

Theory into Practice

Traditional controls can create predictability and standardization but can undermine creativity, flexibility, and collaboration.

Sun Hydraulics is a Florida-based company that designs and manufactures screw-in hydraulic cartridge valves and manifolds for industrial and mobile markets. This may seem like an industry that would lend itself to traditional controls: lots of rules and procedures. Instead, since its founding in 1970, Sun has leaned heavily on organic controls. "Our workplace is as distinctive as our products," the company proclaims on its web page, "and provides just as many advantages. We have no job titles, no hierarchy, no formal job descriptions, organizational charts or departments. We have open offices, promoting open communication. Each member of our technologically skilled, cross-trained workforce is trusted to take the initiative and invent new ways to serve you better."¹²

Sun's reliance on organic rather than traditional controls provides it with both "a motivated work force" and a company "always on the lookout for emerging market needs and creating innovative ways to fill them."¹³

Companies that use organic controls expect employee behaviors to be shaped by company strategy and objectives as well as widely shared performance information. And it is not just small, hi-tech companies. A number of companies in a wide range of industries—Google, Southwest Airlines, Nordstrom, United Services Automotive Association, W.L. Gore, and Sun Hydraulics among them—have decided that greater reliance on organic controls will increase the capability of employees at all organizational levels to serve customers, improve their satisfaction with their work, and reduce employee turnover—all of which will lead directly to improved customer satisfaction and enhanced competitiveness.

Theory into Practice

Organic controls, which are intended to increase employee flexibility and creativity, rely on shared values and clarity about overall strategy and performance expectations.

The Challenge of Allocating Decision-Making Rights

At what level of the organization are decisions made about how to allocate resources, what businesses to be in, when and how to enter new markets, or what strategies to pursue? How about deciding what discount to give to a favored customer, which supplier to use, or how to create work schedules in order to meet a pressing order?

All of these decisions must be made *somewhere* in the organization. However, because they represent different levels of decision making, they are likely to occur at different levels of the organization.

Organizations have multiple points of decision making. The question of who makes what decision is therefore a key design challenge. Decision-making rights [🔗](#) involve what Nitin Nohria describes as "the rights to initiate, approve, implement, and control various types of strategic or tactical decisions."¹⁴ The ideal design, Nohria adds, is one that grants decision-making rights to those "who have the best information relevant to the decision."¹⁵

Building a Vocabulary of Change Decision-making rights

the determination of who should make what decisions in organizations.

Just where does the "best information" reside? That is a judgment call for organizational leaders to make. That call can be based on a combination of company values and strategic intent. When Robert McDermott became CEO of United Services Automotive Association (an insurance company serving current and past U.S. armed forces officers and their families), he decided on a strategy that would convert customers into partners. That strategy would, he believed, take full advantage of the nature of his customer base.

In order to implement his planned strategic renewal, McDermott placed considerable discretionary decision-making rights in the hands of employees at the lower end of the traditional hierarchy. Telephone receptionists, for instance, had a great deal of liberty concerning how to deal with clients who phoned in their claims. Granting decision-making rights to individuals who dealt directly with customers, McDermott reasoned, would create a codependent bond with customers and improve performance.

Pushing down operational decision making to employees with the "best information" is intended to unleash motivation and creativity. At the same time, McDermott recognized that allocating decision making to frontline employees needed to occur within a controlled environment. The controls that McDermott designed were organic in nature, placing special emphasis on "the necessary education and training base" to support that allocation.¹⁶ Clarity of purpose and strategy, and of values and performance expectations can support the allocation of decision-making rights to lower hierarchical levels.

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Allowing frontline employees to make autonomous decisions is intended to unleash motivation and creativity among those organizational members with the "best information" to make decisions.