach to the original core-leadership team, I attempted a number of Emotional Family Systems based strategies designed to assist with the improvement of this dynamic. To reiterate, intervention strategies included education on emotional systems, maintaining the non-anxious presence of the consultant, detriangulation strategies with Debbie, increasing Lara's participation with Tracy, reducing the alliance between Scott and Lara, and de-escalating the conflict between Scott and Tracy. These strategies were effective with short-term reductions of reactivity, however, long-term effectiveness proved inadequate.

Ultimately, the catalyst for change was Scott's decision to make a structural change in the core-team. This decision was prompted by Scott's understanding of the need to move the organization to a higher level of production and function, and of the perception that the current team did not "possess that kind of horsepower." As a result, the search began for a Chief Operating Officer with the requisite skill and level of expertise needed to move the organization ahead. As a part of the selection criteria, Scott included for the first time components that in retrospect are defined as part of emotional intelligence.

050 (Scott) Interview 2: "Bringing senior people into the company who have as part of their DNA the ability to plan and be proactive. The selection of Joe was central here. That part of Joe was definitely selected for. The characteristics that I was looking for was a calm demeanor, being able to handle many things at the same time, and being able to prioritize depending on the goals of the company, and also having the experience and skill."

Enter Joe, February 2001. From the outset, Scott and Debbie recognize a different set of characteristics and skills in Joe. Although they describe his technical skill and expertise, their focus is on what could be considered again, components of emotional intelligence. These descriptions also point to the relevance of Bowen's (1978) *Emotional Family Systems Theory* outlined in the literature review section of this study. The concept of leadership from a Bowen systems perspective can only be understood in the context of emotional systems. Leaders emerge in these systems largely as a result of their "level of differentiation."

In this case, however, no internal leaders emerged; rather, a more differentiated leader was brought in from outside of the system. The experience of co-researchers regarding Joe's attributes and behaviors are descriptive of a person with a significantly higher level of differentiation than had previously existed on the core-team.

038 (Debbie) Interview 2 clarification: "The characteristics of the new people that facilitated the shift, for example, Tracy versus Joe. Joe was not reactive. He could think and respond, where Tracy would react first and create all kinds of chaos around that reaction, unnecessarily. Where Joe would think about how and what he does or says is going to impact the person or group to whom he is delivering the message."

039 (Debbie) Interview 2: “. . . he is thinking about all that before he processes that first, and that has made all the difference in the change from reactive to proactive. It moves the group from reactive to more thoughtful and methodical and changes our thought processes and our behaviors.”

044 (Debbie) Interview 2: “He is living it, he is doing it. He came to this position walking the walk, doing what we were aspiring to do. So he was an example of what we were aspiring to do. He is a model for us.”

One of the primary observable qualities that assists in the assessment of a person’s level of differentiation is the ability to maintain a non-reactive presence, rational and reasoned, in the face of environmental anxiety or reactivity. Persons with lower levels of differentiation have a tendency to be unable to “not become reactive” under stress. These observations are significant in light of the need for empirical validation of these concepts beyond family systems.

In *Anxiety and Organizations* (1996), Papero draws several conclusions from the application of Bowen theory to business organizations. First is simply the basic idea that when the intensity of anxiety decreases, the ability of the individual and the business unit to function at a more efficient level increases. To the degree that people recognize, understand the impact of, and possess skill in the management of anxiety, the organization should be able to maintain a high level of efficiency in functioning in highly uncertain, difficult environments. Papero also suggests that if the concept of differentiation is accurate, some will automatically possess such knowledge. Others may be able to acquire a satisfactory degree of mastery through effort and experience. Debbie, Scott, and Elizabeth each describes Joe as having the characteristics and skills illustrated by Papero, and his resulting impacts are strikingly similar.

045 (Debbie) Interview 2 clarification: “I think his leadership skills have evolved to a place where it is a natural process for him. Where, before he came, we wanted to operate on that level and we were working at it everyday, but it’s just more natural for him. Joe brought a maturity, not just as it relates to leadership, but a different level of leadership and of structure of the business itself; he has helped to provide a disciplined focus for us.”

051 (Scott) Interview 2: “There was a calmness that came to this team after Joe arrived. A planning and proactive approach that came, and is coming more and more and more.

There is a reactive piece that started to dissipate. There is an interesting relationship between people's level of self-awareness and reactivity. The higher level of self-awareness, the lower reactivity. Reactivity is that automatic anxiety-driven behavior. Triggered behavior."

054 (Scott) Interview 2: "The organization, overall, is also responding to the calm on the leadership team. There is some holdover to the way things used to be, and some people are still attached to that old pattern of reactivity, and they create that, that is almost gone. Two or three people who are invested for various reasons in that old pattern just tendered their resignation in the past two weeks. Deselection, the environment is less reactive and more mature."

Joe's responses and explanation of the evolution does not center upon his contributions. He does cite structural changes in membership as being instrumental and makes general commentary about "the current leadership" and their influence. Another area of interest is Joe's comment on family dynamics and the acceptable range of expression in a business context. It suggests that Joe possesses a level of awareness and understanding consistent with higher levels of differentiation and maturity.

This higher level of awareness that gets expressed through his actions is attributed to a rich and complex understanding of "who he is" and is beyond the boundaries of this study. It would, however, make for an intriguing examination of the relationship between leader performance and personal development and transformation.

055 (Joe) Interview 1: "Well, the leadership has evolved, and we replaced those leaders that have been most detrimental to the realization of that leadership. Structural change in terms of people, that is a lot of the explanation for how things have changed. And I think the presence of new people has driven the organization in a different direction. So there is the lack of influence of the negative people and the presence of influence of the new people."

057 (Joe) Interview 1: "And I think that what's here now, what is different is we've got people who are more level-headed on the moral compass side in terms of understanding what's going on with them, and people with far more skills than we have had before. We have a greater concentration of people with initiative, skills, and direction—the compass piece—and these people are working well together. Also, it's something around that chemistry."

058 (Joe) Interview 2: "The old chemistry, well, it seemed to be driven at least in part by these unseen or unacknowledged familial dynamics. Familial, I'm really on loose ground here and I don't, I'm not questioning the thoughts that I am having; I just do not know how to express them."

059 (Joe) Interview 2: "Worst case, an old member would treat you like a child in a family, as opposed to a person on a team, if you let her. And I would submit that the difference is the right range of behavior for a business. If you think of a yardstick, the

right range for a business might be 0-12; this familial thing expresses the range 0-36. And you have all this other stuff that doesn't have to be part of the leadership relationship. Current leaders operate in the 0-12 range."

Papero goes on to state that if critical personnel in an organization develop a degree of competency and can operate with the skills of anxiety management, their functioning in the relationship network can help stabilize others whose skills are not so well developed and practiced. "Critical personnel" refers to the leadership of the organization and parallels the function of the parental level in applications to family theory. The emergence and function of leaders is of central importance to the stability and growth of the system, business organization and family. These dynamics are also expressed by core-leaders.

041(Debbie) Interview 2: "It opened the door for us, basically. Here we were, all aspiring to create this model of leadership. We weren't there; we wanted it. We worked on it every day—well, consciously or subconsciously we wanted it. But when Joe came on board he brought with him a level of leadership that opened the door for us, and we have grown significantly since then."

065 (Elizabeth) Interview 2: "Now the group is very straight forward about the way and what they think and they are a much more confident group. These members can express themselves, take a position in relation to another member, be it Scott or another, and not become emotionally reactive. The old members could not do that as well."

053 (Scott) Interview 1: "Slowly over time, our aspirations and vision of what leadership at Athleta meant became more clear. Over time, it would become clear whether people would fit into the vision of the leadership system and function well or not, including myself. Joe came in and moved us closer to the vision."

Vision

There is some consistency regarding the definition of the word "vision" among organizational theorists and practitioners. Vision is generally defined as the ability to create and articulate a realistic, credible, and attractive image of the future that improves on the present situation (Sashkin & Conger, 1992; Snyder & Graves, 1994). Co-researchers' definitions of the term are congruent with contemporary definitions, with some variation. Athleta's definition of its company-wide vision is not spelled out in a formal "vision statement," as in a majority of corporations. Vision at Athleta is a

pervasive construct embodying leaders' idealism or aspirational identity; generating unique possibilities that lead to Athleta's organizational distinction.

The most frequently mentioned aspect of this identity, relating specifically to co-researcher experiences of leadership, is the treatment of employees. Treatment of employees is identified in a body of organizational literature described as culture, and more specifically, values. Organizational culture is a system of shared meaning and beliefs held by organizational members that determines, in large degree, how they act (Robbins & Coulter, 2002). In every organization there are systems or patterns of values and practices that have evolved over time (Smircich, 1993). Organizational culture is basically the "way we do things around here."

The original source of an organization's culture usually reflects the vision or mission of the organization's founder. Founders project an image of what the organization should be and usually have ideas about how it should be carried out. This is certainly true in Athleta's case. Scott expresses his founding vision:

079 (Scott) Interview 2: "I started the vision, my vision that may have attracted others, in two macro pieces. One of the most attractive pieces was the aspiration to create a culture that was comparatively different than other models. An environment that is meaningful in somebody's life, as opposed to just a job. To create meaning by allowing people to feel recognized and feel like they matter and have an impact in shaping something. And one of the other ways to do that is via support. Creating a supportive environment, also included are the values, and people can identify with that and make the culture more tangible."

078 (Scott) Extract from HBR Case Study: "We work hard to create an exceptional culture where the employees embrace the company's five core values. The company values all stemmed from a single premise: the most important values in one's professional life should not differ from those in one's personal life. For example, Athleta employees are encouraged to put their families first even though this occasionally results in employees leaving work early to pick up their child or take an animal to the vet. Recognizing the importance of staying healthy, the company headquarters were located close to an open preserve so that employees could easily go running or cycling during breaks. The employee-friendly culture enables Athleta to maintain lower than average turnover rates and attract top talent in key positions. Finally, the open-concept Athleta office was designed to facilitate open communication and to accommodate employees, pets and, on occasion, children."

The original core-team members also participated in the construction of the values and speak about the importance of creating a culture of meaning, one that spans

the gap between personal and professional life. This is evidenced through the creation of the value entitled *Work-Life Balance* and represents a larger societal interest in family welfare (Wohl, 1997) and the quality of work life (May, 1998). The value “Courageous Communication” is also representative of the importance of non-traditional values at Athleta. This value is a courageous attempt to infuse aspects of self and relational-awareness into a corporate setting. The entire definition is included in Appendix G.

Briefly defined:

“Courageous Communication defines a way of communicating and includes four sub-categories: Self-awareness, other-awareness, outcomes focus, and behaviors and actions. The first three areas underly and inform the fourth, overt behaviors and actions. Bringing about improvements in behaviors and actions occurs by focusing on the prior three areas.”

A third value, “Giving Back,” is indicative of contemporary community-based organizational cultures and consistent with notions of leadership that are becoming more aligned with deeper values reflected in our lives, a sense of community and meaning Fraker & Spears (1996). Although all organizations have cultures, not all have an equal impact on behavior and action. Strong cultures are ones in which values are deeply held and widely shared. At Athleta, corporate culture and value orientation are considered to be quite strong. Each co-researcher speaks to the importance of the culture and values as crucial aspects of the company’s vision. They also identify the difficulty in living up to espoused values and the impact of contextual factors, such as resources, primarily time, effort and money.

070 (Debbie) Interview 1: “The values came from a group of 4-5 people sitting at a park thinking about what type of company we were hoping to create. What was important to us as individuals and as a company, an organization. What were the values that we thought would help make us better people and what values would create a stronger organization.”

071 (Debbie) Interview 1: “I think initially it is not easy to live those values every day, and I do not think that we have been successful living those values, particularly early in our development. So having that value sometimes contradicted what we actually could do, because they went up against some parameters like limited resources, things that were out of our control to a large extent, but they were the reality.”

072 (Scott) Interview 1 clarification: “Those values. Pushing limits. I think that’s been true from day one, and I think that early on we weren’t as careful or aware, really setting the expectations that go around pushing limits, where now I think that we have significantly grown in that area. And courageous communication that is something that speaks to the structure of Athleta in that we want to create this open respectful environment that is different from other corporate environments outside Athleta. But that has not been easy to achieve.”

One final comment on the values. Collins & Porras (1994) in their six-year research project at the Stanford University Graduate School of Business looked at eighteen exceptional and long-lasting companies. Their findings indicate that the most successful and enduring companies had one thing in common—core values did not change, but the practices might. At Athleta, the core members hold the same belief: The values do not change; however, their implementation might.

Ground

“Ground” represents the reality of implementing or operationalizing the vision. Where vision is forward looking, ground is situated in the present reality. It asks the question, where are we now in relation to our goals, aspirations, and values and it provides direction for movement.

For purposes of this study, co-researcher data focused upon implementation of what has come to be known as the “Support Model of Leadership.” The theme addresses the questions, how are we doing in our striving to achieve the vision? Where have we been successful at implementing, and where do we need to work? Answers to these questions point to strengths and weaknesses in the model. Areas of strength and successful implementation are associated with processes having to do with culture and values, or “support.” Areas of weakness are associated with the “business model” and achieving sustained profitability. Historically, these two models appear to have been treated almost discretely from one another. Presently, they appear to be in the process of coming together. This merging is largely due to Joe’s influence and pressure from the new Board of Directors. The following quotations depict these dynamics:

081 (Scott) Interview 2: “Strengths to the vision depend on the execution or implementation. It can create more loyalty in both of those constituencies externally with customers and internally with employees. Also happiness, people are happy here and enjoying themselves and contributing to something that is meaningful to them.”

084 (Joe) Interview 2: “The brand also refers to internal working mechanisms and relationships which have definitely changed, and so is it better or worse, I think it is better, moving in the direction of being far better. In fact, the vision of leadership, the structure and processes of leadership are closer to the reality than other aspects, like defining the external branding strategy and sustained profitability. Those are my concerns.”

086 (Joe) Interview 2: The introduction of a formal board, and heretofore our policy has been we are going to stay true to our ideals; we are not going to vacillate at all, and we are going to grow our way into profitability. The board is now saying, no, you are going to become a successful/profitable franchise and grow your way into your vision. And I think that is a healthy dose of reality. I think that is good. They are not saying we want you to sell washing machines; they’re saying just get profitable. And then we do not care what you do.”

Self-Awareness

The transcripts of the co-researchers are filled with the term self-awareness. Again, the co-researchers paint this term with a very wide brush. It is described as an awareness of self and of self in relationship. The theme also extends beyond awareness into self-regulation and self-governance. It includes every aspect Goleman (1998a) defines as emotional intelligence. In fact, I would submit that had the core-team been educated on the concept of emotional intelligence, it would have replaced self-awareness.

For the purposes of discussion, reference to the theme self-awareness will be denoted by quotation marks (“self-awareness”), differentiating it from its simpler more common usage. The inclusion of “self-awareness” as a core-team process signals a courageous and non-traditional corporate strategy reflecting qualitative changes in the work environment (Wheatly, 1999). Defining the use of “self-awareness” as a core-team process holds significance for research conducted by Yukl and Van Fleet (1992). Their findings suggest, “existing models are limited in their ability to provide prescriptions to guide team leadership and to enhance team development” (p. 255).

109 (Scott) Interview 2: “At Athleta we attempt to help leaders gaining a little more self-awareness, help them discover how their behavior affects other people, help them discover those patterns and processes that are automatic. However, we can only provide the opportunity, and that only goes up to a point. This is why selection of members is so critical—fit is critical.”

108 (Scott) Clarification note 2: “I believe that greater levels of self-awareness lead to greater levels of self-governance, the ability to regulate inappropriate emotionally driven behavior. We had a lot of that here when the company was new. We have a lot less now.”

110 (Joe) Interview 1: “What’s different here is it’s okay and expected to weigh in a little more heavily on the emotional intelligence scale, the self-awareness scale. In other words it’s okay to be out front with your emotions; it’s encouraged. It’s encouraged to have self-awareness, it’s encouraged to vocalize that, it’s an okay place to do that, and I think that the presence of that makes it okay to be human. And that makes it more effective leadership.”

113 (Joe) Informal 2: “We have become less emotionally reactive, more professional, more evolved interpersonally, and confident. Though they still have places they lack confidence but on the whole they are much more functionally based. These leaders are much less driven by unconscious patterns of behavior.”

Inclusion of a process whereby team leaders are strongly encouraged to examine their emotions, assess the interpersonal impact of associated behaviors, and be open to feedback on those behaviors, is a new developmental strategy and not without risks. The leadership conversation at Athleta goes so far as to include the identification and discussion of “baggage,” otherwise referred to as unfinished business, individual or family patterns of behavior. Joe also suggests a difference in level of appropriate expression between personal and corporate environments.

216 (Debbie: Uncoded Interview 1) “We try to promote self-awareness in ourselves and other members. The person needs to be open and hungry to want it. We could and do provide a safe environment, but if people do not feel safe because of their own personal issues, it will not work. So there are issues outside of the organization that play into this. Baggage.”

217 (Joe: Uncoded Interview 1) “It’s okay to walk in here with you baggage because one of the things we do is we say we all have baggage and let’s examine it, let’s talk about how it works against and for each of us. So just by those three things we’ve already developed, we’re developing an environment that takes the lid off of the pressure cooker that exists in many organizations.”

059 (Joe: Interview 2) “And I would submit that the difference is the right range of behavior for a business. If you think of a yardstick, the right range for a business might be 0-12; this familial thing expresses the range 0-36. And you have all this other stuff that doesn’t have to be part of the leadership relationship. Current leaders operate in the 0-12 range.”

As a “human systems consultant,” this process walks the line between facilitating team leadership processes and systems therapy. This interface provides fertile ground for future research.

Team Success

Where the theme self-awareness addresses the individual contributions to the support model, “Team-Success” is defined by factors that promote the success of the group as a whole. The identification of these processes are presented and supplemented with relevant documentation from the co-researchers’ interviews:

“Influencing positively the performance of other members”:

135 (Joe) Interview 2: “But it is to say that at Athleta what is unique, what contributes to our success, is that we have an overwhelming majority of leaders who are blessed with or are possessed with a style that really evokes the best performance in people. That goes back to the self-awareness piece, those qualities.”

150 (Debbie) Interview 2: “There is a strong tie between the individual self-awareness component and the team-success component. Joe’s impact is a great example. He brought an approach in dealing with people, whether it’s folks on the leadership team or the way that he deals with other staff members; he brought an approach that is very positive. He really strives to develop each individual to his or her fullest potential in a very positive way. It’s positive and team-building. He truly builds people to their fullest potential and he does that, in a way, by really listening to what people have to say and absorbing what people have to say and you can see him kind of filtering it through his and he will come back with a response, and I am always learning from him in developing my own leadership ability. It is a modeling influence; that’s what it is.”

“Emotional expression and regulation”:

136 (Joe) Informal 3: “One we touched on already, which is that it’s okay even encouraged, to be emotional, to express those emotions, to have emotions, to have feelings of inadequacy, to have feelings of happiness, to have feelings that run the gambit in between. It’s okay to walk in here with you baggage because one of the things we do is we say we all have baggage and let’s examine it, let’s talk about how it works against and for each of us. So just by those three things we’ve already developed, we’re developing an environment that takes the lid off of the pressure cooker that exists in many organizations.”

“A holistic or systemic understanding”:

153 (Scott) Interview 1: “I think one thing that differentiates our leadership team and helps make it a success is a more holistic focus. We focus on the overall company, and people have a say on the leadership team in the overall company, as opposed to only a say in their own domains. So there is a strategic focus that exists, I think, from a leadership standpoint that is not like the stovepipe type of participation. It is a little more of a fluid participation.”

164 (Elizabeth) Informal 3: “It works better if the team is focused on the whole more. So I do not come only as a marketing person, although that is my primary responsibility. But we see the whole that will make us successful. People in this group really connect the dots among members’ areas and decisions. No one order can get out without being touched by every area.”

140 (Joe) Interview 2: “One of the ways that I understand the word ‘systems’ to be used, which is not necessarily the right way, but when you use the word or when you’re referring to systems you are appending all the stuff that came before this moment. We can operate right here, but if we are not considering all of the familial interactions, all the spousal interactions all of our life in this moment that we are experiencing, we really are not looking at it holistically.”

141 (Joe) Interview 2 note: “There is a past component, and there is a future component to the use of the word ‘systems.’ We take the person’s past into consideration, their established patterns into consideration, to determine how we work together in a way to get the results that we want, etc., etc. It’s holistic when someone says ‘systems.’ Maybe we won’t dig down to each piece, every parcel of baggage that you brought, but we’re going to be aware that in that bag there’s a certain amount of something that leads you to behave in this way and that person’s bringing their bag leading them to behave in that way. That type of information helps in the success of our collaborative system.”

142 (Joe) Interview 1: “‘Systems’ also means the interconnectivity of core-team leaders and the areas they represent.”

“Performance associated with profitability”:

144 (Joe) Interview 2: “In the final analysis, put profits on the bottom line. Be self-sustaining. We do not have a model unless it does that. We have an experiment. I mean, we are set up to operate in the economy in the United States; we’re selling stuff to people; we are in a retail business. If we want to stay in that business with the way, and treat each other the way we want, we’ve got to perform. Otherwise, we are not in that business. And in the laws of natural selection, we will be thrown out of it. And that’s fair.”

“Enjoyment and happiness”:

146 Interview 1: “I think that team-success refers to the dynamics of the team and how well we work together. There are less quantifiable measures; such as enjoying and learning from one another, enjoying coming to work each day.”

160 Interview 2: “Well, for me, team-success means that we achieve our objectives in ways that we like coming to work and that we are a successful company.”

In the light of the existing literature on team leadership, the theme team-success offers considerable promise through the identification of processes contributing to effective leadership-team performance (McIntyre and Salas, 1995). These observations point to the need for conceptual models of collective performance that integrate both

leadership influences and team dynamics. McGrath (1991) specifically calls for the discovery of processes that drive leadership-team performance.

In line with the purposes of the study, the extent to which, and the way systems processes are utilized, are significant. Co-researchers identify systems process in a few different ways. First, in a traditional holistic sense, members cite the importance of linking their functional roles and departments—not an uncommon practice (Senge, 1994). However, core-leaders describe a cohesiveness among members as part of an emotional climate, reflecting what Zacarro and Lowe (1988) cite as the positive, affective glue that holds the team together. This dimension is particularly strong at Athleta.

The other aspect of systems that is somewhat unusual for a corporate setting, but not surprising in light prior consultation efforts, is the common expression of the role of history (family of origin history) and the extent to which historical dynamics may be present in the team dynamics.

218 (Joe: Informal 1) “The way I understand the word to be used, which is not necessarily the right way (I don’t know if it is or isn’t), but when you use the word ‘systems’ or when you’re referring to systems you are appending all the stuff that came before this moment. We can operate right here, but if we are not considering all of the familial interactions, all the spousal interactions, all of our life in this moment that we are experiencing, we really are not looking at it holistically. And more importantly there is a past component to that and there is a future component, which is how can we use what we have and work together in a way to get the results that we want, etc., etc. It’s holistic when someone says ‘systems.’ And what I hear is all that stuff when I walk into the room, and we’re going to look at it all. Maybe we won’t dig down to each piece every parcel of baggage that you brought but we’re going to be aware that in that bag there’s a certain amount of something that leads you to behave in this way, and that person’s bringing this bag leading them to behave in this way and when the two of those bags are in the same room it could be like magnets where they’re attracting opposites or repelling sames and you know it’s that kind of... It’s that kind of . . . If you think about energies, all of what I bring here, sitting here, all these energies that I have accumulated over 50 years I’m not even aware of, and they are all here, to not deal with that is, we’re just not going to work. I hear ‘systems’ in a very positive way ‘cause it means to me that someone is willing to take a more holistic approach to what is going to go on here, than they otherwise would.

Once again, this begs the question regarding the interface between business and therapy. Further examination of these processes could begin to inform existing models or provide the groundwork for new the generation of new theory on team leadership.

Challenge

In general, this theme represents a striving to achieve individual and group goals. Challenge is represented in the core values as “pushing limits.” The leadership team identifies two different aspects of challenge, process and content. Within the core-leadership team, challenge includes a “process” aspect. This piece focuses on the way challenges are handled within the core-team. The “how” of facing challenges among members, regardless of content.

This aspect of challenge is especially relevant in light of McGrath’s (1991) call for researchers to identify team performance models, specifying leadership processes as central drivers of team performance. The process of challenge among the leadership team at Athleta is not formally outlined but is embedded in the value of Courageous Communication. To review, Courageous Communication measures the ability to communicate effectively. This value is composed of four sub-categories: Self-awareness, other-awareness, outcomes focus, and behaviors and actions (Appendix G). A review of the value reveals a “practice” that, in my opinion, could be more clearly articulated and translated into a formalized process.

The second aspect of challenge identified by co-researchers addresses the *content* of challenge. This is termed the “what” of challenge. The most significant content challenges faced by the leadership team are identified as maintaining the support process in the face of increasing pressure and urgency to achieve profitability goals, managing the interface between the new board and the team, selection and fit of new leaders, and growth strategies for the current group. The ability of the team to successfully negotiate these challenges will determine in large part the success or failure of the model.

Validation

Where challenge represents a pushing of limits and a striving to achieve goals both individually and as a leadership team, “Validation” represents recognition and celebration. This has always been a large part of the leadership culture at Athleta. There are formal and informal aspects and practices at Athleta. Formally and foremost, all employees at Athleta are offered stock the company in the form of options; this aspect has been identified as a significant validation of member effort. Joe also identifies in informal conversations that the company is beginning the formal process of researching a compensation strategy to be implemented as the company sustains profitability. Both of these formal processes are grounded in the core-value, Giving Back. The informal validation and encouragement at Athleta can be seen in the off-hour participation of members. Members frequently meet outside of the company for social events and athletic endeavors.

Summary of Findings

This study grew out of my suspected synergy between systems theory, primarily family systems theory, and corporate leadership contexts. Participation in corporate leadership circles as a “human systems consultant” confirmed my suspicions. The objective of this study was inquiry into the experience of a corporate leadership team that overtly espoused a systemic orientation. To that end, this study is a success.

In a more formal sense, the purpose of this research is to explore, discover, and interpret, through the subjective experiences of the researcher and co-researchers, the processes, experiences, and meanings of new models of leadership, congruent with evolving contextual demands. Congruent with this perspective, a heuristic method was selected as the research approach. Data collection occurred 1) in the form of a review of literature on leadership, and 2) as four corporate executive core-team leaders (the

“co-researchers) described their experience of team-leadership in conversational interviews. Additional data was collected from various corporate sources.

As I stated in Chapter 3, I chose Athleta and my co-researchers because I knew they were committed to the creation and practice of a non-traditional model of leadership. While they framed their experiences in different ways, each interview reveals a clear and consistent commitment toward this end. From this reliable pattern of responses, I distilled a conceptual model consistent with co-researchers’ meanings and essences. This conceptual model also reflects the value inherent in a heuristic approach with regard to researcher participation and creative synthesis.

Eight themes emerged. The first, Support, provides the lens or framework through which to view the subsequent seven. The second, Core-Team Evolution, identifies the element of time with respect to the creation and emergence of the model. Theme three, Vision, represents the future orientation of the model and its values. The fourth theme, Ground, is the complement of Vision and represents the present reality or state of operation. Theme five, Self-Awareness, is a broad concept representing the individual aspects of the model. Team-success is the sixth theme and takes into consideration the systemic or group processes and serves as the complement of Self-Awareness. The last complementary pairing of themes is Challenge and Validation. Challenge is a core-team process and represents content areas that test the model. Where Challenge depicts a constant striving, Validation considers the importance of recognition and celebration.

Each theme explicates a different component of the support model and is paired with its complement along three continuums, as explained earlier. These continuums denote the nature of the relationships between and among themes. Each pairing represents a balance of complementary meanings; each serves as the context for the other. For example, within the model, Vision is the context for Ground and Ground for

Vision. In addition, placing the three continuums in a crossing pattern depicts an even more complex interactional pattern of organization. Deciphering these relationships is part of the work for future research.

CHAPTER 6

DISCUSSION AND IMPLICATIONS FOR FURTHER RESEARCH

These are generative findings for both research and practice in the fields of organizational leadership, marriage and family therapy, and for the ground in between. The emergence of a support-based model of leadership, both theoretically and practically, demonstrates what Reed and Hughes (1992) refer to as, “the need for models that define organizations as unique, interrelated cultures with symbolic dimensions constructed by their members.”

The support model also confirms what Wheatly (1999) regards as the need for new theories and practices of leadership emerging from a systemic perspective. She suggests that new models should consider the mutually influencing relationship between leaders and the organizational context, such as organizational structure, operational resources, and company values, and the relationship to outside influences, such as funding sources, market influences, and political climate. The findings in the current study reflect these dimensions.

Discussion of the support model is interwoven with implications for further research and is divided into three areas. First to be addressed are the contributions made to the area of emotional-family-systems theory. Second are contributions to the field of organizational leadership, and third, contributions to therapy and coaching. Strengths and weaknesses of the study are addressed last.

There are particular aspects of these findings that contribute to the body of knowledge known as family-systems theory, specifically, emotional-family-systems theory (Bowen, 1978). Significant parallels between the emotional functioning of family systems and the emotional functioning of leadership systems are illuminated in this

study. These parallels show up primarily in the themes labeled Core-Team Evolution and Team-Success. First, Core-Team Evolution reflects the movement of the team through time, from lower to higher levels of differentiation, from reactive to proactive, from emotionally immature to emotionally mature.

According to emotional-family-systems theory, the process of evolution in “human systems” from unhealthy to increasingly healthy states of emotional functioning remains constant regardless of the form that the group takes. The underlying principles responsible for group evolution are consistent in their application to families and, in this case, a corporate leadership team. This study points out important parallels between the emotional evolutionary impact of leaders in a corporate team and a similar impact that parents have in families.

Leaders in corporations are responsible and accountable for the health of their organizations, just as parents are in their families. For the most part, well-differentiated, emotionally mature parents produce well-differentiated, healthy family systems. The same is true for corporate leadership teams: When leaders are emotionally healthy and mature, so to are their teams. The corporate leadership team in this study evolves from a less-differentiated, less mature emotional state, to a more differentiated, more emotionally mature state. At the crux of this change lie the basic principles of emotional-family-systems theory. Illuminating these parallels promotes the efficacy and validity of using emotional-family-systems theory in corporate contexts.

The shift from an entrenched pattern of reactivity within the leadership team begins with an increasing awareness on the part of the CEO. Scott becomes increasingly aware of the need to diminish the reactive dynamics of the leadership team. He subsequently includes emotionally intelligent criteria, such as self- and other-awareness in the process of selecting a new leader. The selection of a more mature and well-differentiated leader is a turning point in the evolution of the team.

The catalyst in this evolution is identified as a change in structure or membership within the team. Joe is hired as the Chief Operating Officer, a position traditionally designated as “second in command.” In the support-model structure of Athleta, this is located second from the “bottom” on the organizational chart and is the second-most powerful position in the organization. This membership addition and restructuring, holds significant implications for shifting the dysfunctional and emotionally reactive equilibrium of the team. It is important to note that well-differentiated teams or families rely on well-differentiated parents or leaders. The concept is one of influence and of power, not traditional notions of “power-over,” in an authoritarian way, but rather, relational influence via modeling, respect, reciprocal interaction, and shared values. It is, however, a top-down concept, or in this case, a bottom-up concept, facilitated by core or executive leaders.

The positive evolutionary impact at Athleta is immediate; however, it is very subtle, practically unnoticed by team members. While on more overt levels, there is an escalation of old emotional dynamics and patterns of dysfunctional behavior. This is a predictable systemic reaction and can be seen in blended families upon the introduction of a more mature stepparent into a less mature family system. Although increased differentiation is exactly what the family needs to increase its level of emotional and functional health, often escalation in conflict and acting out occur prior to overt signs of improvement. At Athleta this is precisely the case.

Remember, Kerr and Bowen (1988) state that effective leadership is practiced when one can find an organizational leader with the courage to define self, who is as invested in the welfare of the organization as in self, who is neither angry nor dogmatic, whose energy goes to changing self rather than telling others what they should do, who can know and respect the multiple opinions of others, who can modify self in response to the strengths of the group, and who is not influenced by the irresponsible opinions of

others. An organizational leader is beyond the popular notion of power. A responsible organizational leader automatically generates mature leadership qualities in other members. This is essentially a definition of a well-differentiated leader.

The most relevant part of the definition as it relates to our discussion has to do with generating mature leadership qualities in other members. This is where the implications for families and organizations differ. In families, children typically do not have the authority to make important decisions and effect significant change. It would be difficult, if not impossible, theoretically and practically, for a child in an emotionally unhealthy family to attain a higher level of differentiation than his or her parents, much less to positively impact his or her parents' growth. Thus, in families, more effective leadership must emerge from within the parental ranks, through either therapeutic means or restructuring (divorce and re-marriage).

In business organizations, or systems that are not families, leaders can be replaced! In the case of Athleta, Scott recruited and hired a leader who demonstrated the characteristics and behaviors indicative of a well-differentiated and emotionally mature executive leader and placed him in a position of influence. Joe is able to remain reasoned, thoughtful, and able to effectively regulate his emotional responses in the face of "another's reactivity" or a system's reactivity. The impact of this structural change reverberated throughout the organizational system, most profoundly among the core-leaders themselves.

It is also important to recognize that organizations are not like families in another significant way. Members in leadership teams are not connected by blood, and they do not share the same established developmental history; members bring their own idiosyncratic patterns and filters from their own families of origin. Therefore, in organizations there is often wider variation and less predictability among members' responses to a structural change than there is in a family. This is not to say that family

members do not react differently—they certainly do; however, family behavior is consistent with historically established patterns and thus more predictable.

That said, established leadership teams also develop and maintain predictable patterns of behavior, individually and as a unit. This was true at Athleta, and the pattern of emotional interaction among members was identified and recorded in the organogram. Joe's arrival shifted the structural, behavioral, and emotional linkages among members. It was difficult from my perspective as a consultant to predict the various responses of the individual members, but the overall impact on the emotional functioning of the team was predictable: certain members would adapt and others would not.

The majority of members appreciated Joe's emotional maturity and his ability to remain non-reactive, which was no easy task. Through his expertise and non-anxious presence, other members began to "calm down" and become more proactive and planful. These team members recognized the overall positive impact of diminished reactivity and its contribution to effective growth. Other members were not able to see the benefit; they remained in an emotionally reactive, crisis-like state despite the systemic change occurring around them. The difference between individuals who adapted and those who did not, or could not, is fertile ground for further research.

Certainly individual concepts, such as emotional intelligence, are factors that need to be considered; however, contextual factors also need to be addressed. Athleta incorporates leadership processes that are outside of the norm regarding promotion and facilitation of self and relational-awareness. These factors include "human systems consulting for leaders" and the inclusion of self and relational-awareness criteria on performance evaluation measures. Future researchers would do well to determine the factors that permit some individuals to take advantage of this context while others do not. Another area for exploration focuses upon the differential nature of family of origin

dynamics and their relationship to maturity in the workplace. The findings from such research could hold significant implications for improving the emotional health and functioning of executive leadership teams.

Over the period of one year, the expressed emotional dynamics of the core team waxed and waned, and the overt volatility among leaders diminished. The members who were most rigid and unable to adapt to a more proactive and emotionally mature environment resigned. Not only did the reactive and less mature leaders resign, but also the more reactive employees throughout the organization followed suit over the course of the following year.

The leadership team had outgrown their emotional *un*-health and increased their overall systemic differentiation and functional health. Although the team's functional health is currently high, there are significant challenges and stressors on the immediate horizon that will test their efficacy and resolve. These have to do in large part with the demands of the new Board of Directors and the team's ability to achieve and sustain profitability.

The concepts outlined in the narrative above are theoretically based in emotional-family-systems theory. The theme, Core-Team Evolution, is a practical demonstration of the applicability of these concepts to "human systems" beyond the family. These findings represent an initial foray into the interface between these two disciplines.

The second theme that points to this connection is Team-Success. Team-success is defined by factors that promote the success of the group as a whole. The theme identifies the importance of a systemic or holistic understanding in the effective functioning of the team. This is not necessarily a new finding in reference to a general understanding of systemic linkages between departments or communication between leaders. An operational difference is that team-success is valued over individual or

departmental achievement and members regularly make individual and departmental sacrifices in the service of overall organizational goals. Individuals here are not ego driven, which is a refreshing difference.

The primary difference in the understanding of systems concepts at Athleta is the depth and breadth of the definition and its practical application. In emotional-family-systems theory, personal and family history play central roles in the understanding of current behavior and interaction. Taking this historical perspective into consideration and utilizing insights gained from their analysis are not typically the terrain of organizational leadership; more often they are the domains of therapy. Core leaders at Athleta are universally aware of their histories, their corresponding patterns of behavior, and their automatic reactions. They utilize these awarenesses in the service of emotional regulation and interpersonal interaction. The shared values and the nature of the support model itself facilitate their ability and willingness to be honest and open.

The incorporation of systemic practices into corporate leadership process begins too span the gap between therapy and consultation. At Athleta, there are expectations beyond that of a typical leadership team, both in terms of intrapersonal and interpersonal processes. This is new and ambiguous territory for both consultants and systems therapists and calls for practical, theoretical, and ethical exploration.

Researchers and practitioners in the field of organizational leadership are not unaware of the importance of emotion and the role played by support in leadership teams. Studies on the emotional intelligence of leaders are progressing at a rapid pace, as has been discussed earlier, and the concept of support is included in nearly every leadership model in existence. The relevance of the findings in this study, with regard to emotion and support, are somewhat different. These findings suggest that support is not simply one aspect of a model but is the central organizing aspect of the model. Findings

also suggest that support is an extremely complex construct, inclusive of each of the identified themes.

There are significant implications for research, beginning with further exploration of the model. Operationalization and explication of the themes and the relationships between and among themes needs first to be established. Second, evaluating other corporate leadership teams based on these findings could assist in the facilitation and development of more effective team functioning.

On the topic of emotion, the findings in this study extend the construct of emotional intelligence into systems or team dynamics. The interface between emotional intelligence as an individual construct and its impact on larger systems is of particular interest. The inclusion of an emotional systems lens as apart of the research on effective team functioning is a direction that could prove fruitful. Specifically, the utilization of a Bowenian perspective in the understanding, mapping, and developing of intervention strategies.

Students in accredited marriage and family therapy graduate programs receive extensive education and training in the field of systems theory and therapy. Many of these models and concepts could be applied outside of the traditionally defined “family system.” I would propose a hybrid of family systems theory, termed *human systems theory* and extend the education and practice to organizational leadership and beyond. Providing consultants and coaches in the field of business with the opportunity to learn and practice these theories and models could be of tremendous practical value. Incorporating emotional-systems training into organizational leadership programs could provide another lens for organizing and effecting change.

Strengths and Weaknesses of the Study

An examination of the “limitations” of this study reveal the corresponding “strength” of the limitation. I therefore think it more appropriate and in keeping with the

systemic nature of the inquiry to reframe “limitations.” Thus, strengths and challenges are presented. First, serving first in the role of a consultant to this organization prior to conducting this research facilitated an ease of movement, ease of access to co-researchers, and a pre-existing context of trust: an insider’s perspective. At the same time, this dual role set up pre-determined ways of interacting and pre-set expectations for behavior. Although co-researchers stated that my consulting role did not impact the honesty of their responses, I know that my participation in the system had an impact.

Regarding my overt impact and bias, it is identified in the section entitled “Perception and Participation of the Researcher.” The overt illumination of my epistemology informs the reader regarding the subjective nature of the findings. The utilization of a systemic lens provided a theoretical perspective, reflective of contemporary issues in leadership research. At the same time, filtering every aspect of the study through that lens, from establishing the research question to implications for future research, strains out equally relevant perspectives.

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APPENDIX A

INSTRUCTIONS FOR CO-RESEARCHERS

Date _____

Dear _____,

Thank you for your interest in my dissertation research on the experience of leadership at Athleta. I value the unique contribution that you can make to my study and am excited about the possibility of your participation in it. The purpose of this letter is to reiterate some of the things that we have already discussed and to secure your signature on the informed-consent form you will find attached.

The research model I am using is a qualitative one through which I am seeking comprehensive depictions or descriptions of your experience. In this way I hope to illuminate or answer my question: "How have you, as a leader and member of the "core team" of an organization that defines itself as, systemic, value driven, and non-hierarchical, experienced and understood organizational leadership?

Through your participation as a co-researcher, I hope to understand the essence of the phenomenon as it reveals itself in your experience. You will be asked to recall specific episodes or events in your life in which you experience the phenomenon of leadership. I am seeking vivid, accurate, and comprehensive portrayals of what these experiences were like for you; your thoughts, feelings, and behaviors, as well as situations, events, places, and people connected with your experience.

I value your participation and thank you for the commitment of time, energy, and effort. If you have any further questions before signing the consent form or there is a problem with the date and time of our meeting, I can be reached at 415-383-7606.

Rick Scott

APPENDIX B

CONSENT FOR RESEARCH
THE IMPACT OF EMOTIONAL REACTIVITY AMONG ORGANIZATIONAL LEADERS

I _____ give my consent to participate in this research which is being conducted by William Scott, Department of Child and Family Development under the supervision of Dr. Jerry Gale, PhD (706-542-8435), The University of Georgia, (415-383-7606) at the company Athleta in Petaluma, California. This participation is entirely voluntarily, I can withdraw consent at any time without penalty and have the results of the participation, to the extent that it can be identified as mine, returned to me, removed from the research records, or destroyed.

The following points have been explained to me:

- 1) The reason for the research is to study the experience of organizational leaders regarding the process of organizational leadership.
- 2) The procedures are as follows:
I will participate in three interviews to be conducted over a two-month period of time; each interview will last approximately one hour and will request information about my experience regarding organizational leadership process. All interviews will be conducted at a location that is convenient for me, at on-site interview rooms. A summary of the study will be shared with me at the conclusion of the study.
- 3) It is possible that I may experience some discomfort from the discussion of issues surrounding organizational leadership.

My participation may involve the following minimal risk:

Due to the nature of the study it is possible that changes in the interpersonal dynamics of my group could occur. I will be given a referral list for organizational consultants and individual therapists available in the Petaluma area or in my hometown. Efforts will be made in the interview process to reduce this risk.

- 4) The results of this participation will be confidential, and will not be released in any Individually identifiable form without my prior consent, unless otherwise required by law. Procedures used to maintain confidentiality include:
Pseudonyms or codes will be used on place of last names on any data and within the text of the study; the researcher will retain the data after the completion of the study since it does not include identifying information. Audiotaping of the interviews will occur and tapes will be reviewed and transcribed by the interviewer only. Participants will be identified by code on the transcripts. Tapes will be destroyed once the research is completed and results published.
- 5) The researcher will answer any further questions about the research, now or during the course of the project. I have read the above and have been given the opportunity to discuss it and ask questions. I have been informed that I may contact

Rick Scott at 415-389-2789 or 415-383-7606 to answer any questions I may have during the investigation and that I may contact the Office of Risk Management (919-684-3277) for any question concerning my rights as a research subject. I agree to participate as a research subject with the understanding that I may withdraw at any time without penalty.

My signature below indicates that the researchers have answered all of my questions to my satisfaction and that I consent to volunteer for this study. I have been given a copy of this form.

Signature of Researcher. Date

Signature of Participant Date

For questions or problems about your rights please call or write: Chris A. Joseph, Ph.D., Human Subjects Office, University of Georgia, 606A Boyd Graduate Studies Research Center, Athens, Georgia 30602-7411; Telephone (706) 542-6514; E-Mail Address IRB@uga.edu.

APPENDIX C
GENERAL INTERVIEW GUIDE 1

How did you come to join Athleta?

What is your experience of leadership at Athleta?

How is the experience of leadership at Athleta different?

What are the qualities or dimensions of leadership at Athleta that stand out for you?

What events, situations, and people are connected with the experience of leadership at Athleta?

What feelings and thoughts are generated by the experience?

What contextual factors impact the leadership experience at Athleta?

What examples of the experience are vivid and alive?

Have you shared all of the significant ingredients or constituents of the leadership experience at Athleta?

Are there downsides to this type of leadership?

How would you explain what you do to someone at another corporation?

What recommendations do you have for someone starting up his or her own business?

APPENDIX D
GENERAL INTERVIEW GUIDE 2

Concepts and themes to cover from 1st round of interviews

1. Support Model of Leadership – Bottom-Up – Holistic
2. Evolution - move from reactive to pro-active, immature to more mature
3. Self-awareness, reflexive – team-success
4. Vision, aspiration, values – Ground, operations, implementation
5. Challenge (pushing limits, creativity, innovation) – Validation (present situation)

Questions

Support Model of Leadership – Bottom-Up – Holistic

- What does support among the core-team look like?
- How do you know it when you see it, when you don't see it?
- What makes it work?
- How does the model deal with problems?
- Does support manifest differently under differing circumstances?
- What are the challenges of the support model? Strengths?
- If you were to write a software program for the support model, what would the commands be? or, if you were a consultant for another company, what would you advise them to do in order to create a support model of leadership? What are necessary ingredients or steps for such a model to begin, and for it to thrive?

- Are there other aspects of support that are being left out? What might they be? How do other people (or companies or CEO's), not working in this model, view your model?

Evolution - move from reactive to pro-active, immature to more mature

- You all characterize the earlier (historically) leadership dynamics as reactive, chaotic, immature. Can you describe this in more detail? Examples?
- What changed along the way in moving toward the current support model? What events or people contributed to changes? Were changes accidental or intentional, or both?

Self-awareness, reflexive – team-success

- You all refer to self-awareness, what does that mean to you? To the team?
- How do you know it when you see it? When you do not see it? When it is missing?
- How do you know it in yourself, and in another person? Can it be taught, and if so, how? Are there times it is a problem (too much self-awareness)?
- Who demonstrates self-awareness best? Worst?
- How do you nurture self-awareness at Athleta?
- How do you select for self-awareness?
- What is team-success? What does it look like? What does it require of members?
- How is it different than individual success?
- Is it related to self-awareness? If so how? Is a holistic or systemic perspective required? and if so, how so?

Vision, aspiration, values – Ground, operations, implementation

- You all say that you are attracted to the vision of the company, can you elaborate on that? What is contained in the vision?

- Where does the vision live? Who carries the vision? Is the vision static or dynamic, and if dynamic, how does it change?
- How do you see the vision being implemented, not being implemented?
- What are challenges associated with the vision? What are constraints that may hinder the success of the vision? Implementation?
- Strengths of the vision? Do some implement or operationalize the vision better than others? If so, what are the differences?

Challenge (pushing limits, creativity, innovation) – Validation (acknowledging, accepting the present situation) how does one challenge without discouraging? How are different (contrary) ideas validated? When does creativity become chaos? When does pushing limits become overly critical or hurtful, or how do you prevent that from happening?

- Challenges, creativity, innovation, pushing limits are all identified as a crucial aspects of the support model at Athleta. Is this correct? How does this aspect fit into the support model?
- Validation is also identified as an important piece of the model, how is it defined? How is it used?
- What are feedback mechanisms in all of the above that allows for one to know when they are working or not working? How are people in the lower level of the hierarchy kept informed and participatory with the vision and other aspects of their model?

APPENDIX E
INDIVIDUAL DEPICTIONS

Joe's Experience of Core-Leadership at Athleta

Well usually I like to come up with some distilled synthesis that in as few words as possible addresses our model, but I do not think that I can do that in this case. If I had to guess right now and I think it will change in a couple of years I would say that it is a soup, and the ingredients in the support model soup include the following things, respect for one another, wanting one another to succeed, the individual personalities and people in the soup, and that manifests itself by how people go about doing their jobs which is not from an authoritative point of view not from a do this do that position, but really how can I help you succeed, how can I help you do what you are going to do around any particular challenge. I think that genuinely exists among this core team. And people are not thinking about only themselves, only their self-aggrandizement or their own career, but how they can make this work here. And they really genuinely want people to do well in this environment.

What you do not see is individual posturing. Nedis was a prime example, she would walk in and say I have done an analysis and that is the holy grail, or walking in and saying that everything else that everybody did is inadequate, that's individual posturing. You do not see that in this team. When someone makes a mistake, for example Elizabeth made a mistake, she presented a circulation plan based upon a lot of Kentucky Windage (iron sights on old Kentucky Long rifles that were not adjustable so you had to adjust for wind etc.), and she felt badly about it because the numbers went down and nobody let her have it or spoke poorly about her like "she does not know what

she is doing” there is none of that stuff, no blaming. Maybe some frustration emerges but the response is basically, now we have to help her out. And the same thing happened with the gross margin model, and it was difficult for her and she walked out of there intact, that’s how you feel it and see it. And you also see it when we have just completed a marathon budget sessions and find out that we have to run another one, today, and people say oh no and then they tie their sneakers and they go run. I think for that to happen repeatedly you have to have the right players and there has to be a level of support among the players to give them the energy they need to do that. And support also looks like, if you see me tying my sneakers and we just ran two marathons, you may grouse a little but then you tie your sneakers too, like that.

I have worked in many other businesses where support is not employed. You can recognize the absence of the model, you feel it, and it is sometimes referred to as smokestack mentality. That is . . . the information has to go up one smokestack across the top and down the other before you get the communication and find out what is going on. You feel isolated from leadership and not a part of a team. You feel acted upon as opposed to acting with, the target rather than the champion of change. All those things happen in other environments, not the one we have, regularly. That was perennially a problem at Bean, just always the case; you could not trust anybody that you were sitting with on the executive team. Everybody disliked everybody on the executive team there was pontificating, maneuvering, discussion, royalty, and then you walk outside the room and the decision was made. And then everybody would circle back indirectly to find out what the decision was because nobody would say anything there because it was so emotionally and politically charged. And at TravelSmith for example, the presidents were so inclusive of their authority that they would not share it with anybody and you felt completely displaced, like you worked in the building but you were not contributing to the business. Here the support manifests itself for me at least as taking the Athleta

business and incorporating it into my body as an organ. And that is far different than picking up a paycheck, or thinking about how you are going to survive the next executive meeting at LL Bean. I really do not know what it is, but, I think the level of support really signals a level of acceptance and in the acceptance one gets safety and in the safety one gets the ability to expand as opposed to contract and in the expansion one gets the ability to be creative and supportive and nurturing as opposed to defensive, angry and all those things, so I really at some higher level think it has to do with that. The acceptance is of the person as someone who can bring something to Athleta, as a skilled professional who we are glad to have in the room.

This is not to say that our model does not have challenges, it is filled with challenge. First of all if I was to create another company that looked like this where would you find these kinds of people I mean you would have to work your way into it? It is so people specific, well I say that on the surface but maybe everybody is like this at some level and if you just say this is what we do people will bring out that side of themselves instead of that other side. It doesn't work when you bring someone in and they do not fit the model. Ron in my opinion does not fit the model, he pushes against it all the time, and he struggles. And from time to time he will make these blanket authoritarian statements, he does not go to the person to ask the question, "do you think it might be this way," allowing the person to then go to the meeting and say you know what, I discovered in a conversation with Ron that this might be something we would want to look at? But by saying it the way he does you feel a little beaten up, a little gotcha, all kinds of things that reverse acceptance, safety, etc. Now you feel a little defensive, closing down, etc. When you bring someone in they need to fit. I don't know how these people got here, in large part through Scott I imagine.

Finding members that fit is a challenge. This model requires participants to leave at the door many of the things that they think are successful. Like work-hard, kick butt,

the stereotypical ammo can that you bring to work, leave that stuff at the door. And the second part is that it is going to feel very uncomfortable because it means abandoning those things that made them feel successful to that point. Also, if you do not have it and you want to create it do not expect it to happen at the end of this week or a one-hour training seminar. It involves a learning path with the right mix of people. At Athleta, we have a community of people who said we want to do this and it is important to us, and it is important to be treated and to treat ourselves in this way. Now that is a pretty profound statement. And one of the reasons that I want the company to be successful so much is because I want to be able to stand up and say, you can treat people this way, you can act this way and still put money on the bottom line. You can do both, because most detractors would say you cannot do both, you have to be tough, like the guy from Broderbund, you have to kick ass. But there is a way to be tough that has nothing to do with kicking ass. And the willingness to accept that a place like that exists, and initially find the additional energy and work to make that real is something that most people do not want to go through. They do not want to go there. Take someone like Bill End, executive VP at LL Bean, CEO of Lands End, chairman at Cornerstone, he is not going to abandon his way even though in his DNA he is wired to be a supportive person. If you are camping with him you know that you have his support, but in the office he will not be that way.

When other executives look in from the outside what they focus on is 5 years of negative profits and they say the model is screwed. But it is not. That is only part of the answer, and also a challenge within the model. A downside of the practice of this supportive model is that you can sometimes not ask the tough questions. You can sometimes not notice in the interest of being supportive the elephant in the room. And if there is a place where we have gotten ourselves in trouble it is that place. Because we have not talked about the inability of Lara for example to develop any kind of profitable

product. We have been incorporating the tough questions into the model and making appropriate changes.

You know we call it the support model but I'm just not sure that support is a comprehensive enough word to describe the model. The soup is much more complex than just support. I mean you can throw potatoes in water and get one thing, then put some salt in there and get another thing, throw some onions in there and get another, maybe some garlic and it is still potatoes but now you have a whole bunch of other stuff that is working in unison, that is working to produce something that is much greater than the sum of its parts. Support represents a very complex phenomenon.

You know that this team was not always so supportive, in practice. It is hard for me to talk about this because I think that on a factual level I have played a part in the evolution of this team. The other members probably can speak to that better than myself but I influenced some significant change in this team. Structural changes, bringing people in and letting people go, for example, I feel that it was very important to get you here on a regular basis, that was very important. Important to get rid of Tracy, to bring Ron in and he is a double-edged sword because he brings some structure and some senior level stuff but then he also brings the skill. I think that it was also important to get rid of Nedie, to get Will, to get Elizabeth. The change in personnel moved out more emotionally reactive elements, less skilled, and brought in less emotionally reactive ones, more professional, more evolved interpersonally, and more confident. Though they still have places where they lack confidence, on the whole they are much more functionally based. They have functional skills, they are functional people. Not dysfunctional, they have effective and real live ways to function in the world. If you talk to any of them you will not go far without discovering that they are thinking about not just what they are doing but how people might perceive what they are doing. Elizabeth will indicate that she wants feedback about her participation, same with Debbie. That is fuel

for the self-awareness piece. I think also that there is wisdom in this group, these people are wise, I do not know when you get wisdom, I do not know where it fits on the interpersonal scale or on the interpersonal palate, I don't know how you get it, but these people have it. So what does that mean, sometimes you let things slide, it is the little bit of artwork that goes into a picture that separates it from being a painting and a work of art.

Self-awareness, well I actually think that I have the opposite problem which is I spend too much time figuring out what I am doing and how I am doing it and how I am being perceived and have to give myself a time out from that to be sane. One can over do it, it is a rheostat, not an on and off switch. You turn that knob too far and you have a problem, and how do you know the desired setting that is over time. If you turn it too far then you question everything you do, and nothing you do it right and you spend a lot of time and uncertainty that does not led towards effective leadership. And how do you know it in others, well I think some clues are, actually I think the real answer to that is how a horse knows there is a lion in the woods and no one else knows it but the horse knows it. Doesn't smell it just feels it, and I think that is how you know whom you are sitting with. You just know it. It may be a dis-service to label how you know but I'll go down that path. When you sit with someone and have an hour conversation with him or her when you're done you know. Because it comes up in every single exchange of words, when do they pause, when do they talk, when do they let you talk, how do they listen, what do they say, what's the direction and content of the words, the emotion behind the words, it's all wrapped in the posture, the connection they have with you the eye contact. I mean it's not a thing but if you wanted to find a few things you would look at, in an interview, I think it has a lot to do with listening personally. Because someone who is introspective in the presence of someone else who has some intelligence is going to want to listen to see what they can get out of that. I think listening has a lot to do with

it, and the absence of “I did this and I did that” is a good sign.” So if someone said, “I am a natural born leader,” all the alarm bells would go off

Here at Athleta we allowed for, fertilized, nurture, water, and attempt to grow our self-awareness. We do it by walking the talk, showing it in what we do. By having a certain level of vulnerability, not just ourselves but to one another. By showing support for one another. You walk into Debbie’s office and she is questioning me on something, or saying Joe is this and that, you are going to walk out of there thinking “oh no” I may want to be careful. If she did have a question about me she would be asking the question “what do you think” what do you think is up with that as opposed to that’s bad or he’s this or that. In there is a differentiation for me, you may walk out of the room knowing that she has concern for what I am doing but you don’t feel that she is undermining me. Then that gives you the leeway to treat other people that way. That in combination with telling them that is what you are trying to do because if you do not tell them what you are doing then they do not know (process).

When difficult or challenging situation arise, you give others the benefit of the doubt, you are warm, and you have to be the change you want to make happen, to plagiarize Gandhi. So if someone is not doing that and they are doing something else you cannot go in and correct them in a way that they are used to. You have to correct them in a much more supportive, generous, warm, kind, almost loving way, and if they cannot respond to that you replace them. You do not hang around with that for too long.

I do not say that to be harsh but not everyone can thrive in this environment. There are extenuating circumstances, personal histories, etc. that contribute to one’s ability to take advantage of the system. We must attend to the needs of the team as a whole and if an individual demonstrates over time inability or unwillingness to adapt they have to go, the growth of the team depends on it. This goes to address the idea of our success as a team.

In this environment success has to be measured at least, I am thinking of a multivariate equation, one of the variables has got to be profitability because other than that you just had a good time, treated each other well and went out of business. So one of the variables is profitability. Another measure of success is in the open space that we create, so if we contract we're not successful, if we continue to expand we are successful. That is such a simple answer, a one-word answer to a very complex situation but I think it boils down to that. If there is expansion in the group, well individually you can be expanding or contracting, you might not be anything else probably some neutral place but generally you are either contracting or expanding. If the group is expanding interpersonally then they are creative they are learning they are open they can ride out the little bumps they can share support from one to another if they are open and expanding if they are not then they are not doing that.

Self-awareness is a vital contributor to team success, people become aware of their impact or lack of impact on the group. And if that were not to happen they might be completely out of synch, there is a in synchness to this group that would be missing if someone were not self-aware and the self-awareness goes to group awareness and you begin to think, "okay I have certain self-awareness I bet Elizabeth has certain self-awareness and I bet she is reacting this way because of this. Because I react this way because of that, but she might not react that way the same way I do, I wonder what she is reacting to?" It just allows for the possibility that what is coming in your direction or appears to be coming in your direction may not be aimed at you personally but really may be more an indication of the person who is delivering it and what space they are in, so it gave you all kinds of outs and possibilities in interpersonal relationships that does not automatically lead you to some place that would be dangerous. Or threatening as an example. It allows for more of a degree of introspection than would normally be the case.

There is a type of thought that is relevant here and it has to do with connection. I am out of my element here but I think it starts with awareness of self, and the knowledge that there are multiple factors that influence your behavior makes you realize that there are multiple factors that influence everyone's behavior and when you get that multiple factor theory down it allows for introspection on a team level, very systemic.

All of this is embedded in what I see as the vision of the company. It goes something like, the fact that it is high quality and high performance, the lists the response rates the product the very nature of the business that we are in is high performance, performance sports. Now it does not mean performance at an Olympic level just some element of performance is captured in what we do. On the other side I love the notions of treating each other with respect and having this be a test environment to really prove that you could make progress and be a successful profitable organization and treat people well. Because that has been throughout my career my pet peeve. I've been in companies that have done well and did not treat people very well, and the interesting thing about that is they may not have done well because of how they treated the people, they may have done well because of how the market responded to their merchandise. But they have confused that with a certain way of being that made that happen. I think it is important to keep a distance between those two things. Anyway that was a very attractive thing to me.

Now this vision has not been finely articulated it has been more left to either you get it or you do not, or coming up with your own definition of what it is based upon what you see, I think that it is carried in the hearts and minds of the leaders that are here. And not so much in a paper or written down. My editorial comment is that it could stand to be much clearer. The overarching parameters of the vision are static, performance women's athletic gear, treating customer's right, treating employee's right, those have not changed. But the individual specific details under that have and are changing. We

can go to the catalog level and say that it should be high glossy this that and the other thing and all that has to change, but, some things do not have to change, the voice we use with our customers, the complication is that for someone who owns all these things any change is viewed as an erosion of the brand. And that is not necessarily the case and the struggle for a CEO or for a senior leadership group is how much can the brand flex and when do you actually erode and that is never clear. The brand also refers to internal working mechanisms and relationships, which have definitely changed, and so is it better or worse, I think it is better, moving in the direction of being better.

It is a lot like every year they have these car shows and each maker comes out with a concept car. Now one of the true successes in the last couple years has been the Chrysler corporation almost true to form developed cars that look exactly like the concept car, the Viper, the roadster, the Cruiser, etc. Now with the new all wheel drive station wagon and they are directly translating from concept to reality. In other cases things lose a lot when they go from concept to reality. And I guess we have to ask the question of how closely we can translate concept to reality. Our vision is classified more under concept now we are getting into the reality and how much of the concept can we bring and how much of it do we leave behind and there is no right answer to that. Very dynamic. And there are repercussions go too far to one side and you go out of business, fall too far to the other and side and you do not have the same company. So it is a complete judgment. Instincts tell us where the lines are. Now at LL Bean you would hire five guys from Harvard spend a million dollars, come up with a matrix and derive an answer. And that is honest to God the truth; they would do this every week with another project. Give me a break. Actually they can contribute but you have to be careful about answering a qualitative question with quantitative methods. It is impossible.

I think some of the constraints of the vision, well really not the vision itself but the idealism surrounding the vision by some people and their knowing unwillingness to

modify that idealism in any way. Difficulties around the vision are: 1) You cannot continue to have all masters degree and higher education personnel, \$100,000 plus incomes, you cannot continue to do business in that category and be a growth company, 2) In customer service you would like to have the entire Tour De France women's bicycling team on the phones but you cannot do that, you cannot pay them enough and they are not going to stay, they are athletes, they are not going to answer the phones 8 hours per day 365 days/year. Those kinds of things, it's the idealism and the reality and knowing how to draw the line is not easy and will vary depending upon individual perspectives. The fulcrum is resources. The introduction of a formal board, and heretofore our policy has been we are going to stay true to our ideals we are not going to vacillate at all and we are going to grow our way into profitability, the board is now saying no, you are going to become a successful / profitable franchise and grow you way into your vision And I think that is a healthy dose of reality. I think that is good. They are not saying we want you to sell washing machines, they're saying just get profitable. And then we do not care what you do.

This change is a great example of the perpetual challenge faced by this team. Because we work outside of the mainstream, challenge is in everything that we do. We are not going to deal with people in some ritualistic business way, we are not going to sit idly by while we just try to squeeze the most out of our customers, or sell them junk. We are going to keep our values in the face of adversity. It is a huge challenge. Now we have a big challenge to be profitable, right now. But they are not insurmountable challenges. The difference between a fun challenge and a difficult challenge is who made the decision. If you made the decision, yea I'm going to motivate to this challenge. If I tell you to run a marathon and you do not want to then it is different, onerous. We have to this point defined our own challenges. Challenge at Athleta is getting the person to

want to do X. It is the how of the presentation of the challenge. Not being ordered to do X. You also need people who can rise to these opportunities.

The other side of the coin is validation. After a meeting or public expression of one's opinions or a public review of one's work there is a lot of validation that goes on among group members. This is a feedback mechanism. And it wraps into the support piece. They want to know and they respect the opinions of the other members. Was their choice a valid path? Ultimately we will not be validated unless we are profitable, my wife would say no that reasoning is flawed. All you can do is provide for an environment where it is possible, but you cannot ensure profitability. And you should find your validation in a place short of profitability because you may tie yourself to an unachievable goal in this model. And it would be a shame if you throw out all this stuff that is good just because you did not achieve profitability. Profitability may not be an accurate measure of the success of the support model.

Let me also say that this is a very sensitive group; they can sense things happening in the next room in the dark. This is a sensitive group! You raise an eyebrow, shift in the chair, and they know that something is up. They might not know what, they aren't mind readers; they are plugged into one another's emotions. Very empathetic. This intuition is valuable and is relied upon for the strength of our connection.

The team attempts to pass the support model on to others in the organization by how they are treated. But we do not inform them formally. They feel this and that in the environment. When you are in a steam room it's hot, steamy, you feel a certain way, you intuit that you are in a steam room. But what is missing is the notion of explication / prediction, where you inform them of the experience.

Scott's Experience of Core-Leadership at Athleta

The support model for me is relatively free from judgment, it is with perspective, and it is non-competitive. If you are having a hard time with something either completing something or figuring something out there are other people there to help you accomplish it. What it does not look like is competition, internally. Nobody's trying to be smarter than another person, nobody's trying to gun for somebody else's territory, no posturing. If there is an issue with somebody it can be brought to the larger core team for discussion without judgment. This is not to say that the model is perfect. Under stress or periods of insecurity it somewhat breaks down. People revert to old patterned ways of relating. More interest in protection regarding areas etc., not nearly as much as other companies where I have worked but nonetheless it does exist.

The most important element is trust. People cannot feel free to risk and grow and to make mistakes if they think that there are going to be negative consequences. So the environment that is framed by safety to enable people to risk is first. People are specific to the model, I am not sure if it could be used with all kinds of people. The framework can help establish or facilitate process within and between people but people do have to have a willingness to be vulnerable and participate.

A premium in this model is selection, it is very people specific. It took one and a half years to find Joe. There is a higher probability of risk versus traditionally just filling a spot in the team. We are not simply looking for technical skill and experience on the job. We need to gather information about relational fit and this delves deeper than typical or traditional work related aspects of the person. For example, self-awareness is really a criteria for selection of core leaders. When we select for it there has to be a lot of interviews. And a lot of ground covered and you have to ask personal questions. In other words if I am interviewing you about a job and I ask you about how many widgets you produced and did you reduce the length of the supply chain you can talk factually

about that but unless you understand or ask specifically or get at specifically somebody's self-awareness and ask questions about how their actions effect others and gage the two to see if they are in line. Sometimes it helps to go to other sources to get valid answers. References here are important. Joe . . .one of Joe's references was Paul Schrodtt, and he was able to give me a deeper level of experience rather than simply work.

At a basic level it is knowing yourself and how your actions impact other people. How are other people experiencing your behavior? It is a very relationally defined experience. A lack of self-awareness manifests in insensitivity or lack of awareness around one's actions. Insensitivity is a key piece. For myself, I know that I am getting into a danger zone and I am prone to becoming reactive versus responsive when my body begins sending me signals. I begin to tighten up, my throat begins to get tight my legs also clamp up and I am feeling somewhat insecure, that is indicating a level of discomfort about something that I am perceiving in myself or another. If I act on that it impacts others in seemingly similar ways and they react. As a result I am then less prone to give it up once I am in it.

Ultimately at the end of the day we are trying to enable people's self-awareness. Having somebody like you who can help mirror his or her actions back to him or her represents that effort. It is a little like rhythm, you cannot really teach it but you can bring it out in them nurture it. The other question as a business is do you want to devote the resources and time to be able to cultivate that, it is hilariously long. It also requires interaction at a level that is not always comfortable for leaders. For example today, one member is not performing up to a particular expectation, this concern is brought to attention is a very nurturing and sensitive way. These leaders are very sensitive people.

We demonstrate a level of comfort in daily interaction with each other on all kinds of topics that are not necessarily "safe" topics, personal or business. There is a fluidity

of dialogue, volume and quality of dialogue that represents it. Empirical examples are turnover, core members do not leave, and they love to work here. Integrity, doing what you say you are going to do in planning and results. Quality of work is another good measure, if somebody is really engaged they will do better work.

A large part of the success of this team and our model has to do with a holistic understanding or perspective. If you are unaware of how your actions are effecting people in other areas then the other areas may have to compensate for “isolated actions.” For example Elizabeth develops a circulation plan that spends too much \$ to acquire the sales then the rest of the company will suffer and compensate. We see that right now with gross margins, gross margins are too low so we have to bring down everything else in response to that. We have a perspective where the whole, all of the departments are taken into consideration before action is taken; it is part of any planning process. This was my intent from the outset. I wanted to create a very well integrated leadership team, based upon systems concepts. I based the model largely on Senge’s work.

As I have said before, this team has not always functioned so smoothly. It has been a real evolution to get here. As the CEO of the company and the founder and somebody who is not terribly proactive, more reactive in nature, what needed to change was that there needed to be people introduced to the team that did not have that behaviorally reactive characteristic. I have always wanted the organization to me more proactive I did not necessarily have the skills to do that. Or inherent attributes.

Early in our development as a company and core-leadership team faced significant challenges such as understaffing, too few people doing too many things, and limited financial resources. The results were a combination of volatility among members, disorganization and a lack of clear structure, inadequate processes for operation, short-term focus, and significant emotional reactivity. People were looking at me as the leader

of the organization and I am not adept at planning per se, process planning, then that attribute of being proactive is not being practiced.

I was very aware of this shortcoming and of the dynamics of the core-team. We began bringing senior people into the company who had the ability to make significant decisions and make significant impact. Leaders who have that as part of their DNA, the ability plan and be proactive, because if you do not have that and you put processes in place, it is just a process and you need the behaviors that go along with it in order to make those processes work. The selection of Joe was a central contributor here. That was a part of Joe for which we definitely selected. The evidence that I was looking for was a calm demeanor, being able to handle many things at the same time, and being able to prioritize depending on the goals of the company, and also having the experience and skill. Utilizing your expertise was also crucial in terms of facilitating awareness around emotional reactivity and promoting regulation. The basic systems trainings really promoted that awareness.

After Joe's entry things began to shift. He had a huge effect on the core-team and on the organization in general. Initially, the core-team was disrupted; the old emotionally reactive pattern that existed began to shift. I'm sure that Joe's calm and reasoned approach and his unwillingness to participate in the uproar shifted our perspectives and our behaviors. I began to feel more in confident about the operations of the company, I trusted Joe's expertise and his method of operating. I began to remove myself from the volatility with Tracy. Tracy really struggled with Joe; she felt like Joe had it in for her, that was not the case from my vantage point. He simply would not participate in her reactive antics; he refused to be drawn in. Less than a year after Joe's arrival Tracy resigned. It was a relief for all of the members of the team. Elizabeth was hired in her place; she had more experience and was a much better cultural fit. Very self-aware and empathetic. The hiring process was very in depth and we were careful to

make certain that she would fit in terms of skill, expertise and self / relational awareness. She is a valued contributor to the team. The team as it exists now is very cohesive, respectful, professional, and capable. The old behaviors and reactivity is virtually gone, I am very pleased with the outcome of the changes.

The position and dynamics of the core-team are much more in line with my original vision at this point in time than ever before. I started the vision; my vision that may have attracted others is two macro pieces. One of the most attractive pieces was the aspiration to create a culture that was comparatively different than other models. An environment that is meaningful in somebody's life as opposed to just a job. To create meaning by allowing people to feel recognized and feel like they matter and have an impact in shaping something. And one of the other ways to do that is via support. Creating a supportive environment, also included are the values and people can identify with that and make the culture more tangible. Then on the external side of things being a very brand focused, creating a company that customers are loyal to. This is a living thing, a living brand, and a huge embryonic market and opportunity for growth in the market.

Defining the dimensions of the vision, static versus dynamic is where I get into shaky ground, when I cling to the static vision I am in trouble. For the vision to evolve it needs to be dynamic, true to the original ideas but room to evolve. The more people that are introduced to the vision depending on their individual characteristics they are going to take a piece of it, ball it up and shape it in a different way, they need to have an impact on the vision for themselves, an ownership. There are some pieces that are stable, I would have said values because institutions that endure tend to be values focused, in Built to Last cultures are built on values, but I think there need to be periods of clarification and evolution there. Elastic.

Strengths of the vision are dependent upon execution. It can create more loyalty in both of those constituencies externally with customers and internally with employees. Also happiness, people are happy here and enjoying themselves and contributing to something that is meaningful to them. Constraints are primarily time and effort. Like we were just talking about the self-awareness aspect. Most other companies do not care about self-awareness for the most part, I mean they would love for people to have it but they are not actively going to cultivate it and we have made a decision to actively cultivate it. Now that is a messy business because you are dealing with people's history and patterns that have developed over many years and so getting awareness around that stuff is different than saying okay here is what your job description is, do ABC. This is a messier model and way more complex. Another constraint is resources. In this business model in particular it is a very capital and resource intensive business model. If we were a management consultant model or software developers, software has huge gross margins so you can fund it and a little funding goes a long way because you are making a lot of money every time you generate a sale. We do not make that much money every time we generate a sale. So we need to fuel that up to a point of critical mass and then it becomes more self-sustaining.

This is a very challenging model. It exists outside of the mainstream and requires a lot of divergent thinking, out of the box. There is the what and the how. The what can be consistent with any leadership model? What is different here is the how. It is free of self-interest and internal competition, motivated by support and health of the overall company. The how creates the reality of safety. The challenge is long-term growth of individuals within the organization. In contrast to continually upgrading your team, so when somebody hits the top of their trajectory, instead of devoting the resources and time to get them to the next level, they're out and a person with the

requisite experience is in. Making sure that there are adequate resources and tools and training to accomplish this goal.

What it offers on the other side of challenge is growth and validation of effort as well as results. We may be too far over on the validation side, we could be more challenging. We could be so supportive and forego challenge. Balancing challenge and validation is key for us. Ultimately we will know our success and the business will be judged on financial results because it is a for profit business. End result is important and verifies the model. Now the support model must execute or it is a charitable experiment.

There is a continuum between believers and cynics, and there is a fulcrum, it is heavily weighted toward cynics. Principle because most believe that it is easier to run a business without dealing with emotion and valuing emotional attributes. So I think that it is complex and that is also a reason that most do not believe or want to get into it. It involves effort in terms of managing relationships that is hard and complex as opposed to making employees objects or assets.

Debbie's Experience of Core-Leadership at Athleta

You feel the experience of leadership around here. It is where for example people are aware of how their actions and words impact the rest of the group, and not just aware of it but take it into consideration in any setting, individual or group. Individuals make sacrifices for the greater good. Elizabeth may be overwhelmed in one area and I might help her out in some way, it happens all the time. Working on the budget for example working through issues and challenges, for example Joe may have a great deal on his plate constructing the budget yet he stopped and took the time to work with Elizabeth on the circ. plan. There is a huge benefit there. Being respectful. The model is not working well when stress arises and people begin to protect territory and blame others. Increasing reactivity. For example, Ron who is a consultant with the core team when under pressure has a tendency to react more along these traditional lines

and it looks differently than other “core” member responses. We would have taken that same pressure and spread it out among the members and supported one another to get through.

We behave in more holistic ways as we are tied together. We succeed as a collaborative team; we do not sacrifice one another under pressure. We want each area to succeed and grow, not one at the expense of others. We hit our targets and goals, profitably, whatever we set as targets. Service level to customers, we have accomplished our goals as a team; that is what it means to be successful. I think that our success also refers to the dynamics of the team and how well we work together. There are less quantifiable measures, enjoying and learning from one another, enjoying coming to work each day.

Understanding the impact that you have on the team is also a very important aspect to consider. I guess we consider or talk about it as the self-awareness piece. I know it in myself because I continually rework a conversation or an issue and ask, “How could I have done it differently, better.” Not obsessively, but improvement. We all have weaknesses and being aware of those weaknesses is important, recognizing and acknowledging them is crucial, that happens a lot here. Saying for example, “I blew it yesterday, help me out.” And it is not always negative, it is also recognizing when something worked and asking what happened that made it work so well, what were the components of that, reassessing. And then thinking things through is also a component. There is also a huge intuitive component to it, a demeanor, listening, and content of speech.

This team attempts more than any other that I have been on to promote it in people. The person needs to be open and hungry to want it. We could and do provide a safe environment but if people do not feel safe, because of their own personal issues, it will not work. So there are issues outside of the organization that play into this.

Baggage. I think this is the issue that Tracy faced; she was unable to see her part in the dynamics that she created among the team. Eventually as the team evolved she resigned.

Fit is critical, I would assume that the experience and skill are there, given. They have to fit the model. Tracy did not have the fit; she initially had the skill, later she did not. Fit is, self-awareness, meaning people who are, for me, comfortable with who they are, who are not highly defensive, comfortable with their level of expertise and knowledge, open to other ideas, and open to challenges, being challenged at certain points, they are respectful in terms of self and others, and need to understand how they impact other people.

In addition, contextual elements that facilitate the model are, clear lines of communication, and a certain defined structure in terms of responsibilities for process and flow in order to make it work. The environment must facilitate genuine trust for one another, safety to say what is on your mind, honesty among leaders, another piece is doing what you say you are going to do, integrity. Living your word, Joe is like that. What amazes me about this group for the most part, is that even under intense pressure, they do not begin that scapegoat process, blaming. Everyone is strong about taking personal responsibility and ownership.

I would like to comment on the history a bit if I may. I have been a part of this core group as a founding member and we have undergone quite an evolution in terms of maturity, largely through the changing dynamics of the group. There was a certain level that would have been present no matter who made up the team it was just the nature of a start-up and lack of resources, etc. There was a higher level of anxiety present because of the dynamics and the mix of members of the team. The components of the team structure changed, you came, Joe came and the model shifted naturally, and we also wanted to change the processes intentionally in terms of focus and structure.

The people who arrived and promoted positive change brought the basis for the support model. I think that it was Scott's vision and something that he was striving for but the people who were here did not fit the model. The new folks brought expertise and depth of awareness in terms of support, what it looks and feels like realistically. Some of the vision was on target and some of it was not realistic, the new folks could implement that vision. The characteristics of the new people that facilitated the shift for example, Tracy versus Joe, Joe was not reactive he could think and respond where Tracy would react first and create all kinds of chaos around that reaction, unnecessarily. Where Joe would think about how and what he does or says is going to impact the person or group he is delivering the message to. He is thinking about all that before, he processes that first and that has made all the difference in the change from reactive to proactive. It moves the group from reactive to more thoughtful and methodical and changes our thought processes.

I know that fit was a very important piece to selecting Joe for that leadership position. Joes level of experience was important, but his fit was something that I was personally very aware of, of wanting someone who embodied the characteristics of his calm, his reasoning process. Interestingly enough, Tracy and I interviewed Joe together and it was apparent from the outset the difference between the two. Tremendous contrast, she was almost foaming at the mouth over certain things. It was very unpleasant. I had a feeling of trust with Joe, that he was respectful, and I could see his mindful thought process, I could feel it. It was genuine. That was a turning point for me with my relationship with Tracy because she was not supportive in any way and showed me such a sharp contrast.

This evolution represented an implementation of the vision for the core-team and for the company. It is complex, some early members were really "vision attached," they did not like the grounding that came along with it. They liked the ideal and had difficulty

with implementing in reality. There was a rigidity associated with the ideal. The vision is different somewhat for each leader, filtered by our own perspectives. There is a lot of crossover however there are stable pieces. A lot is unclear and undefined. As I understand it in part it has to do with what we mean to our customer? This has to do with what we offer, our Brand, the best in a category for fitness in terms of function and style, not necessarily in price. We expand out from that top performer core. The idealistic vision concentrates on this core group of athletes but we appeal to a much broader range of "athletic woman" in reality. Bringing these two together is difficult. Vision also lives in each department. Work environment, leadership (support, bottom-up). Give people the room to grow and develop and to take ownership in the company. Provide guidance, direction, accountable, nurturing. Like the plant metaphor.

We strive for the ultimate implementation in how we structure the team and the company. Have we accomplished it, no, it is a process. The dynamics of the core team, the way that we work together is where we come to closest to accomplishing the vision. This is an important challenge for us. The translation from vision to reality is a long road and because we do things differently we are more challenged. Historically, creativity was a critical part of our functioning due in part to the limited resources, no cash. We really pushed our limits. Recently, with the budget process and the need to address some of the Board's concerns, our focus and creativity in different areas was stepped up. What that looks like, the way we challenging within this team is different. There is always a safety net or support net around challenge. If you fall the members are there. We challenge in respectful and positive ways, we do not make assumptions and we do not think we know the answer. There is not a lot of judgment in this method, no finger pointing.

There is absolutely validation of risk taking; there is an acknowledging of challenge. We acknowledge the effort, the product of the effort, and the quality of work.

We validate also when things do not always go as planned, the last board meeting for example. I brought it up and so did others. It is feedback that is healthy and accurate. I think that this model is the most effective, respectful and humanistic one we could have.

Elizabeth's Experience of Core-Leadership at Athleta

Well at the most base level it is mutual respect, in whatever one encounters, that is the key glue of it. But it also has to do with elements that are not traditionally known as support, which calls into question semantically the word support because our leadership model is more complex. There is a process here of autonomy in function or role and then bringing it back to the core-team for evaluation. "We're all in this together." And bringing the plans back to the core-group sheds a much broader and deeper range of expertise on the decisions. What really works for us is the formation of subgroups to work on particular challenges or tasks such as cost cutting. Working on that task in detail and bringing it back to the core-team facing questions and challenges and reformulation. This process works and I felt confident about the subgroup decisions.

This is a collaborative team. The working model really begins with assembling a team of people capable of treating one another in a respectful way, that are really smart, that share the value of cooperation and the maxim that the individual and the group can succeed and the group input can strengthen individual success. I actually get more from participation with the group than out here on my own. We are serious about taking the time to allow the group to address key issues and opportunities and plan the development of business strategy. That is a key component, taking things on together, for example, taking on the cost cuts was a very positive experience for the team to accomplish together, especially for the smaller group. So fit is crucial, selection, shared values, collaboration, ownership and dedication of time. The team actually takes the time to plan, vision, create the path, and establish ownership.

I think a piece of it is being able to; it works better if the team is focused on the whole more. So I do not participate only as a marketing person. I bring that to the table as my area of expertise and primary role, however, I also contribute my perspective to all other strategic areas of the company. We value the diverse perspectives of the other team members and we see the whole picture. People in this group really connect the dots among member areas and decisions. Not one order can get out without being touched by every area. So we have a genuine “team” success focus while understanding the importance of individual contributions.

The members of this core-team are similar in many respects. They are all self-aware people, they demonstrate mutual respect, they do not trash other people and don't promote themselves over others, nor close out other ideas. I think we can narrow it down and really miss wonderfully self-aware people. I do not feel that it is the only criteria for selection let me clarify, skills and expertise are also important. That said, self-awareness is recognized through interaction and observation. Much of the discernment is intuitive. It boils down to mutual respect and being respected. Self-awareness for me has to do with balance in my life and joy and healthiness overcomes the part of my life that isn't, I am not so weighted by my unmet expectations, self-doubt and fear, I have those but my ratio is balanced. There is a real relational aspect to self-aware people, they can assess accurately their own behaviors and the potential impacts on others, and this team is good at that. Selecting for it is very subjective and you must spend significant time with people and experience them in various contexts, such as working interviews. Not like a group interview but more of a project. Often you find people that do not fit. In core level positions this piece needs to be a criteria for selection.

In fact, I think that the development of such a supportive team had a great deal to do with selection. From my perspective, being the newest member of this team, there may have been a true lack of experience with the old team and extreme reactivity with

no resolution. Although I was not here to see the original core dynamics I am aware of their impact and have had to deal with behavioral artifacts in some of the employees who were Tracy's direct reports. There were remnants of old reactivity and crisis generation in some of these employees. It took some time to get those old reactions under control; actually, those who could not adjust have resigned.

It was like magnetic attraction, it followed from the hire of Joe. He is why I came, why Debbie stayed, why Ron and Will came as consultants. If Joe were to leave now, well six months ago I would have said that I have to find a new job yesterday, but now I think I would be sick but I have made more progress in doing my job than 6-9 months ago. It would be really difficult, someone would have to fill that role, take on the overall leadership role.

Now the core-team is very straight forward about the way and what they think, and they are a much more confident group. These members can express themselves, take a position in relation to another member, be it Scott or another and not become emotionally reactive. The old members could not do that as well. Now we can find those intermediate places that are successful and we do not get polarized. And because we now have more experienced and mature members, Scott has been able to let go of more control and let people run their areas. We operate well together and we succeed or fail as a team. There is very little blaming or scapegoating. We see it some in the consultants we employee, but even they seem to adapt to our model.

Our success is defined by achieving our objectives in ways that we like coming to work. Our overall objective is that we are a successful company. Defined by profitability, and the ability to track and retain customers and employees. There are other qualitative measures also, we may not become profitable and that will be due to the success of the business model (price points, scale, attraction to customer) not the support model. I just know for a fact that if we change the model and create a much

more hierarchical, authoritarian model the results would not be any different that they already are. I have worked in both environments that faced these challenges and that did not work either. As a business, profitability is a key quantitative measure.

Qualitatively people want to work here, retention is good, and relationships are good.

Team success has to do with the way we treat one-another, supportively.

Support may not be the best word to define the model and it looks different in terms of promoting team-success. For example Joe supporting Debbie in her need to liquidate millions of dollars of merchandise can be challenging, not simply “supporting” and caring solely about how she feels. Joe supports her in getting it done by his guidance, being there in terms of expertise and skill and the way he treats her to help her accomplish the goal. “I have a responsibility to you as a core team member to help make you successful.” Power is used in a collaborative way.

Success is a subjective term, here it is related to the original vision of the founder, Scott. The vision is like two visions but they reflect upon each other. The vision of the brand, what we are offering the world, athletic, healthy, powerful women achieving goals in sports and fitness, and for the company that the individual within the company will be treated as an individual and that their own personal development and happiness and growth is important to the company’s success too. They reflect one another. The core-team dynamics reflect the overall vision and core values. I have my own interpretation of the vision, as I understand it, so does everyone else. It lives in the whole organism, making it more diffused and richer. It is only very few people that if interviewed about what it is would be off target. Especially with the brand.

The vision is both static and dynamic. Much of the vision is somewhat static and implementation varies. The ways we treat customers, employees, and brand are static, implementing those looks differently. The static elements are somewhat simple, like the values. We should be open to interpreting them differently as the context changes. The

amendments to the constitution are a good example; we should be open to asking questions about their value. The crux does not change. We are implementing successfully in some places and there are places where it is more challenging. A continuum, different areas do better at different times. Sometimes for example the people in merchandising do not have the opportunity to live some of the core values in their personal lives because of the demands of the business. I think that we would get a B there instead of an A if we were rating it, I do not think that it means that we do not want it to be different. The vision is the ideal, we may never achieve the ideal, and it is the striving that is important.

To be successful in this model individual members need to own the vision, share the values. It may sound bizarre but some people do not want to be empowered and be treated respectfully. Nedis, our previous accountant, was like that. She was much more authoritarian and punitive, and she expected the same in return. Nedis is a good example of a bad fit. Her way of being, her seeming inability or unwillingness to adapt to the culture resulted in her resignation. It is too bad, we really gave her the room and safety to evolve, and she just did not do it.

There are also strengths. When you have a group of people with a strong commitment to an ideal there is a good likelihood of achieving it, and that is why it is so important that the ideal includes being economically healthy and that is a piece of it. We share the values, and nobody in this group is just doing it because they want to be empowered but also that the company be successful. I believe in people and they will flourish and do well with this vision.

I think the model works when people challenge in a way that makes it clear where they are coming from, and it is a way of challenging that is constructive. For example, "I want to ask you some questions or give you some ideas because we're going to make this work, successfully." In a small core group you can build trust so you

do not have to do a lot of work. We work and play together and develop opportunities for interaction and trust is built, challenge is then welcomed. There is a method of challenging here, for example it is so simple, when you ask a question that is challenging you start by clearing the table, putting out your reason or rationale for the question “here is what I think” will you share with me your thoughts. You have the courage to reveal yourself so that the person you are challenging can understand where you are coming from before they respond. All honest and straightforward, no hidden agenda or tricks. Respectful language.

The caring for one another is very validating. It is so often body language, subtle actions. Also expressions of direct feedback and there is a sensitivity about this group. You feel the genuine caring and concern, we know when someone needs support, not always, but most of the time. Or members know how to ask for it. If a challenge does not work out for an individual there is an optimism and promotion of alternatives, not negativity or blaming. Very little blaming in the core group.

APPENDIX F

APPRECIATIVE INQUIRY SUMMARY

Purpose: Help you accelerate positive change through effective leadership!

Process:

1. Learn about Appreciative Inquiry
2. Explore AI themes what they mean, how to take guidance from them
3. Begin to explore how to act on these themes as leaders
4. Explore related opportunities and issues

Appreciative Inquiry

. . . Is a collaborative approach to seeking, identifying, and enhancing the “life-giving forces” that are present when a system is performing optimally in human, economic, and organizational terms.

*Appreciates = increases in value

*Glass half-full

Increases confidence, creativity

Helps drive out fear

Process Steps

1. Choose the topic carefully
2. Create the questions to explore the topic

Example questions:

1. Describe a time when you feel the team/group performed really well. What were the circumstances during that time?
2. Describe a time when you were proud to be a member of the team. Why were you proud?
3. What do you value most about being a member of this team? Why?
4. Inquire into the stories. Often this occurs in pairs or small groups; the
5. Questioner jots down brief notes.
4. Identifying themes
5. Create shared images for a preferred future

Athleta “Best” Experiences

Vision inspired

Evolving from reactive to proactive (becoming grounded)

Influencing positively the performance of others

Celebration and recognition

Productive groups and teams

Opportunities to learn and grow “from within”

The challenge: How to “appreciate each of these assets going forward . . .

- How can we re-vision ourselves as a \$100 million company?
- What does it mean to be grounded during a transformation?
- What is the “right” balance of direction and support?
- What milestones do we celebrate?
- What does good performance look like?
- How can we practice courageous communication externally as well as internally?
- How can we create and transfer appropriate disciplines to our groups and teams?

- Valuing others: ability, input
- Communicating in an open and non-threatening manner
- Collaborating with others
- Influencing others positively and helping them grow
- Truly balancing people and performance
- Maintaining a future focus

Our core “life-giving” factor:

- Supporting ourselves
- Supporting each other

Most Prominent Wishes

- For profit and an outcome benefiting all stakeholders
- For profitability as a lens to help guide us
- For a strategy that emerges from a deep, probing conversation
- For a “transition map” that clarifies roles, relationships, work methods and processes
- For stakeholder success. . .

- Most meaningful company for active women
- Investor understanding and positive involvement
- Very positive force for people who work at Athleta
- Community stakeholders recognize the efficacy of our “way” of doing business
 - For success through the effective application of our core values

Creating Shared Images of a Preferred Future

- . . . Through the “Provocative Proposition”
 - Stretch or challenge the status quo
 - Are grounded, i.e. have real possibility
 - Are desirable
 - Are bold enough to excite
 - Capitalize on the “life-giving” focus or factors

For example: Performance Appraisal

“Our organization acts on its value for high levels of trust and the belief that people are committed to high levels of personal accountability by using an appreciative performance

appraisal process that focuses on employee competence and exemplary service to the organization.”

The images are broken into two components:

1. Social Architecture

Roles, jobs, relationships

Structures, systems, policies

Governing beliefs and assumptions and their useful behavioral expressions

2. Technical Systems

Business processes (inputs-outputs)

Technologies used in those processes

Issue: Working toward short and long-term profitability

“Best Experiences”

Trimming the lean

Looking ahead and moving forward one step at a time

Explicitly supportive and emotionally detached (but aware)

Made the work collective and visual

Specific about what we would not spend

Being fully present in a step by step process towards a goal

Dauntless cohesion through flexible collective action

Honesty - - knowing exactly what is required

Faith x reality = confidence (what do we have to do to get through this)

Never give up nature, persistence; we are all picking up the log together

Wish For . . .

Collective learning / knowing of how to be profitable (beginning Tuesday)

What we do in this process meets reality

Keep what makes us unique and energized in our sights

Realistic / supportive (sustainable) profitability model

For this process / outcome to be a stepping stone

That we will feel supported

Break even for the period and move and start down the path of continuous profitability

We treat each other with grace and consideration

Awareness that we may already be profitable today (in some ways)

That we communicate and support the rest of our organization with our core values

Provocative propositions go here . . .

APPENDIX G
ATHLETA PEOPLE PLAN REVIEW

ATHLETA

People Plan Review

Employee Profile	Plan / Review Profile
Employee Name: _____	Review Period : _____
Status (check one in each column)	Date of Review _____
<input type="checkbox"/> Full Time <input type="checkbox"/> Exempt	Job Title _____
<input type="checkbox"/> Part Time <input type="checkbox"/> Non-Exempt	Supervisor _____

Guide to Performance Rating Levels in Core Values

Above Target	Performance far exceeds job requirements and performance expectations.
On Target	Performance has consistently achieved job requirements and performance expectations.
Below target	Performance did not meet job requirements and performance expectatons.

PART I: Core Values

Core Value Definitions	Core Value Score
<p>Athleta core values represent our deeply held convictions, our core ideology about who we are as a company. These values were developed “from the inside out,” they are not affected by market forces, nor current trends, nor the winds of time. They serve as essential and enduring tenets – our set of general guiding principles – a basis for our policies and actions.</p> <p>As guiding principles, the Athleta Core Values help members of our culture find common cause with each other. They function as “ideals to work toward,” providing guidance and inspiration along the way.</p> <p>The first section of this performance evaluation addresses the necessity to understand each Core Value definition, discuss issues of “fit,” and plan for successful implementation. The values of Courageous Communication, Pushing Limits, and Work / Life Balance are defined by</p>	

performance standards that will be quantifiably assessed. The values Health & Fitness and Giving Back are equally important, however, the manifestation of these values is highly personal and will not be placed into predefined measurable categories. Although employees are not formally evaluated on the ladder two values, Athleta encourages and supports their individual definition and implementation.

- **Courageous Communication Skills** measures the ability to communicate effectively. This value is composed of four sub-categories: Self-awareness, other-awareness, outcomes focus, and behaviors and actions. The first three areas underly and inform the fourth, overt behaviors and actions. Bringing about improvements in behaviors and actions occurs by focusing on the prior three areas. The evaluation score for Courageous Communication addresses overt behaviors and actions only.

In evaluating how an employee is performing in this area, consider the extent that the employee demonstrates:

1. Self-awareness:
 - Recognizes communication breakdowns.
 - Looks for underlying "root causes," rather than focusing on "presenting problems."
 - Identifies personal reaction(s) to various issues.
 - Identifies personal contribution to various issues.
 - Can separate emotional reactivity from more rational objective responsiveness.
 - Action is guided by realistic, thoughtful, and conscious awareness.
2. Other-awareness
 - Demonstrates adequate empathy, attempts to understand the other's perspective, thoughts, feelings, and actions.
 - Attempts to assess additional factors that may be contributing to the issue at hand.
 - Understands that we are all on the same team.
3. Outcome Focus
 - Embarks on communication efforts with the intention of positive "win-win" resolutions.
 - Actively maintains good working communication with internal and external business partners.
 - Primary objective of communication is understanding and accountability.

4. Behaviors / Actions / Courageous Communication	
<ul style="list-style-type: none"> • Takes self and other-awareness into consideration prior to communicating. • Articulates clear messages with empathy, compassion, and respect. • Listens in a non-defensive manner without interrupting. • Uses "I" statements. • Limits blaming reactions. • Speaks honestly and openly. • Understands and practices Athleta's confidential communication guidelines. • Regulates emotional reactivity. 	<p>Above target _____</p> <p>On target _____</p> <p>Below target _____</p>
5. Pushing Limits measures	
<ul style="list-style-type: none"> • Willingness to move beyond current comfort zones. • Acceptance of change as a learning / growth experience. • Challenges the current process in a productive manner. • Assesses current situation and develops appropriate, balanced goals. • Sets goals and initiates realistic plans to achieve them • Evaluates Progress 	<p>Above target _____</p> <p>On target _____</p> <p>Below target _____</p>

6. Work / Life Balance measures	
<ul style="list-style-type: none"> The employees understanding that personal issues impact work, and work issues impact life beyond Athleta. The employees ability to demonstrate a healthy Work / Life balance. The employees ability to identify personal issues and discuss them with a supervisor prior to becoming performance issues. 	Above target ____ On target ____ Below target ____

- Health & Fitness** measures

Each Athleta employee determines for his or herself how this value is manifested in their lives.

- Giving Back** measures

Each Athleta employee determines for his or herself how this value is manifested in their lives.

Factor Definitions

PART II: Primary Duties and Responsibilities

Performance goals and expectations should focus on individual employee development opportunities, areas of improvement and or projects. The supervisor and the employee prior to the performance period mutually agree upon performance objectives.

Performance goals and expectations are established and assessed for each of three areas; Managing Others, Organizational Support, and Technical Support. Only areas pertinent to the particular role or job description are utilized for performance evaluation. Managing others is a supervisory category, Technical Support generally refers to individual skill or knowledge required for the role, and Organizational Support is used in reference to the interpersonal aspects of each role.

Criteria for establishing goals and expectations are taken from Role Profiles, Primary Duties and Responsibilities. Goals and expectations provide focus, direction, and motivate members to achieve success. To be effective, goals must possess certain characteristics. They need to be as **Specific, Measurable, Attainable, Results-based, and Time-bound (S.M.A.R.T.)** as possible.

Specific

Goals must tell specifically what the individual or group will accomplish. Define the behaviors and/or deliverables that you need.

Measurable

Goals must be able to be easily measured in order to determine our degree of achievement. Often times it helps to attach a quantity, percent, or other unit of measure to the goal.

Attainable

Goals need to be achievable, challenging, and realistic. A mixture of these aspects helps to

motivate action and facilitate successful outcomes.

Results-based

Goals must lead to the desired end result. As such, they are outcome oriented.

Time-bound

In order to assess movement toward desired outcomes, goals need to be assigned time parameters or effective deadlines.

<p>Managing Others <u>Goals & Expectations</u></p> <p>Results:</p>	<p>Below target _____</p> <p>On target _____</p> <p>Above target _____</p>
<p>Technical Support <u>Goals & Expectations</u></p> <p>Results:</p>	<p>Below target _____</p> <p>On target _____</p> <p>Above target _____</p>
<p>Organizational Support <u>Goals & Expectations</u></p> <p>Results:</p>	<p>Below target _____</p> <p>On target _____</p> <p>Above target _____</p>

Part III: Determining the Overall Performance Level

<p><u>Overall Rating: Meaning for the individual</u></p>		
<p>Above Target</p>	<p>Performance far exceeds job requirements and performance expectations.</p>	<p>_____</p>
<p>On Target</p>	<p>Performance has consistently achieved job requirements and performance expectations.</p>	<p>_____</p>
<p>Below target</p>	<p>Performance did not meet job requirements and performance expectatons.</p>	<p>_____</p>

Part IV: Supervisor Comments

Part V: Employee Comments

Supervisor Signature

Date

Employee Signature

Team Support Signature

Date

Date

APPENDIX H

HARVARD BUSINESS SCHOOL: CASE STUDY

WILLIAM A. SAHLMAN

TAZ PIRMOHAMED

Athleta

The defining characteristic of an entrepreneur is that we can talk ourselves into anything. Luckily, I talked myself into entering a phenomenal market—big, underserved and growing fast—before knowing anything about it.

Scott W. Kerslake, President and CEO of Athleta

On the morning of March 26, 2002, Scott Kerslake—President and CEO of Athleta—reflected on the unfamiliar sounds of the city while stuck in a Manhattan traffic jam. In contrast, several employees at the Athleta headquarters in Petaluma, California, were preparing to run in the open preserve near the office or take their dogs for a walk. Kerslake and Joe Teno—Athleta’s SVP of Operations—had come to New York with a single goal: to raise \$3-4 million in a Series E round of financing from investors who understood and appreciated Athleta’s business model and culture. Both Kerslake and Teno were determined to return to California with good news for the company’s tightly knit group of employees.

In 1998, Kerslake founded Athleta as a “women’s sports company” selling a wide range of women’s athletic gear through mail order and online. Since that time, Athleta’s revenues had grown more than 150% per year and were projected to reach \$24 million in 2002. Now, Athleta anticipated augmenting its multi-channel strategy by launching physical retail outlets in 2003. Between 1998 and the end of 2002, Athleta expected to have fulfilled more than 192,000 orders, acquired a total of 231,000 customers and generated over \$55 million in revenue—all with under \$5 million in equity capital. Despite Athleta’s historical and present-day under-capitalization, Athleta had survived. Kerslake was convinced the company’s success was linked to the enormous dedication of the amateur and professional athletes that comprised Athleta’s staff. While other companies, such as Lucy.com and Fogdog Sports, had closed up shop or scaled back significantly after raising tens of millions of dollars, Athleta had survived the shakeout and was ready to begin the next phase of development.

In June 1998, Kerslake had raised a seed round of capital totaling slightly over \$700,000 from friends and family. Less than six months later, Kerslake turned down offers of up to \$10 million in equity to build an online retail company and instead raised only \$1.2 million—falling short of his target of \$2.2 million—from investors who shared his goal of building a multi-channel, women’s sports company. Kerslake kept a tight rein on Athleta’s cash expenditures even after raising another \$2.7 million between 1999 and 2002. Now, in March 2002, Athleta had less than \$330,000 of cash remaining and Kerslake was eager to close a Series E round. While Kerslake was willing to give shareholders a large stake in the company and even accept potentially onerous financing terms, he wanted to preserve the company’s unique culture. Kerslake and Teno had been meeting with venture capital (VC) firms, angel investors and commercial banks while in

New York City. With one eye on his Ironman watch and the other eye on the endless Manhattan traffic jam, Kerslake wondered if he would cross the finish line—that is, return to California with \$3-4 million in capital and supportive investors in hand.

Founder's Vision

Kerslake had always dreamed about starting his own company. Prior to becoming an entrepreneur, he worked as an investment banker at Salomon Smith Barney and in an operating role at a retail company before joining Sapiient Corporation as a management consultant in 1993. There, he played a significant role in starting Sapiient Corporation's San Francisco office by helping to manage and grow its team from 3 to 250 employees in a little over two years. He subsequently served as Sapiient's Director of Marketing and was instrumental in the company's successful initial public offering (See **Exhibit 1** for management biographies). Finally, in 1997, Kerslake decided to start his own company. He explained:

I have always loved sports and lived a very active life. Sports have been important to my physical and spiritual well being for as long as I can remember—so the business model is completely rooted in personal passion.

Then, one day, I had a dream—literally speaking—about building a woman's sports company. It was only after I conceived of the Athleta brand, product line and catalog that I did any market research. As it turns out, the statistics on the women's sports industry are phenomenal—an incredible growth rate, a huge participant base and a group of customers frustrated with the dearth of high quality women's sportswear sold in traditional retail outlets. So, my dream translated into a great market opportunity—one that far exceeded the opportunity in the men's market. While many people are surprised that a man founded a women's sports company, I developed the Athleta concept from the standpoint of an athlete, not the standpoint of a man.

Women's Sports Apparel Market

In 1999, a total of 21.2 million women and 15.5 million men in the U.S. participated in sports and fitness¹. Women's participation in sports and fitness has grown rapidly in the past decade: by 1999, women comprised nearly 50% of total participants in the most popular sports (see **Table A** for detailed statistics on women's sports participation). In addition, women comprised 58% of all health club memberships in the United States in 2001.

¹ Fitness in America, National Sporting Goods Association, 1999

Table A: Women's Sports Participation (1999)

Sport	Women/Total Participants
Running	49%
Cycling	49%
Swimming	55%
Inline Skating	56%
Backpacking	49%
Fitness/Gym	72%

Source: Company Documents

In 2000, women spent \$25 billion on sports apparel² while the broader market for women's apparel exceeded \$96 billion³.

Competition

There are four categories of retailers that sell women's athletic gear (see **Exhibit 2** for a detailed list of Athleta's competitors by category):

Tier 1: **Women-specific Sports** retailers concentrating exclusively on the women's market (e.g. Lady Foot Locker, Title 9);

- Tier 2: **Specialty Sporting Goods** retailers concentrating on a particular sport (i.e. running or cycling), carrying mid-to-high-end products and offering customers a higher level of expertise (e.g. Fleet Feet, Recreation Equipment Incorporated (REI));
- Tier 3: **Big Box** retailers carrying very broad and deep product selections for many different sports (e.g. Big 5, SportMart);
- Tier 4: **Department Stores** carrying a narrow range of sports-related products (e.g. Nordstrom, Macy's)

Business Model

Kerslake conceptualized Athleta as a premier woman's, multi-channel, sports retailer offering a limited selection of top products across a wide variety of sports and an exceptional level of customer service.

Channel Strategy

Athleta was launched as a multi-channel company serving customers through the mail order and online channels. The company planned to launch retail stores in 2003 after growing its expertise in the women's sporting goods market. In 2001, Athleta derived 70% of total revenue from its direct mail catalogs and 30% of revenues from the Athleta.com web site. While many experts were concerned that e-commerce cannibalized other channels, Athleta's management team believed that offering consumers a wide range of choices fostered stronger customer relationships and buying patterns. A study on purchasing behavior found that catalog shoppers who visited a retailer's website spent 8% more per order and ordered 11% more frequently from the catalog⁴.

² The Women's Athletic Apparel Market, Packaged Facts, 2001

³ US Apparel Industry in 2000, NPDFashionworldSM, March 2001

⁴ Channel Surfing: Measuring Multi-Channel Shopping, Bizrate.com/J.C. Williams Group, 2001

Product

The Athleta product line was sourced from Athleta Essentials—a private label line of bodywear and technical apparel—and high-quality producers including Patagonia, Adidas, Pearl Izumi, Marmot, Hind and Sugoi. Kerslake explained the philosophy driving the Athleta private label line:

We designed our own line of clothing because our customers were requesting items, colors and styles that weren't being made. One of the things we heard most often was that it's really tough to find athletic pants in tall and petite sizes. We immediately seized this market opportunity by creating private label athletic pants in hard-to-find sizes.

There are two models for private label branding: either sell a knock-off of an existing product at a lower price or develop your own distinctive product. Many retailers will take top-selling products to Southern China where they are reverse engineered, manufactured and then sold at a lower price. We didn't want to compete on price. We wanted to manufacture products that were on par with other high quality manufacturers. While we could have chased a lot of sales by reverse engineering successful products, we didn't want to compromise the integrity of our brand.

Target Customer

Athleta's initial target customers were women between the ages of 18-50 with a college education and average household incomes greater than \$80,000. They were also physically active and committed to engaging in regular exercise. They had busy lifestyles and therefore sought alternatives to shopping in traditional retail outlets. Finally, they usually bought high quality merchandise—even if they had to spend more. Kerslake explained:

Our customers told us they didn't have the time to dig through a giant bin of sports bras at SportMart and try to guess which bra would work best for them, or worse, have to rely on the advice of the teenage boy likely to be behind the register. They wanted to shop in an environment with a well-organized selection of products and knowledgeable staff that were easily accessible. We listened carefully when they described their lifestyles and their biggest problems—and then built a company that could resolve them.

Brand

The Athleta brand was designed to communicate an understanding of and respect for the importance of sports and athletics in women's lives. As such, the company's catalogs featured fit, healthy, athletic women on its pages. In addition, Athleta sought to educate its customers during the sales process. As such, Athleta's customer service staff were carefully selected and then trained to provide accurate information, thoughtful advice, and to understand the particular needs of women vis-à-vis the fit, performance and comfort of sportswear. Athleta also employed an unusual practice in its sales department—it did not set sales goals around individual items so that sales staff could focus on finding the best product for each customer. The Athleta brand represented a belief in building lasting customer relationships based on integrity and trust.

Culture

Athleta worked hard to create an exceptional culture where the employees embraced the company's five core values. The company values all stemmed from a single premise: the most important values in one's professional life should not differ from those in one's personal life. For example, Athleta employees were encouraged to put their families first even though this occasionally resulted in employees leaving work early to pick up their child or take an animal to the vet. Recognizing the importance of staying healthy, the company headquarters were located close to an open preserve so that employees could easily go running or cycling during breaks.

The employee-friendly culture enabled Athleta to maintain lower than average turnover rates and attract top talent in key positions. Finally, the open-concept Athleta office was designed to facilitate open communication and to accommodate employees, pets and, on occasion, children.

Early Company History

After developing the Athleta concept and performing market research on the women's sports apparel industry, Kerslake set out to raise a seed round of financing from friends and family. In June 1998, he raised a total of \$769,000 and invested the money in producing the company's first catalog and buying lists of potential customers. Athleta opened for business in June 1998.

Kerslake recalled the process of acquiring Athleta's first customers:

There are three ways to rent names: you can exchange names with a database company if you have a house file with your own customer names; you can pay a large list compiler such as Abacus or Z-24 for names; or you can pay another catalog company with a similar demographic for their names. Initially, we purchased lists from a database company. We were extremely lucky because our first batch of 93,500 catalogs garnered a 2.8% response rate. Normally, acquiring customers through purchased lists is a difficult science—somehow, we managed to send catalogs to the right people. By the end of 1999, our house file included 19,800 names of actual customers—most of whom had become repeat customers.

However, at the end of 1998, nearly all of the seed capital Kerslake had raised was exhausted. Though most of Athleta's investors were ardent believers in the business model, very few could participate in a subsequent round. After reviewing his options, Kerslake decided to raise outside equity:

You can only finance your company in a few ways: you can raise outside equity, you can raise debt or you can stretch the terms offered by your suppliers. Stretching supplier terms is an extremely bad business strategy and raising a large amount of debt was too difficult—so we had to raise more equity.

In early 1999, Kerslake approached a large number of venture capital firms to raise an additional \$2.2 million in equity. He recalled:

To begin, there were few venture capital firms focused on consumer commerce. When we walked into their offices and asked for \$2.2 million to expand our catalog business, they laughed. They told us that nascent, low-tech, consumer companies were unlikely to be funded in 1999. Most venture capitalists were investing in dot-com's, not mail order businesses. We were offered \$10 million if we converted our business model to "Athleta.com". From our perspective, the venture capitalists were narrowly focused on channel instead of the overall brand or business model. It is the hardest thing in the world to look somebody in the eye and turn down \$10 million, especially when you aren't sure you have enough capital to make it to the next quarter.

I know that a lot of companies took the money and then privately decided to do what they wanted with it. It sounds ridiculous to turn down \$10 million when you really need it but I wanted to build a company with integrity. So, we stuck to our guns, retained control of the company and raised a lot less capital. Looking back, I think we made the right decision because competitors like Fog Dog burned through tens of millions and then closed their doors.

While Kerslake set out to raise \$2.2 million, he closed Athleta’s first external round of \$1.2 million from angel investors at a pre-money valuation of \$6.8mm in March 1999. See **Exhibit 3** for Athleta’s historical financial statements]. Armed with additional capital, Kerslake set out to begin manufacturing and selling Athleta private label sportswear and hiring additional customer service staff. He recalled:

Not having enough capital is really tough. We have always been really, really prudent with money—we watch every single penny. The problem with too little capital is that you have to think about the “here and now”. You make cash-oriented decisions as opposed to long-term decisions. We haven't had enough capital to build a company the right way, so we have built it by any means possible. It's been a real challenge.

Growing the Company

From the beginning, Kerslake focused on hiring staff that believed in the Athleta business model and shared his passion for sport. He recalled:

Your employees are critical—especially when there is a large gap between what you aspire to do and what you can afford to do. The only way to bridge the gap is through sweat, hard work and sheer will. We employ athletes who understand the magic of sport—the way going for a run or a bike ride can take you into a completely different realm. Our employees want to help cultivate new and existing athletes. For example, Ellen Krimmel is a former professional athlete who runs our customer service group. She has an enormous will—she would damn near kill herself to help Athleta succeed. There is a downside to such a high level of employee commitment—you don’t want your staff to burn out. Every day, I think long and hard about what we need to do in order to attract and retain extraordinary people like Ellen.

Kerslake also described Athleta’s teamwork ethic:

Athletes have a profound understanding of what it means to be a team player. Many of our employees are former professional or college athletes who couldn’t have succeeded without teamwork. Our employees often say that corporate team-building exercises are “flaky” when compared with the teambuilding inherent in sport. Athleta couldn’t have made it this far without employees that espouse a teamwork ethic.

Between 1999-2001, Athleta’s business model took flight. Despite the paucity of equity capital and the challenges associated with running a retail operation, Athleta developed a loyal customer base. By 2001, Athleta had amassed nearly 154,000 customers and \$18.7 million in revenues (see **Table B** for summary of Athleta operating results). Kerslake estimated that 22% of Athleta’s orders came from repeat customers. In 2001, the Athleta catalog generated an average response rate of 6.0%⁵ and an average order size of \$128⁶, significantly higher than industry standards of 3.6% and \$100, respectively⁷. Kerslake believed that the company’s operating results proved the basic business model and demonstrated the company’s capacity to succeed in the women’s sportswear industry. So, Kerslake decided to raise another round of equity in order to take the company to the next stage of development.

⁵ Response rate based on total orders/total catalogs mailed in a single fiscal year

⁶ Based on total catalog revenues/total orders in a single fiscal year

⁷ Average industry figures sourced from the DMA State of the Catalog Industry Report, 1999

Table B: Summary of Athleta Actual and Projected Operating Results

	1999	2000	2001	Est. 2002 ¹
Revenue (millions) ²	\$1.7	\$9.7	\$18.6	\$25.4
Customer Orders	15,670	81,778	144,375	195,184
Average Order size	\$104.63	\$118.39	\$128.61	\$133.00
Athleta's House File	19,800	77,500	152,000	231,000

¹ Estimated for the 12 months ending May 31, 2002

² Revenues represent merchandise sales plus shipping income

Plans for Growth

In early 2002, Kerslake and his senior management team developed a strategic growth plan for the company [see **Exhibit 4** for Athleta's projected financial statements]. They articulated the goals and capital requirements to enable Athleta to become a leading, multi-channel women's sports company (see **Table C** for Athleta's detailed financing requirements):

Table C: Summary of Athleta Financing Requirements

Area	Purpose of Proceeds	Capital Required (M)
Circulation Growth	Increase annual circulation from 6.5M to 20M in 4 years	\$1.50
Working Capital	Improve terms with suppliers/manufacturers	\$1.10
Infrastructure	Expand offices and distribution facilities; MIS	\$0.28
Merchandising	Private label product expansion	\$0.22
Human Resources	New staff in HR, merchandising, direct marketing	\$0.22
General Purpose	Cushion	\$0.30
Total		\$3.62

1. Increase Catalog Circulation to Acquire a Larger Base of Customers

The catalog business is heavily dependent upon customer response rates to mailings. In general, it cost Athleta approximately \$.60 to print and mail each catalog. Athleta sought to achieve a 1.8% response rate on prospects⁸ and an average order size \$135.00 in order to break even (given 2002 projected margins and fulfillment costs). By 2003, Athleta aimed to grow its catalog circulation from 7 million to 20 million. Management believed there were at least 20 million customers in Athleta's target market.

2. Improve Supplier Terms

Beginning in 2000, Athleta paid its suppliers on an extended basis, foregoing early payment discounts as large as 8% of Cost of Goods Sold (COGS). While extending supplier payments enabled Athleta to stretch its working capital, the company estimated that it could reduce COGS by 2% through early payment. In addition, the company's sub-optimal inventory management resulted in \$11.00 for each back order and an annual inventory turnover of 4 compared to the industry average of 5. Athleta required \$1.1 million for working capital in order to improve terms with suppliers and reduce inventory management costs.

⁸ Prospects are defined as new names added to the Athleta mailing list

3. Transfer Headquarters and Improve Management Information Systems (MIS)

Due to the Athleta's rapid growth, it had outgrown its current headquarters and 9,000 square foot distribution center. Athleta also needed to upgrade its MIS in order to provide more detailed financial reporting for each distribution channel. Athleta required \$280,000 for moving expenses and to upgrade the company's systems.

4. Expand Athleta's Private Label Line

Since its inception, Athleta's private label brand filled a niche in the women's sportswear market. Athleta's private label line of clothing expanded from 7% of product assortment in 1998 to 28% of product assortment in 2002. In addition, Athleta's private label line frequently outsold the best products from brands such as Patagonia, Adidas and Sugoi. Gross margins on Athleta's private label line were 20% higher than that of its branded manufacturers. Athleta projected that by 2005, 40-45% of total assortment and 65% of total sales would stem from private label product sales. Athleta required \$220,000 to enhance its private label business.

5. Team expansion & Marketing Initiatives

Finally, Athleta intended hire new staff and invest in new marketing initiatives. To begin, Athleta sought to selectively add to its senior management team. In addition, at least 20 new employees were required in the customer service, distribution and web development departments. Athleta also planned to initiate several new marketing programs including: 1) Increased editorial coverage/product placement; 2) Grassroots marketing programs and sponsorships; 3) Strategic partnerships and co-marketing agreements; and 4) Co-op advertising. Kerslake estimated that \$220,000 was required to grow the Athleta team and to invest in marketing initiatives.

Financing Options

When Kerslake and Teno went to New York in late March 2002, Athleta had less than \$330,000 in cash remaining. However, several different options emerged during their fundraising trip to the East Coast.

Venture Capital During the first quarter of 2002, the VC market continued a cyclical downturn that had started in early 2001 (see **Exhibit 5** for U.S. venture capital investment trends). In particular, the consumer e-commerce industry was hit hard during the dot-com market crash and resulted in hundreds of companies declaring bankruptcy because they couldn't develop a sustainable economic model and/or raise additional capital. As such, VC firms were much more cautious about investing in consumer retail business models and applied even higher discount rates to revenue projections. Though Kerslake was interested in securing a Series E round from a VC firm, he was concerned that Athleta's projected revenues and profits weren't high enough to meet the minimum standards set out by most firms. To make matters worse, consumer retail companies had fallen out of favor in the public markets resulting in sagging valuations (See **Exhibit 6** for specialty retailer comps). Therefore, exit options for retailers in the consumer sector were limited to being acquired or merging with another company. Kerslake explained:

It was really difficult to find a VC firm interested in specialty retail companies—especially one with real expertise in our sector. The firms we approached were very open with us—they told us that they invested in proven concepts, strong management teams and aggressive growth targets. They also told us to expect a more onerous term sheet that included participation clauses, full ratchet provisions and cumulative dividends. The only good news was that deal flow had decreased substantially so they were willing to move quickly when they found the right portfolio companies.

Angel Investors By 2002, there were literally thousands of active angel investors in the U.S. though the crash of 2000-2001 had burned many investors and forced them to reconsider investing in private companies. While in New York, Kerslake and Teno met with a handful of angel investors whose names they had received from existing investors, employees and VC's. Kerslake hadn't yet approached other potential angel investors including professional athletes, female celebrities or owners of women's sports teams. After meeting with a handful of angel investors, Kerslake had several concerns:

Because of our cash crunch, I was concerned about the time and effort required to raise equity from a group of angels. Given that most angel investors invest between \$50,000 and \$1 million, we would have to sell our plan to 5 or 10 or even 20 different angels in order to raise \$3-4 million. The upside is that most angel investors really appreciated our concept and business model—they wanted to be 'partners' rather than just 'investors' in the company.

Commercial Banks Another financing option was to negotiate credit lines with one or several different commercial banks in order to finance the company's growing inventory. Based on Athleta's total sales and inventory figures for 2001, Kerslake estimated that the company could raise between \$750,000 and \$2 million in credit facilities. However, the credit markets had tightened during 2001 and commercial banks were reluctant to open large credit lines with early-stage or higher-risk companies. Kerslake explained:

Securing credit lines are a "last resort" for us—mainly because we were unlikely to raise the full amount we required from a commercial bank. While we needed to secure credit lines for Athleta's growing inventory, we also viewed the commercial banks as a viable source of bridge financing. Raising a small amount of debt would buy us enough time to raise the Series E from other sources. Unfortunately, commercial banks were very tight-fisted in 2002.

Kerslake was eager to develop a sound financing plan for Athleta. Every day, his company helped hundreds of women find athletic apparel that met their needs. And, Kerslake was convinced that bringing Athleta into physical retail outlets would open up dozens of new opportunities for the company to serve female athletes. As Kerslake watched the Athleta dogs meander through the office, he was reminded of how much energy and spirit had been invested in building the company.

Exhibit 1 Management Biographies

Scott W. Kerslake (37) founded Athleta and serves as President and Chief Executive Officer of the Company. Mr. Kerslake has investment banking experience with Salomon Smith Barney (formerly known as Smith Barney), as well as operating experience in two different industries including retail. Mr. Kerslake was previously a management consultant at Sapient Corporation. He played a significant role in starting Sapient Corporation's San Francisco office by helping grow and manage its team from 3 to 250 employees in a little over two years. He subsequently served as Sapient's Director of Marketing and was instrumental in the company's initial public offering.

Joe Teno (49) serves as Athleta's Senior VP of Operations and brings a wealth of operational experience from the direct marketing and retailing world. Most recently, Mr. Teno ran all operations for Travelsmith, a \$130mm direct mail company with 250 employees. Prior to Travelsmith, Mr. Teno spent 13 years at L.L. Bean in a number of senior management positions, including: Director of Total Quality and Human Resources; Director of New Customer Acquisition; and senior manager roles for Corporate Forecasting, Marketing Operations, and Inventory Planning & Liquidations.

Nedis Della Chiesa (34) is Athleta's Controller. Ms. Della Chiesa was formerly the Financial Reporting Manager at Robert Mondavi Corporation, responsible for preparing financial statements, forecasts and SEC reporting. Prior to her work at Robert Mondavi, she was in the audit practice at PricewaterhouseCoopers LLP. Additionally, Ms. Chiesa has extensive international experience in finance and accounting and is fluent in German.

Elizabeth Howland (48) is Athleta's Director of Circulation. Ms. Howland has 20 years of experience in catalog circulation, marketing, merchandising and senior management positions. Most recently she served as the Vice President of Client Services at Triplex Direct Marketing, a list supplier to the direct marketing industry. Prior to her work at Triplex, Ms. Howland held various senior positions at Biobottoms including General Manager, Executive Vice President, Director of Marketing and Interim Director of Merchandising. Additionally, Ms. Howland has served as Director of Database Marketing at Gymboree.

Debbie Overton (41) is responsible for Inventory Control and Reporting at Athleta. Ms. Overton has eighteen years of experience in inventory forecasting, planning and purchasing for both catalog and retail. She spent six years with The Sharper Image as Merchandising Control Manager and Store Planning Manager and six years with Biobottoms as Director of Merchandising and Manager of Systems, Reporting and Analysis. Ms. Overton has experience in the operations of high-growth companies and has been a critical member of teams that have grown from \$15 million in sales to over \$200 million. Prior to joining Athleta, Ms. Overton consulted for a number of mail order companies.

Lara Dittoe (31) is Athleta's product manager and has ten years of experience in the sporting goods industry, including managing 'Fast Lady Sports,' a women-specific running store chain in Seattle. Ms. Dittoe subsequently represented a number of the top cycling and outdoor product manufacturers in the Pacific Northwest.

Kathy Frank (51) is responsible for Athleta's distribution operations. Ms. Frank has over 25 years of experience in fulfillment, distribution and warehouse operations. Ms. Frank spent ten years at Koret of California as Assistant Distribution Manager and ten years as Distribution Manager at Biobottoms. Most recently, Ms. Frank ran the catalog distribution operations at Illuminations, a \$100mm direct marketer of home ware products.

Tami Anderson (33) is responsible for marketing and brand development at Athleta. Ms. Anderson has ten years of experience in advertising and public relations and most recently served as Vice-President/Group Manager for the Silicon Valley office of Ketchum where her clients included Levi Strauss, Intuit and Visa. Prior to joining Ketchum, she served as Public Relations Manger for Gryphon Software, a San Diego-based developer/publisher. She began her career in marketing as a broadcast media buyer at Oster & Associates, Inc., where she later founded the public relations department. Ms. Anderson is responsible for developing and executing all internal and external communications for Athleta, including brand building via advertising, public relations and online partnerships.

Ellen Krimmel (42) is responsible for Athleta's customer service operations. Ms. Krimmel most recently was a professional cyclist and raced for the Saeco-Timex Women's Cycling Team. Prior to racing professionally, Ms. Krimmel gained extensive experience in all phases of apparel design and product development, including serving as a design consultant to The North Face, and Head Technical Designer for Esprit De Corp. In addition Ms. Krimmel was a designer for apparel maker San Francisco Blue and a Merchandiser for Swatch Watch, USA. Ms. Krimmel still devotes time to cycling and was MVP and Captain of her collegiate soccer team at University of Vermont.

Exhibit 2 Women's Sportswear Competitive Space

<p>1. Women's Sports Retailers</p> <p>Athleta [C,O] Title 9 Sports [C,O] Lady Footlocker [R]</p>	<p>2. Specialty Retailers</p> <p>REI [R,C,O] EMS [R,O] Performance Bike [R,C,O] Road Runner Sports [C,O] Colorado Cyclist [C,O]</p>
<p>3. Big Box Retailers</p> <p>Foot Locker [R] The Sports Authority [R, O] Gart Sports [R] Copeland's [R] Global Sports [O] Hibbett Sports [R] Sport Mart [R] Big 5 [R]</p>	<p>4. Department Stores</p> <p>Neiman Marcus [R,C,O] Macy's [R,C,O] Nordstrom [R,C,O] Robinson's-May Co. [R,C,O]</p> <div data-bbox="1206 905 1398 989" style="border: 1px solid black; padding: 2px;"> <p>R=Offline Retailer O=Online Retailer C=Catalog Retailer</p> </div>

Source: Company documents

Exhibit 3 Athleta Historical Financials (Income Statement)

ATHLETA CORPORATION
HISTORICAL AND COMMON-SIZE INCOME STATEMENTS

	Fiscal Years Ended May 31,			Fiscal Years Ended May 31,		
	2001 \$000	2000 \$000	1999 \$000	2001 %	2000 %	1999 %
Merchandise Sales (1)	17,214	8,998	1,528	120.0	116.9	109.8
Shipping Income	<u>1,342</u>	<u>639</u>	<u>106</u>	<u>7.8</u>	<u>7.1</u>	<u>6.9</u>
Total Sales	18,556	9,637	1,634	127.8	124.0	116.7
Returns (2)	<u>4,213</u>	<u>1,937</u>	<u>242</u>	<u>24.5</u>	<u>21.5</u>	<u>15.9</u>
Net Sales	14,343	7,700	1,392	100.0	100.0	100.0
Cost of Goods Sold	<u>8,222</u>	<u>4,351</u>	<u>770</u>	<u>57.3</u>	<u>56.5</u>	<u>55.3</u>
Gross Profit	6,121	3,348	622	42.7	43.5	44.7
Operating Expenses:						
Administration Expense	698	424	146	4.9	5.5	10.5
Employment Expense	2,482	1,185	462	17.3	15.4	33.2
Fulfillment Expense	1,069	380	90	7.5	4.9	6.5
Marketing Expense	<u>4,151</u>	<u>2,197</u>	<u>736</u>	<u>28.9</u>	<u>28.5</u>	<u>52.9</u>
Total Operating Expenses	8,399	4,187	1,434	58.6	54.4	103.1
Operating Income	(2,279)	(839)	(812)	(15.9)	(10.9)	(58.4)
Other Expenses (Income):						
Depreciation & Amort.	75	57	31	0.5	0.7	2.2
Interest Expense	43	17	4	0.3	0.2	0.3
Other Inc/Exp.	<u>(17)</u>	<u>19</u>	<u>(3)</u>	<u>(0.1)</u>	<u>0.2</u>	<u>(0.2)</u>
Total Other Expenses (Income)	101	93	31	0.7	1.2	2.3
Pretax Income	(2,380)	(932)	(844)	(16.6)	(12.1)	(60.6)
Income Taxes (Credit)	<u>489</u>	<u>286</u>	<u>7</u>	<u>3.4</u>	<u>3.7</u>	<u>0.5</u>
Net Income	<u>(1,891)</u>	<u>(646)</u>	<u>(837)</u>	<u>(13.2)</u>	<u>(8.4)</u>	<u>(60.1)</u>

Source: Audited and company financial statements.

Exhibit 3 continued Athleta Historical Financials (Balance Sheet)

ATHLETA CORPORATION
HISTORICAL AND COMMON-SIZE BALANCE SHEETS

	As of May 31,			As of May 31,		
	2001 \$000	2000 \$000	1999 \$000	2001 %	2000 %	1999 %
ASSETS						
Current Assets:						
Checking/Savings	132	96	517	2.8	3.2	37.6
Accounts Receivable	233	150	5	4.9	5.0	0.4
Inventories	2,476	1,517	349	52.3	50.3	25.3
Prepaid Catalog	597	606	244	12.6	20.1	17.7
Other Current Assets	46	80	30	1.0	2.6	2.2
Total Current Assets	<u>3,484</u>	<u>2,449</u>	<u>1,145</u>	<u>73.7</u>	<u>81.1</u>	<u>83.2</u>
Total Fixed Assets	444	249	190	9.4	8.3	13.8
Other Assets:						
Start Up Costs	15	23	30	0.3	0.8	2.2
Deferred Taxes	787	297	11	16.6	9.8	0.8
Total Other Assets	<u>802</u>	<u>320</u>	<u>41</u>	<u>17.0</u>	<u>10.6</u>	<u>3.0</u>
Total Assets	<u>4,730</u>	<u>3,018</u>	<u>1,376</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
LIABILITIES						
Current Liabilities:						
Accounts Payable	2,342	1,309	334	49.5	43.4	24.3
Accrued Expenses	278	148	30	5.9	4.9	2.1
Current Portion of Long-term Debt	101	-	-	2.1	-	-
Conv. Debt	115	878	-	2.4	29.1	-
Reserve for Sales Returns and Allowances	261	220	-	5.5	7.3	-
Other Current Liabilities	-	8	9	-	0.2	0.6
Total Current Liabilities	<u>3,096</u>	<u>2,562</u>	<u>372</u>	<u>65.5</u>	<u>84.9</u>	<u>27.0</u>
Long Term Liabilities:						
Long Term Debt, net of current portion	37	-	-	0.8	-	-
Other Long Term Liabilities	-	7	14	-	0.2	1.0
Total Long Term Liabilities	<u>37</u>	<u>7</u>	<u>14</u>	<u>0.8</u>	<u>0.2</u>	<u>1.0</u>
Total Liabilities	3,133	2,569	386	66.2	85.1	28.1
EQUITY						
Shareholders' Equity:						
Series A	769	769	769	16.3	25.5	55.9
Series B	1,988	1,201	1,097	42.0	39.8	79.7
Series C	154	-	-	3.3	-	-
Series D	2,095	-	-	44.3	-	-
Additional Paid in Capital - Series B Warr.	0	2	-	0.0	0.1	-
Accumulated Deficit	(3,414)	(1,523)	(877)	(72.2)	(50.5)	(63.7)
Common Stock	5	-	-	0.1	-	-
Total Shareholders' Equity	<u>1,597</u>	<u>449</u>	<u>990</u>	<u>33.8</u>	<u>14.9</u>	<u>71.9</u>
Total Liabilities and Shareholders' Equity	<u>4,730</u>	<u>3,018</u>	<u>1,376</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: Audited and company financial statements.

Exhibit 3 continued Athleta Historical Financials (Cash Flow Statement)⁹

ATHLETA CORPORATION
HISTORICAL STATEMENTS OF CASH FLOW

	Fiscal Years Ended May 31,		
	2001 \$000	2000 \$000	1999 \$000
Cash Flow from Operating Activities			
Net Loss	(1,891)	(646)	(837)
Adjustments to Reconcile Net Loss to net cash change from Operating Activities:			
Depreciation and Amortization	75	57	38
Deferred Taxes	(490)	(286)	(11)
Net (Increase) Decrease in Operating Assets:			
Accounts Receivable	(83)	(145)	(5)
Inventories	(959)	(1,168)	(316)
Prepaid Catalog Costs	9	(362)	(108)
Other Current Assets	34	(50)	(24)
Net Increase (Decrease) in Operating Liabilities:	-	-	-
Accounts Payable	1,033	975	237
Accrued Expenses	180	118	30
Reserve for Sales and Returns Allowances	41	218	2
Net Cash Change from Operating Activities	(2,051)	(1,288)	(995)
Cash Flow from Investing Activities			
Purchases of Property, Plant, & Equipment	(145)	(109)	(50)
Disbursements for Org. Costs	-	-	(9)
Net Cash Change from Investing Activities	(145)	(109)	(59)
Cash Flow from Financing Activities			
Proceeds from Debt & Capital Leases	(39)	871	(3)
Proceeds from Issuance of Equity	2,265	105	1,317
Other Cash Flow from Financing Activities	5	-	(25)
Net Cash Change from Financing Activities	2,232	976	1,289
Increase (Decrease) in Cash and Equivalents	36	(421)	236
Cash and Equivalents, Beginning of Year	96	517	281
Cash and Equivalents, End of Year	132	96	517

Source: Audited and company financial statements.

⁹ There is some confusion about reconciling the balance sheet changes and cash flow statement items with respect to financing. The discrepancy may be explained by the conversion of some convertible debt issued in the year ended May 31, 2000 to preferred stock in the following fiscal year.

Exhibit 4 Athleta Financial Projections (Income Statement)

ATHLETA CORPORATION
PROJECTED INCOME STATEMENTS

	Projected Fiscal Years Ending May 31,					
	2002	2003	2004	2005	2006	2007
	\$000	\$000	\$000	\$000	\$000	\$000
Merchandise Sales (1)	24,022	29,493	38,342	54,033	89,253	109,588
Shipping Income	<u>1,896</u>	<u>2,419</u>	<u>3,144</u>	<u>4,323</u>	<u>7,140</u>	<u>8,767</u>
Total Sales	25,918	31,912	41,485	58,355	96,393	118,355
Returns (2)	<u>6,188</u>	<u>7,373</u>	<u>9,585</u>	<u>14,319</u>	<u>23,206</u>	<u>28,493</u>
Net Sales	19,731	24,539	31,900	44,037	73,187	89,862
Cost of Goods Sold	<u>10,713</u>	<u>12,371</u>	<u>15,228</u>	<u>20,257</u>	<u>32,202</u>	<u>38,641</u>
Gross Profit	9,018	12,168	16,672	23,780	40,985	51,221
Operating Expenses:						
Administration Expense	767	713	1,012	1,497	2,562	2,696
Employment Expense	3,641	4,181	5,742	8,147	13,174	15,277
Fulfillment Expense	934	1,109	706	1,321	2,196	2,247
Marketing Expense	<u>4,655</u>	<u>5,530</u>	<u>7,223</u>	<u>9,468</u>	<u>15,369</u>	<u>18,422</u>
Total Operating Expenses	9,997	11,532	14,683	20,433	33,300	38,641
Operating Income	(979)	636	1,989	3,347	7,685	12,581
Other Expenses (Income):						
Depreciation & Amort.	111	172	264	330	462	814
Interest Expense	-	-	-	32	51	61
Other Inc/Exp.	<u>3</u>	<u>3</u>	<u>3</u>	<u>77</u>	<u>123</u>	<u>196</u>
Total Other Expenses (Income)	114	175	267	439	636	1,071
Pretax Income	(1,093)	461	1,722	2,907	7,049	11,510
Income (Taxes) Credit	<u>251</u>	<u>(106)</u>	<u>(396)</u>	<u>(1,076)</u>	<u>(2,608)</u>	<u>(4,259)</u>
Net Income	<u>(842)</u>	<u>355</u>	<u>1,326</u>	<u>1,832</u>	<u>4,441</u>	<u>7,251</u>

Source: Management projections and discussions with management.

Exhibit 4 continued Athleta Financial Projections (Balance Sheet)

ATHLETA CORPORATION
PROJECTED BALANCE SHEETS

	Projected Fiscal Years Ending May 31,					
	2002	2003	2004	2005	2006	2007
	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS						
Current Assets:						
Checking/Savings	1,807	2,207	2,592	5,129	7,157	12,444
Accounts Receivable	336	413	537	732	1,210	1,485
Deposits	3,589	4,031	4,141	6,100	9,697	11,636
Inventories	885	1,175	1,534	1,471	2,338	2,805
Other Current Assets	62	61	88	114	181	218
Total Current Assets	6,679	7,887	8,891	13,546	20,583	28,588
Total Fixed Assets	478	980	1,320	1,320	1,518	2,464
Other Assets:	-	-	-	-	-	-
Start Up Costs	-	-	-	-	-	-
Deferred Taxes	980	898	589	269	-	-
Total Other Assets	980	898	589	269	-	-
Total Assets	<u>8,137</u>	<u>9,764</u>	<u>10,800</u>	<u>15,135</u>	<u>22,101</u>	<u>31,052</u>
LIABILITIES						
Current Liabilities:						
Accounts Payable	2,927	3,149	3,308	4,897	6,271	7,389
Accrued Expenses	235	251	364	684	1,088	1,306
Line of Credit	-	990	440	770	1,210	1,375
Conv. Debt	-	-	-	-	-	-
Reserve for Sales Returns and Allow	261	330	330	539	825	990
Other Current Liabilities	114	86	55	110	132	165
Total Current Liabilities	3,538	4,806	4,497	7,000	9,526	11,225
Long Term Liabilities:	-	-	-	-	-	-
Long Term Debt, net of current porti	-	-	-	-	-	-
Other Long Term Liabilities	-	-	-	-	-	-
Total Long Term Liabilities	-	-	-	-	-	-
Total Liabilities	3,538	4,806	4,497	7,000	9,526	11,225
EQUITY						
Shareholders' Equity:						
Series A	769	769	769	769	769	769
Series B	1,988	1,988	1,988	1,988	1,988	1,988
Series C	154	154	154	154	154	154
Series D	2,095	2,095	2,095	2,095	2,095	2,095
Series E	3,850	3,850	3,850	3,850	3,850	3,850
Add. Paid in Capital - Series B Warr	0	0	0	0	0	0
Accumulated Deficit	(4,263)	(3,904)	(2,559)	(727)	3,714	10,965
Common Stock	5	5	5	5	5	5
Total Shareholders' Equity	4,599	4,958	6,303	8,135	12,575	19,827
Total Liab. and Shareholders' Equity	<u>8,137</u>	<u>9,764</u>	<u>10,800</u>	<u>15,135</u>	<u>22,101</u>	<u>31,052</u>

Source: Management projections and discussions with management.

Exhibit 4 continued Athleta Financial Projections (Cash Flow Statement)

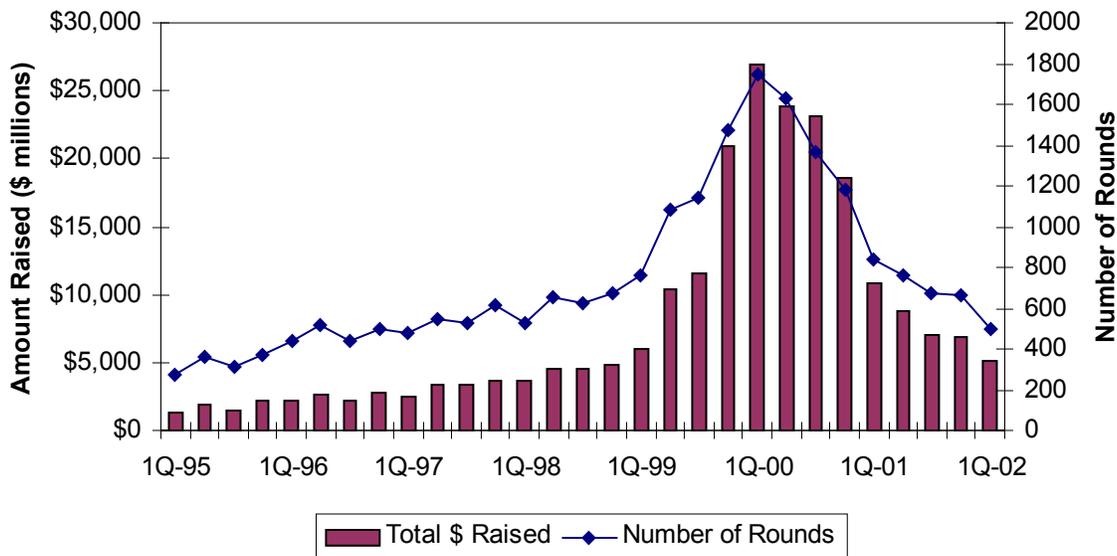
ATHLETA CORPORATION
PROJECTED STATEMENTS OF CASH FLOW

	Projected Fiscal Years Ending May 31,					
	2002	2003	2004	2005	2006	2007
	\$000	\$000	\$000	\$000	\$000	\$000
Cash Flow from Operating Activities	1.10					
Net Income (Loss)	(849)	359	1,345	1,832	4,441	7,251
Adjustments to Reconcile Net Income to Change From Operating Activities:						
Depreciation and Amortization	111	171	264	330	462	814
Deferred Taxes	(194)	83	309	319	269	-
Net (Increase) Decrease in Operating Assets:						
Accounts Receivable	(103)	(77)	(124)	(196)	(477)	(276)
Inventories	(1,113)	(442)	(110)	(1,959)	(3,597)	(1,939)
Prepaid Catalog Costs	(288)	(290)	(359)	63	(867)	(467)
Other Current Assets	(7)	1	(27)	(26)	(67)	(36)
Net Increase (Decrease) in Operating Liabilities:						
Accounts Payable	585	221	159	1,589	1,374	1,118
Accrued Expenses	(14)	15	113	320	404	218
Reserve for Sales and Returns Allowances	-	69	-	209	286	165
Other Liabilities	(15)	(28)	(31)	55	22	33
Net Cash Change from Operating Activities	(1,886)	83	1,539	2,537	2,248	6,881
Cash Flow from Investing Activities						
Purchases of Property, Plant, & Equipment	(139)	(673)	(604)	(330)	(660)	(1,760)
Net Cash Change from Investing Activities	(139)	(673)	(604)	(330)	(660)	(1,760)
Cash Flow from Financing Activities						
Proceeds from Debt & Capital Leases	(151)	-	(990)	330	440	165
Proceeds from Issuance of Equity	3,850	-	-	-	-	-
Other Cash Flow from Financing Activities	1	990	440	-	-	-
Net Cash Change from Financing Activities	3,699	990	(550)	330	440	165
Increase (Decrease) in Cash and Equivalents	1,675	401	385	2,537	2,028	5,286
Cash and Equivalents, Beginning of Year	132	1,807	2,207	2,592	5,129	7,157
Cash and Equivalents, End of Year	1,807	2,207	2,592	5,129	7,157	12,444

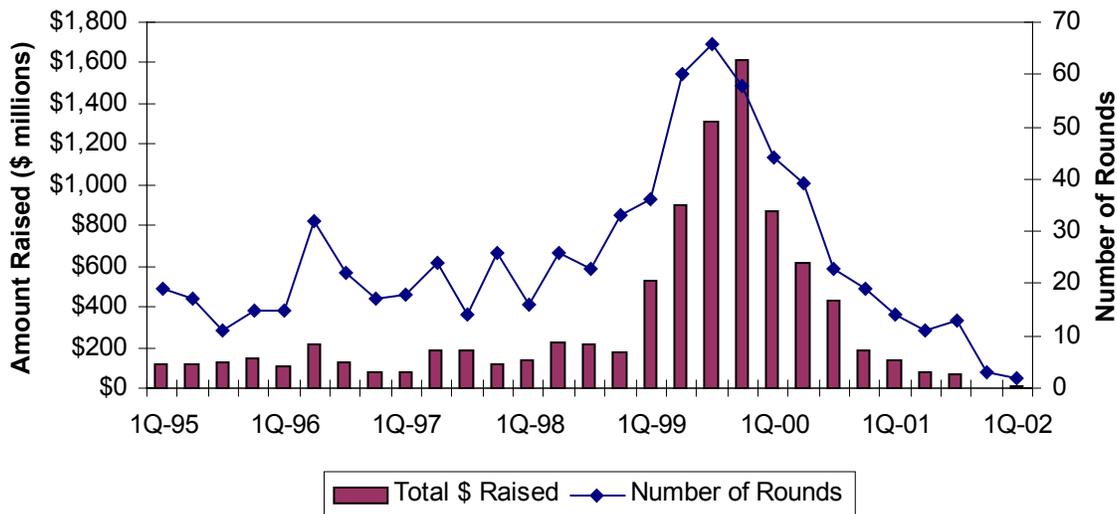
Source: Management projections and discussions with management.

Exhibit 5 Venture Capital Investments: Overall and in Consumer Retail Sector (1995-2002)

Venture Capital Financing Trends



Venture Capital Financing Trends Retailers Only



Source: Adapted from Venture One, Equity Financings for Venture-Backed Companies, by Industry Group (1995-1Q 2002). Available at www.ventureone.com.

Exhibit 6 Specialty Retail Comps

	Share Price 04/04/2002	Market Capitaliz- ation	5 Yr Growth	2001 EPS	EPS Multipl e 2002E	EPS Multiple 2003E	EBITD Multipl	EBITDA Multiple 2002E
Specialty Retailers								
Abercrombie	\$30.14	3,059	20%	\$1.65	15.9	13.4	9.1	7.8
Ann Taylor	\$41.90	1,324	20%	\$1.34	20.7	17.8	10.8	9.4
Children's Place	\$33.20	901	25%	\$1.73	15.4	12.3	8.2	6.6
Gap	\$14.92	12,900	15%	\$0.14	33.4	19.8	12	7.4
Gucci	\$92.16	9,360	11%	\$2.60	36.1	27.3	14.2	14
Gymboree	\$14.55	437	12%	\$0.16	27.2	21.3	12.1	8.4
Limited	\$16.99	7,396	18%	\$0.88	18.5	15.8	6.5	6.8
Oakley	\$17.15	1,188	20%	\$0.72	21.9	18.5	12.8	10.8
Pacific Sunwear	\$24.26	804	25%	\$0.91	21.4	17.3	10.7	8.5
Talbots	\$34.05	2,104	15%	\$2.00	14.9	12.9	8.7	7.8
Tiffany	\$35.24	5,275	18%	\$1.17	27.8	23.5	15.4	14
Too, Inc	\$28.50	921	20%	\$1.23	19.4	16.3	10.6	9.1
Vans	\$11.79	216	20%	\$0.94	23.4	14.7	4.7	7.4
Zales	\$40.08	1,411	15%	\$2.76	12.3	11.3	6	5.7
Athletic Footwear Retailers								
Finish Line	\$18.10	448	10%	\$0.70	20.4	17.8	9.5	7.6
Foot Locker	\$15.88	2,392	14%	\$0.98	14	12.3	6.4	5.8
Footstar	\$30.59	633	14%	\$2.26	11.1	9.7	5.4	4.7
The Sports	\$11.42	383	N/M	\$0.32	19	16.3	8.5	7.5

Source: Adapted from Merrill Lynch (Specialty Retail Scoreboard; April 2002)

APPENDIX I

Athleta Organizational Chart

