There are typically two ways companies unintentionally discourage innovation: preventing employee growth and paying too much attention to the highest paid person in the room. Here’s how to promote creativity instead.

What do turtles have to do with innovation? Not much, we thought, until we ran across a retail manager at a big box store in San Diego during the course of our research and clinical work for *Judgment on the Front Line*. That manager pulled us aside to explain that most employees—particularly those at the bottom of the hierarchy who serviced customers—were treated like turtles at many companies.

If you buy a turtle and put it into a small aquarium, it will stop growing to accommodate its limited living space, regardless of how large it might have potentially been. This is a phenomenon that often outrages animal activists because urban apartment dwellers who fancy diminutive turtles typically don’t look after them very well. In truth, the turtles stop growing because they not only have limited room to reach their potential but are also malnourished and poorly treated.
The manager’s point was more profound than a biology lesson. The companies where he had worked had boxed in frontline employees with rules, bureaucracy, and hierarchy that stunted their personal growth and organizational contribution. Those at the top of the organization not only failed to ask for ideas but were often dismissive when associates offered suggestions. When middle managers and senior leaders claim that frontline leaders lack the necessary strategic context or see criticism of organizational processes only as resistance to change, they have the same limiting effect as the turtle tank. Employees never achieve their potential and the organization misses out on great ideas and potential innovations.

In the worst cases, those who occupy senior or mid-level leadership positions become HiPPOs who quash the creativity of the people around them. Relying on gut feel, the “Highest Paid Person’s Opinion” (or HiPPO) tends to override genuine customer insight in hierarchical organizations that assume intelligence and capability are correlated to a person’s job title. It doesn’t take much imagination to see the pernicious effects that a few HiPPOs and Turtle Farmers can have on the willingness of people to contribute their ideas or engage in problem solving.

Despite all the cries for more innovation we routinely hear in many companies, the truth we too often find is that most organizations have overlaid a pastiche of initiatives on top of a command-and-control structure designed for a mass production era. Most companies lack a blueprint for how to truly arm frontline leaders to better serve their customers and generate ideas that can reap potential windfalls when applied across the enterprise.

As opposed to treating frontline employees as their most valuable asset, many companies fail to engage them at all. Several studies have asked employees to self-identify the percent of their potential contribution they actually give to their organizations. Not surprising, the figures range as low as 30% and tend toward 50%. Put that in the context of the average payroll and HR budgets, particularly of larger companies spending tens of millions annually, and you have to ask how any self-respecting businessperson can live with that level of inefficiency. Imagine the value that would be destroyed and waste created if every manufacturing organization simply accepted 50% productivity. There is an idea-generating engine and innovation factory that remains untapped in most organizations simply because leaders do not know how to connect the experiences and insights of their front line to solving customer problems.

It’s the paradox of all organizations that they require control yet succeed most spectacularly when they unleash the imagination and energy of their employees. Companies cannot afford to give up either one but their perceived inability to manage the operational risk of putting more power in the hands of rank-and-file employees tends to tilt the balance strongly in favor of control.
Yet, consider some of these examples of organizations that actively encourage and solicit frontline innovation:

- Amazon has created a data-driven culture in which employees at any level are encouraged to devise experiments based on their customer insight. One such innovation, shopping cart recommendations, came over the cry of a HiPPO who was convinced the newbie employee who proposed it would only distract customers from checking out. Another innovation, behavior-based search, was tested by an intern and resulted in a 3% revenue boost.
- Facebook, like many technology companies, routinely hosts 24- to 48-hour Red Bull-infused hackathon sessions designed to let employees turn ideas into inventions. As one of the designers responsible for creating Facebook video—which itself resulted from a hackathon—said of the time-pressured events which paradoxically encourage boldness, “we found that some of the best products that we’ve ever shipped arose from just a single night’s effort.”
- Steelcase, a century-old furniture manufacturer, adapted IDEO’s innovation process after acquiring a majority ownership position in the design firm. It taught employees at all levels critical problem solving and customer-observation skills based on IDEO’s approach. The result: Brian Shapland, a Chicago-based salesperson, no longer resorts to price cuts as his principal competitive weapon. Instead, he uses a series of anthropological techniques and a customer-based insight process to identify hidden customer needs that has helped Steelcase win millions in new contracts.
- Ritz-Carlton trains its hotel staff to subtly observe customers’ likes and dislikes, jotting notes down on a “preference pad” that each employee carries. At the individual level, the “ladies and gentlemen,” as Ritz refers to its associates, anticipate each guest’s desires. Observing trends from studying guest habits, employees have recommended new products such as a debit card for children to use onsite when not with their parents.

Although we still run into command-and-control managers who question the sensibility of entrusting employees to make real decisions, we more typically encounter leaders who appreciate the benefits of frontline-focused companies but don’t know where to begin in building their own. They recognize the basic tools and techniques but, like architects gazing at the pyramids, they aren’t quite sure how to build such a formidable structure. What we see lacking in our clinical practice and research is an integrative framework for assessing how frontline-focused an organization is and a process for closing the gaps.

Our research identified a five-step process, extracted from over 20 benchmark organizations, that can serve as a blueprint for leaders to build or, more likely, rebuild their companies from the front line so that the ingenuity, innovation, and emotion of their largest group of employees can be harnessed.

- **Connect the front line to the customer strategy.** It is imperative that senior leaders and the CEO get out to the frontline to learn from the employees who square off against the competition daily. If frontline employees can’t see how to connect their daily reality and the organization’s capabilities to delivery of the customer value proposition, no strategy—regardless of how elegant—will succeed
in practice. When David Novak, CEO of YUM (parent company of KFC, Taco Bell and Pizza Hut), started talking about “Customer Mania,” one of his early moves was to give any employee the latitude to spend up to $10 to make a customer happy. His willingness to trust employees turned customer rhetoric into reality.

- **Teach people to think for themselves.** Helping employees understand how to make customer-friendly judgments while protecting the business’ long-term health is the cornerstone of building a frontline-focused organization. Many companies are tempted to dumb down strategy, financial, or customer-segmentation discussions for fear that frontline employees won’t understand such ostensibly sophisticated subjects. In fact, when such tools aren’t over-complicated by unnecessary MBA speak, we have watched frontline employees master the application of concepts such as return on invested capital better than senior managers earning many multiples their hourly wage.

- **Experiment to implement.** Beyond simply improving existing processes or products, frontline workers have the ability to dream up new ways of delighting customers and opening their wallets. Many companies have unlocked millions of dollars of value simply by offering frontline employees the autonomy, resources, and a methodology to put their ideas into practice. Software company Intuit now uses rapid experimentation as the basis for strategy development. When the company entered the Indian consumer market, it saved months by enabling employees to run experiments rather than encumber them with its traditional strategy-setting process.

- **Break down the hierarchy.** Most organizations have embedded assumptions about power roles and cultural norms governing decision making that limit the autonomy of frontline associates. Becoming a frontline-focused organization requires eliminating the detrimental aspects of hierarchy epitomized by overbearing HiPPOs—disrespect, intimidation, and oppressing opinions—through the careful use of language, data, and open discussion.

- **Invest in frontline capability.** A typical new hire at Zappos.com, the online shoe and apparel company, will interview with 15 people before being offered a $13-an-hour job. Then they will sit through several weeks of training, which includes listening to audio tapes of real customer interactions. Those who don’t like it are offered $2,000 to quit—a month’s pay—before they’ve ever worked a single day. Zappos’ emphasis on selection and training is designed to ensure it brings in people it can trust to do anything required to deliver “Wow” service to its employees. Too often, companies under-invest in both their frontline employees and the supervisors who manage them. Companies that ask themselves how they can empower and embolden their customer-facing employees to convert their insights into practice will discover an untapped reservoir of innovation hiding in their organizations. Our research found definitively that there is no singular initiative or management practice that will achieve this. Organizational leaders need to build a frontline-focused culture that unleashes the collective brain trust of their largest group of employees—killing off the HiPPOs and Turtle Farmers along the way. No organization can claim to be genuinely customer centric without being equally dedicated to getting the greatest insight and contribution from those who serve the customer.
--Chris DeRose and Noel Tichy are co-authors of Judgment on the Front Line: How Smart Companies Win By Trusting Their People.
[Image: Flickr user Andrea Janda]