Leader of the Free Culture
Making the ideal organization a reality

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Truman is said to have mused about Eisenhower taking over the President's office, issuing orders only to discover that nothing gets done in the bureaucratic swamp. But this fine politician underestimated "Ike." President Eisenhower realized the bureaucracy problem on day one when an assistant handed him a *sealed* envelope: he promptly changed this time-wasting procedure. Later, he asked for memos to be kept to a one page maximum –instead of several-dozen. Letters from Congress were similarly summarized into mere one-liners. He signed only with initials, again, to save time. Yet, despite these and other streamlining measures, Eisenhower still kept the bureaucracy.

Of course, the White House and bureaucracy are pleonastic, but Eisenhower's efforts raise a fundamental question relevant to any organization's leader: if bureaucracy is so bad for performance why stop just at streamlining? Why not get rid of it *completely*? Many agree that eliminating bureaucracy is the ideal, but argue that a real organization is impossible without it. Like barnacles dragging on a boat and yet inevitable, bureaucracy is an inevitable cost of running a company, coordinating its activities.

However, some leaders looked at the bureaucracy phenomenon from a different angle. To them it is the epitome of how people who take initiative to advance the company –the best people– stop trying and either get depressed or leave. In an ocean cruiser this cost on people may not be felt immediately but in a small boat –98% of all companies– the effect is stark and is of *sinking*. But is it possible to coordinate business activities without rules and procedures? Well, these leaders saw the examples—of some great boats—proving that manners other than bureaucratic can assure smooth sailing. This frustration with bureaucracy paired with admiration for the great alternative organizations triggered them to become leaders of the free culture.

Building the free culture
During the four years of research I conducted along with Brian Carney, which results are presented in our book *Freedom, Inc* (Crown Business), we studied several dozen companies and leaders instrumental for building their unique, freedom-based culture. We define the latter as cultures in which employees have complete freedom and responsibility to take actions they –not their bosses or procedures– decide are best.

Such cultures are not unfamiliar. Theoretically they are akin to the "Theory Y" organization described by McGregor already in 1957, and in practice they have existed since the late 1950s in W. L. Gore or in then Avis, later joined by Southwest Airlines, SEMCO, and Ideo among others. The problem, however, is that most attempts to build or imitate such organizations have failed. Hence the key question we asked in our research: Why haven't these superior free cultures displaced bureaucracy in more companies and how can this be achieved? The answer we found—a new radical leadership style we call liberating—allows not only for building a culture with complete

freedom and responsibility of action but also underlies a quiet revolution currently transforming the business landscape in a host of industries. Here are its four steps.

1. Stop telling and start listening.
At its simplest it means that when a subordinate comes with a problem, ask: "What do you propose?" rather than telling them what to do. Then, remove all the other symbols and practices that prevent your people from feeling intrinsically equal—this will end the bureaucracy.

2. Start sharing your vision of the company openly and actively so that people will "own" it.
But don't do this before step 1 because people who are not treated as equals will not embrace your vision as their own.

3. Stop trying to motivate people.
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, their actions will benefit the company: Freedom isn't anarchy but self-discipline.
4. Stay alert.
To maintain your company's freedom, become the culture-keeper. In this role, as liberating leader Bob Davids of Sea Smoke Cellars says, "one drop of urine in the soup is too much –and you can't get it out." Freedom requires vigilance.

One free culture leader
Once General Robert McDermott became the incoming CEO of USAA –then a 3,000 employee moribund San Antonio based car insurer for military officers, it didn't take him much –like Eisenhower– to discover the crippling bureaucracy. In the evening, after everyone left, McDermott would pencil a little cross on the top of paper piles on the desks. The next day he'd check again: almost none of the papers had been moved.

But he didn't start giving orders to bust the bureaucracy –that's not liberating leadership. He began by listening. "All services [are] delivered at the front line," he recounted to us. "I couldn't sit on top and make all those decisions. I didn't know how to handle them, even the typewriter… Top-down isn't going to get the right thing." That made other peoples' minds and ideas intrinsically equal, even superior, to his. From there he began removing all other symbols and practices that prevented people from feeling intrinsically equal. This included stripping command-and-control managers of their authority while keeping their salary, removing distrustful controls, introducing a 4-day, useful to women workweek, and more.

These new work and management practices satisfied peoples' need for intrinsic equality (constituting together with growth and self-direction three fundamental human needs). This, in turn, made employees receptive to McDermott's vision of world-class service: "Serve others as you'd like to be served… If we serve people they'll come back to us." He spent endless efforts to facilitate everyone in the company in owning this vision –the golden rule of service– which provided people with a clear criterion of how to choose the *best* action. Recall, freedom is not anarchy but rather self-discipline to act freely and responsibly for the *best* of the company's vision.

The next of McDermott's challenges was to insure that employees indeed *can* do their best to help customers. So he launched training and education efforts to grow the skills and knowledge that people needed. Soon, 75 USAA training classrooms were providing classes to about 30% of the workforce. Service representatives, 60% of the workforce, specifically got up to 16 weeks of training and simulations, including a week in affective listening. Employees could also easily move to jobs where they could make maximum use of their newly-acquired skills.

Hence, the intrinsically equal people willing "to serve others as you'd like to be served" also became *capable* of doing so. What remained was their *ability* to accomplish that which depended on people's authority to self-direct taking actions they deem best for the company. This authority was provided by McDermott's motto "We do whatever we can to help our members [customers]." This, in USAA, translated into wide authority given to service reps to spend the time they needed on the phone to solve customer problems (they are measured not by the number of handled calls but by the number of problems solved during the first call), to approve claims on the spot of up to several thousand dollars even if the customer has no formal accident proof, even to undo a signed policy if it appeared that the company ill-advised the customer. Recall, in freedom-based companies, it's not bureaucratic rules or bosses that dictate actions but the company's vision –in USAA "to serve others as you'd like to be served."

The free culture McDermott built in USAA worked. In his 25 years as CEO, USAA grew to become the fifth largest insurer in America increasing its owned and managed assets 400-fold with only a sevenfold increase in its workforce. In 1995, after opening a bank, it was also named the Best Bank in America by *Money Magazine*. And in 2007-2011, it topped *BusinessWeek*'s customer-service rankings coming in first or second.

Freedom Inc. can be built and sustained anywhere
USAA, of course, was a rather big incumbent, specific to the insurance industry context. We observed, however, the liberating leadership used to build free culture in companies both large and small, incumbents and start-ups, service and manufacturing, private and public. Moreover, with liberating leaders assuming the culture keeper role, these companies' outstanding performance lasted through good and bad times, downturns included. While only 2% of companies have sported above average performance lasting more than a decade, many Freedom Incs. have been at the top of their industries for more than three decades and counting.