Chapter 4

Empowerment Is the Key

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How do the best-run companies in the world beat the competition day in and day out? As we pointed out in the previous chapter, they treat their customers right. They do that by having a workforce that is excited about their vision and motivated to serve customers at a higher level. So how do you create this motivated workforce? The key is ***empowerment***.

Empowerment means letting people bring their brains to work and allowing them to use their knowledge, experience, and motivation to create a healthy triple bottom line. Leaders of the best-run companies know that empowering people creates positive results that are just not possible when all the authority moves up the hierarchy and managers shoulder all the responsibility for success.

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*People already have power through their knowledge and motivation.
The key to empowerment is letting this power out.*

Ideally, people's power will be focused not only on organizational outcomes—such as outstanding customer service and financial goals—but also on the greater good.

We believe organizations work best when they can depend on individual contributors who take the initiative to go beyond problem spotting to problem solving. Yet because most of us have experienced only hierarchical organizations, people at all levels have much to learn about moving to a culture of empowerment.

What Is Empowerment?

Empowerment is the process of unleashing the power in people—their knowledge, experience, and motivation—and focusing that power to achieve positive outcomes for the organization. Creating a culture of empowerment consists of only a few key steps, yet because they challenge most people's assumptions, these steps are often difficult for managers and direct reports alike.

> *Empowerment requires a major shift in attitude. The most crucial place that this shift must occur is in the heart of every leader.*

For empowerment to succeed, leaders must make a leap of faith and fight the battle against habit and tradition. For example, most managers continue to define empowerment as "giving people the power to make decisions." Perhaps this misguided definition explains why so many companies have difficulty engaging the minds and hearts of their people. Defining empowerment as "the manager giving power to the people" still regards the manager as controller and misses the essential point: namely, that *people already possess a great deal of power*—power that resides in their knowledge, experience, and internal motivation. We prefer the following definition:

Empowerment is the creation of an organizational climate that releases the knowledge, experience, and motivation that reside in people.

Unfortunately, this is easier said than done. Other players can block this release of power, and a strong force of past history often inhibits the shift to empowerment.

Direct reports, too, misunderstand empowerment. Many of them feel that if they are empowered, they will be given free rein to do as they please and make all the key decisions about their jobs. Direct reports often fail to grasp that the price of freedom is a sharing of risks and responsibilities. This is particularly true in a post-Sarbanes-Oxley environment of accounting oversight and corporate responsibility.[1] Indeed, an empowerment culture requires much greater accountability from direct reports than a hierarchical culture does. Yet, it is precisely this frightening increase in responsibility that engages people and gives them a sense of fulfillment. The opportunities and risks of empowerment invigorate direct reports and managers alike.

The Power of Empowerment

Does empowerment work in the real world? You bet it does! Several researchers have found that when people are empowered, their organizations benefit overall. For example, Edward Lawler found that when people are given more control and responsibility, their companies achieve a greater return on sales (10.3 percent) than companies that do not involve their people (6.3 percent).[2] Trader Joe's is a niche retailer in the food industry well known for pushing decision making to the store level. It found over an eight-year period that its annual sales growth increased from 15 percent to 26 percent, sales per store increased 10 percent per year, and the number of stores increased by almost 100 percent. In addition, overall sales volume increased in excess of

500 percent. While other factors contributed to these increased sales, empowered employees were deemed a major element of Trader Joe's success.[3]

Not only is there clear evidence of a positive relationship between empowerment and performance, but scholars such as Thomas Malone believe that empowerment is essential for companies that hope to succeed in the new knowledge-based economy.[4]

How Past History Blocks Change to Empowerment

Most people have a history of exposure to command-and-control thinking, rather than a culture of empowerment. The majority of us are quite accustomed to working under external guidance and control. The following questions are all too familiar to us:

At school: "What does my teacher want me to do to get good grades?"

At work: "What does my boss want me to do?"

Having spent our lives in a framework of hierarchical thinking, we are far less accustomed to dealing with questions like these:

At school: "What do I want to learn from this class?"

"How will I know I have learned something I can use?"

At work: "What do I need to do to help my company succeed?"

These are the kinds of questions that arise—and require answers—when an organizational culture begins to support empowerment. President Kennedy made a call for these kinds of questions when he challenged Americans: "Ask not what your country can do for you; ask what you can do for your country."[5]

Many of us possess hard-earned parenting, teaching, and managing skills that fulfill role expectations for leaders based on an assumption of hierarchical responsibility. Indeed, we feel it is our responsibility as parents, teachers, or managers to tell people what to do, how to do it, and why it needs to be done. We feel it would be avoiding our responsibility to ask children, students, or direct reports questions such as these:

> "What do you think needs to be done, and why is it important?"
>
> "What do you think your goals should be?"
>
> "How do you think you should go about achieving your goals?"

Because managers know they will still be held accountable for outcomes, many are reluctant to relinquish control to direct reports. This reluctance points to one of the main sources of resistance to empowerment: managers who feel their control is threatened by empowerment. Ironically, it is through the development of self-directed individuals and teams as a replacement for the hierarchy that managers can most easily assume their new and more empowering roles as coaches, mentors, and team leaders.

Tapping the Power and Potential of People: A Real-World Example

While there is a learning curve from a hierarchical to an empowerment culture, the benefits can be well worth the effort, as the following case study shows.

In 1983, a management team of a large organization was struggling with a severe traffic problem on the road leading to its location. The road crossed four miles of protected wetlands, so it could not be widened without significantly impacting the environment. Each morning, the traffic leading to the site was backing up the entire four-mile length of the road, adding an hour to commuting time. The resulting delay and aggravation caused a significant drop in productivity.

Three years earlier, the management team had hired traffic consultants to solve the problem. Their work focused on a future widening of the road and looked promising, but their attempts to devise short-term solutions failed miserably. As a last resort, management decided to assemble a team of engineers, clerical personnel, line workers, and union representatives to address short-term solutions. This team met twice a week for a month. At the end of that time, the team provided a series of practical recommendations that ultimately improved the traffic flow both into and out of the site.

The simplicity of the team's recommendations surprised management. For example, the team suggested that trucks be prohibited from making deliveries to the site between the hours of 6 and 9 a.m. Since there were many deliveries to the site at this time, this recommendation immediately removed some of the slowest, most cumbersome traffic clogging the road. Other recommendations also contributed to easing the problem. The result was almost-instantaneous improvement in the traffic flow.

At the outset, management had doubted that this team could solve the problem. After all, experts had been studying the dilemma for three years. Yet in turning to their own people, they tapped into a hidden reservoir of knowledge, experience, and motivation—and found a solution.

Learning the Language of Empowerment

Moving to an empowerment culture requires learning a new language. To understand the differences between the command-and-control structure and the culture of empowerment, consider the following phrases:

Hierarchical Culture	**Empowerment Culture**
Planning	Visioning
Command-and-control	Partnering for performance
Monitoring	Self-monitoring
Individual responsiveness	Team responsibility
Pyramid structures	Cross-functional structures
Workflow processes	Projects

Managers	Coaches/team leaders
Employees	Team members
Participative management	Self-directed teams
Do as you are told	Own your job
Compliance	Good judgment

As you compare the words in the two lists, the differences in attitude, expectations, and associated behaviors become clear. For example, *planning* suggests a step-by-step, controlled process, while *visioning* suggests a more holistic and inclusive approach. *Command-and-control* suggests that the manager tells you what to think and do, while *partnering for performance* suggests that how you achieve the vision is left open for discussion and input by everyone involved. *Monitoring* suggests that someone—usually the manager—should check on each individual's performance and provide performance evaluations and feedback, while *self-monitoring* suggests that everyone possesses requisite goal clarity and measurement skills, as well as access to relevant data. Thus armed, they can check their own performance and make the behavior adjustments they need to stay on goal. *Do as you are told* exemplifies the external commitment attitude. Once you are told what to do, you can do it, but please don't use your intellect or judgment, and don't be too concerned about results—that's the manager's job. On the other hand, *own your job* exemplifies the internal commitment attitude: You care about results and use your own intellect and judgment to decide how to achieve individual, team, and company success.

This final example may best clarify the key distinction between a hierarchical culture and a culture of empowerment. Individuals will do what they are told—to a fault. Even when they know a task is not being done the best way, or that it may be altogether the wrong task, they may continue to do it in a spirit of malicious compliance. Why? Because that is what they are rewarded for and what they are expected to do under hierarchical management.

In a culture of empowerment, individuals respond differently. They take the risk of challenging tasks and procedures that they feel are not in the best interest of the organization. They are driven by a sense of pride in their jobs and a feeling of ownership of the results. People think about what makes sense in the situation and act in ways that both serve the customer and achieve the goals of the organization.

The Three Keys to Empowerment

The journey to empowerment needs strong leadership to support this change. In their book *Empowerment Takes More Than a Minute*, Ken Blanchard, John Carlos, and Alan Randolph contend that to guide the transition to a culture of empowerment, leaders must use three keys: Sharing Information, Declaring the Boundaries, and Replacing the Old Hierarchy with Self-Directed Individuals and Teams.[6]

The First Key to Empowerment: Share Information with Everyone

One of the best ways to build a sense of trust and responsibility in people is by sharing information. Giving team members the information they need enables them to make good business decisions. Sharing information sometimes means disclosing information that is considered privileged, including sensitive and important topics such as the competition's activities, future business plans and strategies, financial data, industry issues or problem areas, competitors' best practices, how group activities contribute to organizational goals, and performance feedback. Providing people with more-complete information communicates trust and a sense of "we're in this together." It helps people think more broadly about the organization and the interrelationships of various groups, resources, and goals. By having access to information that helps them understand the big picture, people can better appreciate how their contribution fits in and how their behavior impacts other aspects of the organization. All of this leads to responsible, goal-related use of people's knowledge, experience, and motivation. While this runs counter to hierarchical management, it is based on the following premise:

People without accurate information cannot act responsibly; people with accurate information feel compelled to act responsibly.

In an example close to home, The Ken Blanchard Companies, like many businesses, was negatively impacted by the events of September 11, 2001. In fact, the company lost $1.5 million that month. To have any chance of ending the fiscal year in the black, the company would have to cut about $350,000 a month in expenses.

The leadership team had some tough decisions to make. One of the leaders suggested that the staffing level be cut by at least 10 percent to stem the losses and help get the company get back in the black—a typical response in most companies.

As they do before making any major decision, members of the leadership team checked the decision to cut staff against the rank-ordered organizational values of ethical behavior, relationships, success, and learning. Was the decision to let people go at such a difficult time ethical? To many, the answer was no. There was a general feeling that the staff had made the company what it was; putting people out on the street at a time like this just was not the right thing to do. Did the decision honor the high value that the organization placed on relationships? No, it did not. But what could be done? The company could not go on bleeding money and be successful.

Knowing that "no one of us is as smart as all of us," the leadership team decided to draw on the knowledge and talents of the entire staff. At an all-company meeting, the books were opened to show everyone how much the company was bleeding, and from where. This open-book policy unleashed a torrent of ideas and commitment. Small task forces were organized to look for ways to increase revenues and cut costs. This participation resulted in departments throughout the company finding all kinds of ways to minimize spending and maximize income. As the company's Chief Spiritual Officer, Ken Blanchard cheered people on by announcing they would all go to Hawaii together when the company got through the crisis. People smiled politely, although many had their doubts.

Over the next two years, the finances gradually turned around. By 2004, the company produced the highest sales in its history, exceeding its annual goal. In March 2005, the entire company—350 people strong—flew to Maui for a four-day celebration.

When important information is shared with people, they soon act like owners. They begin to solve problems creatively, which makes celebrating the wins even more special. On the other hand, leaders who are unwilling to share information will never have their people as partners in running a successful, empowered organization.

Sharing Information Builds Trust

Another powerful benefit of information sharing is raising the level of trust in the organization. Bureaucratic organizations are typically close to bankruptcy in terms of trust—direct reports do not trust managers, and managers do not trust direct reports. As a result, people exert enormous energy trying to protect themselves from each other. It's important to share information, even if the news is bad. If no decisions have been made, share information about what is being discussed. By sharing information about market share, true costs, potential layoffs, and real company performance—in other words, opening the books for everyone to see—management begins to let people know they are trusted, and people will return that trust to managers.

One top-level manager took the risk of sharing information that had previously been seen only by top management. Although he was initially scared to share such sensitive information, people responded with a more mature understanding and a sense of appreciation for being included. "It created such a sense of ownership," the manager commented, "far more than I could have imagined. People began to come forward with ideas to save money by changing their jobs and by reorganizing departments—ideas that previously had been met with great fear when proposed by management."

Sharing Information Promotes Organizational Learning

One of the most powerful ways to share information is through organizational learning, one of the key elements of high performing organizations.[7] What we're talking about here goes beyond merely acquiring information; it means actually learning from that information and applying that knowledge to new situations.

High performing organizations ***seek knowledge*** by constantly scanning the environment, checking the pulse of their customers, tracking their competition, surveying the marketplace, and following global events. They collect data continuously and use it to make corrections and develop new approaches. High performing organizations also seek knowledge about internal performance. They treat mistakes and failures as important data, recognizing that they can often lead to breakthroughs. This is why Hewlett-Packard's "H-P Way" includes the statement "We reserve the right to make mistakes."[8]

High performing organizations ***transfer knowledge*** by encouraging dialogue, questioning, and discussion. This runs counter to traditional organizations, where people hoard information as a way to protect themselves and establish a power base. High performing organizations make information easy to access. They know that when data is not available or easily retrieved, people have a harder time learning and lose opportunities. They create structures like cross-functional teams that teach people how to transfer the knowledge they've gained, because they know that knowledge sharing is critical to success.

New-car developers at Ford Motor Company learned this the hard way when they set out to understand why the original

Taurus design team was so successful. Unfortunately, no one could tell them. No one remembered or had recorded what made that effort so special. The knowledge gained in the Taurus project was lost forever.[9]

High performing organizations continually look for ways to ***incorporate knowledge into new ways of doing business***. When you don't recognize or share knowledge, you can't apply it directly to work. In the words of Michael Brown, former chief financial officer of Microsoft:[10]

The only way to compete today is to make your intellectual capital obsolete before anyone else does.

The Second Key to Empowerment: Create Autonomy Through Boundaries

In a hierarchical culture, boundaries are really like barbed-wire fences. They are designed to control people by keeping them in certain places and out of other places. In an empowered culture, boundaries are more like rubber bands that can expand to allow people to take on more responsibility as they grow and develop.

Unlike the restrictive boundaries of a hierarchical culture, boundaries in an empowerment culture tell people where they *can* be autonomous and responsible, rather than telling them what they *can't* do. Boundaries are based on people's skill level. For example, people who lack the skills to set budgets are given a boundary—a spending limit—before they are given more responsibility. In an empowerment culture, they also are given the training and skill development needed to enable greater autonomy. One of the most intriguing aspects of creating a culture of empowerment is that managers must start by creating *more* rather than *less* structure.

Like the lines on a tennis court, the boundaries in an empowerment culture help people keep score and improve their game.

A good example of boundary setting came up recently for a supervisor we know who was frustrated by the amount of time he spent performing tasks that, although important from an administrative viewpoint, did not maximize his talents and skills. One of his most frustrating tasks was ordering small tools and materials for the team each time a team member came to him with a request. In a spirit of empowerment, he taught them how to place the orders themselves and allowed them to submit small orders directly without his approval. Initially, he placed a boundary on the purchases—a cost limit of $100—but he later widened the boundary as the team's (and his) comfort level grew. Because they had the authority to order needed supplies without the delay of their supervisor's approval, the team members felt great. The cost of supplies decreased by 20 percent as people took more care in ordering only those materials they really needed.

Boundaries help people clarify the big picture as well as the little picture. As you saw in Chapter 2, "The Power of Vision," organizations need to ***create a compelling vision*** that motivates and guides people.

The organizational vision is the big picture. Boundaries help people see how their piece of the puzzle fits into that picture.

Declaring the boundaries translates the big picture into specific actions. It allows people to ***set goals*** that help the organization achieve that big picture. These goals are not viewed as ends, but rather as collaboratively set milestones of progress.

For example, at one information services company, senior leaders agreed that team members with increased information at their disposal could now identify and define some of their own goals in collaboration with their leaders. Of the five to eight performance goals that were typical for teams, the leaders instructed members to develop three to four of those goals themselves. Team members quickly came to like the idea, since it used their input and gave them a sense of ownership. The team leaders liked it, too, because team members were sharing the responsibility of identifying and defining the goals that were critical to the organization's success.

Declaring boundaries also requires that managers ***clarify the new decision-making rules***. At first, team members may think that empowerment means, "We get to make all the decisions." Two reactions often follow. One is that team members are disappointed when managers continue to make strategic decisions and leave only the operational decisions to them. The other is that team members feel the urge to back off from decisions when they realize they will be held accountable for all the decisions they make—both good and bad.

Empowerment means people have the freedom to act. It also means they are accountable for results.

In a culture of empowerment, managers will continue to make strategic decisions. Team members will get involved in making more of the operational decisions as they become more comfortable assuming the risks that are inherent in the decisions. As people gradually begin to assume responsibility for decisions and their consequences, managers must gradually pull back on their involvement in decision making. The new decision-making guidelines will allow managers and team members to operate freely within their newly defined roles.

Declaring boundaries also calls managers to ***create new performance appraisal processes***. The performance appraisal process found in most companies is almost inevitably disempowering in nature and must be restructured. Focus must shift away from the *appraisal* of the team member by the manager toward *collaboration* between the team member and the manager. As a manager once told us, "The best person to assess an employee's performance and improvement is the employee himself or herself. The manager may change, the task may change, but the employee is still the focal person. What we have to do is give people enough information and clear structure to allow them to responsibly assess their own performance." Of course, this cultural shift is not easy. In Chapter 7, "Partnering for Performance," we'll discuss this transition to a new performance appraisal process in considerable detail.

As we stated earlier, declaring the boundaries requires that leaders ***provide heavy doses of training***. To master the new skills of empowerment—negotiating performance plans, decision making, conflict resolution, leadership, budgeting, and technical expertise—people need regular training. Without this continuous learning, people cannot function in an evolving culture of empowerment. They have to unlearn bureaucratic habits and learn the new skills and attitudes needed in an empowered world. Ongoing learning is an integral part of a high performing organization, not an extra perk or necessary evil.

Moving from a hierarchical culture to a culture of empowerment should be a gradual process. People cannot handle too many changes at once, or large changes in one dose. It is not possible to anticipate all the boundary changes that will be necessary in this cultural change—some things just have to be dealt with as they arise. We will discuss these issues further in Chapter 11, "Leading Change."

The Third Key to Empowerment: Replace the Old Hierarchy with Self-Directed Individuals and Teams

As people learn to create autonomy by using newly shared information and boundaries, they must move away from dependence on the hierarchy. But what will replace the clarity and support of the hierarchy? The answer is self-directed individuals and Next Level teams—highly skilled, interactive groups with strong self-managing skills.[11] Continual downsizing, which reduces the number of management layers and increases the spans of control for managers, is forcing companies to empower individuals and teams today. The result has been a decision-making void that must be filled if companies are to be successful.

The perceived division between superior and subordinate is no longer very useful in business organizations. In fact, it works directly counter to success. Success today depends on individual and team effort.

Does success today really depend on empowered individuals and teams? In our work with organizations, we uncover stories every day that suggest the answer to this question is a resounding yes. Here are two examples.

The Power of Self-Directed Individuals

The leaders of Yum! Brands—the world's largest restaurant company, with 850,000 employees in more than 100 nations—understand the power of self-directed individuals.[12] A significant part of training at Yum! now focuses on empowering people to take care of customer problems. If a waitperson has a customer with a problem, the team member is encouraged to solve it immediately rather than talking to the manager. In fact, team members can create the way they take care of customers. That makes things a little crazy, but that's how Yum! likes it.

When Ken Blanchard spoke at a meeting of KFC (one of the companies that Yum! owns), he told the story of how Ritz-Carlton gives their frontline people a $2,000 discretionary fund to solve customer problems without checking with anyone. Yum! chairman and CEO David Novak—who is a great learner—loved the idea of giving people discretionary funds. He later told us, "Our customer mania program now includes empowering team members to solve customer complaints right on the spot. They used to have to get the restaurant general manager to deal with problems. Now they can use up to $10 to respond to a customer issue.

"Some people in our organization said, 'Hey, if we let our team members do that, we'll end up going broke because we'll be giving all our profits away.' And yet we've got the highest margin we've ever had in the company since we launched customer mania. So people aren't out there ripping us off. The half or 1 percent who were doing it before are probably still doing it. But this policy has had an impact on team members. They feel respected and empowered; consequently, our customers see us as much more responsive."

A $10 discretionary fund in a quick-service restaurant is a lot of money. In Ritz-Carlton, which is a much higher-end operation, $2,000 is a lot of money. The point is, a discretionary fund becomes a competitive advantage when individuals who are closest to the customer are empowered to solve problems.

The Power of Self-Directed Teams

The case of the Allied Signal fibers plant in Moncure, North Carolina, illustrates the power of self-directed teams. The shift leaders (formerly called forepersons) were frustrated, angry, and confused about their role in the fall of 1996. The plant had recently shifted its manufacturing operations to work group teams, provided some training, and told the shift leaders to back off and let the teams move toward self-management. They heard it as "Back off or get another job—teams are here to stay." Not only were the shift leaders frustrated, but morale among team members was also low. There was a decrease in production and an increase in cost per pound of products. Was the solution to go back to the old way of working? Some people wondered why not. The Moncure fibers plant had a history of excellent labor/management relationships, had low turnover and absenteeism, and was committed to employee involvement and continuous improvement. But leadership saw an opportunity for the organization to move to a higher level if they could figure out how to do it right.

One shift leader, Barney, and two master facilitators—Dawn and Gloria—attended a program on building high performing teams facilitated by one of the HPO SCORES researchers, Don Carew. He helped them understand that the plant would benefit greatly by further training in team skills and team leadership and that support for ongoing learning in the implementation of these skills would solve their problems. Excited and enthusiastic, they returned to Moncure and convinced the plant leaders to implement further training throughout the plant.

The researcher worked with a core team—made up of shift leaders and master facilitators—to develop customized, one-day classroom training to be given to each product team by their respective shift leader. The 24 shift leaders were trained to deliver this program in August 1997. Over the next two years, with the help of the core team as mentors, they provided the one-day initial training program to all 59 of the plant's teams. The trainings were followed by additional learning sessions based on the assessment of each team's needs.

Picture formerly disillusioned shift leaders having a whole new sense of purpose and a whole new set of skills as they took on the challenges of facilitating continuous learning for their team members, both in a classroom setting and on the shop floor. Their role had become clear: to focus on developing people and teams. As a result, the atmosphere in the plant changed from frustration to enthusiasm. Furthermore, productivity increased by 5 percent, and costs decreased by 6 percent.[13]

Dealing with the Leadership Vacuum

As they move toward empowered individuals and Next Level teams, both managers and team members will go through a stage of disillusionment and demotivation. During this time, team members often feel they lack competence, and managers are often just as lost as their people about what to do next. Even the top-level managers who initiated the empowerment process are often unclear about what to do. We call this phenomenon the *leadership vacuum*. Remember that both managers and team members are emerging from the grip of bureaucratic, hierarchical practices and assumptions. Both have been accustomed to operating in a hierarchy where managers make decisions and team members implement them. They have a lot to learn, and this learning is often fraught with periods of frustration.

Once people admit this lack of management knowledge, a dramatic transformation occurs. When managers begin to admit their confusion—but continue to hold on to a clear vision of empowerment and keep communication open and information flowing—things begin to change. Small flashes of empowerment begin to appear among individual performers and teams. One person might offer a suggestion to which others will gravitate; then other ideas will be expressed. Almost before anyone realizes what is happening, leadership emerges from an unexpected source—team members. Over time, the glimmerings of empowerment become more frequent. The very leadership vacuum that has been so uncomfortable has actually drawn out team member talent and applied it to organizational problems. In the end, the leadership vacuum enhances the empowerment of people and organizations.

The journey to empowerment requires managers and direct reports alike to challenge some of their most basic assumptions about how organizations should operate. Simply announcing the destination is insufficient. People at all levels of the organization must master new skills and learn to trust self-directed individuals and teams as decision-making entities. We will give a detailed discussion of the development of self-directed individuals in Chapter 6, "Self Leadership: The Power Behind Empowerment," through Chapter 8, "Essential Skills for Partnering for Performance" and the development of high performing teams in Chapter 9, "Situational Team Leadership." But first let's turn to Chapter 5, "Situational Leadership® II: The Integrating Concept," which explores the leader's role in empowering people.