CHAPTER II

Empowering Leadership in Business

There is probably no better field for illustrating innovations in management than business. Successful business people continuously look for ways to innovate in order to stay ahead of the curve. For example, in some cases artistic competence can be a source of inspiration and innovation for both individual managers and organizations as a whole. Artists are able to challenge organizational routines, stimulate new ideas, and open leaders' minds to think and behave differently (Boyle & Ottensmeyer, 2005). Language can also disrupt the status quo and spark new ideas - through haiku poems, for example. Institute of Business Consulting¹ declares that the traditional seventeen-syllable form of Japanese poetry is probably the most sublime expression of the state of mind. Set in three nonrhyming metrical units of five, seven, and five syllables, the haiku can express a company's philosophy.² And, in fact, there are some interesting collections of business haiku available.³ Haiku are a kind of metaphor, providing distance and fun. We'll take a closer look at the way these tools enhance creativity in Chapter 14.

One of the more extreme ways companies innovate is to delegate complete power to the employees. Called a revolutionary cultural transformation by some, this approach can have a remarkable effect, as we will see in the examples of three companies: Gore, Morning Star, and Semco Partners.

¹ See: www.imcusa.org.

² See: www.imcusa.org/blogpost/356624/106336/Consulting-Haiku.

³ See for example: www.haikupoemsandpoets.com/poems/business_haiku_poems; retrieved February 24, 2017.

Exploring a Community of Associates: The Gore Example

Bill Gore from the United States

W. L. Gore & Associates Inc. was founded in 1958 in Newark (Delaware) by Wilbert L. (Bill) and Genevieve (Vieve) Gore.⁴ After a seventeen-year career as a chemical engineer with DuPont, Bill Gore left at the age of forty-five to launch his own business. He and his wife invested their life savings in the new company and started to produce a special polymer material called polytetrafluoroethylene (PTFE) in the basement of their home.

Bill Gore dreamed of having a company devoted to innovation, where imagination and initiative would flourish and people would be free to search and invent. However, at the time there were no written guidelines for creating an innovative working environment, so his challenge was to find completely novel solutions. One of his first concepts was that employees should be called "associates." Another was that they should all have a space free for contacting and cooperating with each other, enabling them to innovate within or outside the company.

In 2016, fifty-eight years after its founding, W. L. Gore & Associates Inc. had annual sales of more than \$3 billion and more than ten thousand associates located in more than twenty-five countries. The company is still owned by members of the Gore family and the associates, following the founder's belief that private ownership reinforces a long-term perspective.

By using proprietary technologies with the versatile PTFE, Gore has created numerous products for electronic signal transmission, fabric laminates, and medical implants, as well as membrane, filtration, sealant, and fibers for use in diverse industries including the production of hydrogenpowered fuel cells. The company has pioneered fabrics for boots, shoes, headwear, gloves, and sleeping bags, some of which have been used for expeditions to the North and South Poles, for scaling Mount Everest, and as part of the space suits worn by NASA astronauts. Gore medical products, including synthetic vascular grafts and surgical meshes, have been implanted in more than 13 million patients, and more than 40 million innovative Gore medical devices have been adopted, saving and improving the quality of lives worldwide.

⁴ Gore Web site: www.gore.com/en_xx/aboutus/fastfacts/index.html; retrieved February 24, 2017; interview with Gore associates Nicole Kochems and Michael Haag, March 18, 2016; Deutschman (2004); Hamel (2007); this is a continuation from the introduction to Gore in Chapter 5.



Figure 16. Gore team demonstrating their products.

Throughout its long history Gore has been granted more than two thousand patents in a wide range of fields, including electronics, medical devices, and polymer processing (see Figure 16).

It has been cited as the best workplace in several countries, including China, France, Germany, Italy, Korea, Spain, Sweden, and the United Kingdom, and included on the "Fast 50" list of the "Most Innovative Companies in the World" by *Fast Company* magazine in 2009. In 2016, Gore was once again nominated as a "Great Place to Work." It also ranked fourth in the "2016 Best Workplaces in Germany" competition.

Given these accomplishments, the company's use of EL is certainly worth a closer look.

Horizontal Connections Promoting Serendipity

Gore has a nonhierarchic structure, enabling every individual in the organization to connect easily with everyone else in the unit. Lines of communication are direct – person to person and team to team – and there are multiple nodes on the same level (resembling horizontal connections and scale-free structure, see Chapter 8). Also, associates report to their peers



Figure 17. One of the Gore teams.

rather than to the boss, which means that working groups have the power to self-organize and elect their own leaders.

As we've seen, this horizontal structure enhances serendipity and maximizes opportunities for personal and often impromptu interactions. Bill Gore saw that as the number of people in the business increased, associates inevitably felt less connected with one another and with the ultimate product, so he keeps the average size of company units below three hundred people. This enables interaction among research and development (R&D) personnel, salespeople, engineers, chemists, and machinists, who typically work in the same building. The proximity of different disciplines makes it easier to discuss issues directly, cuts time to market, and keeps everyone focused on the ultimate goal of satisfying customers. Teams are usually small in order to keep everyone connected and enhance interactions in a flat structure (see Figure 17).

Free to Innovate

To encourage the free flow of information and ideas further, Gore has also dispensed with traditional organizational charts and typical chains of command. Instead, associates communicate directly with each other and are accountable to fellow members. Teams organize themselves around business opportunities, and leaders emerge in a natural process. Associates are encouraged to innovate and team up to pursue innovations.

One of the most important levers for innovation is something the company calls "dabble time." For half a day a week associates are free to explore their own projects. There are no limits; issues explored may be close to or distant from the company's goals.

Moreover, if one's dabble-time idea becomes compelling enough, it attracts other associates and, in a natural way, one becomes the leader of a newborn team, as long as others find it worth the time investment. If the new idea thrives and survives a rigorous process of probes, trials, market analysis, etc., it can then become one of the Gore production lines. Following are two examples of bottom-up initiatives that grew out of associates' personal passions and were transformed into winning market hits.

Gore Bike Wear™

In the 1980s, Gore had a few associates who were passionate road cyclists and wanted to pursue their hobby in all kinds of weather, but there were no suitable jackets on the market. They were looking for something waterproof and breathable, lightweight and with a small pack size, and short at the front and long at the back so it fit well in the cycling position. After a long process of probes, trials, verification, and marker analysis, Gore set up a new business unit in 1985. Thanks to the sporting enthusiasm and persistence of a few employees, the "Giro" jacket was born.

Consumer response was overwhelming. Word of the new product spread like wildfire in cycling circles, and the jackets sold like hot cakes. Today Gore Bike Wear[™] sells well in many European countries and in the United States. The brand regularly receives awards from prestigious road and mountain biking magazines, and Gore Bike Wear[™] has been ranked number one in the cycling clothing market.

Guitar Strings

Although the Gore engineer Dave Myers was principally engaged in developing cardiac implants and Gore had no business related to the music industry, he decided to spend his dabble time pursuing a speculative project involving guitar strings.

Myers was trying to make the gears on his mountain bike shift more smoothly. He coated the gear cables with a thin layer of plastic, and these became Gore's Ride-On line of bike cables. His next idea was to improve the cables used for controlling the movements of oversized animated puppets at places such as Disney World. He needed small-diameter cables, so he tried coating guitar strings with a similar plastic. The aha moment occurred in 1993, when Myers had the notion that this process could also improve guitar strings, making them less fragile.

Myers wasn't a guitarist himself, so he needed to attract others to the project. He involved another engineer, who was also a musician, and understood that the natural oils on musicians' fingers carry particles of dust and skin and so contaminate the strings. The accumulation of those tiny contaminates negatively influences the sound of the vibrating string. The solution was to use a grit-repelling coating similar to the one Myers used for bike cables on guitar strings.

After this discovery Myers easily received R&D's support and soon had a small team of volunteers working on his project. During three years of experimentation everything was done through bottom-up initiatives, without seeking any formal endorsement. Eventually, the team developed a string that held its tone three times longer than the industry standard. Currently, guitars equipped with these strings outsell their closest U.S. competitor by a two-to-one ratio.

Trust and Fun

The absence of formally chartered supervisors reflects one of Gore's core principles: In a high-trust, low-fear organization, employees don't require much control. Instead, they may need to be mentored and supported, often through a team's peer-to-peer relationships. In an interview⁵ Gore highlighted the fact that "our organization is very trust-based, with a lower turnover rate compared to other companies in our market."

A survey of employees confirmed their pride in the company's products, their mutual respect and trust, and their recognition of consistent fairness and partnership as an integral part of their work. At Gore small operating units and self-managing teams support innovation and two common goals: to make money and have fun doing so. Studying the Gore process, it would seem that having fun is at least as valuable as making money.

⁵ With Nicole Kochems and Michael Haag, March 18, 2016.

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Figure 18. Morning Star tomato processing.

Tomato Game: Self-Management at Morning Star

Chris Rufer from the United States

The Morning Star Company was founded in 1970,⁶ by Chris Rufer, a onetruck owner and operator⁷ who transported tomatoes to factories. Rufer is still the company's president, and today, Morning Star is the largest tomato processor in the world, handling nearly 40 percent of the tomatoes processed each year in the United States, with more than four hundred yearround employees producing more than \$700 million in annual revenue (see Figures 18 and 19).

This extraordinarily successful company also embraces EL principles of self-management. All employees, regardless of education or position, are called colleagues. They have no bosses and no top-down control and will commonly say that they can't wait for the weekend to be over so they can get back to the game of work as self-managers.

⁶ Morning Star Web site: www.morningstarco.com; retrieved February 24, 2017; Hamel (2011), Wartzman (2012); interview with Doug Kirkpatrick (2015). Doug Kirkpatrick is a consultant partner with the Morning Star Self-Management Institute and is author of the book *Beyond Empowerment: The Age of the Self-Managed Organization*; interview April 27, 2016.

⁷ Also at that time an MBA student at UCLA.



Figure 19. Morning Star tomato transporting.

Colleagues find this "game of work," called the Tomato Game, greatly satisfying. Photos on the company Web site depict colleagues as selfmanaging professionals, initiating communication and coordinating their activities with others, with no directives from above. Morning Star wants colleagues to find joy and excitement in drawing from their potential, and, above all, to take personal responsibility and hold themselves accountable for achieving the company's "Big Mission" as well as their own personal missions.⁸

Evidence that employees appreciate this management method can be found in the return rate of the seasonal cohort, which has been as high as 91 percent. This means that nearly everyone who works for three and a half months and then goes off to other regions in search of other work returns to play the Tomato Game.

Doug Kirkpatrick, of Morning Star Self-Management Institute, says that the company's leadership style took shape with the implementation of two simple rules. (Simple rules are one of the pivots of complex systems. See Chapter 5.) In 1990, a small team of colleagues working out of a little farmhouse in California was overseeing construction of the first Morning

⁸ Each colleague sets his or her personal mission as part of the commitment, as discussed later in this chapter.

Star factory. The \$27 million project was launched in December 1989. By the following March it seemed that it would be impossible to complete the factory by the July deadline.

Equipment was arriving on ocean freighters from Italy, and hundreds of contractors were fabricating, welding, erecting, and constructing twentyfour hours a day, seven days a week. The core team had plenty to do as well, coordinating engineering, architecture, fabrication, etc. But time was running out.

The solution, in part, was self-management. In March 1990, Chris Rufer called for a meeting. The team met in one of the construction trailers on the job site, and Rufer passed out a document called The Morning Star Colleague Principles, essentially boiling down the governance of the enterprise to two core principles: People shouldn't use force or coercion against others, and people should honor the commitments they make to others.

Those two simple rules made all the difference. The twenty-fourmember team completed the factory, and production began on July 16, 1990. Organizational self-management enabled the team to weave their talents together as individuals, fluidly and with agility and flexibility. Rufer's two principles fostered more happiness, harmony, and prosperity, and as a result, the team had greater success.

Could such a feat be achieved using top-down command and control? Perhaps yes, but it's unlikely that it would occur with the same efficiency, speed, flexibility, and learning, because the people who built the factory learned how to operate it at the same time. Rufer's rules also initiated a specific culture of loyalty, commitment, passion, and innovation. Today, with those guiding principles still in place, Morning Star is the world's largest producer of tomatoes. Here is Morning Star in a nutshell:

- The company has no human bosses; the boss is the mission of the enterprise
- Employees negotiate responsibilities with their peers
- Anyone can purchase what he or she believes is necessary
- Each individual is responsible for acquiring the resources needed to do his or her work
- There are no titles and no promotions
- Compensation decisions are peer-based

Is this realistic? And how does this system operate? Let's have a closer look at Morning Star's core policies:

Personal Mission Statements

Every Morning Star colleague is responsible for defining a personal commercial mission statement that outlines how she or he will contribute to the company's goals. In other words, individuals not only plan their performance agreement: they also set a personal overarching mission. This means that employees aren't reduced to a simple list of goals and checkboxes, but rather, they see their role as one that serves the company's mission but also has meaning for them personally.

Colleagues become responsible for accomplishing their mission and for acquiring everything they need, e.g., training, resources, cooperation, to get the job done. Hence, they're driven by their mission and their commitments, not by controlling managers.

Colleague Letter of Understanding (CLOU)

To operationalize the Personal Mission Statement, employees negotiate a Colleague Letter of Understanding (CLOU). This isn't done vertically, with managers or superiors (who don't exist). It's done in partnership with those associates who are most affected by the employee's work.

Each year the CLOU is modified and adjusted to accommodate growing competencies, new interests, or the changing environment. However, once set, CLOU becomes nearly sacred. Remember the two honored Morning Star Colleague Principles? The second one says that people should honor the commitments they make to others; this is foundational to the organization. In this system accountability isn't tracked through performance reviews with managers. Instead, all employees in the company receive feedback from their CLOU colleagues. Ways to accomplish the CLOU commitments are all in employees' hands, as is equipment purchase.

You Know Best What to Purchase, So Do It

Morning Star colleagues are also empowered to the extent that they don't need anyone's approval to purchase equipment or materials. In some cases, when others need similar equipment, they team up and discuss how to merge and make the overall purchase cost-effective. However, the decision belongs to the individual. Everyone can spend the privately held company's money without explicit rule-based budgetary constraints. The real restraints in this self-management system based on trust are common sense, business-unit strategy, and policy.

Colleagues Hire Colleagues

Within this model, colleagues also trust one another to know when they are overloaded or whether a new role needs to be filled. Self-management guides staffing decisions, and colleagues are responsible for initiating the hiring process.

Self-Advancement and Innovations

Roles are open and flexible. There are no centrally defined boxes, layers of management, or positions. Instead, colleagues develop their skills and gain experience naturally. They simply take on greater responsibility to the degree they are willing and able. This means that advancement doesn't derive from above. It's within everyone's reach, reflecting a real changeand-needs process. This, in turn, makes people feel more responsible and engaged, willing to explore and innovate.

Identification and Internalization

The self-management model encourages employees to develop their skills and take on more responsibility. Hamel (2007) quotes Morning Star President Rufer, who believes that if people are free, they will be drawn to what they really like, as opposed to being pushed toward what they have been told to like. In that way people are free to discharge their creativity and realize their individual potential as they work together.

This system, including narratives and symbols (e.g., the company's Founding Principles), makes people internalize and strongly identify with the mission and goals, seeing the mission as their own and the goals as woven among *their* colleagues.

Self-Management Institute

To advance the knowledge of self-management, Morning Star launched a Self-Management Institute.⁹ The organization's mission is to cultivate a superior organizational structure and happier, more productive colleagues by creating and refining principles, systems, and practices of attracting, developing, and organizing people. The institute analyzes the nuts and

⁹ See: www.self-managementinstitute.org; retrieved February 24, 2017.

bolts of self-management on its Web site, recommends several resources, and shares case studies. Its focus is solely internal, driving the development of organizational self-management within Morning Star.

The Company as Village: Semco Partners

Ricardo Semler from Brazil

In the 1980s, Ricardo Semler took over an almost-bankrupt firm from his father, Antonio.¹⁰ The first thing he did was to fire nearly all the managers, thereby delegating decision making to the employees. He also expanded the company's market by moving into the service sector, including environmental consultancy, facilities management, real estate brokerage, and inventory support. By 2015, the company had annual revenue of more than \$240 million per year and employed more than three thousand workers.

Cultural Metamorphosis and Creativity

Semler's strategy was essentially to hand over total control of the company to his workforce. He implemented principles of democracy, transparent communication, constructive dissent, creativity, and employee advancement in what Richard Daft (2015) calls a "cultural metamorphosis" that reversed a top-down, autocratic setup. Semco evolved around the understanding that employees need to make their own decisions in the course of accomplishing their tasks.

Given the company's success, it would seem that the employees' identification with the company's culture made all the difference. Semler holds that people who are motivated by self-interest find solutions that no one else could envision; they simply see the world in a unique way – one that others (those "hired," who do not necessarily identify with the firm's goals) often overlook.

Semler also posits that the main objective of equipping Semco's employees with autonomy is to spur their creativity. His groundbreaking insight was that being self-driven increases the propensity for creativity. This includes limiting processes and procedures that encumber creativity. For example, in order to remove all possible obstacles to innovation, one of

¹⁰ Semco Partners Web site: www.semco.com.br/en/; retrieved February 24, 2017; Semler, R. (1994, 1995, 2004), Maresco & York, (2005), Fisher (2005), Hamel, (2007); Daft (2015); interview with Ian Borges, July 8, 2016.



Figure 20. Semco teams socializing.

the company norms is that employees have to restrict all circulars, reports, letters, and minutes to a single piece of paper.

The Purpose of Work Is to Feel Good about Life

Ricardo Semler believes that the purpose of work is not only to make money. Rather, it is to make workers feel good about life. He thinks that companies ought to put employees' freedom and satisfaction ahead of corporate goals and, in that spirit, introduced a working environment with no job titles, no written policies, no HR department, not even a headquarters. In that way Semler turned an aging and nearly bankrupt family business into one of Brazil's most stunning success stories. He eliminated nine layers of management and introduced unprecedented democracy in the workplace. Today, employees vote for their managers, evaluate them, and publicly post their evaluations. Meetings are voluntary, and two seats on the board are open to the first employees who show up. The new delineation was "the company as village," (see Figures 20 and 21).



Figure 21. Semco's garden for the workers.

During the 1990 economic crisis the Brazilian economy went into a severe downturn, forcing many companies to declare bankruptcy. Workers at Semco demonstrated shared responsibility and agreed to wage cuts. They were also given the right to approve every expenditure. Semler created self-managed teams of six to eight workers who were in charge of all aspects of production. They set their own budgets and goals and agreed to tie compensation to budget and productivity. As a result, costs went down and profits went up. While many workers liked this model, middle managers were less enthusiastic. Feeling that they had lost their power and rank, one-third of them quit within a year.

Learning from the Economic Crisis

Performing multiple roles during the crisis gave workers greater knowledge of company operations, and boosted their identification with company aims. This resulted in more bottom-up insights and suggestions on how to improve the business. One of the employees commented: Another significant experience was the discussion process with the Factory Commission (which I was part of) during an economic crisis in Brazil. The final decision was to not reduce personnel – which was the first option presented to the Commission – and instead to reduce salaries to reach the same reduction in costs. Salaries were (temporarily) progressively reduced, with the lowest salaries contributing less to savings than higher salaries. Savings achieved were returned to employees after the crisis was averted.

A decade after the crisis ended, in 2003, Semco ended up with annual revenue of \$212 million, up from \$4 million in 1982 and \$35 million in 1994, with a compounded annual growth rate of up to 40 percent a year. Employee count went from ninety in 1982 to three thousand in 2003.

Lying down in Hammocks

Over the years, the idea of autonomous teams was adopted throughout the company. Teams began hiring and firing both workers and supervisors through a voting process, and policy manuals were replaced by a policy of common sense. In fact, the only actual manual runs about twenty pages long and is filled with cartoons.

Semler certainly believes in responsibility but not in pyramidal hierarchy. He also doesn't think that a company's success can be measured in numbers, since the numbers ignore what the end user really thinks of the product and what the people who produce it really think of the company. Moreover, he doesn't believe that control is either useful or desirable. For example, Semco Partners doesn't regulate business-related travel, and the company provides hammocks in its garden that actually encourage relaxation.¹¹

Semler simply believes that those who are trusted are more coresponsible. Social influence results through identification and internalization, turning "employees" into reliable partners. Along these lines he suggests (in his recent book) that future managers should enable employees to blend work life and personal life with enthusiasm and creative energy. He also notes that smart bosses realize an employee might be most productive if he or she works on Sunday afternoon, plays golf on Monday morning, goes to a movie on Tuesday afternoon, and watches his or her child play soccer on Thursday (Semler, 2004).

^{II} See: www.godlikeproductions.com/forum1/message2174175/pg1; retrieved February 24, 2017.

Semco-Style Movement

Convinced that "too many organizations trap their employees in rigid structures and controls,"¹² Semler founded Semco Style Institute¹³ to share the theory and practice of his leadership style. The institute offers a master program in building organizations that show agility, stimulate performance, and foster entrepreneurship. It also facilitates a leadership program and an experience-exchange program with other similar projects.

In short, the Semco Style Institute organizes around humans instead of around structures and procedures. It puts people above organizational modes, and sees freedom and self- interest as the basis for collective alignment. Its five pivotal principles are to stimulate trust, self-management, extreme stakeholder alignment, and creative innovation, and to reduce controls.

Additionally, the organization maintains an online gateway called LeadWise¹⁴ for leaders who want to transform their organizations to People-Centric Management.

Summary: From the Conceptual Perspective

Social Influence

At these three companies the core mechanisms of social influence seem to be *identification* and *internalization*. Employees (here associates, colleagues, or partners), regardless of their number (e.g., ten thousand in the case of Gore-Tex) take coresponsibility and are invited to influence the firm's small- and large-scale policies and innovate products or methods. All of this leads to *identification* and *internalization* of the firm's culture and goals, which create a higher level of motivation and loyalty (e.g., the Morning Star employees waiting for the weekend finally to end so that they can resume the Tomato Game on Monday), leading to innovation and higher performance.

Preconditions for Chaos-to-Order Dynamics

The preconditions for endogenous dynamics are all there. While these leaders might not use terms such as *complexity way of thinking*, employees

¹² https://semcostyle.org/events/semco-style-master-program-group-5; retrieved February 24, 2017.

¹³ http://semcostyle.org/; February 24, 2017.

¹⁴ www.leadwise.email/awareness/checkout/; retrieved February 24, 2017.

who participate in decision making on all levels of management, across all divisions, see the complex environment of multiple interrelations and interdependencies. The free and random (chaotic) interactions pave the way for novelties to emerge.

There also exists a *connectivity spirit*, which is augmented through multilevel working connections (horizontal and diagonal), as well as through more personal platforms where employees chat and cooperate in their private lives.

These three firms function on *empathetic* values, best verbalized by Ricardo Semler, who says that the ultimate goal isn't only making money, but making people happy about their lives, and that those who are trusted are more coresponsible. Morning Star is based on two foundational principles, one of which eliminates force or coercion between people. And Gore-Tex creates space for employees to realize their own passions.

In all three companies *creativity* is a central category. The bottom-up empowering environment is seen as a major lever for people's creativity and, as a result, for the company's innovativeness.

From the Complexity Perspective

From the perspective of complexity theory, Gore-Tex, Morning Star, and Semco's management structures enable free horizontal communication, which may be viewed as the *collection of interacting objects*, with certain *phenomena emerging* from these interactions, i.e., well-oiled cooperation, novel products, and market innovations. As decisions and control are delegated to the peer-to-peer level, this all happens in the *absence of any sort of "invisible hand" or central controller*. Moreover, there are *simple rules* of interactions among associates, leading to impressive achievements. *Chaos* is accepted and may be a gateway to a *new order*. The multiple, *horizontal interactions*, accompanied by a blend of *upward and downward causations* creating a variety of *feedback loops*, may yield new results in an often *unpredictable* way.

The complexity approach (even if not verbalized as such) also enables sudden *jumps*, e.g., market success with new products such as Gore Bike WearTM.

Chapter Coda

- Three Empowering Leadership case studies were presented:
- W. L. Gore & Associates, Inc.

Empowering Leadership of Tomorrow

- Morning Star
- Semco Partners
- In the Summary the companies' management system was delineated through three conceptual perspectives:
- Social influence mechanisms
- Preconditions for the chaos-to-order dynamics
- Complexity Theory

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