INTRODUCTION

Freedom works.

In every aspect of our lives—in politics, in economics, in entertainment, and in family life—we demand the freedom to decide matters for ourselves. And yet when it comes to our work lives, far too many people are stifled, constrained, hemmed in, and tied down by bureaucracy and rules that have nothing to do with allowing them to do the best they can in their jobs. These constraints leave people feeling out of control of their work lives, which, in turn, leads to stress, fatigue, and disengagement from work.

Amazingly, all of this is already well understood and has been for decades. As far back as 1924, William L. McKnight, the legendary CEO of 3M, put the matter succinctly: "If you put fences around people, you get sheep. Give people the room they need." With that in mind, McKnight went on to build an environment at 3M that unleashed the creativity and initiative of 3M's people. And yet the culture McKnight built at 3M has been more admired than imitated. Sixty years later, Japanese industrialist Konosuke Matsushita looked across the ocean at his competitors and described a corporate America still in the grip of Frederick W. Taylor's "scientific management," which organizes work by means of detailed procedures that specify narrow, repetitive tasks for everyone, and demands full compliance with their execution:

> We are going to win and the industrial West is going to lose out . . . because . . . your firms are built on the Taylor model. Even worse so are your heads. With your bosses doing the thinking while the workers wield the screwdrivers . . . For you the essence of good management is getting the ideas out of the heads of the bosses and into the hands of labor. We are beyond the Taylor model. Business . . . is now so complex and difficult, the survival of firms so hazardous and fraught with danger, that continued existence depends upon the day-to-day mobilization of every ounce of intelligence.[1]

Notice that Matsushita was not arguing that liberating your employees was a nice thing to do for them, or that it would make them happier or make managers better people. "Continued existence," he said, "depends upon the day-to-day mobilization of every ounce of intelligence." That means every ounce of intelligence in every brain that comes through the door of your company every day. If you are not doing everything you can to take advantage of that brainpower and the knowledge those brains possess about your business, you're not only leaving money on the table, you are putting your company's survival at risk.

As we write these words in early 2009, the United States and the world economy are in a dire state. The U.S. economy is shrinking rapidly, corporate profits are collapsing—or in many cases simply nonexistent—and a half a million Americans a month are losing their jobs. Everyone is afraid. Bosses are afraid that if they don't maintain or restore profitability, their jobs will be on the line. Frontline employees are afraid that their jobs will be cut so that their bosses can keep their own.

We can guarantee you that important opportunities—for the elimination of senseless waste that shows up nowhere on your profit-and-loss statements, for keeping customers, and for acquiring new accounts—lie just down the hall, in the minds of the people you already employ.

But wait—don't walk down that hall and ask them how to save your business just yet. Sit back down and keep reading. If taking advantage of those opportunities were as simple as asking people to raise their hand and speak, you'd have done it already. People respond to the environment in which they find themselves. That's what McKnight meant when he said that if you *put up fences, you get sheep*. The fences turn the people into sheep in subtle ways that they themselves might not even realize.

Now, Matsushita was being a bit unfair—the problems with "Taylorism," with turning your employees into automatons, have been appreciated for a long time, as McKnight's observation shows. At times, trying to address this lack of autonomy has almost become an obsession among management gurus. But for all the ink spilled and all the energy expended in the name of empowering employees, Dilbert's comic-strip world remains depressingly familiar to people inside most companies.

You might conclude from this that bureaucracy, top-down control, and maybe just a touch of George Orwell is simply the cost of doing business in the modern world. We may not like it, but is it possible to live without it?

The liberated companies in this book don't just say that it is—they prove it. In industries that range from high-tech to manufacturing, from services to finance and to heavy industry, these firms have done away with the whole gamut of mechanisms of control that characterize too many businesses—and they've thrived as a result.

Freedom, Inc. is the product of more than four years of research. As we studied these companies, we became convinced of two things: First, they all have things in common that tie their success together with their culture of freedom. And second, if truly liberated companies remain relatively rare even today, it is not because their lessons can't be applied elsewhere. The problem with bureaucracy is a bit like obesity. It's no mystery how to lose weight or avoid gaining it. Study after study has affirmed the basic truth that if you consume more calories than you burn, you're going to pack on the pounds.

We all know this. The evidence is clear, and so, too, is the road to our ideal weight. But more and more people don't travel that road (your authors not necessarily excluded) because it's easier to fall back on habit, even when the habits are bad for you. You may admire the svelte figure of some athlete or model and resolve to look like them someday—and then go back to your desk and sneak another bite of that candy bar.

Well, it turns out that a number of the liberated companies in this book are a bit like that supermodel. Executives come from all over the world to see FAVI in northern France or Harley-Davidson in Milwaukee. Harvard Business School has used Sun Hydraulics in Sarasota, Florida, as its main case study on freedom in the workplace. But while other executives—and even competitors—admire these companies from afar, they don't, or won't, change their own ways. This is not to say, however, that they *can't*. They can. The very diversity of the liberated companies we encountered and studied convinced us of that. If a brass foundry in France, an insurance company in Texas, and a software firm in Pennsylvania could all set their people free; if liberating leaders could change the culture inside companies with decades of dysfunction in their past or build a new *Freedom, Inc*. from scratch; then there were lessons here for any company to use to their advantage.

Those lessons are:

1. *Stop telling and start listening*. Then, remove all the symbols and practices that prevent your people from feeling intrinsically equal.
2. *Start openly and actively sharing your vision of the company so people will "own" it*. But don't do this before Step 1 because people who are not treated as equals will leave you alone with your vision.
3. *Stop trying to motivate people*. That's right. Instead, build an environment that allows people to grow and self-direct—and let them

motivate themselves. If they understand the vision from Step 2, they'll take care of the rest if you let them.

4. *Stay alert*. To keep your company free, become the culture keeper. In this role, as liberating leader Bob Davids says, "One drop of urine in the soup is too much—and you can't get it out."[2] The price of liberty is eternal vigilance.

These principles are universal, but each leader in this book had to apply them to his own unique set of circumstances—and you will, too. In other words, this book cannot give you a formula for applying the above principles to any particular situation. Freedom is, after all, the enemy of formulas—if we knew, or you knew, every situation that would arise and how to deal with it, you would not need freedom—or your employees, for that matter. You'd have all the answers already.

This paradox was captured by Robert Townsend, one of the best, most profound early thinkers on the problem of freedom and organization. Townsend was also a liberating leader in his own right. One of his aphorisms was, "At best, a job description freezes the job. . . . At worst, they're prepared by personnel people who can't write and don't understand the jobs. Then they're not only expensive to prepare and regularly revise, but they're important morale-sappers."[3] Likewise, if your liberation campaign isn't flexible, it's probably a little short on the freedom thing.

Townsend got his start as a leader at American Express in the 1950s, which at the time was a traveler's check company. He introduced charge cards to the business, ingeniously describing them to reluctant top executives as a "cross between a passport and a traveler's check." He also drove AmEx's foray into banking. More important, though, from the moment he became a manager he practiced a kind of leadership based on radical freedom for his subordinates. As he would later say, "As a new manager, remove everything you didn't like when you were a subordinate and implement what you missed."[4] But as the head of only one division at

American Express, Townsend could not transform the whole company. That opportunity came in 1962, when he was offered the chance to become chief executive officer of Avis, which was at the time a moribund company that hadn't turned a profit in thirteen years. In just three years he liberated Avis and unleashed the initiative and action of its thousands of employees. By 1965 Avis had become one of the fastest-growing companies in the United States—its "We try harder" motto comes from those times.

That year ITT, one of the most acquisitive conglomerates of the 1960s, noticed the turnaround Townsend had accomplished and bought the company. Townsend resigned and, five years later, published *Up the Organization: How to Stop the Corporation from Stifling People and Strangling Profits*. The book's aphorisms and advice, arranged in alphabetical order, describe what might be called an early version of a liberation campaign. It opens with "A—Advertising: Fire the whole advertising department and your old agency," and it closes with "W—Wearing out your welcome: Nobody should be CEO of anything for more than five or six years." It would ultimately spend several weeks as a number one *New York Times* best seller and remains in print today. The Wharton Center for Leadership and Change Management at the University of Pennsylvania still ranks it the number one business book "every manager must read." For all that, Townsend's advice has remained somewhat less than universally applied since *Up the Organization* was published.

One person in particular who might have been surprised by this was Douglas McGregor, a professor at the Massachusetts Institute of Technology whose academic work echoed Townsend's practical experience. McGregor's 1960 book, *The Human Side of Enterprise*, is itself a classic on bureaucracy and human nature. McGregor identified two approaches to running a company: "Theory X" and "Theory Y"—clearly, branding was not his strong suit. Each theory, according to McGregor, is based on a different set of assumptions about human nature. The "Theory X" assumptions are:

1. The average human being has an inherent dislike of work and will avoid it if he can.
2. Because of this human characteristic of dislike of work, most people must be coerced, controlled, directed, or threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
3. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all.[5]

The "Theory Y" assumptions are different:

1. The expenditure of physical and mental effort in work is as natural as play or rest.
2. External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. Man will exercise self-direction and self-control in the service of objectives to which he is committed.
3. Commitment to objectives is a function of rewards associated with their achievement. The most significant such reward, that is, the satisfaction of ego and self-actualization needs, can be direct products of effort directed toward organizational objectives.
4. The average human being learns, under proper conditions, not only to accept but to seek responsibility.
5. The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
6. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.[6]

McGregor was so convinced of the superiority of "Theory Y" to "Theory X" that in 1950—well before he wrote *The Human Side of*

Enterprise—he predicted the death of "Theory X" organizations within a decade.[7] That didn't happen. Maybe the good Mr. McGregor had never tried to go on a diet.

Dieting is hard because the pleasures of immediate consumption are obvious to our senses, but all the ways in which we are damaging ourselves may be hidden from us in the heat of the moment. It's the same with bureaucracy. As you'll see in this book, overbearing control of one's people comes with all sorts of hidden costs—not just to your bottom line, but even to your health and the health of your employees.

Even so, there are moments when the truth confronts even the most weak-willed dieters. One of the liberating leaders in this book, Jean-François Zobrist, recounted the following story. It occurred during one of those regular visits to FAVI by a CEO who had heard about the company's remarkable culture and performance and wanted to learn more about it.[8] While walking by the supply closet, the visiting CEO was surprised that it not only lacked a lock but that it was missing one of its four walls—there was literally no way to close it securely. Zobrist explained that FAVI, as a liberated company, trusts its people to take what they need for their jobs and that they are free to do so. Just then, a machine operator came over to the closet, so the visitor asked him a question: "What happens if the part you came for is missing?"

"It never happens," the operator replied, "because the guy who takes the last piece in the box goes to the warehouse and brings back a full box."

"Fine," the CEO pressed. "But what if there are no more boxes in the warehouse?"

"Simple," the operator answered. "If the guy sees that he's taken the last box from the warehouse, he lets the operator taking care of purchasing know so that more can be ordered."

"And what if he doesn't do it?" the CEO persisted—this time, surely, the operator would have no more clever answers.

After a pause, the operator told him simply, "It's a question of good manners, *Monsieur*," took what he needed, and excused himself.

The visitor's interlocutor was not simply an uncommonly polite machine operator in a brass foundry. He was the product of FAVI's liberated culture. And what he called "good manners" were, in fact, the norms that serve in the place of top-down rules when a company is free. The visiting CEO might well have left thinking he couldn't entrust his company to "good manners." But then again, even the strictest rules are only as good as people's willingness to follow them. The great intellectual error of bureaucrats everywhere is to assume that because something is called a rule, it's preferable to a less formal arrangement. And yet most of those rules are not only great morale sappers, they're preventing the vast majority of your employees from doing the right thing. The rules become so stifling that the only way for people to do a good job is to go around them—sometimes at great cost. At the same time, they are, as likely as not, failing to prevent the tiny minority of potential malefactors from doing your business harm. In these times, can you afford to continue stifling the vast majority of your people instead of giving them a chance to help your business?