In my experience, innovation can only come from the bottom. Those closest to the problem are in the best position to solve it. I believe any organization that depends on innovation must embrace chaos. Loyalty and obedience are not your tools; you must use measurement and objective debate to separate the good from the bad.

—Greg Linden, former developer and software engineer, Amazon.com

- THE FRONT LINE IS THE RICHEST UNTAPPED SOURCE OF IDEAS AND INNOVATION
  - Those closest to the customers understand their needs best.
  - Frontline leaders have the know-how to solve operational problems.

- WINNING ORGANIZATIONS EMBRACE THE PARADOX OF CREATIVITY AND CONTROL
  - Leaders control by setting context and boundaries.
  - Leaders creatively unleash their front line by teaching them to make judgments.
Today, shopping-cart recommendations are regarded as a critical differentiator in Amazon’s remarkable online retail success story, and one of many unique and innovative products and services that have enabled Amazon to prevail in its competition against much larger and formidable competitors, including Wal-Mart and Barnes & Noble. But when Greg Linden joined Amazon straight out of graduate school in 1997—at a point in its evolution when the company occupied a few floors of a rundown brick office building across the street from Seattle’s famed Pike Place Market that Linden later recalled “enjoyed a view of the local methadone clinic and a bizarre wig shop”—the burgeoning Web site was a much simpler affair, with few of the bells and whistles that in the years since have kept Amazon a steady pace ahead.¹

As a new hire brought into a fast-growing start-up, Linden wasn’t surprised to find personal space at a premium. Still, he was taken aback to be shown to a desk parked in a cramped corner of the company kitchen, with an elderly PC perched on top. Linden was new to Amazon, but early on he displayed initiative by putting a bowl of candy out on one corner of his desk. This prompted other “geeks,” as they fondly referred to themselves, to occasionally stop by for free candy, while Linden tried his best to suck knowledge out of anyone who passed by too closely.²

It was actually Linden’s fondness for candy that led to his first major innovation at Amazon, as he recalled that in supermarkets, customers often find candy, potato chips, and other “impulse buys” on the racks directly adjacent to the checkout lines. Why not personalize recommendations for similar impulse buys, Linden wondered, based on the items in a customer’s virtual shopping cart as it approaches checkout, just as a Wal-Mart or ShopRite would? Linden later wrote in his blog:

The idea of recommending items at checkout is nothing new. Grocery stores put candy and other impulse buys in the checkout lanes. Hardware stores put small tools and gadgets near the register.

But here we had an opportunity to personalize impulse buys. It is as if the rack near the checkout lane peered into your grocery cart and magically rearranged the candy based on what you are buying.

So like any enterprising young recruit at a dynamic, entrepreneurial company, Linden hacked up a prototype of the Amazon.com shopping-cart
page to recommend additional items customers might enjoy adding to their carts. When he started running it by colleagues for review, he garnered mainly positive reactions, with the important exception of a senior vice president of marketing, who “was dead set against it.” As Linden later recalled, “his main objection was that it might distract people from checking out.” While Linden was forced to concede that it was “more common to see customers abandon their cart at the register in online retail,” this sole objection failed to convince him that the concept was not worth pursuing.

But even at a start-up like Amazon, hierarchies and command-and-control thinking reign to some degree. Linden was expressly prohibited by a direct superior from proceeding with the project. “I was told I was forbidden to work on this any further. I was told Amazon was not ready to launch this feature.” In the vast majority of other, larger, older organizations, the idea would have been killed right then and there. But Amazon was (and is) different. Customer centricity has been deeply ingrained in Amazon’s culture from the company’s outset. When attending meetings, Amazon CEO Jeff Bezos “periodically leaves one seat open at a conference table and informs all attendees that they should consider that seat occupied by their customer, ‘the most important person in the room.’” Fortunately for Greg Linden, the company’s overriding respect for the customer and for any experiment that might yield an insight into customer behavior trumped internal corporate hierarchy.

While Linden continued to prepare the feature for an online test to measure its sales impact, he heard through the grapevine that “the SVP was angry when he discovered I was pushing out a test.” However, Linden notes that at Amazon, “even for top executives, it was hard to block a test. Measurement was good. The only good argument against testing would be that the negative impact might be so severe that Amazon couldn’t afford it, a difficult claim to make. The test rolled out.”

The results of the test were clear and irrefutable. Not only did the online test succeed, but the feature was so profitable that not having it live was costing Amazon a noticeable chunk of change. With new urgency, shopping-cart recommendations launched. For Linden (and for us) the lessons to be drawn from this story are as clear as the results of his test.5

In my experience, innovation can only come from the bottom. Those closest to the problem are in the best position to solve it. I believe any organization that depends on innovation must embrace chaos. Loyalty and obedience are not your tools; you must use measurement and objective debate to separate the good from the bad.
Of course, Greg Linden’s virtual shopping cart experiment could have only succeeded and been widely implemented under the aegis of a CEO who created a culture where experimentation and adoption was the norm as opposed to the exception.

The Turtle Tank

During the course of our clinical work many years ago, a manager of a retail branch in San Diego known for innovation and employee engagement shared an instructive lesson. He told us that if you buy a young turtle and put it in a small aquarium, it will only grow to a size that fits the tank. We looked into this. Not only is it true, but it is also a practice that infuriates animal-rights advocates. Unfortunately for the turtles, the practice stunts their growth, leading to health issues and an uncomfortable living environment.

So what do turtles have to do with frontline workers? As this manager shared with us, most organizations where he had worked earlier in his career had boxed in their 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 frontline employees generated suggestions. When middle managers and senior leaders claim that frontline leaders lack the necessary strategic context or see criticism of their organizational processes as resistance, this behavior has the same effect as the turtle tank.

The HiPPO Corollary

The fact that many organizations commonly suffer from turtle-tank syndrome can be readily explained by the HiPPO corollary. HiPPO is a term originally coined at, appropriately enough, Amazon, that stands for “highest-paid person’s opinion.” In most organizations, people reflexively bow to the HiPPO or forsake their own opinion because they do not have the ability to override the HiPPO. This is a direct outcome of the hierarchical organizational construct that assumes intelligence and capability are related to a person’s job title. Fortunately for Greg Linden, as we saw in the previous story, Amazon is a company that values data and customer insight over intuition. As a result, his shopping-cart experiment prevailed despite the marketing vice president’s (i.e., HiPPO’s) opinion that it was not worth pursuing.
People: The Most Ignored Asset

The mantra “people are our most important asset” is commonplace today in business circles. You can find it in so many annual reports and press releases that it has lost all of its original meaning. Yet few companies have absorbed the primary lesson we seek to impart in this book: You can learn from the workers who are closest to problems and interact with customers on the front line every day. While many organizations frequently invoke the mantra of “customer-centricity,” most don’t pay enough attention to those who are closest to the consumer.

In most organizations, we find a number of initiatives overlaid on a command-and-control structure designed over a century ago for mass production instead of a comprehensive process or framework designed to tap into the well of information and knowledge available on the front line. In many cases, these approaches have been built on a foundation of earlier initiatives such as open-book management, lean manufacturing, service-profit-chain excellence, and prototyping. 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. In the worst cases, these initiatives are implemented poorly and actually contribute to greater cynicism among frontline employees, who hear rhetoric but do not see real change.

As opposed to treating frontline employees as their most valuable asset, most organizations fail to engage them at all. One recent study of the Fortune 500 estimated that companies get less than 50 percent of the potential contribution from their people. Put that in the context of the average payroll and HR budgets of large companies (in the tens of millions), 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 the waste created if every manufacturing organization simply accepted 50 percent 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.

Consider the amount of downtime in most jobs: the wasted minutes that quickly add up when people are waiting for customers, having their requests processed, or simply taking a short break. We refer to these spare moments as fractional time. They are the small, unused minutes that usually lead to idle employee conversations about fantasy sports leagues, midday naps, or the dawdler who works hard to make himself appear to be busy while accomplishing very little.
We’re not suggesting that employee interaction or the occasional break isn’t necessary. However, if employees were challenged to make their organizations better and given evidence that their ideas mattered, they would choose to use these free moments to think productively. They would view their customer interactions through a new lens, ask how they could improve the transaction, or discover an unmet customer need. These small ideas can be quickly shared so that employees build on one another’s thinking and observations. Tests can be formulated and executed at the local level so that a huge investment isn’t required. Technology and social media make it possible to rapidly broadcast learning and scale success regardless of where people are located or which organizational seats they occupy. This is the massive productivity and creativity gain that most organizations leave untapped today. It is a hidden innovation factory filled with good ideas and potential experiments worth billions of dollars.

The unfortunate reality is that most organizations continue to operate a twentieth-century management structure that dates back nearly one hundred years to Alfred Sloan, the genius who designed the siloed structure that caused General Motors to thrive in its early years but resulted in the fourth-largest bankruptcy in U.S. history in 2009. Most organizations are built around the notion that strong hierarchy, with formal reporting relationships and clear role prescriptions, can reduce complexity and thereby leverage economies of scale. The CEO and management team build the strategy, middle managers interpret it in operational plans, and frontline employees execute it. The amount of thinking required is correlated to your hierarchical level, with the expectation that frontline workers are doers, not thinkers.

While such a model was well suited to past business conditions, it simply does not hold up in a world where customers expect more personalized service, the Internet makes everyone’s pricing transparent, and customers or employees can share a company’s deficiencies online or via Twitter. The single service mistake a frontline leader makes doesn’t just impact one customer anymore; it can instantly be broadcast to millions, as we shall see.

The Organizational Paradox: Control Versus Creativity

A perception of excessive risk attached to operating differently causes organizations—particularly those with thousands of employees—to employ policies and procedures expressly designed to limit individual autonomy. After all, what is less predictable than human behavior? Rogue traders have brought down entire firms on Wall Street, so it seems only sensible to
keep tight control systems in place. Jack Welch, the famous former CEO of General Electric, used to liken his company of three hundred thousand people to a small city. Cities, Welch would observe, have jails and police forces because on any given day there is someone who is breaking the law.

It is 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 completely 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 as you will see in the case studies we present in this book, the even more painful paradox is that companies that feel compelled to impose obsolete command-and-control protocols in an attempt to tightly govern the actions of frontline employees are actually running an even greater risk: Frontline workers will fail to provide these organizations with the information, wisdom, and judgment required to solve problems and meet their customers’ ever-changing expectations.

Before we look at how to build a front line-focused organization, we would like to highlight the costs of failing to tap into the judgment and experience of the lower ranks. We will explore three examples—Meijer, Bank of America, and BP—to highlight the price paid by employees, customers, and shareholders when the front line is neglected.

1. “Out-of-Control” Control: Meijer

On November 17, 2008, the Wall Street Journal reported that Meijer, a large regional grocer in the Midwest akin to a Super Walmart, had installed automated clocks that timed every cashier’s transactions. The system was geared for “labor waste elimination.” According to the article, a clock starts ticking the instant he scans a customer’s first item, and it doesn’t shut off until his register spits out a receipt. To assess his efficiency, the store’s computer takes into account everything from the kinds of merchandise he’s bagging to how his customers are paying. Each week, he gets scored. If he falls below 95% of the baseline score too many times, the 185-store megastore chain, based in Walker, Mich., is likely to bounce him to a lower-paying job, or fire him.

Subsequent interviews with Meijer cashiers indicated that the new system did spur many of them to speed up the checkout process, just as intended. The quota system, with its looming threat of termination or demotion, pushed employees to go faster. This would have been great if
Meijer’s only concern was output per hour. But Meijer’s twenty-first-century customers were looking for more. Many elderly consumers complained of being rushed at the checkout lane, while frequent shoppers missed the personal exchanges with employees they had come to know. Employees were also unhappy and said they felt stressed. Some employees said they actively avoided eye contact with customers so they would hurry along. Others even figured out how to beat the system by using special buttons that would temporarily stop the clock.

In our view, Meijer applied old-school Taylorism in the worst possible way. What may have started as an attempt to make the customer process more efficient instead reduced the last point of customer contact to a “just get ’er done” moment. The shopping experience lacked connection and employees were stressed to the point that they started to cheat. Meijer applied a mass-production mind-set to the customer experience. The implicit logic underlying the initiative suggests that Meijer believed customers value quick transactions above all else. This may be true for some customer segments but is surely not universal. While it may seem that efficiency initiatives rarely garner a lot of employee enthusiasm, Toyota, Steelcase, and many other companies have demonstrated that employees are quick to identify and support efficiency initiatives that make their jobs more productive. Not only did Meijer fail to build employee support for the new process, but the company tried to reduce the tasks of cashiers to a computer algorithm. Unfortunately, computer programs can’t supply the value of an employee’s smile, the time it takes to answer a customer question that may lead to future business, or the appreciation of a customer who gets extra help loading his groceries.

2. Setting Up the Front Line for Failure: Bank of America

Shortly after the onset of the U.S. recession in 2008, an economic period when many Americans lost their jobs, watched their home values evaporate, and were contending with a restricted credit environment, Bank of America offered what it touted as an innovative program to convert customers’ credit card debts into a fixed-fee loan. This was promoted as an escape hatch for customers burdened with double-digit-interest credit card loans. Unfortunately, the requirements for customers to qualify, based on monthly earnings, liquidity, and a host of other net-worth variables, meant that those most likely to qualify were least likely to actually need the program.

As Jackie Ramos, a fired employee, shared in a YouTube video later picked up by media outlets including the Huffington Post and CNN, the bank
derived millions in profits from charging late fees or mandating increased annual interest rates when consumers missed payments. Although employees were admonished to “do the right thing for the customer” and “think of yourself as the customer,” Ms. Ramos acidly observed that too many frontline customer advocates felt the prevailing rule was “do what is right for the company.” Frontline employees were frequently left to explain to disappointed, angry customers why the purported benefits of the loan-modification programs weren’t available to them.

In her video, Ms. Ramos pointedly recalled having to deny a loan modification to a twenty-four-year-old single mother recently diagnosed with cancer, who had lost her mother and husband in the past year but was seeking a way to pay off her six-thousand-dollar debt. As Ms. Ramos shared with the world,

she sobbed on the phone telling me she couldn’t afford the 30 percent interest . . . that we had her account on. She couldn’t afford the $39 late fee, the $39 over-limit fee. She told me that we were her first credit card when she turned 18, we were her only credit card, and that she was a loyal customer. And given the time to be on this earth a little while longer she would have always remained a loyal customer. According to Bank of America, she doesn’t have enough income to be put on a program, but she can however keep paying the high interest rates on the account, and fees, because at the end of the day, it is her account, she did rack up the debt, she was late, and she did deserve the 29.99 percent interest rate.\textsuperscript{12}

In Bank of America’s defense, it claimed it had modified over one million customer accounts in 2009. It’s not that this wasn’t a beneficial program. The problem, in our view, was that it was mass marketed, potentially raising customers’ hopes even among the many who would not qualify. In fact, it most likely smacked of hypocrisy to many customers who were denied and the employees who were left with the emotional toll of denying them. Bank of America’s debt-modification program failed to take into account the daily realities of the people at the front line—those who would execute it—or how the program would be perceived by customers and community members who didn’t qualify.

Perhaps the greatest failing of the bank’s program was that it obliged frontline employees to emotionally distance themselves from customers, when in reality they could have served as the customers’ most concerned advocates, lending credibility to the repeated claims of the bank’s senior leaders that it was evolving a “customer-centric” culture. Absent the ability to help distressed customers and often the targets of customer outrage, employees
likely had to build some indifference to individual customers—precisely the opposite of customer-centricity. In fact, Ms. Ramos was fired from her customer-advocate role precisely because, unable to distance herself sufficiently from her customers’ desperate needs, she by her own admission encouraged customers to lie on their loan applications in the hope that they would improve their chances of being approved. It should be noted that in this case, just as at Meijer, a poorly designed frontline program led to dishonest employee behavior.

3. Crisis at the Front Line: BP

I saw the mud shooting up, then it just quit. I took a deep breath thinking, “Oh, they got it under control.” Then all of a sudden the degasser mud started coming out of the degasser. It’s in a gooseneck, and it points down to the deck. And it come out of it so strong and so loud that it just filled up the whole back deck with gassy smoke. It was loud enough so that it was like taking an air hose and sticking it up to your ear. Then something exploded. I’m not sure what exploded but just looking at it, where the degasser is sitting, there’s a big tank and it goes into a pipe. I’m thinking that the tank exploded.

This anonymous eyewitness account of the moment before escaping hydrocarbons from the Macondo well caused the explosion of the Deepwater Horizon, an oil-drilling platform anchored forty-eight miles offshore in the Gulf of Mexico, is a chilling reminder of how underinvestment in or neglect of an organization’s front line can lead to calamity. The quote above is just one among many independent observations relied on by investigators to assemble a complete picture of a tragic disaster that left eleven people dead, seventeen injured, nearly five million barrels of oil spilled, and the reputation of BP, the international oil company that leased the offshore rig, in tatters for years to come. As an internal investigation commissioned by BP soberly concluded,

no single action or inaction caused the accident. Rather, a complex and interlinked series of mechanical failures, human judgments, engineering design, operational implementation and team interfaces came together to allow the initiation and escalation of the accident.

A U.S. federal investigation seemed to concur with BP’s assessment when it later found thirty-five contributing causes leading up to the explosion, of which it found BP solely responsible for twenty-one and partially responsible for eight more. While some of the critical contributors to the worst
offshore oil spill in U.S. history, such as a questionable well design, occurred far from the oil rig, there seems to be little doubt that those who worked on the rig, and those who were responsible for safeguarding those workers, ignored warning signs that might have averted the disaster. The time line of the days and hours leading up to the event reveals that an operations drilling engineer noted in an e-mail to a colleague that BP had not taken the usual precautions to ensure a pipe had been properly cemented in place. “Who cares,” he wrote just four days before the catastrophe, “it’s done, end of story, will probably be fine.”16

BP’s 234-page internal report, while dismissed by many lawmakers and BP’s partners, Transocean and Halliburton, as “self-serving,” does recognize lapses in oversight of the rig’s operations.17 Mark Bly, the company’s head of safety and the leader of the internal investigation, noted that “where there were errors made they were based on poor decision-making process or using wrong information.”18 A reading of the numerous reports on the incident suggests that poor judgment was at play as BP’s drilling engineers failed to detect anomalies during crucial tests and the crew failed to detect the initial influx of oil and gas that ultimately led to the explosion. In fact, a technician who stepped away for a ten-minute cigarette break missed a warning that would have alerted the crew to disaster and likely saved lives. While he was smoking, the monitors he was assigned to watch revealed pressure data indicating the well was filling with a mixture of explosive gas and oil, but by the time he returned the gauges had reverted to normal. The technician, who escaped the tragedy, told an investigatory commission that he realized something had gone wrong only when the air conditioner in the ceiling began to melt.19

Sadly, we will never be certain of how events unfolded leading up to the explosion, as those who were on the front line that day—those who were closest to the action and who knew what really happened—were lost in the accident. BP maintains that cost pressures to finish the well, which was “running significantly behind schedule,” never led to decisions that directly compromised safety.20 Nonetheless, there is widespread recognition that the daily costs of running a rig—more than one million dollars—played a part in the company’s decision making. As the chairman of a U.S. congressional committee scathingly summarized, “BP appears to have made multiple decisions for economic reasons that increased the danger of a catastrophic well failure.”21 At the heart of this tragedy seems to lie a “culture of recklessness”22 that failed to take the necessary precautions to safeguard workers’ lives and failed to arm those on the operational front line that day with the right mind-set and work environment to detect crisis before the worst had happened.

Surprisingly, in the notoriously cozy petroleum industry, one of the
more searing yet credible critics of BP’s business practices was Peter Voser, CEO of BP’s archrival, Royal Dutch Shell. “Shell clearly would have drilled this well in a different way and would have had more options to prevent the accident,” Voser flatly insisted, referring to Shell’s own protocols.

What stands out most about this comment, apart from the fact that Voser was willing to make it at all, is that it was deeply rooted in what Marvin Odum, chief of Shell’s U.S. operations, described to the U.S. government commission charged with investigating the disaster as a “culture of safety” carefully cultivated by the company over decades. Gary Steele, a longtime Shell executive who later joined the Swiss construction giant ABB, advised us in an interview.

Health and safety is one of those areas where you never add up the cost of killing someone. I’ve often said to my guys, “Let’s charge the business a billion dollars if somebody dies in the business.” Of course, we never actually do it, but the beauty of that number is that nobody can challenge it because nobody else has ever added up the number. Suppose it’s half a billion; I’m wrong by one hundred percent. It’s still a big number.

Steele recalled a concrete manifestation of the culture of safety based on decades of experience at Shell.

I was visiting one of our major voltage factories in the north of England. In many factories they have yellow lines that you have to stay inside if you’re not one of the people trained to work in that space. I inadvertently had stepped outside this yellow line, and one of the operators physically picked me up and moved me back in. Now, that guy had understood that I would be okay with that because he was making sure I was safe. He was taking corrective action.

Would such an incident have occurred at BP? Maybe yes, maybe no. But as Steele contends, the critical process of instilling a truly transformative cultural change in any organization must start at the top yet quickly cascade down the ranks deep into the front line. “Safety,” he points out, “is an area where you quickly learn that you can’t dictate or define from the top every point of risk across an organization. You’ve got to carefully delegate and cascade the whole responsibility right down to the factory floor.”

The comprehensive system of responsibility that Steele describes as deeply embedded at organizations like Shell and ABB is one we call “judgment on the front line.” This leadership model is predicated on the discovery that knowledge, judgment, leadership, experience, and wisdom naturally
reside among the frontline members of every organization and that it is an important responsibility of every organization’s top team to design reliable methods of accessing and incorporating this knowledge into its broader strategy.

What if, for example, BP had created and implemented a comprehensive, enterprise-wide internal tool kit that asked the members of the rig crew, the tool pushers and drillers and outside contractors who actually lived on the rig day to day, to collaborate in devising a safety and compliance system that would have ensured their own safety and, indirectly, safeguarded the exposure of BP shareholders and stakeholders to virtually limitless reputational risk and legal liability? What if that tool kit had contained actionable methods for accessing frontline workers’ knowledge and judgment not just of safety protocols but also of exploration, production, and other critical components of the company’s strategic goals?

Gary Steele provided us with one pertinent example of such an approach, adopted under his guidance at Shell. As part of an executive development program we helped devise over a decade ago, a team of high-potential Shell executives were assigned to identify operational cost savings. The team reviewed many ideas but felt that most of the major savings available to Shell without compromising safety standards had already been realized. Nonetheless, the team traveled to Brazil in search of ideas to cut maintenance costs in its retail gasoline operations. The executives’ first stop was a gasoline station, where they were ushered around the facility by the outside contractors in charge of maintenance. After a customarily cursory question-and-answer period, the team was on the verge of pushing on to its next destination when one of the executives asked a maintenance technician if he had any cost-saving ideas.

Whipping out a wrench from the pocket of his overalls, the technician promptly pried open one of the gas pumps to reveal a rubber fuel line that connected the pump to the station’s underground reservoir. He proceeded to point out that Shell’s maintenance schedule dictated that these rubber hoses be replaced once a year, while they came with a manufacturer’s warranty that guaranteed them for five years. “Don’t know why you do this,” the mechanic bluntly pointed out, “because it amounts to trading in a five-year warranty every year.” The technician, who serviced the pumps every day and personally faced danger if a pump were to fail, was confident there was no safety risk in replacing the hoses every five years.

The upshot of this exchange was that the visiting executives returned to headquarters with a seemingly trivial idea that, extrapolated across Shell’s entire global operations, saved the company many millions over many years in many countries. Only after these not-insignificant cost savings had
been duly noted did one of the original team of high-level executives return to the scene of the breakthrough to ask the technician one simple question. “You’ve been working in pump maintenance for a long time,” the executive began, to which the mechanic readily agreed. “Why didn’t you tell us any of this before?”

“Because,” the technician cheerfully volunteered, “no one ever asked me.”

The moral of this story, Steele later reflected, “is that regardless of what a person wears to work, or what tools they use, they’ve got a reservoir of information and knowledge that historically, few organizations have any reliable way to tap.” The identity of one of the team’s high-potential executives who over ten years ago thought to ask these questions is not incidental to this story. He was Peter Voser, future CEO of Royal Dutch Shell, the same man who in 2010 broke his industry’s unwritten code of silence by daring to publicly criticize BP’s operations for not, in effect, being more like Shell’s. Take the twenty-billion-dollar escrow fund that BP was obliged to set aside for damages incurred as a result of its spill and add to it the potential liability incurred when the U.S. Justice Department sued the company for an additional twenty billion dollars, and BP’s failure to access the reservoir of judgment and skill available to it at the front line—at negligible cost—snaps into focus as potentially critical not just to a firm’s bottom line but to its very survival.

**Summary: The Frontline Leadership Paradigm**

Changes in consumer behavior, a generational swing in employee attitudes, and the growth of social media have all contributed to an erosion of command-and-control organizations. In their place, organizations that emphasize decentralization and collaboration are rising in order to more nimbly respond to consumer needs. Those who embrace these changes and learn from their front lines are able to create a virtual factory of new ideas and innovation.

Some of these organizations, like Zappos, IDEO, and Google, began in the past decade or two as small start-ups. More established organizations like Pepsi, Steelcase, and the Providence Police Department have fundamentally altered their organizational structures and employee relationships. In the course of our research, we have learned from all of these, while also examining organizations that have a history of relying on frontline leadership, including the Navy SEALs, the Mayo Clinic, and Ritz-Carlton.

While our benchmark organizations differ in many respects, they share certain features that we have defined as essential to driving frontline judgment and innovation. The first is that they display strong leadership from
If leaders don’t want employees who act as dumb terminals only capable of carrying out tasks they have been explicitly assigned, then they must have faith that giving employees power carries more reward than risk. This faith is one way in which the organizations we researched set themselves apart from the norm. Rather than spout the usual platitudes about empowerment or engagement, the leaders in these organizations really believed it. Rather than deploy an initiative or pursue a management fad, they fundamentally altered how their hierarchies operated.

Leaders in these organizations usually began with a cultural revolution in mind. They weren’t after suggestion boxes or the occasional good idea; they wanted profound change in how their organizations looked at the expected contribution of leaders at all levels. All of this was in pursuit of providing better products, services, or experiences to the customer, patient, or community member.

While it is easy to get lost in the power-to-the-people positive vibe in many of these organizations, these leaders demanded accountability for results and often measured progress relentlessly. As they did so, many struggled with the difficult task of creating a performance-based environment

### ABRIDGED RESEARCH LIST

- ABB
- Amazon
- Charoen Pokphand Group
- Disney
- Facebook
- Google
- Grupo Salinas
- Hewlett-Packard
- IBM
- IDEO
- Intuit
- Mayo Clinic in Arizona
- PepsiCo/Pepsi Bottling Group
- Providence Police Department
- Ritz-Carlton
- Steelcase
- 3M
- U.S. Navy SEALS
- Wal-Mart
- Yum!
- Zappos
- Zara
that simultaneously fostered individual initiative and risk taking. What they have accomplished, individually and collectively, has been the result of deliberate investments in technology, tools, and training. In the next chapter we explore the process of creating a front line–focused organization in more detail and highlight Ritz-Carlton as an example of a company that has embraced this paradigm since its inception, discovering along the way that fostering leadership, judgment, and innovation at the front line cultivates customer relationships, employee engagement, and the creation of long-term value.