Value-Based Empowerment

By

Curt J. Howes

Introduction

From almost the day he could walk, Kelly Eastman was an avid baseball fan. Growing up in the small town of American Fork, Utah, he played high school baseball himself, and then, years later, supported his sons as they played in high school, college, and on professional farm teams. Kelly also happened to be skilled in carpentry and woodworking. In 1998, he and his son Tyler took a step back from their love for playing the game and took a hard look at the tools of the sport. This shift stemmed from their belief that it is the baseball bat that largely determines whether players win or lose--and that their salaries are highly dependent on their batting averages (except of course, for pitchers). Part of what they considered was what changes had been made in the wooden bat over the years.

Most of us who love baseball grew up with the Louisville Slugger as our only option as we stood up to the plate. Kelly was amazed that, with the exception of a few new manufacturers, little had changed over the decades in the basic makeup of the most critical tool in Major League Baseball. Bats were mostly made of ash and would splinter after repeated use. (High school and college teams had largely gone to metal bats.)

Kelly started testing some of the ideas he and Tyler had, using the lathe in his garage. His goal was to make a better bat, and to that ended he experimented with the selection of wood, the cut, and the finish. As he perfected his formula for a better bat, he found that maple was better than of ash and that there were better ways to paint them. He also found that turning a bat on traditional lathes reduced its structural integrity.

He developed a better way to address each of these deficiencies, which included purchasing a higher quality lathe and creating a new finishing process. What started out as a curiosity, driven by his personal drive, passion, and vision, turned into the development of a high–end, quality bat capable of competing in the tightly insular culture of Major League Baseball. In other words, Kelly and Tyler had developed a clear value proposition that differentiated them from competitors.

With the prototype in hand, they faced the challenge of moving their product to market, which they viewed as highly motivating and empowering. They first tested their new bats with family members and then through informal contacts. They then gave bats away to professional players they knew to develop a customer base. Kelly's wife, Charlette, contacted professional sports agents, players, and equipment managers, encouraging them to also try out the bats. She and her sons even waited outside spring training camps to catch players returning to their cars and give them free bats. Their grassroots efforts were the beginning of the Zinger Bat Company.

The odds of breaking into a tightly controlled, niche market were remarkably high, even for existing companies. But for an unknown new manufacturer, the odds were astronomical. But Kelly did it. Through perseverance, hard work, and a belief in his vision for a superior bat, Kelly and his family created and marketed their product to an elite group of professional baseball players. Zinger Bats is now a respected product used by many professional baseball players. In fact, in 2003 a Zinger Bat was enshrined in the Baseball Hall of Fame for a key home run in extra innings of game six of the World Series.

How did this come about? How does someone bring something to be that never existed before? **By Value Based Empowerment.** Sure, you have to have a "big idea", but the ultimate motivating force to unleash superior performance that rises above the odds is self-driven empowerment: The motivating force of action, driven by the vision of creating superior value. Zinger bats are now manufactured in Arizona and are supplied to a broad audience, ranging from Little League to Professional teams. Without a vision, without creating something of superior value, and without the motivation and empowerment to make something happen, Zinger Bats would still be an elusive dream.

In 2011, I consulted with an organization in the Middle East that focused on protecting women and children against domestic violence. This group had a staff of doctors, nurses, and aids that provided support at the hospitals they were associated with, and also through a call center. As we met and considered serving the 28 million people in a country spread across 839-million square miles, it was clear that this organization was spread too thin and needed to transform what it focused on. This led to an analysis of how a very dedicated group of professionals could play to their strengths and thereby deliver the greatest value.

After lengthy discussion and analysis, we defined three primary roles:

1. Provide coordinated integration for all institutions within this country that dealt with domestic violence—from schools, to hospitals, to police and private counselors—to effectively attack this issue,
2. Be an advocate to help pass legislation that would provide the proper legal avenues, and
3. Focus on prevention, leaving protection and incident responses to other resources.

This was a step change from the organization's previous role of providing local hospitals with service support and counseling victims who called in for help. However, others were better equipped to fill these roles. By moving to a new value proposition, the organization I worked with found it could multiply its influence one thousand-fold in its society. Despite the obvious benefits, this was not any easy change, as it altered activities that many of the people were trained in, were comfortable doing, and had done for years. However, over time, the leaders and staff were reinvigorated with a fresh new start and excitement around delivering a high value-based need. The changes were empowering. (It probably helped that the King's daughter was our sponsor client.)

All organizations are concerned about, advocate, and profess their pursuit of outstanding performance. But until they define their unique value proposition, they can't really know what that exceptional performance is. A high performance culture is precipitated by norms and behavior that exist for the single purpose of delivering its value proposition at a level that exceeds customer expectations, and leaves the competition behind. That is empowering. Work that is overly task focused is disempowering.

The process we helped facilitate is how most new or transformed organizations start. However, as an organization grows and increases in complexity over time, its initial overarching value often get lost in the coordination of day–to-day activities driven by tasks. As employees or leaders, we join a company, Organization Performance Strategies

we are assigned responsibilities around specific work activities embedded in roles (tasks), these are documented in outdated job descriptions, and we go to work. Those in manufacturing can visibly see their contribution to a physical product—I know what an automobile looks like, and I can easily spot the dashboards I assembled at the end of each day. How that creates value for a customer is a separate question, but the assembly line worker doesn't have to worry about that (or does he?), because someone else is responsible for answering that question.

For those in the service sector, most workers are assigned responsibilities in the form of activities and tasks—what they do—but what they deliver is often intangible, thus making the direct value created harder to see. If I am a financial advisor, how do I know my advice is good when the market crashes the week after I recommend an investment portfolio? As we move to the support functions in organizations, which are farther removed from external customers, the value employees deliver becomes even more difficult to define. If I'm an IT manager and implement a new ERP system, how do I know it creates value as defined by the strategy of the company? The further removed from knowing what the actual value creation is, the more the degree of freedom people have to do what they like. They may believe they are creating value in their own mind's eye, but it can't necessarily be proven for the larger organization.

The question for all sectors of work is, what is the true value each person is creating? We can measure hours spent, the times people clock in and out, tasks accomplished, and widgets produced; but do those instruments really measure value? And, to take this a step further, do we even know or have agreement on what the required value is? Or do we rely on the old saying, "I'll know it when I see it"?

In the case of entrepreneurs, they fall under a different guise because they are usually chasing a clearly defined value-based idea from the beginning. They do perform tasks, but they are not driven by tasks. They are driven to create something of value for others that they can build a business around. If they don't find customers for their value proposition, they are out of business pretty fast. However, as their organization grows and hires the people needed to create and deliver more value, the initial value proposition seems to get lost. This is the almost inevitable result of work becoming more task based, given the complexity of size and, more important, as workers get more removed from the end customer.

Traditional Management Model

It is my proposition that, given the above process, the exercise of traditional management that started primarily in the industrial age and continues today sub-optimizes the performance of an organization. Why? Because this form of management is task based and not value driven. Even assembly workers, if they know the value they are creating, will generally find ways to improve on the way they perform.

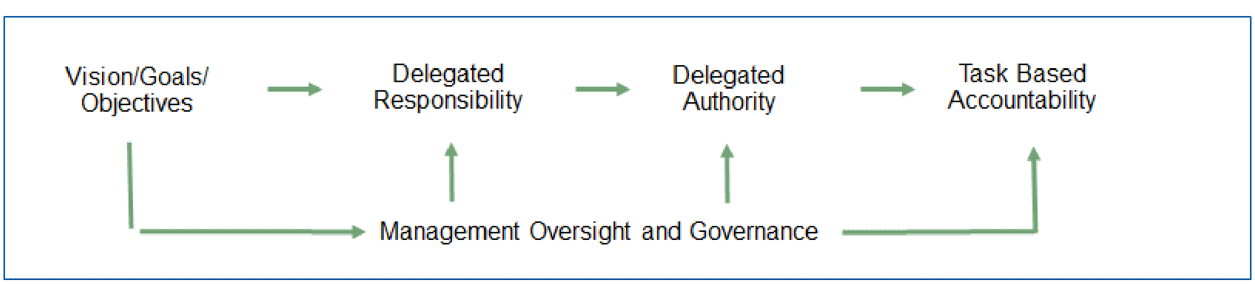
As an example, the managers in a chemical plant were getting frequent complaints from customers about one of their products. There were several ingredients and formulas that went into producing this particular chemical, but the operators were well trained in operating the unit that produced it. To find the source of the problem, they started a quality management system wherein they could track several quality indicators. They used quality control sheets to see that these parameters were maintained within the given target ranges. Finally, the managers asked the operators why they weren't keeping the purity of the product at a specific level. The operators indicated that they had been trained to keep it between set ranges, but if they needed to work with a different set of ranges—in other words, if that was what the customer wanted—it would be very easy for them to make the proper formula adjustments. They were doing their task the best they could, given what they had been trained to do. This was the first time they had been told that the purity factor was a value-based requirement of the customer. Up to this point, they had been evaluated on throughput and on uptime. Was the problem the operators' fault? No! Did they know what the value-based requirements were? No! Were they evaluated on those requirements? No! Did they want to create value for the customer? Yes! Could they have made all the changes to deliver the value-based requirements had they been given the role of value drivers? Yes, quite easily!

More often than not, the problems we face in organizations are in the system, not in the people. You get the performance your system is designed to produce – intentionally or unintentionally.

Most current management systems are useful in producing a lot of work, but not necessarily value. They are rooted in Taylorism from the turn of the 20th century, and they are focused on volume and efficiency. This traditional management model has served organizations well through the last century, but in the 21st century, it has inherent limitations, most of which can be boiled down to systems that are not primarily focused on delivering value.

As one example, in the 21st century, social media provides immediate transfer of information and communication. A phenomenon was witnessed in the summer of 2014 when many Americans participated in the ALS ice bucket challenge. As individuals took a recorded cold splash of ice water that was broadcast on Facebook, an unprecedented $70 million dollars was raised in a few months, compared to past years when the ALS Foundation raised only a few million during similar periods. A typical management approach would have overanalyzed an approach that may have taken years to launch and, as in the past, produced modest returns. In another example, one company assigned a team to implement a new invoice validation system with a clear objective and timeline. Like a horse going to the barn, the team became extremely task-oriented developing a solution that worked well for one part of the organization, but was not necessary for another part; in fact, it would have brought the processing of invoices to a grinding halt. How could that happen with a group of bright, rational people? The drive for task-based objectives and meeting a time schedule led to tunnel vision, instead of team members stepping back and assessing the value creation required for the whole enterprise.

Traditional Management Model



The traditional management model starts with a critical focus around the vision and goals of the organization. That is a good thing. As it gets translated down to the next level, the focus becomes more specific around objectives that then turn into the work required to complete those objectives. Nothing is wrong with that either, other than as it goes to the next level, the focus becomes very task-oriented. The problems arise when the value proposition gets lost in translation. Then you end up with employees who figure they've done their job if they've clocked in and clocked out on time, or if they've completed a sufficient number of activity-based tasks. When they return home at the end of the day and are asked by their spouse how work was, their normal response is, "I was really busy today!" Rarely will they respond in terms of the value that they created, likely because they don't know what that was!

This model also sub-optimizes performance, given the limitations of the management system that is employed. Typically, such systems require that work be turned into key objectives that are coordinated with all the objectives of everyone else—even when those linkages aren't synchronized. They are dependent on responsibility being effectively handed off from one person to another. A baton gets passed; but, if it is not clearly defined, it can get dropped, duplicated, or sent off on the wrong track. As an example, I was asked to work on a project that a senior manager thought a senior executive had requested. So he turned the perceived request into a six-month project. When we presented the results, the senior executive indicated that our efforts weren't what he wanted, and he set us off on a different project. Before that presentation, my group had been praised by the senior manager for the great work we had done. The only trouble was that we were doing the wrong work. So, another four-month project followed. I can't guarantee we created value, but at least the second time around we met the objective of the executive, so he was satisfied.

Many people complain that, when given a responsibility, they don't have the authority to make decisions that will move their portion of the work forward. The work gets done to a point, but then sits—in a warehouse or in a cubicle or in cyberspace—while others put everything on hold or wait to make a decision. Decision-makers often need and want broad support, so it might take time to get the consensus of all those involved before a decision is made, which allows the work to move toward the next major decision point. The basis of such decisions is often in question, because the decision-makers have not agreed on the value that is expected or on what they hope to create as a result of the decision. Therefore, the final decision made may be the result of personal opinions, biases, conformance to group expectations, like-minded polarization, or who yells the loudest or wields the most power.

Another breakdown is accountability. In this case, there is a lack of follow-up to see if expectations are met, because they might not have been clearly communicated in the first case. Or, since the value proposition is not clear, there is not an effective basis of accountability other than was the task completed or not, with all the "bells and whistles" that packages it for looks rather than value. I'm not suggesting that presentation is not important, but sometimes the real value gets overshadowed by the packaging.

Governance and management oversight is expected throughout the process. However, it tends to be geared toward completion of specific tasks, not value creation. Even more important in the oversight is how each section of work is synchronized together to optimize the overall value and performance, but this step is rarely taken. Is manufacturing filling the required orders for sales, is human resources providing the people to deliver the skills and capabilities, has purchasing optimized the purchasing contracts based on quality and not just on costs? Management governance is more like an audit committee checking to ensure that policies are followed and that actions and decision are taken within the approval guidelines. In such a system, the objective of true value delivered is lost, because it wasn't clearly defined in the first place.

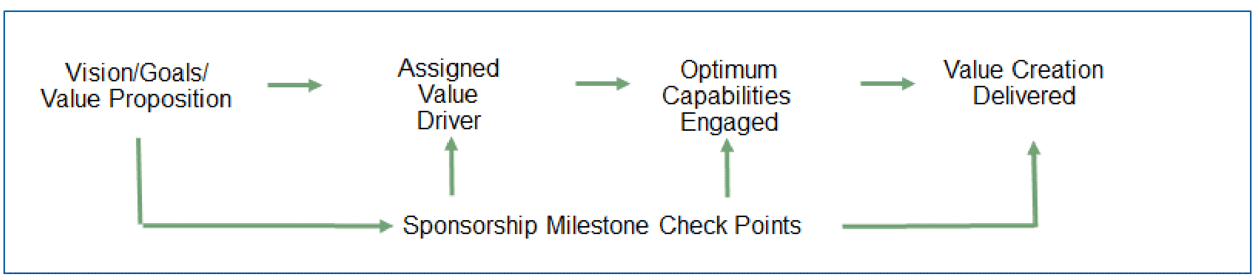
This may sound a bit cynical, and there are good managers getting high quality work, but the breakdowns are frequent enough that there are huge opportunities to jump to the next level by focusing on value creation.

Value-Based Empowerment

It is time to move to a value driven performance management model—Value-Based Empowerment!

These words are not new. Managers, employees, customers, and shareholders throw the words "value-based" around all the time. A manager just has to say, "We are all about creating value," and everyone will nod in agreement. But these exclamations fall short because they're not followed by clearly defining and agreeing on what real value is. Empowerment has also been a popular leadership term for decades; but, here again, it rarely reflects reality. Everyone agrees they want it, but nobody feels that they have it. In fact, some see empowerment as a path to chaos or anarchy. What is missing is putting it into a management model or system that bring the two terms together in a way that creates a break from a traditional management model and results in a new way of leading.

Value Based Empowerment Model



Note that this model also starts with the visions and goals. But instead of jumping directly to objectives, the next step is to create the value proposition at the front end. This is the key step to creating the definition and alignment of all involved. There is an order to developing a value proposition in order to satisfy all stakeholders. For the Board and Management (front end), they want the value proposition aligned to the company's vision, goals, and strategies. That likely includes certain financial and strategic positioning targets. The next step is to go to the customer (back end) to focus on what they value in a product or service, and that provides competitive positioning and differentiation. That is what is required for the primary determination of value creation. There are other stakeholders that need to be thought of in the value proposition process, such as employees, community, and government. While these may feed into the calibration or ways to meet ancillary needs and they may even be critical to enterprise success, they are secondary to the primary value creation definition process.

The late Steve Jobs, former CEO of Apple, did one of the best jobs of defining value creation. His strategy was tightly focused on creating value around a few new breakthrough products, with each centered on the value proposition of keeping them technologically superior, simple, artistic, and user friendly. Each was tied to an overarching vision of being the best at providing superior products that brought value to Apple's customers. After creating that vision, he then created goals for each product line and strategies to achieve those goals. He then followed with a strong marketing campaign centered on his own personalized, powerful launch in jeans and a his trademark black half turtleneck. Everything that everyone did had to build from that strategic direction. He would ask his people to achieve value by doing things that some thought was technically impossible; but he would push unrelentingly, and they would somehow find the breakthrough technology to make it happen.

As another example, a recent airline documentary on BMW featured commentators walking through a plant and interviewing various employees. In meeting with a specialist on how the door rings when it is open and closed, an employee was asked how he determined what the right tone was. His answer was swift: "To provide a sound for the model of car that confirms that for this product line the sound reinforces the message that this is the ultimate driving machine."

As you move down each level, having the overall value creation goal is reinforcing, but for each new project and level of work, the value needs to be made clear and specific for that level of work—in other words, understanding what the value proposition is for that focus. This begins with the leaders of each particular function or unit. Value is defined in two parts. The end part is what will be the value experienced by the end user. This may be efficient communication, stylistic satisfaction, keeping all of one's activities coordinated on one device with ease of use. The second part is what needs to be developed or created to deliver that value. It could be the look, price, functionality, or aftermarket support of the device itself that is the instrument to produce the desired experience by the end customer.

Harvard Professor Clayton Christensen conducted a study on why McDonald's was seeing an increase in the sales of milkshakes in the morning drive thru windows. This trend seemed to run counter to when most people would drink milkshakes. When Christensen's group interviewed a number of customers, what they found was very interesting. People on their way to work liked to be able to buy something from their car that would satisfy their mid-morning hunger and that would help hold them over until lunch. Milkshakes were satisfying in that they were filling, they could be eaten through a straw while driving, and they had a satisfying texture and taste. As a result of this study, McDonald's worked on additional product lines to better satisfy this valued experience desired by some of its customers. The products were merely the means to the value-based customer experience. Christensen refers to this value creation process as the job the service or product is designed to deliver.

The next step, once the value proposition is defined, is to assign a value driver—the person who will drive all activity to make it happen. Note that this is not delegating a task; instead, it is giving the charge and responsibility to a specific individual (or group) to ensure that the value proposition is achieved. Having a person on point to drive that provides clear understanding of who everyone needs to work with to deliver that desired value. This step also provides employees with the empowerment to deliver something of value without all the details of how to do it. We know from Hertzberg's early work on work motivators vs. hygiene factors that owning a whole piece of work with the right level of autonomy to carry it out is highly motivating. Leaders can be coaches to support, but we also know from the same research that over-encroaching management are hygiene factors that can lead to high demotivation.

The value driver (assigned employee) is now clearly aligned to the value they are to create. But they usually can't do it on their own. That takes us to the next step in the model, Optimum Capabilities Engaged. They need resources, and they need the best resources required to get to the end result. These resources often don't neatly fit within their own function, but may be distributed across the organization. This immediately leads to what could be the first deal-breaker in the process: hierarchy. When organizations are broken into silos that hold tightly to their resources, they are preventing the delivery of higher value creation in support of the larger goal. There are always tradeoffs, but the key is to get the best resources where available, even if it is for advisory roles given to those who have competing responsibilities. This requires organizations to be more flexible in how they are organized. Network based organizations, sometimes with pools of flexible resources, can most effectively respond to these needs. That is how most consulting organizations are organized so that they have the flexibility to allocate resources to specific projects. Traditional management structures can get in the way, particularly since real value creation is often created by work conducted horizontally across the structure, depending on how the company is organized.

Once the resources are engaged with their specific roles to contribute to delivering the value proposition, they are on the path to Value Creation Delivered. Project Management is a useful tool to manage and coordinate forward progress. The plan includes milestones with checkpoints for the leaders or sponsors to engage, help with any real-time course corrections, and help in removing barriers and providing resources—all toward the end goal of achieving the value proposition. This may smell a bit of the other model that includes management oversight and governance, but the role the sponsor plays is significantly different. Most change efforts or initiatives fail (up to 75%) without strong sponsorship and champions to support and set the stage for acceptance by the organization. By legitimizing the effort, sponsorship also creates the endorsement for what could lead to internal changes. Pushing leaders and employees out of their comfort zone, or their traditional way of doing things, almost invariably leads to change. Without sponsorship, the organization will often take the course of least resistance since it might not match the mental model from its past way of doing things.

A perfect example of this is the story of Billy Beane, the general manager in charge of staffing for the Oakland Athletics baseball team in 2002, who was portrayed in the book and movie, *Moneyball*. The challenge for the Athletics was that they could not compete with the likes of the New York Yankees in recruiting talent, given their measly budget of $41 million, vs the $150 million the Yankees spent. Beane realized that success would require a totally different strategy, but he wasn't sure what that strategy was. Then he teamed with an assistant general manager, Peter Brand, an economist from Harvard (the movie indicates Yale, which is incorrect), who was able to identify a formula for success based on times getting on base, rather than on all the traditional stats.

Peter developed statistical algorithms, different from the models used for decades. The two men were able to recruit highly undervalued players that matched their differentiating success factors at a fraction of what highly sought-after players cost. As Beane initiated this new approach, his own scouts resisted it and thought he had totally lost his mind. They declared that his plan was the path to failure. At the beginning, the A's did lose the majority of their games. This just reinforced the belief the scouts had about Beane's craziness. But Billy Beane believed in the potential of this model and stayed the course with his assistant, despite significant resistance. Then they started to win games. In fact, this approach was so successful that the A's won 19 straight games, tying the American League record. They competed at the same level as all the teams in the league, which they wouldn't have done otherwise.

Without the strong sponsorship of Billy Beane for the approach of his assistant general manager, none of this would have happened. Defying tradition is extraordinarily hard, while going with tradition is easy. This is the role of sponsorship in Value-Based Empowerment, to sponsor taking an organization somewhere it has never been before. More often than not, those who should be leading the change behave like junior employees, torpedoing what is new and different from their way of doing things.

When people are focused on what creates real value and makes a real difference, it is intoxicatingly motivating. Most people love what they do, and they will knock down walls to make things happen. With the proper organizational support, the organization becomes highly motivated to deliver value. And, in the process, fiefdoms vanish and political wars evaporate.

Conclusion

There has been a century of great success using the traditional management model, and it will probably find periodic short-term successes in the near future. However, in today's global markets, fast cycle time, discerning customers who have discriminating taste, instant information analysis, and high expectations will require a higher focus on meeting the value-based needs of customers and stakeholders to be successful.

Moving to this model will require a retooling of leaders and the way they lead. It will require more flexible organizational structures. It will require a more focused way of measuring progress to success. In short, for some it will require an entire transformation. For many it will feel right, be more motivating, and will match what they have always wanted to do. As in all change, transitioning to this model will require an effective change plan. Some organizations may want to start small and blend the front-end value proposition into the front end of their traditional model. Some may find managers who are more comfortable with the old way and reject doing something new. After all, it is hard to learn new things outside your comfort zone, even though the company may need it.

At a W. Edwards Deming conference, back in the days when Quality Management was in vogue, he told of an incident wherein some of his workshop participants returned to their company and eliminated the quality control checkers at the end of their manufacturing line, based on his advice to build quality into the system. They returned to tell Deming that Quality Management didn't work, because their quality decreased based on his advice. He smiled and responded, "You can't eliminate your old system, when you haven't built the new quality system upstream in your production line. Do that first, then when your quality stabilizes and you have control through each employee in the process, you can eliminate the control checkers at the end of the assembly line."

Leaders who drive the delivery of value at each level of their organization will reap highly focused benefits, short and long term. In the end, the outcomes will depend on the system that is built: value-based empowerment or task-based compliance. Value-based empowerment is both a mindset and a practice. Good luck in your journey in empowering your people to create and deliver value!

About the Author

After earning a Master's degree in Organizational Communications and Business at Brigham Young University and pursuing doctoral studies at Rutgers, Curt J. Howes worked for eighteen years at Exxon, where his responsibilities included leadership development and advanced management education. He then went to Accenture for eight years and was Associate Partner for the Organization Change Strategy practice in the Resources Sector.

He is currently the founder and President of Organization Performance Strategies. Curt has consulted with numerous international organizations, including Cobalt International Energy (Houston, Texas), Mecca Municipality (Saudi Arabia), Orascom (Egypt), Protection of Women and Children (Saudi Arabia), and the Royal Commission for Jubail and Yanbu (Saudi Arabia), Tosco (Phoenix, Arizona), BP Angola (London & Angola), TNK-BP (Moscow) BG (Brisbane, Australia), Exxon affiliates (U.S.A.), TXU (Dallas, Texas), Aramco (Saudi Arabia), PDVSA (Venezuela), ADNOC (Abu Dhabi), Ministry of Water and Electricity (Saudi Arabia), to name a few.

In addition to his consulting practice, Curt serves on the Advisory Board of BYU's MBA OB/HR program and teaches case study classes for both BYU and Utah State University MBA Programs.

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