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# Use hierarchy for "liberating servant leadership" instead of controlling employees

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## Abstract

Since the Industrial Revolution, management has relied on hierarchy to control assets and employees. The negative impact of that hierarchical control on employee performance has long been recognized, yet in spite of expert and scholarly attempts to solve these problems hierarchical control generally continues to dominate management theory and practices. This article argues that is because these problems are rooted not in hierarchy, but rather in organizational expectations of hierarchy. Hierarchy emphasizing "liberating servant leadership" (Dr. Isaac Getz of the ESCP Business School in Paris introduced the term "liberating leadership," the French equivalent of which "entreprise libérée" has become a household term in France. Max De Pree suggested the leader must become a servant in *Leadership is an Art*. This combines the two concepts.) instead of controlling employees can produce extraordinary business results. Eighteen innovative CEOs (The innovative CEOs and their successful companies in alphabetical order are Bill Gore, W.L. Gore Company; Bob Beyster, Science Applications International Corporation; Bob Davids, Radica Games & Sea Smoke Vineyard and Winery; Bob Koski, Sun Hydraulics; Bob Townsend, AVIS; David Kelley, IDEO; Garry Ridge, WD-40; Gordon Forward, Chaparral Steel; Harry Quadracci, Quad/Graphics; Herb Kelleher, Southwest Airlines; Jeff Westphal, Vertex; Ken Iverson, Nucor Steel; Kim Jordan, New Belgium Brewing; Max De Pree, Herman Miller; Paul Staley, PQ Corporation; Rich Teerlink, Harley Davidson; Robert McDermott, USAA Insurance; and Stan Richards, The Richards Group. Additional details about each leader can be found in the books *Freedom, Inc.* by Brian Carney and Isaac Getz and *Questioning Corporate Hierarchy* by Paul Staley and Bill Nobles.) whom I have studied discovered this by trial and error while trying to take advantage of Douglas McGregor's Theory Y. Their leadership changed the design of their organizations. Believing that individuals can drive themselves more effectively than managers can, these CEOs sought to create conditions in which associates committed themselves to organizational objectives, and satisfied their ego and self-development needs. The CEOs relied on hierarchy to control financial assets, but fundamentally changed the human dimension. The organizational roles traditionally called "middle managers" responsible for controlling employees became "liberating servant leaders" responsible for ensuring that associates had everything needed to freely self-control and self-coordinate their efforts. The resulting self-motivated, creative employees played key roles in each CEO's company being extraordinarily successful. These experiences provide a foundation for transforming the human role of hierarchy in organizational design.

**Keywords:** Empowerment, Freedom, Hierarchy, Culture, Liberating servant leadership

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## Discussion

A key problem of contemporary organizations is how to harness the values of hierarchy for focus and direction yet set the stage so that individuals have the freedom to fully contribute. Since the Industrial Revolution, managers have relied on hierarchy to control employees and assets like finances, property, equipment, and technologies. A century ago, leaders like 3M CEO William L. McKnight began to recognize the negative impacts of hierarchical control on employee performance—"If you put fences around people, you get sheep. Give people the room they need." (Carney and Getz 2009) Many organizations have tried solutions like reducing hierarchy, flattening structures and teams, and empowering employees with less success than expected because they continued to rely on hierarchy to control employees.

Sixty years ago, McGregor (1960) offered a potentially different solution recommending a management paradigm shift from the "Theory X" beliefs about human nature underlying traditional hierarchical control to a "Theory Y" view, which Avis CEO Bob Townsend summarized as:

1. People do not hate work. It can be as natural as rest or play.
2. They do not have to be forced or threatened. If they commit themselves to mutual objectives, they will drive themselves more effectively than managers can drive them.
3. But they will commit themselves only to the extent they can see ways of satisfying their ego and development needs. (Townsend 1970)

McGregor was so convinced of "Theory Y" superiority that he predicted the death of "Theory X" organizations within a decade (Carney and Getz 2009). Unfortunately, however, McGregor failed to recognize that hierarchical control itself conflicts with employee ego and development needs. As a result, six decades of mainstream management and business schools trying to capitalize on Theory Y has ended up wrestling with such conflict-caused problems, while capturing few of the benefits.

More recent attempts to eliminate hierarchical control like "Holacracy" in Zappos suffered similar conflicts because management only changed the means of controlling employees from hierarchy to tightly controlling implementation and operation of the "self-managed teams." (Bernstein and Nohria 2016)

Writing about these issues recently, Dr. Ranjay Gulati, chair of Harvard Business School's Advanced Management Program for executives, summarized the current situation, "Little has changed, sadly… I have heard numerous firsthand accounts attesting to organizations' ingrained habits of control. In one memorable conversation, an HR executive of a major U.S. multinational lamented that freedom in a corporate context is, in the end, an 'impossible dream.'" (Gulati 2018)

My analysis suggests that contemporary organizations can address this problem by designing the CEO role to create a culture and a set of expectations for hierarchy. This is based on the experiences of 18 innovative CEOs, whom I have studied directly or through their testimonies, and who fully capitalized on Theory Y by expanding individual freedom to contribute. These leaders built extraordinarily successful companies by creating conditions in which individuals committed themselves to organizational objectives and satisfied their ego and self-development needs. In hindsight, their successes transformed the human dimension of hierarchy

to emphasize "liberating servant leadership"—rather than hierarchically controlling employees.[1]

### Earning individual commitment

The CEO foundation for this was a compelling vision of company success. This provided what W. Edwards Deming called "constancy of purpose" (Deming 2000), an element missing where management's frequently changing signals produce confusion and employee cynicism. Herb Kelleher, one of the 18, provided a good vision example.

> Southwest Airlines "is dedicated to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit." The company aspires to provide employees "a stable work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of Southwest Airlines. Above all, Employees will be provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest Customer." (Kelleher 2017)

The CEOs also shared with employees the extrinsic and intrinsic rewards of their efforts through profit sharing, stock ownership, and showing appreciation. To avoid confusion, they educated everybody on the roles profits play in a free market system, especially how the only real job security is business success. Finally, with a goal of encouraging individuals to think and act like business owners, they educated everybody on fundamentals of accounting like how profits and cash flows are calculated, and provided open access to financial records.

### Satisfying ego and self-development needs

The foundation here was each CEO designing the role to practice "leadership without ego"—in most cases without realizing it. CEO Bob Davids described how all leaders seek support from the people working with them—i.e., the power to influence others. When people give that support and power, they watch to see how the leader uses it—does he or she use power for the people or selfishly? When a leader uses power for the people's benefit, they naturally entrust him with more because that satisfies their needs. However, when a leader uses power selfishly, that support falters and goes away. A leader without ego also subordinates herself or himself by trusting people and letting them act. Finally, there can be no dual standards or special privileges, which can be "the cancer of an organization and culture." (Davids et al. 2019)

Second, recognizing how hierarchical control reflects management's distrust in people and conflicts with their development and ego needs, the CEOs emphasized freedom in the workplace (Staley and Nobles 2017). Consistent with Maslow's observation that human growth requires "freedom to effectuate one's own ideas .., to try things out, to make experiments and mistakes" (Maslow 1965), individuals were encouraged to learn from mistakes and failure. This positive attitude toward failure also supported

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[1]Management succession has changed the expectations of hierarchy in several companies mainly because the unique characteristics were built by intuition and not explicitly documented.

organizational creativity—remembering for example that Thomas Edison tried more than a thousand filaments before "seeing the light." (Staley and Nobles 2017)

Third, the CEOs relied on hierarchy to control company assets, but learned to do that without controlling individuals by distributing property rights and spending authorities. They also used hierarchy to handle issues like division of labor, distributing decision authority, and setting responsibilities. But consistent with the emphasis on individual freedom to contribute, they transformed "middle manager" roles into "liberating servant leaders" focused on:

– Ensuring that individuals understood the organizational vision of success and how personal responsibilities supported it and
– Making sure that individuals had everything needed to freely fulfill their daily responsibilities, to develop their potential, and to take full advantage of their growing capabilities.

The resulting structures eliminated supervisor/subordinate issues as middle leaders served their associates. Since the span of control was no longer an issue, top management experimented with how many middle leaders were required to satisfy individual needs. Organizational units had transparent boundaries to encourage individuals to self-coordinate with other organizations. Finally, the structures used internal markets to transfer costs for services provided another unit.

Fourth, these companies operated on the philosophy that all persons deserve equal respect. Individuals were expected to manage their own development since growth comes from within and cannot be done to a person. But the liberating servant leaders coached and provided access to resources, training, and opportunities. The transparent boundaries also exposed opportunities in other units that might better fit individual interests, skills, or capabilities.

Finally, the CEOs emphasized cultural values like these to encourage and enable growth—self-responsibility; accountability; trust; free flow of information; freedom from arbitrary limits like work hours and dress; humility, especially among leaders; and teamwork/community.

I think the concept of "individual freedom in the workplace" captures this new system. This freedom along with explicit management efforts to harmonize individual needs with those of the business enabled these CEOs to take full advantage of Theory Y by earning and sustaining strong individual commitment to company success. This contrasts with the experiences of leaders who relied on hierarchical control and could not earn such commitment since control communicated a lack of trust in their employees and conflicted with their ego and development needs.[2]

## Business benefits
The widespread experimentation gradually exposed how emphasizing leadership, trust, and individual freedom to think and act independently on behalf of the organization, to express themselves, and to achieve self-fulfillment improves personal and organizational effectiveness.

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[2]Chapter 6 of *Questioning Corporate Hierarchy* details these conflicts.

*Freedom revolutionizes personal effectiveness*

- Growth and development provide the greatest increase. Bob Townsend told how when he became Avis CEO, others assured him that nobody in headquarters was any good. Yet after only 3 years of building his Theory Y culture, Townsend's boss, the ITT President, commented after spending a day with those very same headquarters people, "I've never seen such depth of management; why I've already spotted three chief executive officers." (Townsend 1970)
- Freedom brings forth invaluable, innate human virtues discouraged by hierarchical control such as self-responsibility, "can do" attitudes, independence, voluntary cooperation, risk-taking, and human ingenuity." (Staley and Nobles 2017)
- Finally, freedom encourages everybody to think and act like a business owner—obsessed with creating value. In fact, freely functioning individuals behave more like creative entrepreneurs focused on their company's success than traditional employees.

*Freedom enables organizations to take advantage of self-organizing spontaneous order, which transforms organizational effectiveness and enhances the evolving design of the organization itself*

- The ability to utilize personal knowledge improves dramatically when individuals no longer fear being wrong—especially the tacit and unproven knowledge, which rarely surfaces under hierarchical control. The value of such knowledge can be extraordinary in a fast-changing world where frontline associates have the timeliest information about customers and competition. A competitor told PQ CEO Paul Staley, "Your advantage in understanding customers leaves the rest of us with no option to compete other than cutting prices." (Staley and Nobles 2017)
- Freedom stimulates naturally learning organizations by developing all five disciplines Peter Senge identified in *The Fifth Discipline, The Art & Practice of the Learning Organization.* (Senge 1990)
- The freedom to learn from mistakes and failure encourages creative, individual-driven experimentation.
- The quality of decision-making improves when asking for help is viewed as responsible behavior, and everybody is aligned with the same vision for success.
- Freedom inoculates against corruption and misbehavior by opening access to business records and individuals acting like auditors because they share the financial rewards of success.

*Together, these effects can produce fundamentally different behaviors*

- Max De Pree described how motivation was not an issue, "Herman Miller employees bring that with them by the bushel." (De Pree 1989)
- Paul Staley described PQ Corporation as "one big damned laboratory of continual change and product innovation." (Staley and Nobles 2017)

- Twelve different Southwest Airlines functions including pilots, cabin stewards, baggage handlers, and caterers self-coordinate activities hundreds of times daily to turn around flights in half the industry average time—because planes make no money on the ground. (Staley and Nobles 2017)

## Conclusions

The insights shared here are described in more detail in the books *Freedom, Inc.* and *Questioning Corporate Hierarchy*, which further suggest that shifting management expectations of hierarchy has been powerful across many industries under differing conditions. For example, five of the freedom-oriented companies—Hewlett Packard, Nucor Steel, Herman Miller, Southwest Airlines, and Science Applications International Corporation—outperformed the S&P 500 for three decades each by factors of 7½, 9, 3, 10, and 6 respectively in five different industries (Staley and Nobles 2017). These books provide an excellent starting point for studying this fundamental shift in expectations for hierarchy, but there remain many issues to examine before we truly understand how to utilize hierarchy to emphasize leadership and freedom such as:

- Does freedom involve a double management paradigm shift involving McGregor's Theory X to Theory Y and a shift from "hierarchical control" to "liberating servant leadership"?[3] If so, what are the implications?
- How can we best shift from hierarchical control to liberating servant leadership in an existing company?
- Is "leadership without ego" an essential element? Bob Davids (Davids et al. 2019) suggests this is the world's scarcest resource, so what options are available to increase supply?
- Professor Isaac Getz teaches "liberating leadership" in France, but few business schools in this country offer leadership courses with none emphasizing liberating servant leadership. How can this gap be resolved?
- How do organizations and their boards of directors address CEO succession to insure that the next CEO after the "liberating servant leader" is capable of offering comparable pioneering leadership so the organization does not regress?

Finally, it is important to recognize that freedom penetrating inside companies offers powerful opportunities for society. Increasing the number of individuals who fully utilize their potential at work and share the resulting profits and increases in stock value they produce can help to correct today's "skewed distribution of wealth." There are also convincing arguments that freedom in the workplace has the potential to create new kinds of organizational designs that finally position capitalism to take full advantage of positive human capabilities.

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[3]The book *Questioning Corporate Hierarchy* refers to a similar paradigm shift as "hierarchical control" to "freedom-based management."

**Author's contributions**
Bill Nobles is the only author. The author read and approved the final manuscript.

**Authors' information**
Bill Nobles is an Executive Fellow of the Rutgers University School of Management and Labor Relations and a retired Exxon Corporation executive. In his last Exxon position, Bill formed and led Exxon Central Services Company, an organization of 600 employees and $100 million/year budget. He built a people-oriented culture guided by American Airlines CEO Bob Crandall's philosophy "that employees will rarely treat customers any better than management treats them," which produced extraordinary results in terms of cost reductions, customer satisfaction improvement, and personal impacts on employees.
After retiring early, he met Paul Staley, who had a similar, unexplainable culture change experience leading PQ Corporation. Their years of post-retirement research identified the key to these extraordinary results—freedom in the workplace, which is described in their book, *Questioning Corporate Hierarchy*.

**Availability of data and materials**
Data sharing is not applicable to this article as no datasets were generated or analyzed during the current study.

**Competing interests**
The author declares that he has no competing interests.

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