



FREEDOM, INC.

Free Your Employees and Let Them Lead Your Business
to Higher Productivity, Profits and Growth

Brian M. Carney and Isaac Getz

From Genesis “in the sweat of thy face shalt thou eat bread” to Marx’s “the proletariat has nothing to lose but its chains,” work has always been seen as a constraint and the workplace as a ship’s galley. But this is beginning to change, and it comes, we have discovered, not from workers but from their bosses. This is the most important corporate movement of the last two decades, a movement that has been quietly transforming the fortunes of dozens of businesses and the lives of thousands of employees by using a source of benefits neglected by most—complete freedom and responsibility for employees to take actions *they*, not their bosses, decide are best.

Jeff Westphal inherited a small tax-consulting company from his father a decade ago. In the 10 years since, he has transformed the firm from a sleepy 30-person firm into a 700-employee giant-killer that competes against the largest tax-software companies in America.

Robert McDermott took over USAA, a car-insurance company dedicated to serving American servicemen, in 1968. Over his 25-year tenure, he increased assets under management 15-fold—all without significantly increasing headcount at the company. Today, it is the 5th largest insurance and financial services provider in the US, with \$13 billion in revenues and \$2.3 billion in profits in 2006.

In 1986, Rich Teerlink took over Harley-Davidson, which was on the brink of collapse. Back then, this once-and-future American icon had seen its share of the big-bike market fall to less than 20%. Sales were down to \$295 million and profits were almost nonexistent. Teerlink restored Harley to its former glory, with 50% market share, \$2.5 billion in revenues and profits of \$416 million in 1999—more than the company’s total revenue when Teerlink took over. Today it is the world biggest large bike manufacturer with \$5.6 billion in sales and \$655 million in profits, despite the downturn.

Each of these unusual bosses and amazing leaders have performed near-miracles in driving their companies to unheard-of levels of success, often from unlikely or disheartening beginnings. And each has something in common with the others—he believes that the key to business success

is freeing up the initiative and genius of every (even the lowest-ranked) employee in the firm, every day. How they set their employees free—and how their lessons can be applied to firms in every industry, of any size, anywhere in the world—is the question we set out to answer in our research.

Expressed in the abstract, freedom may not seem like a big deal. In a free country, we are all free at work—free to leave and try to find a job or workplace we like better. For Jeff Westphal, the CEO of Vertex, this is the first thing he tells his new hires: “Thanks for coming to work at Vertex. You are free to leave.” If that seems backwards, it’s just one of the many little signs we encountered in our research that the companies we were investigating thought very differently about how to run a business. These companies showed us that firms without traditional command-and-control structures, rules and policies could outperform their rivals in a number of fiercely competitive sectors, often by wide margins.

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On our visits to these companies, we spoke to factory-floor workers and software writers, new hires and top executives. All of them agreed that there was something different about the places they worked. For one thing, the front-line employees tended to talk about the company in the same glowing terms that the executives did. Occasionally, they were even more effusive than their bosses, who would downplay the firm’s achievements in pursuing a liberated workplace. Those front-line employees were conscious that it was unusual not to be disgruntled with the people at the top;

they'd talk a little bashfully about how it must sound like they'd "drunk the Kool-Aid" to be so happy about where they worked.

One thing we discovered was that many of the CEOs of the companies we identified shared an almost evangelical fervor about disseminating what they know and believe about the importance of liberating one's employees. This might also strike you as odd: it's not every company that goes around agitating for its competitors to apply its lessons so they run themselves better, even to the point of "mentoring" other firms. But the leaders at the tops of the companies we'd found are not your father's CEOs. And we came to realize that the ways these leaders were different—and the things they did to bring freedom to their workplaces—were a central part of the story we wanted to tell. Still, a nagging question stuck with us, one that must have occurred to you as well: If these companies were so special and so great, why *hasn't* what they do been "bottled and drunk" by others? The marketplace is a highly effective mechanism for disseminating best practices, so you shouldn't expect anything good to stay secret very long.

The answer we found lies with the leaders of these companies themselves. Sitting in his ground-floor office (his secretary, sitting next door, occupies the corner office), Jeff Westphal of Vertex had been explaining to us how long he'd been working to liberate his company, and how hard it had sometimes been. We'd asked him why he bothered. "Say you're driving across the country, from here in Pennsylvania to Big Sur in California. You have to fill up the tank to get to Big Sur. But you're not driving to Big Sur just so you can fill up the gas tank along the way. The gas is the means of getting to Big Sur, not the purpose of the journey." In Jeff's view, creating a workplace where people were free to act on their own initiative, and so felt fulfilled and happy about their jobs, was his Big Sur. Along the way, he'd built a profitable and growing company that competes successfully against firms many times the size of Vertex. But the profits, for him, were like the gas in that tank—a company that wasn't profitable couldn't grow and couldn't make its employees' lives better. So you need the profits. But the profits seemed empty to him without Big Sur waiting at the end of his journey.

Not all CEOs are Jeff Westphals. Even among the liberators we studied, some would think Jeff's view extreme. But, to varying degrees, they share his view that many of today's corporate leaders are too focused on the next filling station to realize how little mileage they're getting out of trying to constrain their employees rather than freeing them up and proving in practice that they are the firm's most-valuable asset. Because whether you share Jeff's philosophical penchant or not, these CEOs' companies prove that freedom is, above all else, the surest path to profit, innovation and growth.

That's all well and good, you may say. But does Mr. Westphal, or anyone else, have a road map? After four years of research, thought and debate, we have identified lessons for any company to use to their advantage.

Those lessons are:

1. **Stop telling and start listening.** Then, remove all the other symbols and practices that prevent your people from feeling intrinsically equal.
2. **Start openly and actively sharing your vision of the company so people will “own” it.** But don't do this before step 1 because people who are not treated as equals will leave you alone with your vision.
3. **Stop trying to motivate people.** That's right. 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, they'll take care of the rest if only you let them.
4. **Stay alert. To keep your company free, become the culture-keeper.** In this role, as liberating leader Bob Davids says, “one drop of urine in the soup is too much—and you can't get it out.” The price of liberty is eternal vigilance.

These principles are universal, but each leader we studied had to apply them to their own unique set of circumstances—and you will too.

In other words, our research cannot give you a formula for applying the above principles to any particular situation. Freedom is, after all, the enemy of formulas—if we knew, or you knew, every situation that would arise and how to deal with it, you would not need freedom. Or your employees for that matter. You’d have all the answers already.

If these lessons—though making sense—don’t look easy to apply, we would point to the analogy of dieting. Dieting is hard because the pleasures of consumption now are obvious to our senses, but all the ways in which we are damaging ourselves may be hidden from us in the heat of the moment. Likewise, bureaucracy’s overbearing control of one’s people comes with all sorts of hidden costs—not just to your bottom line, but to the health of your company and the health of your employees.

Even so, there are moments when the truth confronts even the most weak-willed dieters. One of the liberating leaders we studied, Jean-Francois Zobrist, recounted the following story. It occurred during

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one of those regular visits to his brass foundry FAVI by a CEO who had heard about the company’s remarkable culture and performance and wanted to learn more about it. While walking by the supply closet, the visiting CEO was surprised that it not only lacked a lock but that it was missing one of its four walls—there was literally no way to securely close it. Zobrist explained that FAVI, as a liberated company, trusts its people to take what they need for their job and that they are free to do so. Just then, a machine operator came over to the closet, so the visitor asked him a question: “What happens if the part you came for is missing?”

“It never happens,” the operator replied, “because the guy who takes the last piece in the box goes to the warehouse and brings back a full box.”

“Fine,” the CEO presses. “But what if there are no more boxes in the warehouse?”

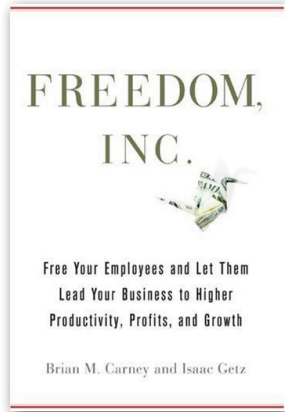
“Simple,” the operator answers. “If the guy sees that he’s taken the last box from the warehouse, he lets the operator taking care of purchasing know so that more can be ordered.”

“And what if he doesn’t do it?” the CEO persisted—this time, surely, the operator would have no more clever answers. Or so the visitor thought.

After a pause, the operator tells him simply: “It’s a question of good manners, Monsieur,” took what he needed, and excused himself.

The visitor’s interlocutor was not simply an uncommonly polite machine operator in a brass foundry. He was the product of FAVI’s liberated culture. And what he called “good manners” were in fact the norms that serve in the place of top-down rules when a company is free. The visiting CEO might well have left thinking he couldn’t trust his company to have “good manners.” But, then again, even the strictest rules are only as good as people’s willingness to follow them. The great intellectual error of bureaucrats everywhere is to assume that because something is called a rule, it’s preferable to a less formal arrangement. And yet most of those rules are not only great morale-sappers, they’re preventing the vast majority of your employees from doing the right thing. The rules become so stifling that the only way for people to do a good job is to go around them—sometimes at great cost. At the same time, they are, as likely as not, failing to prevent the tiny minority of potential malefactors from doing your business harm.

In these times, can you afford to continue stifling the vast majority of your people and not give them a chance to help your business? 🇺🇸



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