

To Be a Better Leader, Give Up Authority

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In chaotic times, an executive's instinct may be to strive for greater efficiency by tightening control. But the truth is that relinquishing authority and giving employees considerable autonomy can boost innovation and success at knowledge firms, even during crises. Our research provides hard evidence that leaders who give in to the urge to clamp down can end up doing their companies a serious disservice.

Although business thinkers have long proposed that companies can engage workers and stimulate innovation by abdicating control—establishing nonhierarchical teams that focus on various issues and allowing those teams to make most of the company's decisions—guidance on implementing such a policy is lacking. So is evidence of its consequences. Indeed, companies that actually practice abdication of control are rare. Two of them, however, compellingly demonstrate that if it's implemented properly, this counterintuitive idea can dramatically improve results.

In response to poor financial performance in 2007, CSC Germany, a division of the \$17 billion worldwide IT consulting and services firm, at first took the usual approach of increasing control and efficiency. The result was a further decline. When the division's leaders did the opposite—relaxed control and gave employees the freedom to do things as they saw fit—the outcome was resounding success.

Responding to an initiative by its parent company to rethink management practices, CSC Germany experimented with a no-control approach within the 60-employee Enterprise Content Management (ECM) unit. To encourage the development of a knowledge culture, the division began using peer group supervision and relying on in-house coaches to do both one-on-one and team coaching at all levels. The results were so impressive that CSC Germany took the approach to its 34-employee IT Architecture Consulting unit.

In April 2009 ECM's revenue, after dipping in December 2008, rose sharply and continued upward. IT Architecture Consulting, which had been performing poorly, showed marked improvement on a productivity measure known as utilization in the months after control was relaxed. CSC is moving to spread this new management style across more of its divisions.

The telecom-component supplier ANADIGICS took the no-control approach nearly a decade earlier. The \$250 million company had found that its centralized, authority-driven structure couldn't respond to the fast-moving industry's challenges and opportunities. In 1998 Bami Bastani (who contributed to the preparation of this article), then ANADIGICS's new CEO, distributed authority to employees on the basis of their ability to respond to changes in the market, so that they could make speedy decisions. Within two years revenue had doubled and the company reached solid profitability, with quarterly gross margins improving to more than 50%.

Subsequently, high tech suffered a severe downturn from 2000 through 2005. Downturns create an even greater need for innovation in products, behaviors, and organizational structures—and thus an opportunity for the no-authority approach. ANADIGICS employees focused their energies on 3G wireless technology and thus positioned themselves well to emerge from the downturn. When the sector revived, the company achieved growth for 13 consecutive quarters, through mid-2008.

CSC Germany and ANADIGICS are more than just a pair of outlier data points. Their

experiences lend credence to the notion that companies reliant on knowledge and innovation should abandon the traditional structure in which decision rights are reserved for people at the top.

Furthermore, we've found that contrary to what many CEOs assume, leadership is not really about delegating tasks and monitoring results; it is about imbuing the entire workforce with a sense of responsibility for the business. This applies mainly to knowledge organizations, but even production-oriented companies can benefit from having employees who feel more empowered and engaged.

If abdication of authority is to yield value for the corporation, however, individuals must be self-motivated. CSC Germany does this by allowing employees to work on the one of five topics that best utilizes their talents and excites their interest. This involves joining a topic community, such as the one focusing on strategy and innovation. Issues are discussed in these groups until all participants come to an agreement, and leadership within the groups shifts frequently, settling on individuals who have the most competence in the areas of focus and are accepted by others as leaders.

We call such practices "mutualism." It involves measuring workers not against revenue or other numerical goals, which we have observed to be ineffective as motivational tools, but against qualitative values such as trust, responsibility, and innovation. And it implies that leaders don't dictate vision or strategy; instead, they enable employees to create a common vision through, for example, off-sites for discussion of strategic issues and regular feedback and education. Hitting numerical goals has been the natural outcome.

Relaxation of control can benefit any knowledge company, but particularly in certain circumstances: when the organization begins to miss opportunities because it can't understand or respond to market demands; when work is impaired because employees feel excessively pressured and harbor dissatisfaction; and when crises imperil the business. Then mutualism is the best way to c the power of employees' creativity.