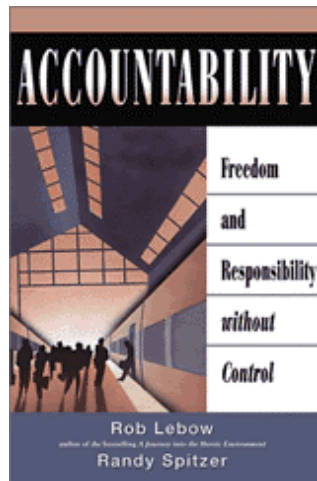




WISDOM IN A NUTSHELL

# Accountability

## Freedom and Responsibility Without Control



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## **The Big Idea**

Accountability is one of the best written management books that advocate freedom and responsibility without control in managing business organizations that achieves sustainable results in sales growth and overall bottom line performance for many industries.

This advocacy professes the belief in granting individuals in a business organization the right and the freedom to make choices that allows people to be personally responsible in their jobs when they are allowed to design and own their jobs, and to create their systems. And for leaders to have faith in their people by believing that everyone wants to be great and that they be trusted to do great things.

Control based thinking asserts that controls establish accountability while freedom based thinking says that control stifles accountability and leads to cheating, shortcuts, and passive aggressive behavior to achieve results that in turn defeats accountability.

Whereas freedom based environment leads to more productive results in business enterprises since it offers “intrinsic” rewards that sustains accountability at all levels while control based environment offers “extrinsic” rewards that are themselves subtler forms of control to achieve results.

## **Prologue: A New Journey Begins:**

Stan Kiplinger (Kip), a retired CEO of National Stores joins Pete Williams, a young hard charging CEO in a train trip from snowstorm bound Denver to Los Angeles. On the way, Pete unburdened to Kip his business problems of running his company and staying in business while launching into many drastic changes to keep his company from going belly up.

Kip, in turn, shared his idea of a freedom based environment to managing his company versus the traditional control based environment which Kip thought could help Pete turn around his company.

Pete felt that he needs to be further convinced on the freedom based philosophy that Kip is advocating.

## **Part One**

### **The Control versus Freedom Dilemma**

#### **Chapter 1: I'm Pedaling As Fast As I Can, But It's Not Fast Enough!"**

Kip's awakening came from a mild heart attack that forced him to rethink his corporate philosophy as CEO of National Stores for the last 17 years switching from a control-based business environment to a freedom-based business environment.

This recent brush with death compelled him to rethink his management style or face an early death.

Pete admitted to Kip that he is in the same dilemma and that his Board has even assigned a CFO to keep an eye on things with the operations of his company.

Kip shared his idea with Pete that implementing a "freedom based environment" in his company lead to achieving sustainable bottom line results that is a far better solution for him and his employees.

Kip admitted that his major problem then was his controlling behavior and the solution was to let go of control.

#### **Chapter 2: The Courage To Make The Change**

Kip claimed that his epiphany came when he confirmed his theory with his retail operation VP, Jennifer Bailey that "People work better if they are free to do it their way." Also in retrospect Kip asked, "Did I want my staff to live in fear that they would say or do something wrong? Or did I want them to be free to do their job as they saw fit, to the best of their abilities?"

Kip mentioned that the more you try to control people, the less responsible and accountable they become.

Put another way, he believes "You cannot control people and ever expect them to be accountable. Or put in the reverse, to create personal accountability at every level, you need to establish a freedom based workplace at every level."

Kip then made a T chart that lists the controlled based thinking elements on one side and the equivalent elements of a freedom based thinking. Pete knew that the controlled based elements is the existing bedrock of running companies in the United States and in most Western countries as the sound way to manage business enterprises.

In control-based systems, organizations get people to be accountable by imposing authority through hierarchy, direct supervision, quotas, and through policies and procedures.

### **Chapter 3: Which Would You Rather Work In—A Freedom-Based Or A Control-Based Environment?**

According to Gregson Manning, in *The Prometheus* (New York: St. Martin's, 2000), during the early years of the modern corporation, rigid structures were put in place to conserve and manage the most scarce and valuable resource of all—information.

Kip explained to Pete that in control-based systems, organizations get people to be accountable by offering a rewards system that involves internal competition, incentive plans, and appraisal systems.

Finally, Kip said that organizations in a control-based system get people to be accountable by granting them conditional freedom by removing some controls which he considers stop gap measure by:

- Empowering people to take responsibility without full authority;
- Encouraging group input without giving them the authority to act;
- Having peers scrutinize peers; and,
- Creating personal improvement plans.

Whereas in a freedom-based thinking, Kip told Pete, that organizations get people to be accountable by granting individual freedom as a right meaning giving people the freedom to make choices at their work place.

Also, in a freedom-based thinking, organizations get people to be accountable by asking everyone to be personally responsible by allowing everyone to design and own their jobs and create their own systems.

Organizations get people to be accountable in a freedom-based thinking by putting great faith in the people and by believing that everyone wants to be great, and to trust them to do great things.

Pete observed that only 10-20 percent of his people do 80 percent of the work and if he loosens up his control not enough work may be completed under Kip's radical freedom-based thinking of running an enterprise.

Kip retorted that a documented excellent example of a business enterprise that made a successful turnaround and exemplifies freedom-based business environment is the case of Harley-Davidson.

Harley, an icon of motorbikes in the world were experiencing serious quality problems in the 1980's in their plant to the tune of 30 percent which means every third bike needed to be fixed at the end of the line before they are sent out.

In contrast, the Honda plant that the management team visited in Pennsylvania blew their minds. Its 700 workers has less than ten managers and only two quality people that turns out quality bikes at their doors every time.

Under the leadership of CEO Vaughn Beals, Harley transformed itself out of red ink and back to its reputation of producing fine bikes by asking the very workers that make the bikes what the company should do.

By trusting the workers completely, the turnaround was considered short of impressive and early on they realized that to produce a quality bike they will need everyone to be a quality expert or better yet a quality owner of their job at each step of the production process along the way. By owning their job each worker puts in a shared stake and value in the quality of their work.

Harley has enjoyed since then a 15-year consecutive record revenue earnings and it even hit a 24 percent total return recently.

Kip stated that in a control-based workplace the 80-to-20 rule applies. Twenty percent of the people do 80 percent of the work. In a freedom-based workplace, 95 percent of the people become fully engaged in their jobs.

Pete's apprehension in a freedom-based business environment is that some people could always bend or break company rules. Kip admitted that 5 percent of the people are not usually cut out for the freedom-based workplace as against the 80 percent that don't take responsibility at all with their jobs.

Kip went to state his important point. "But why set up new rules that penalize everyone for the failures or sins of the few? Why build control-based systems to safeguard the operations from the actions of a few untrustworthy people and in the process discourage your most creative people from generating the big wins?"

## **Chapter 4: Do Incentives Really Motivate People? Or Are They Just A Quick Fix?**

Kip and Pete takes lunch in the crowded dining car and joins the table of Lucy Woo, a sharp organizational and systems consultant, and Yolanda Worthington, a compensation specialist working with the largest incentive organization in America.

Pete notices Hank Striker—a boisterous cigar chomping CEO of a plumbing company aptly called the "Friendly Plumbing"—berating his staff on his cell phone and believes that everyone that works for him is either a thief or is an idiot.

Lucy believes that only processes and the numbers should be trusted but not the people. It is her orientation as organizational and systems consultant to look only at bottom line results and nothing else.

On the other hand, as a compensation specialist, Yolanda believes that the best way for people to be accountable is to structure compensation and incentive systems that will motivate them.

Kip says that incentives motivate people only up to a certain point but they do not address the underlying reasons of failure. It does not take into account such basic intrinsic motivators as personal accomplishment, thoughts or feelings.

Also, Kip claims that if incentives don't work most executives assume their people are to blame. And Kip asserts that the manipulative nature of the incentive plans is to blame.

## **Chapter 5: Is Job Security Related To A Corporate Culture's Bottom Line?**

It all boils down to a business enterprise being in a controlled-based environment or in a freedom-based environment.

First, high performance freedom-based operations all had a solid foundation that had not changed to fit current fads.

Second, making money is simply not the business enterprise's sole aim but balanced with other objectives like contributing to the good of the community.

Third, they focused on continuous improvement as a key strategy.

Fourth, they were open to experimentation and to learning from their own failures.

Fifth, they had a highly adaptive culture that enabled them to adjust constantly to change.

Also freedom-based cultures generate the big bucks as this equates not only to a better place to work but also to real long-term shareholder value and job security.

## **Chapter 6: Do You Want To Be Controlled?**

According to Kip, control based management systems underwent through 3 distinct generations of management approaches and thinking:

- The first generation is the time-honored, top-down approach. This century's old approach controls people limiting access to resources and information and employing directive leadership.
- The second generation is the incentive-driven approach which tries to motivate people to be accountable by offering rewards to reinforce desired behavior, but it's a misapplication of capitalism.
- The third generation, the conditional-freedom approach, tries to make more people more accountable by offering more freedom to those who "deserve it".

Out of Deming's famous 14 points, 5 recommend the need for a freedom-based environment. These are:

1. Cease dependence on mass inspection.
2. Drive out fear.
3. Eliminate slogans, exhortations and targets for the workforce.
4. Eliminate numerical quotas.
5. Remove barriers to pride of workmanship.

Kip stressed to the group that management programs, as good as they are, will never sustain improvements in a control-based environment.

## **Chapter 7: Can We Overcome Human Nature By Trying To Control People?**

Pete believes that people's need to control comes from our fear of the unknown and our limitations. It is this subconscious fear that drives us to seek control of others.

Kip paraphrased what Peter Drucker said that you don't improve organizational performance by focusing on personal or organizational weaknesses; you improve performance by capitalizing on strengths.

Also Kip stressed Deming said that a freedom based organization embraces the belief that creating an environment relatively free from fear—that is free from reliance on control and manipulation—establishes accountability and sustains organizational results. And that management should root out fear.

## **Chapter 8: Three Activities That Establish A Freedom-Based Workplace**

Kip wrote these as:

1. Grant individual freedom as a right meaning giving the people the freedom to make choices.
2. Ask everyone to take a personal responsibility by allowing people to design and own their jobs and create their own systems.



3. Have faith in people by believing that everyone wants to be great and wants them to be trusted to do great things.

Kip told Pete that “You can’t expect people to take risks if you continue to insist that they seek approval for every action. You can’t craft policies and procedures based on the assumption that people can’t be trusted while expecting to use their best judgment and to do the right thing. And you can’t dictate policies and at the same time empower people. It just won’t work” according to Kip.

The two philosophies of control and freedom cannot co-exist together. Under a control-based system, a manager is someone who has done such a poor job of hiring that he or she has now got to watch the poor workers on a full-time basis.

## **Part Two**

### **Creating The Transformation**

#### **Chapter 9: The Transformation of National Stores: A Journey From The Old Control-Based Environment To The New Freedom-Based Workplace**

Kip started with breaking down the walls of insecurity that separated them by extending to everyone a genuine hospitality which had a wonderfully therapeutic effect to recipients, givers, and the customers. It also helped tremendously that people were asked or included in making policy changes at National Stores.

Kip pulled out Nordstrom’s one page employee handbook to drive the point to Pete. Rule Number 1 says use your judgment in all situations and there are no additional rules.

#### **Chapter 10: The Wise Counsel**

Kip wrote 3 strategies that are employed in freedom-based enterprises:

1. Mentoring people by sharing a Keen Internal Vision.
2. Becoming a resource to your people.
3. Waiting to be asked—doesn’t take responsibility for the staff’s activities and commitments which is the major role of the Wise Counsel.

Primarily, the Wise Counsel’s major role is to create the context for accountability and to mentor without taking responsibility. The purpose of the internal vision is to give people the individual freedom they need. By doing this, we allow them to take personal responsibility for their choices and that’s how the context of accountability is created.

Also, teachable moments are opportunities to tell or teach someone something new or to reiterate an idea or principle.

Owning one's job takes the place of the supervisor. The individual now become the boss and by creating this context, each staff member becomes accountable to the whole organization and to his or her customers both the internal and external ones. This is the strategy in creating long term value to the organization.

The best policy in many cases is to trust your people to do the right thing, and take every opportunity to encourage your people to serve customers as they would wish to be served.

In a freedom-based workplace, the staff needs to know how the customer sees the organization. No longer are people to do things right but now people are asked to do the right thing. That made all the difference in the world.

## **Chapter 11: Creating the Right Conditions**

Shared values are a part of the Keen Internal Vision that is a road map that each individual uses to navigate through the dangers faced each day recognizing that everyone faces a political environment as well as a job-related environment.

To create conditions for accountability to flourish, Kip laid out to the group the strategies that need to be applied daily:

- Treat others with uncompromising truth.
- Lavish trust on your associates.
- Mentor unselfishly.
- Be receptive to ideas regardless of their origin.
- Take personal risks for the organization's sake.
- Give credit where it is due.
- Do not touch dishonest dollars.
- Put the interest of others before your own.

## **Chapter 12: Taking Personal Responsibility Is A Challenge For Everyone**

Pete expounded on his new understanding for the benefit to the group that "people at every level must be allowed to assume responsibility for tasks that in control-based management systems have been traditionally reserved for managers".

Kip related examples that showed that when a task force is created to tackle major issues in the company while espousing the eight strategies of shared values then everyone becomes responsible and accountable to the task at hand.

He handed Lucy a copy of the learning objectives of a task force as:

- Staff Goal—To teach all staff members how to study issues, how to experiment with possible solutions, and how to take on new responsibilities.

- Leadership Goal—To transform old-style, take charge managers into leaders who act as resources not managers.
- To Accomplish This: The leadership has to hand over the responsibility for the completion of the task to their people.
- The Vehicle To Use: A project approach using a task force to teach new skills to staff and leaders.

According to Pete who has now embraced this new concept, the Task Force's leader's purpose is to become a Wise Counsel a resource to the group by becoming an adviser and not the primary driver of the task force. Pete used the metaphor "Move away from the table without abandoning the group" in describing what the task force leader should do.

Kip summarized the activities needed to develop responsibility at every level and which is related to the task force's development:

1. Planning
2. Priority setting
3. Removing roadblocks
4. Creativity
5. Task force completion
6. Risk taking
7. Policy setting
8. Self-expression

Lucy, a new learner of the concept of freedom-based thinking, said that "organizations begin the process of transformation to a freedom-based work environment by creating the right conditions for extraordinary performance through emphasizing shared values and by teaching a new approach to taking responsibility which in turn mean that context and roles must change or adapt.

Kip now believes that Lucy, Yolanda, and Pete will eventually be spreading the gospel that a new way of treating people and reaching higher levels of performance and service is possible.

### **Chapter 13: Transformation Begins With A Visionary Leader**

As a comparison, control-based workplace only allows 10 percent coaching and mentoring in contrast to a freedom-based environment that allows 60 percent coaching and mentoring.

Good coaches are those that master the ability to give information that is easily understood and immediately usable.

Kip defined a Visionary Leader as a person who is motivated to serve not rule aptly called "Servant Leadership" and one who understands, accepts, and apply the concept of non-control.

Also Kip identified the best indicator of financial health as employee is the level of employee satisfaction.

## **Chapter 14: The Freedom-Based Philosophy Is Adopted One Person At A Time**

Kip listed down the four categories of people that a freedom-based workplace will need from the idea of Malcolm Gladwell:

- The first type is Mavens or Collectors that enjoy exploring new ways of doing things and sharing what they have learned with others.
- The second type is Connectors. These are the people who know more people both inside and outside the organization and spend more time in social interaction than the average person. Connectors have an unusual talent for making acquaintances.
- The third type is Salesmen or Persuaders. They have a gift of gab and are far more empathic than most people, more able to connect on an emotional level with people. More important, people find it easy to relate to Persuaders and to the ideas they share.

Visionary leaders are people who champion the cause of freedom-based workplace. They feel a personal responsibility for creating a freedom-based organization.

They constantly look for ways to help people make the philosophy successful. They do everything they can to protect the organization's long-term financial health.

## **Chapter 15: Owning Your Job Means No Excuses — The First Step To Freedom**

Kip mentioned to the group which now included Hank Striker that a Wise Counsel no longer control or monitor people. In a freedom-based operation being accountable is not an option.

Those few who are unable or unwilling to take responsibility for their jobs and processes can no longer remain a part of the organization. Getting people to be accountable take time (the transition sometimes takes months or years) as people gradually take on new responsibilities while letting go of others.

## **Chapter 16: Designing Your Job Means You Have The Power To Choose**

To implement designing flexible systems, Kip asked two questions: "Who is our customer?" and "Do the existing systems support or restrict our ability to serve our customer?"

By advocating flexibility Kip argues that flexible structures are designed, monitored, and modified by staff members to meet the needs of customers. All policies and systems are looked at as works in progress not sacred cows.

In a freedom-based organization, compensation systems are designed primarily to encourage staff members to take on greater responsibilities. And people are rewarded for their ability to transfer knowledge and experience to other staff members. Compensation systems are created for extrinsic distractions.

By shifting the focus from personal appraisals to personal development plans that the individual creates, staff members take ownership for both their past performance and their future skill development.

Kip still consider Hank a doubting believer of freedom based thinking and he left it at that.

## **Chapter 17: Finding Great People**

Kip said that there are people out there working who want to make a difference but many of them because of the control-based environment in which they work have lost already lost their interest and enthusiasm.

A landmark research said that high achieving staff members list interesting work as their most important job attribute not job security or good wages.

Kip suggested looking at heroes, mavericks, nine to fivers, and even dissidents in one's organizations to find great people.

Heroes are people who exhibit selflessness by bringing people together and taking great delight in helping others succeed. They are happiest when cooperation is high. Heroes are very comfortable with partnering and are able to keep their egos in check.

Mavericks are people who prefer to be independent and tend to gravitate in jobs where the bulk of time may be spent working alone. They are often interested in creatively pursuing ideas than in interacting with others. Mavericks tend to push change. They like to champion and explore new ideas. This could be where Hank belongs.

Nine to Fivers are solid citizens who work hard from nine to five and do their best at work but are reluctant risk takers. These people are known as frequently as the backbone of the labor force.

Dissidents are people who feel betrayed and this emerges from heroes, mavericks and nine to fivers. Nearly everyone who are frustrated and angry feel like a dissident from time to time.

## **Epilogue: Pete Williams: A New Journey Begins**

Pete parting ways with Kip at the train station is now ready to face his meeting in Los Angeles. Kip offered to help him in any way that will help him transform his organization into a freedom-based environment.

## **The Freedom Survey™ (FS™)**

This brief survey lists seven organizational elements that measure the degree of control or freedom-based operation existing in an organization, namely:

- Work environment
- Change strategy
- Motivational philosophy
- Leadership style
- Management structure
- Career advancement system
- Staffing strategy

Then scoring the freedom survey lists questions how people react to the seven elements above found in all organizations.

## **Interpreting the Freedom Survey Score**

### **Level 1: 1-10**

The organization is a “Top Down” approach with controls imposed from the top with people told to do what they are told, with leaders delegating responsibilities as they see fit. Accountability is imposed through strict rules, policies, and procedures.

### **Level 2: 11-17**

This is an “Incentive Driven” approach wherein incentives and internal competitions are used both to control the organization and to drive organizational change. People are expected to compete well. Leaders award top performers with more responsibilities while taking responsibilities to poor performers. The best jobs go to those who performed well compared to their peers.

### **Level 3: 18-24**

This is the “Conditional Freedom” approach. Change is brought about by getting individuals to focus on personal improvements. Personal evaluations and

performance appraisals are conducted periodically to assess performance of each staff members.

#### **Level 4: 25-28**

This is the "Freedom-based approach. Individual freedom, personal responsibility, and a faith and trust in people have all replaced all forms of control. People take responsibility in designing their jobs, in choosing their projects and being accountable for the results. Those who cannot be accountable or cannot be trusted have already left the organization. People are expected to manage themselves, to work well with others, and to ask for help when needed.