# WHY EMPLOYEES ARE ALWAYS A BAD IDEA

(and Other Business Diseases of the Industrial Age)

Chuck Blakeman

Author of MAKING MONEY IS KILLING YOUR BUSINESS
- Business Book of the Year, 2010 (NFIB)

U.S. $25.95 | May vary in Canada

**This book is for everyone who has a job, owns a company, or manages people.**

We got great toys from the Industrial Age Factory System, which dominated the way we worked for over a century. But the human carnage of the Industrial Age is the unaddressed collateral damage of how we produced those toys.

The smokestacks and assembly lines have been replaced with clean suits and nanotechnology. But in the front office, the antiquated Industrial Age practices of top-down hierarchy, competing management fiefdoms, and employees controlled more like children than adults, is still the norm. In the front office, the Dilbert Society still reigns. And it's only funny because it's so out of place.

During the glory days of Industrialism, from 1945 to 1965, our physical standard of living shot up. But during that period, we also turned human beings into human "doings", and that entire generation was sadly labeled as "The Silent Generation" who were taught to act at work just like children; to shut up, don't make waves and go out quietly.

We have entered a new era called The Participation Age. Today, people won't put up with being treated like children, locked down daily for nine hours in the office day care center and told exactly what to do. They demand to share in the creative process of building the company together, and in the rewards that come from doing so.

***Why Employees Are Always a Bad Idea*** confronts the seven core business diseases of the Industrial Age that were developed for the Factory System. Those management practices will not serve us anymore.

There is no turning back. The Participation Age is not optional. As the Industrial Age fades in the rear view mirror, the workforce is demanding that we create a new workplace. A growing wave of companies are building the future of business, where both the company and the Stakeholders can Make Meaning while they also make money.

Join us in the Participation Age.

*"If today were the last day of my life, would I want to do what I am about to do today? Whenever the answer has been "No" for too many days in a row, I know I need to change something."*

– STEVE JOBS

# PEOPLE ARE TALKING

*"Brilliant!"*

–SARAH CHAUNCEY

*"What am I thinking after reading this?! I am thinking of a way to paper my office with it. To distribute it to the people I work with, the management, my friends, elementary school play dates from 25 years ago, and every person I meet on the street. This is an incredibly relevant idea."*

—TALIA HAYKIN

*"Brilliant! Just brilliant. Thanks for what is the best read (for me) this year so far."*

—WILL TELANT

*"Awesome! Love it! I'm looking for a few "adults" right now!"*

—TERRY TREXLER

*"You have a terrific mission and organizational culture and some solid wisdom to share!"*

—TODD KEMP

*"I. love. this. The title may scare you but read it anyway."*

—CONNIE WINCH

# WHY EMPLOYEES ARE ALWAYS A BAD IDEA

(and Other Business Diseases of the Industrial Age)

CHUCK BLAKEMAN

Crankset Group
PUBLISHING

## CONTENTS


Preface xiiii
Introduction: The Participation Age Company xvi

### Part I: The Seven Core Business Diseases of the Industrial Age

Chapter 1: The Human Carnage of the Industrial Age 2
Chapter 2: Disease One - The Problem with "Big" 17
Chapter 3: Disease Two - The Twenty-First-Century Industrialist 34
Chapter 4: Disease Three - Why Employees Are Always a Bad Idea 50
Chapter 5: Disease Four - Why Managers Are a Bad Idea Too 66
Chapter 6: Disease Five – 9 to 5 Disease 84
Chapter 7: Disease Six - Separation of Work and Play 96
Chapter 8: Disease Seven - Retirement—A Bankrupt Industrial Age Idea 106

### Part II: Embracing the Participation Age

Chapter 9: Stakeholders—A New Model for the Participation Age 119
Chapter 10: Why What You Believe Matters so Much 129
Chapter 11: The Results-Based Business: Our Story 144
Chapter 12: Companies Thriving in the Participation Age 159
Chapter 13: From Manager to Leader – Moving Into the Participation Age 177
Chapter 14: How to Hire People You'll Never Have to Manage 190

### Part III: Reframing Our Business Practices

Chapter 15: Other Business Diseases: Preplanning, Scarcity, Education, Competition, Rugged Individualist, Balance 202
Chapter 16: The Solution: The Fourth "S"—Significance 226

Afterword: How Capitalism Will Solve Poverty 231
Appendix 236
Acknowledgements 240
Resources 242

PART I

# THE SEVEN CORE

## Business Diseases of The Industrial Age

# Why Managers Are Always a Bad Idea, Too

5

*"Most of what we call management consists of making it difficult for people to get their work done."*

–PETER DRUCKER

> As I was leaving the small and very remote village in the middle of DR Congo, and about to get on the bush plane, the chief pulled me in front of the couple dozen people seeing me off, and announced loudly that he would like to give me a pig to take back to the US with me. Everyone clapped and roared with approval. I knew this was a huge honor, pork is US $10-$15 a pound, and most people in DR Congo make a buck a day. A pig was a year's salary or more. I also knew that he meant a live pig; keeping them alive is the only refrigeration method that works there.
>
> I thanked him profusely and told him I hadn't made arrangements to ship a live pig (or a dead one), and that it would take a few weeks to make that happen. We agreed that I would send him the required shipping fees if the government agreed to let me ship a pig. Fortunately, when I got back to the United States, the government said I couldn't do it. You get a lot of opportunities in life. Sometimes we are better off not having some.

Managers (not management itself) are a business disease of the Industrial Age, also. They've only been around for a little over a hundred years, and should be eliminated from business as quickly as possible. Few things are as disruptive, unhelpful, and unproductive in the workplace as managers. And the premise for needing them is especially bad.

## THE CASE FOR MANAGERS

If employees are stupid and lazy, as Taylor asserted, there is only one solution: find people who are smart and motivated to make them less stupid and less lazy – and modern management was born. As P.G. Wodehouse put it in *Carry On, Jeeves,* "Employees are like horses; they require management." The only solution to Taylor's *stupid and lazy* conundrum was to create a class of corporate citizens that had virtually not existed before the Industrial Age: people who themselves add no productive value to the company, but exist almost exclusively to make stupid and lazy people more productive.

This new class of Work Monitors justified their existence by raising the performances of workers above what it was believed they would do on their own, and the extra performance was supposed to create an increase in revenue to pay the manager and bring more profit to the company. But that's a big assumption to make – that others couldn't or wouldn't raise their performances if managers didn't exist.

## THE CASE AGAINST MANAGERS

Managers are the principal carriers of most of the business diseases of the Industrial Age. They are largely responsible for the continuing presence of archaic Industrial Age business practices in the twenty-first century.

How critical is their influence? Research done by Ethan Mollick, Wharton School of Business management professor, found that middle managers have a greater impact on knowledge-based businesses than any other factor, including the CEO, business strategies, management systems, and HR practices.[1] If you want to move into the Participation Age, you will have to start by replacing managers with leaders. And when you do, you will find you need a lot fewer leaders than managers.

Managers have an uphill battle. The hierarchical business structure we inherited from the Factory System predisposes the position of manager to be more infected with the attributes of an Industrialist than any other position. As a result, more than any other position in a company, the manager is the embodiment of the Industrialist.

Managers are the principal carriers of most of the business diseases of the Industrial Age.

Let's review the attributes of an Industrialist from chapter 3 to see how the position of a manager feeds off these negative attributes.

## MANAGERS ARE INDUSTRIALISTS

1. Being Big – The position of manager lends itself to the Industrialist penchant for fiefdom-building. Like feudal lords, they work hard to

make their span of control as big as possible, instead of doing what helps the company meet its objective. Fiefdom-building helps justify their existence. Managers never make it their objective to work themselves out of a job and close down their department.

2. Closed Markets – Just like an Industrialist, managers are predisposed to despise anyone stepping on their territory. Managers are generally very insecure (and justifiably so) about someone going "behind their backs" directly to someone who can actually get something done. They are also not a fan of dividing their pie and giving some of it to someone else to manage. Managers love a closed market and rarely think about how they can make the other person successful, too, especially if it would cost them some span of control.

3. Resisting Progress and Maintaining the Status Quo – Managers prefer things to stay the way they are, just like any good Industrialist. They will resist any changes that threaten their fiefdom. They are not wired to think "how do we destroy our existing department to create the next better department?" Progress is *ONLY* acceptable if it expands the manager's fiefdom – who cares what is best for the company as a whole?

4. Destroying Jobs – This Industrialist practice is not a direct value of most managers, but if they personally can ensure their own survival by cutting other productive people out of their fiefdom, it's an easy call.

5. Users, Not Creators, and the Cash Cow Rule – Managers are given quotas, and the more cash they can create with the present system, the more they validate their existence. It's about fine-tuning the present, not creating a better future that could destroy the existing system. That kind of upheaval could possibly result in their becoming irrelevant or losing part of their fiefdom. Creativity is not worth the risk. Just keep the cash coming.

6. Focus on the Competitor – Other departments are viewed as competitors for budget, praise, and perceived value to the company. Marvin Weisbord, in his book *Productive Workplaces Revisited,* tells how he had to build a wall between two "departments" who couldn't get along. Managers are almost always fiercely competitive with other managers for a piece of fiefdom pie.

7. Short-Term Decision Making – An Industrialist will mortgage the future of the company to make the shareholders happy today. Managers will do

the very same thing to make the manager above them happy today. Why wouldn't they? Most likely the manager above them is hovering around demanding they make this month's quota to make the shareholders happy. This month matters more than next year. Keep the cash coming.

Can you see once again why the *Dilbert* cartoon strip resonates with us? The position of manager lends itself to exhibiting nearly all of the values and practices of an Industrialist. If you want to create a culture of participation, creation, innovation, and sharing that builds successful companies, you don't need managers; managers have to go. They should be replaced with leaders, and a lot fewer of them, too.

Managers have to go. They should be replaced with leaders, and a lot fewer of them, too.

## PETER PIPER PACKED A LOT MORE PICKLES

The Industrialist will tell you people will not produce to the level that they could if it were not for managers and the structural constructs (time clocks, piece-per-hour requirements, etc.) imposed on them from above. The employees may not be totally lazy or completely stupid, but they're not as smart and motivated as management.

Then how do you explain our pickle factory experience?

In the 1980s, we put fifty or so college kids in a sorority at the University of Massachusetts for the summer to teach them character and leadership skills – to Make Meaning, not just money. We had them work in a local pickle factory and other common labor jobs in the area during the day, and trained them on Making Meaning at night and on the weekends. The best pickle packers (nobody there was named Peter) had packed an average of about twelve cases per day for years, making US $10-$12/hour, a very good wage at the time. You could pack as few as eight cases a day regularly and keep your job. Most did. It had been that way for decades; 8-12 cases/per day/per person was what management had decided was great production. It was what they expected, so they monitored it closely, and achieved it every day. Managers hovering over pickle-packers appeared to be working.

Our kids went to the pickle factory with a Stakeholder mentality, ignoring what the managers expected and decided to see what they could do instead. By midsummer, many of them were packing 18-20 cases a day and the superstars were packing 20-24 cases on their best days. They blew the top off the pay scale. Industrialists would say it was because they were part of the *smart and motivated* future managers' cadre. But the interesting thing is that the people who had been packing for decades at 12 cases per day (because that is what managers expected) were also now up to about 18-20 cases per day as well.

The next summer, when we came back, the company did the math and figured it made more sense to close down their California plant and truck pickles all the way to Massachusetts rather than pack them out there. They were very disappointed when we didn't come back again the third year. The factory management couldn't figure out how, after decades of "great production" at 8-12 cases a day, production had spiked so suddenly.

## DO MANAGERS KNOW BEST?

It was clear to us why. Years earlier, the factory managers, in their detached and infinite Tayloristic wisdom, had come up with a standard, imposed it on the workers, and monitored it closely to ensure they complied. Unwittingly, or merely by assumption, they treated the workers as if they were extensions of machines; and machine parts do not have the mental capacity to figure out how to improve on the managers' brilliant processes. The workers responded as machines. *They lived down to the managers' lowest expectation of them.* The managers responded with the third value of an Industrialist, which is to maintain the status quo for decades.

The most taboo question of all, the one you should NEVER ask, is "Why?"

Were the workers stupid and lazy? No, they proved that in one summer, by doubling their performance without any expectation from management to do so. They had done 8-12 cases a day for decades because they were told what to do. And knowing that this was how they would keep their jobs, they did exactly as they were told, until some Stakeholders came alongside them and questioned the rules.

## STAKEHOLDERS KNOW BEST

If the managers had been leaders, they would have empowered the workers to figure out how to work the process better, and everyone would have made more money working the process. Instead, things were status quo for a few decades before our folks showed up and ignored the manager's unspoken expectations.

Industrial Age management takes its cue from a misconception of military management; questioning anything is considered insubordination. These workers would have never questioned the pickle-packing experts in order to come up with a different or better way. In the very hierarchical structure of an Industrial Age company, you don't question "authority." And the most taboo question of all, the one you should *NEVER* ask, is "Why?" That's the question that will get you fired. The pickle-packing employee was reduced to only asking "clarifying" questions, not questions that would attack the base assumptions developed by the geniuses known as "managers."

This inability to directly question management is another reason why Scott Adams still has so much material for his *Dilbert* cartoons. Management is very insecure in its ability to justify its contribution to the workplace. These pickle-packing geniuses had a lot of questions to answer to the owners of the company about how they had stifled productivity at nearly half the possible level for decades. I'm guessing there were a few managers in that plant who found the creativity and innovation of our workers to be very threatening to their fiefdom. In one summer, the formerly stupid and lazy employees had devalued a few decades of work by the smart and motivated managers.

## WHY DO WE HAVE TO MAKE IT THEIR IDEA?

In 1997, one of my former companies took over a difficult and complex process from one of the five largest technology companies in the world. They had struggled for years to make it work and had created a global mess instead. At that time, they had seven or eight warehouses scattered across the world delivering products, yet delivery was taking four to twelve weeks and 10 to 20 percent simply never got delivered. We took over the program and almost immediately were delivering 95 percent in fourteen days and virtually no shipments were getting lost.

A number of months into the program, I got a visit here in Denver from a division manager at the technology company. He asked how we did it. I leaned over the desk and looked both ways like I was going to tell him a big secret, smiled, and said, "We use DHL." At the time, FedEx and UPS were largely domestic shippers. If you wanted a package delivered anywhere in the world, DHL was the fastest and most reliable. We had done a few days of homework and chose them. They would show up at our dock every day, the packages would disappear, and DHL would deliver them everywhere in the world that technology company managers said couldn't be reached. Things went swimmingly. Except, our success caused us to lose the program.

The division manager frankly and directly informed me that our performance had jeopardized the positions of a few dozen high-up managers (I'm guessing he was one of them) who had communicated to him that for a decade it couldn't be done. We made the mistake of not making this their idea (hadn't read enough *Dilbert* cartoons at the time). Six months later, they took the program back and gave it to the giant vendor whom they had worked with for years. But at least now the giant vendor had a process that worked.

In Industrialist environments, when productive people on the front lines solve the problems, they threaten the authority and viability of managers back in the ivory tower. Sometimes, it's best to just play stupid and lazy. In our case, it would have been in our best interests to pull a *Dilbert* and make the managers think they came up with the idea. But we thought and acted like Stakeholders,

and Stakeholders don't play silly political games to make managers feel like they are contributing.

## MANAGEMENT MAKES PEOPLE LAZY

Some (very few) people are truly lazy. But most employees wish they could be Stakeholders, and are simply adjusting themselves to our lowest expectations of them. Micromanagement is dehumanizing, strips people of their dignity, and makes them work at the lowest level that will go unpunished, because that's exactly what we're asking them to do. Frederick Taylor admitted it could reduce them to being "automatons," and it does. Management doesn't keep people from being lazy; it has the opposite effect. Management MAKES otherwise motivated people lazy.

## LCD MANAGEMENT DEMOTIVATES STAKEHOLDERS

Rather than managing to the level of the few who are inherently lazy – Lowest Common Denominator Management – those people should be let go so the adult Stakeholders in the room can get on with it. Nothing was more frustrating to me as a Stakeholder in someone else's business than watching other people work hard at doing nothing, while a few of us carried the production load. If the managers would have stayed out of the way and taken the few inherently lazy ones with them, we would have rocked the department. As it was, the good people were always the ones to leave. We all left.

## MANAGEMENT ENCOURAGES TIME-BASED REWARDS

Management is not built to reward destruction of the present system and replace it with a better one. It also isn't built to reward outsized performance by individuals. Raises are largely time-based, with a few percentage point variances on either side of the norm for people who perform above or below the required pickle-packing rate.

This kind of model discourages people from putting forth their best efforts. A friend I knew in the 1980s was hired by a giant insurance company for a fairly high-level position that took a lot of self-direction and motivation. It was a job for only the smart and motivated to perform, and he was one of the smarter and more motivated people I knew. He also knew very well from years of experience how the Industrial Age Dilbert Society works, and that a cornerstone of it is the classic annual raise.

Being smart and motivated to figure out how to succeed there, he saw very quickly what level of performance his managers expected annually. He knew that he could blow it out of the water in the first year because of his experience. But he also saw clearly that if he did that, it would not leave a lot of room to impress management in future years, which could have an impact on his annual

raises. They would quickly forget how he had outperformed the whole division exponentially. So, he paced himself, always performing near or at the top of the division, but holding himself back and doling out the goods a little more each year. He got the maximum, meager raise every year and rose very high up in the company.

If the company was set up to simply reward results, they would have gotten the best out of him the first year and the company would have made a lot more money for years to come. Should he have held back because he wouldn't be rewarded for higher performance? That's another question, but the company had set up a system that made it much more rewarding for him to perform to its lowest expectation of him. LCD Management made him "lazy."

Most people are not lazy. Management MAKES them lazy.

LCD Management is the great leveler – taking the wind out of the top performers to ensure the few lazy ones work harder. If managers got out of the way, removed the few inherently lazy people, and required people to be adults and to be self-motivated, they would be. Most people are not lazy. Management MAKES them lazy.

## MANAGEMENT ALSO MAKES PEOPLE STUPID

If we believe people are not as smart as we are, we micromanage them and strip them of their ability to create, solve problems, lead, initiate, and take ownership. All we do in the process is make them stupid.

My mother was a fantastic person, a world-class leader who had risen from the most difficult circumstances of the Great Depression to Make Meaning with her life. She and my dad were classic Industrial Age parents whom I loved dearly for all their strengths and faults, many of which I embraced and carried through with my children, while adding some strengths and faults of my own.

My mother had one annoying phrase by which I know she meant nothing negative, but which nonetheless had a devastating effect on me, not because she said it, but because I believed it. She is not at fault for my believing and embracing it. And it's a great example of how we set up environments in which people can choose to be stupid, even when they aren't.

Quite regularly, especially in situations where I had done something humorously clumsy or "dumb," she would say, "You dumb kid," and would chuckle. I would chuckle, too. A lot of times it was just plain funny. Sometimes, she said it with more frustration and more deeply when I had done something more egregious, and it would come out, "You must be the dumbest kid alive" or "How dumb can you be?" Turns out, I could be pretty dumb.

I knew she didn't mean it; many other times she would tell me how bright I was. But I decided to latch on to the "dumb" comment and run with it. And I

was very successful in doing so. I graduated near the bottom of my high school class. One memorable life event found me in the principal's office a couple days before graduation, after school was already done for the year. The principal and two teachers were discussing whether they would let me graduate. They talked as if I weren't there. I felt like a character in a Charlie Brown cartoon, where all you can see and hear are adult's knees and garbled voices. We were in the same room, but two different worlds.

They let me squeak through and graduate. I had a full scholarship to attend a classical music school, but the college made me go to summer school on my own dollar to prove I wasn't as dumb as I had demonstrated during those four years in high school. And for many years after that, I was convinced that if there was one kid out of the 525 in my graduating class who would never be able to get a job, it was going to be me. I had lived down to what I had decided was my mother's lowest expectation of me.

Most people are not stupid. Management MAKES people stupid.

Employees are not stupid; they just live down to our lowest expectations of them – LCD Management. If we treat them like smart and motivated Stakeholders, we'll see a whole different side of them.

Most people are not stupid. Management MAKES people stupid.

## THE MANAGER IS DEAD; LONG LIVE THE LEADER

In the middle of World War II, Kurt Lewin, a practical theorist, studied how to get people to eat more nonscarce food like fish. To get them to switch, one group of homemakers was lectured, and the other group was given the facts and the task of deciding completely on their own what they should eat. The groups who reached their own decisions were significantly more likely to adopt new food habits than those who were lectured. As Marvin Weisbord puts it, "Lewin had found a core principle: We are more likely to modify our own behavior when we participate in the problem analysis and solution, and more likely to carry out decisions we have helped make."[2]

The art of leadership is to know how few times the leader should actually make the decision.

As Lewin discovered, adults don't like to be told what to do, and don't need to be told what to do. *The art of leadership is to know how few times the leader should actually make the decision.* Managers, in the grand tradition of Taylorism, exist to tell people what to do. It is assumed they are smarter and more able to direct the Stakeholders to the right way of doing things than the Stakeholders themselves. But that assumption – the need for specific direction and supervision – is what turns adult Stakeholders back into childlike employees.

At Crankset Group, we have rejected the manager model as having been built on bad assumptions. The concept of manager cannot be rehabilitated because it is flawed at its very core. So we don't have managers in our company and are committed to never having them. We don't need them. We hire Stakeholders who are self-managed adults and leaders in their own right. We practice HCD Leadership – leading to the Highest Common Denominator – which has created an environment in which everyone can reach for whatever motivates them to live their personal best, without regard to what the next person is doing or becoming.

Managers will not be tolerated in the Participation Age. To achieve rapid escape from the Industrial Age, companies will need to dump the manager role, and replace it with one-tenth as many leaders. Many existing managers have been taught to play dumb to their bosses, but would actually make great leaders if they were challenged to do so. Likewise, an awful lot of managers need to simply go back into production or be moved along if they don't want to work for a living. All the manager role is accomplishing is making people stupid and lazy with endless meetings, reports, conference calls, and other maintenance directives designed to make them look like they are adding value.

## MANAGERS MANAGE, LEADERS PRODUCE

Previous to the height of the Industrial Age and up through the 1870s, people who led other people were almost always adding some productive value of their own, instead of just managing others. This is one of the essential differences between leadership, which has existed for thousands of years, and management, which was invented just yesterday in relationship to the long history of work.

Leaders create vision and give general guidance and direction. They train, and provide infrastructure, but then they also do what they are asking others to do. Originally, the production superintendent would lead others, as well as jump in and work the line himself. He was well respected (leaders usually are) because he wasn't afraid to get his hands dirty, and did so regularly.

Leaders create vision and give general guidance and direction. They train, and provide infrastructure, but then they also do what they are asking others to do.

Managers focus on making others productive. Leaders focus on their own productivity, and inspire others to be more productive by their example. Because of Taylor's assumption that people are stupid and lazy, the Factory System leaders were turned into managers. In the modern company, that *middle layer* of hall monitors is now deeply embedded, and even in the smallest of companies, the owner believes they have to manage people instead of leading them.

## MANAGE STUFF, LEAD PEOPLE

Management is good. Managers are bad. The fundamental flaw in the "manager as a solution" mindset is simply that people need to be managed. They don't. They need to be led, and the difference is not semantic – it is gigantic.

The Industrialist did their dead-level best to remake people into simple extensions of machines. If people are extensions of machines, we see them differently. Managing them becomes perfectly acceptable, and in fact, necessary. But if people are fully human, managing them is wholly unacceptable and dehumanizing. The simple principle is this: ***manage stuff; lead people.*** When people are extensions of machines, they are *stuff* to be managed. But if they are fully human, they require leadership instead.

In our company, we only manage stuff, which includes things like processes, systems, delivery of goods and services, accounting, marketing, sales, etc. These are all *things* to be managed, and everyone in the business manages stuff. We don't need someone with the title of *manager* to hover over any of us to ensure the stuff will get managed. The people manage the stuff, and we lead the people.

The simple principle is this: manage stuff; lead people.

Stuff definitely needs to be managed. It is inherently stupid and lazy. It needs to be told what to do; it doesn't have a brain of its own or any motivation to assemble itself. The packaging material and the product just sit on the counter until someone picks both of them up and puts them in the box in the appropriate packing process. Someone who is smarter and more motivated than the stuff needs to manage that process, but the smart and motivated people doing the packing do not need managing – they need to be led.

Every process, system, product, and service in a business is inherently stupid and lazy and needs to be managed.

## PEOPLE ARE NOT STUFF

Unfortunately, managers don't see much difference between the people and the process; in traditional management, people are extensions of machines or processes, and the manager believes both of them need the proactive involvement of a third party to make them work. The manager doesn't pack the box. The manager exists to closely monitor that a person doesn't just sit there like packing materials do. Sadly, the manager assumes the person is as inert as the packing materials, and must be *managed* to ensure the person will actually pick up the packing materials and put them in the box.

## LEADERS ARE PRODUCTIVE

A leader will do it quite differently. A leader will impart vision and guidance, including why we do what we do, metrics for success, and metrics for exceeding

the objective. A leader will train and provide the necessary infrastructure and will create a process that requires the packing person or the process itself to proactively report to the leader regularly on how things are going.

Then the leader will do something extraordinary that the manager would rarely do – the leader will go away and be productive, too. Instead of hovering in the day care center, leaders will go somewhere and do something themselves that adds to the bottom line. Or, they might just be one of the packers on the team, and join right in being productive there, leading and motivating by example, not by threat, persuasion, cajoling, or hovering.

Managers *feel* productive – they have tons of monitoring on their plate. But a leader will lead by example, get in the trenches, and be one of the productive people. Leaders can afford to do this because the people they hired are Stakeholders, not employees, and don't need to live in a day care center where they are watched like four-year-olds. When managers are removed from the company, the work of the manager that adds no value disappears, and the few important things a manager might do get dispersed among all the adult Stakeholders. After Weisbord tore down the wall and eliminated the department managers, he was surprised at how little real work the Stakeholders had to assimilate from the former management positions.

## LEADERS MAKE FEW DECISIONS

I said this earlier, but it bears repeating: the art of leadership is to know how few times the leader should actually make the decision. A Participation Age company doesn't need top-heavy leadership, or managers who make a lot of decisions for others. The Stakeholders throughout the company are all adult leaders, and understand that if they have all the training and equipment they need, and clearly understand the objective required, they will gladly take the bull by the horns and *own* their tasks, jobs, processes, and results.

Leading instead of managing is not a new concept. A store owner prior to the Industrial Age hired someone else to stock shelves, trained them, gave them the tools needed to do it, and then that leader went back to being productive himself. If the stocker wasn't productive, he was let go and the leader got someone else who could self-manage. After training the new person, the leader went back to being productive again. Everyone produced something, whether it was maintenance, accounting, packing, new product development, or vision and leadership. No one stagnated, watching other people doing the work.

## THEORY X AND THEORY Y LEADERS

Douglas McGregor's highly acclaimed book, *The Human Side of Enterprise,* is a must read for anyone looking to bring a company into the Participation Age.[3] McGregor says there are two types of leaders. Theory X leaders assume

people are largely unmotivated and therefore the manager must use close supervision, management, and clear hierarchy to ensure the productivity of employees. Theory Y leaders assume people are self-motivated and don't need the hierarchical constructs to be successful.

Too many companies have taken McGregor's Theory Y too far, creating a "Friend's Culture" model where compromise and consensus reign. McGregor never meant for such a kum-ba-yah result. There are parts of Theory X that are necessary and valid – leadership takes different forms in different situations. As an example, there is a need for strong visionary leadership when faced with decisions that affect the future of the company (new products, new processes, new people, new directions, new facilities, etc.). Strong, visionary leaders will have the courage to make decisions that may not engender support from the majority right away. Consensus is always popular, but many times ineffective. Leadership is not always popular, especially when it is being effective.

The Participation Age does not call for Theory Y compromise and consensus as the best and only way to lead. The Participation Age, and McGregor's combined Theory X/Y, call for the inclusion of everyone who will be affected by decisions in the discovery process. The Participation Age also demands that decisions, whenever possible, be made by the people most likely to have to carry them out. It also calls for unhooking people from the machine, giving everyone their brains back, and requiring that they be creative and innovative, solve problems, and stick their noses wherever they can. And it requires letting employees go who won't grow up, leave the day care center, and become Stakeholders.

Consensus is always popular, but many times ineffective. Leadership is not always popular, especially when it is being effective.

## BUSINESS IS NOT A DEMOCRACY

Business is not a democracy at all levels. The most effective Participation Age business is a benign dictatorship, in which the founder or CEO uses his power and influence to empower everyone else to lead and make the company better. The Participation Age does not place leaders in the role of polling officers, tallying votes and making decisions based on what the majority wants. Visionary leaders regularly see things that others don't see, and it is their responsibility to move the boat of the company away from the rocks and toward new and great advances, even when few others can see it.

Participation Age leadership is based on servanthood – the willingness to use *power* for the betterment of the company and the people, not for self-promotion. Ricardo Semler's leadership of Semco in Brazil (see his wonderful book, *Maverick*) is a great example of someone who, through benign dictatorship, took a company

mired in the tar pits of the Industrial Age, and in the face of ongoing objection from many around him, turned it into one of the best examples of a Participation Age company in the world, where democratic decision making now rules at almost every level, but not at the top.

The most effective Participation Age business is a benign dictatorship, in which the founder or CEO uses his power and influence to empower everyone else to lead and make the company better.

## THE TITLE VS. THE TRENCHES

This "title" thing is another great way to see the difference between a leader and a manager. Management starts with an empty office and a title on the door. The company then goes out and finds someone to stick in that specific chair with that specific title. Because they have that title, you are now supposed to follow them, even though they have not demonstrated any reason why anyone should.

Contrast that to how leaders emerge. Leaders lead by example first – they are respected because they have done or are doing what they want you to do. They've been in the trenches. Secondly, people are following them without a title. They're being followed not because some corporate VP anointed them with an office, a chair, and a title on the door, but because they inspire, give great guidance, and help people get a clear direction where to go. They are already headed in that direction.

Very few leaders need to replace an awful lot of managers. Leaders impart vision, facilitate the development of teams, create an environment that will allow for success, champion the success of others, and use their authority to serve others in setting and reaching their own goals. When leaders lead, and employees become Stakeholders, we need a LOT fewer leaders than the managers they replace. And unlike managers, as they lead by example, these leaders will be productive and add personal value to the bottom line as well.

## LEADERS FOCUS ON RESULTS; MANAGERS FOCUS ON PROCESSES

Leaders help others develop their own goals, processes, and timelines. They FACILITATE the creativity, innovation, and general development of others while demonstrating how it's done, by doing it themselves. In contrast, managers set the goals themselves, tell others what they should do, how they should do it, and when they should be at work, just like Taylor preached. As a result, managers are much more focused on *processes* and how well the processes are executed, while leaders are focused largely on *results*. Leaders motivate others to develop their own great processes, and they know if the processes are good or bad because of the results they achieve.

## LEADERS GIVE OWNERSHIP

Managers get people focused on executing their processes, usually without input. Leaders motivate others to develop their own great processes, then focus on the results. When people *OWN* their processes and their results, instead of just executing someone else's process, with the leader championing them to do so, we see remarkable results. In the Afterword to this book, you will see how six hundred million people came out of poverty in China in just twenty years because people could once again own the fruit of their production and could decide how to make it happen without interference from management.

## PROFIT-SHARING IS ESSENTIAL IN THE PARTICIPATION AGE

To rid the world of managers, it is important to emphasize over and over again that profit-sharing is essential for creating a Stakeholder's culture. Next to owning a piece of the company, it is the highest form of ownership. If you won't profit-share, you are just another Industrialist using people for your own gain. Leaders champion the development of those around them for the sake of the whole. And leaders understand that if everyone shares in the fruit of their labors, they will take ownership of the entire process and of the company itself. You cannot preach *ownership* to people at the task, job, process, and result levels, and also not do profit-sharing. It is hypocrisy of the highest order. What you are saying is, "You can own everything except the increased profits. I'm keeping the fruit of your increased labor for myself."

It is important to emphasize over and over again that profit-sharing is essential for creating a Stakeholder's culture.

If you do not profit-share, Stakeholders will not take over the former tasks of managers or even stay around. They will find a true Participation Age company in which to flourish and will make that company a lot of money, too.

## THE FEW, THE PROUD, THE LEADERS

In a Participation Age company, leaders are different from managers in two specific ways:

1. They lead by example. They don't get to lead because they have a title on the door they inherited. In a Participation Age company, people are called leaders only because others have decided to follow them. They come from the trenches, not from an ivory tower. They can help others because they themselves have done it. Even if they're no longer doing as much of it because they are putting more energy into leading, everyone knows that

they could jump right back in at any time to tackle a task, and many times do.

2. Leaders: you don't need many of them. Giant Corporation, Inc. is full to the brim with managers. When you replace managers with leaders, you'll find you need a lot fewer of them. The small percentage of real work that they do will easily be assimilated by the Stakeholders they used to manage.

In a Participation Age company, people are called leaders only because others have decided to follow them.

## MANAGERS VS. LEADERS

Here is a table of the differences between a manager and a leader. Take the test: Are you an Industrial Age manager, or a Participation Age leader?

| Manager | Leader |
|---|---|
| Makes people stupid and lazy when they aren't. | Frees people to be smart and motivated, because they are. |
| Manages by Title–Demands respect and requires submission by virtue of position. | Leads by Example–Inspires respect and attracts followers by virtue of production. |
| Oversees–Increases the production of others by measuring them. | Produces–Inspires others to be productive by being productive and showing the way. |
| Sets goals for others. | Helps others set their own goals. |
| Focuses on process. | Focuses on results. |
| Imposes accountability. | Gives ownership. |
| Pleases higher-ups. | Serves/champions the Stakeholders. |
| Engenders fear or deference to authority. | Encourages creativity, innovation, asking why, open communications. |
| Keeps people from making mistakes. | Allows people to learn from mistakes. |
| Promotes self–Becomes more important and takes credit. | Promotes others–Fades over time and becomes less important. |
| Browbeats people to make money. | Motivates people to Make Meaning, which makes more money. |
| Need a lot of them. | Need few official ones because everyone is a leader. |

If you want to know more about your leadership style, you can take our Apex Profile at http://ApexProfile.com. E-mail us at Grow@ApexProfile.com and we'll send you a code to drop the price to US $10.00. It is a decision-making profile to help you understand the lens through which you view the business world and how you can make better decisions, who to hire to complement your strengths, and why you are having trouble or are doing well at building a business.

## SOME FINAL REASONS TO ELIMINATE MANAGERS

Jim Clifton, CEO of Gallup says, "The people picked to be managers account for the majority of variance in almost all performance-related outcomes," and says that seven out of ten managers "are not properly developing, or worse, are outright depressing seventy million of the hundred million US employees."[4]

Salary.com's research says fifteen of the top twenty reasons someone will leave your company are directly related to the managers under whom they must perform. (What a great reason to eliminate managers all by itself!) The biggest waste of time, according to 47 percent of respondents, is having to attend too many meetings. That's followed closely by having to deal with office politics.[5] If you remove managers and replace them with leaders, you eliminate fifteen of the top twenty reasons your best Stakeholders might leave you, and reduce some of the biggest time-wasters in business.

The Industrial Age is over – people are no longer stupid and lazy. Replace your managers with fewer leaders and watch your company grow.

Let's look at how some companies are doing it.

## EMBRACING THE PARTICIPATION AGE

1. What is your mindset? What one thing can you or your leadership do to move from LCD Management to HCD (Highest Common Denominator) Leadership?

_____

_____

By When? ____ /____ / ____ :___a.m./p.m.

2. Is there anyone in your organization who needs help moving from being a manager to being a leader? What one action is required to help that individual refocus?

_____

_____

By When? ____ /____ / ____ :___a.m./p.m.

## NOTES

1. Ethan Mollick, *Why Middle Managers May Be the Most Important People in Your Company*, (in Knowledge@Wharton, May 25, 2011), http://bit.ly/1cmXDjr
2. Marvin Weisbord, *Productive Workplaces Revisited* (San Francisco, CA: Jossey-Bass, 2004), 94.
3. Douglas McGregor, *The Human Side Of Enterprise* (New York: McGraw-Hill, 2005).
4. Jim Clifton, *The Chairman's Blog, Millions of Bad Managers Are Killing America's Growth*, (Gallup.com, Wednesday, June 19, 2013) http://thechairmansblog.gallup.com/2013/06/millions-of-bad-managers-are-killing.html#comment-form.
5. Salary.com, *Wasting Time at Work*, 2012 http://www.salary.com/wasting-time-at-work-2012/slide/11/.

# Resources

## ABOUT THE AUTHOR

Chuck Blakeman is a results leader who has built many businesses, two of them with presence on four continents. He now uses his experience to help other business owners and leaders build Participation Age companies. Chuck is available for one2one business advising as well as working with company leadership teams anywhere in the world. Some of Mr. Blakeman's past customers have included Microsoft, Apple, Eli Lilly, TAP Pharmaceuticals, Sun Microsystems, Tyco Healthcare, Johns Manville and many more much smaller businesses.

## KEYNOTES

Based on his books, Chuck regularly delivers the following captivating and transformative keynote presentations and breakout sessions around the world.

### WHY EMPLOYEES ARE ALWAYS A BAD IDEA

For business leaders and managers. The Future of Business is in the new Participation Age. Don't be left behind. Come hear how companies large and small, old and new, are changing their business practices and culture to increase revenue, reduce management expenses, and attract and retain the best talent in the world, by turning their employees into Stakeholders.

### MAKING MONEY IS KILLING YOUR BUSINESS

Based on the "#1 Rated Business Book of the Year"
For business leaders and founders. Get off the treadmill, make more money in less time and get back to the passion that brought you into business in the first place. Use your business to build your Ideal Lifestyle, not just an income.

*"In the 17 years of SCN, he was truly the BEST SPEAKER ever...and SCN prides itself on seeking the best speakers in the business. I had NO IDEA what a profound effect he and his message would have on the attendees."*

–Linda Miles, Founder, Speaking Consulting Network

*"Terrific speaker. Eye opening. One of the highlights of the conference!!"*

–Association of Marketing Service Providers

If you would like to explore how Chuck and his team could serve your company or organization, please connect with us at: Grow@CranksetGroup.com

## WORKSHOPS

We also conduct workshops and seminars for companies and for business associations. Some examples:

**How to Hire People You'll Never Have to Manage**

- Discuss how and why the traditional employee hurts your business
- Learn our seven-step process to ensure you only hire Stakeholders and never have to manage another employee
- Build a Participation Age company with the right people

**Building a Participation Age Company**

- Learn the Seven Core Business Diseases of the Industrial Age and how to avoid them
- Stop managing & start leading: how to do it
- Three-step process to transform an employee into a Stakeholder
- Practical how-tos for moving someone from manager to leader

**Freedom Mapping—The Key to a Great Business**

- Identify and shift to the highest and best use of your time—stop guessing
- Create Process Maps to deliver consistent customer service
- Create ownership and teamwork for all your Stakeholders—eliminate the *job silos* problem
- Make your company worth exponentially more

**2-Page Strategic Plan Workshop**

- Trade in the ineffective business plan (an Industrial Age concept)
- Clarify or write your vision and mission statements, strategies, and objectives
- Run your business every day from the bottom of Page Two
- Make it easy to measure if each week/month/quarter is accomplishing your objectives
- Develop your Strategic Plan right in the workshop to run your business daily

**No-Nonsense Lifetime Goals for Business People**

- How do you define Success and Significance? Why are you in business? Where is it taking you?
- Have you defined your "Big Why"? What does your Ideal Lifestyle look like? When do you expect to get there? How will your business get you there?
- Get utter clarity on these questions and a new motivation to build your business
- Learn how a business can Make Meaning, not just money

*The Group gained great value from the workshop. It was interesting and stimulating, with considerable take-home value."*

—Brent von Sierakowski, Chairman TEC (Vistage), Auckland, New Zealand

## ONLINE RESOURCES

Learn more about Chuck as a speaker and workshop leader at
http://ChuckBlakemanSpeaker.com

Read Chuck's blog at
http://ChuckBlakeman.com

Learn more about 3to5 Clubs worldwide at
http://3to5Club.com

Buy Chuck's books at
http://MakingMoneyIsKillingYourBusiness.com
http://WhyEmployeesAreAlwaysABadIdea.com

Learn more about Crankset Group at
http://CranksetGroup.com

**THE APEX PROFILE ONLINE:** http://ApexProfile.com
The first profile in the world developed specifically for business owners, founders and leaders.

Apex Profile clarifies why you make decisions the way you do, how you perceive the business world around you, and whom you should hire to complement your strengths.

E-mail our team at grow@cranksetgroup.com and request that a one-time code be sent to you for the Profile. This code will reduce the US $79.00 cost of the profile to only $10.00. You can visit http://apexprofile.com for more information.

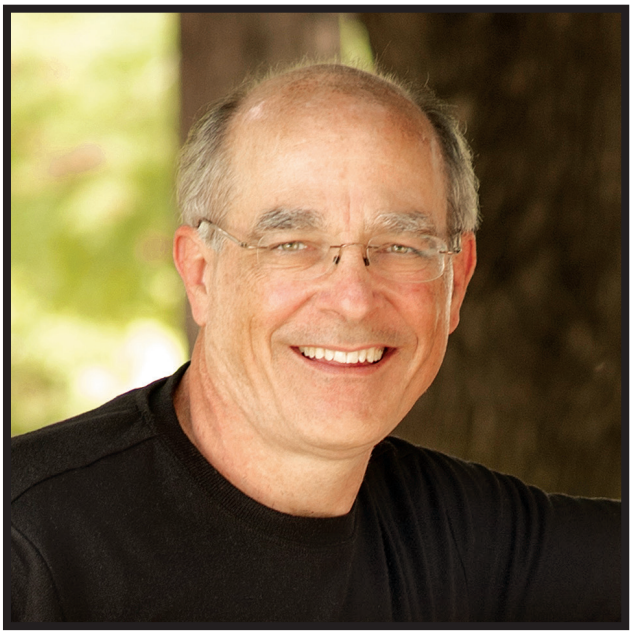
## OTHER BOOKS BY THE AUTHOR

Chuck's book, *Making Money Is Killing Your Business*, was rated the #1 business book of 2010 by the National Federation of Independent Businesses. It is in its second printing. Recent print and online appearances include *Harvard Business Review*, *Entrepreneur Magazine*, CNNMoney.com, NYTimes.com, and many others. He was also quoted in Stephen Covey's final book, *The 3rd Alternative.*

Order today at: www.MakingMoneyIsKillingYourBusiness.com
or on: www.Amazon.com (99% Five-Star Amazon reviews)

## CONNECT WITH US

If you have any questions or would like to explore a possible engagement, please connect with us at Grow@CranksetGroup.com



Chuck Blakeman built seven businesses on four continents in 25 years. In 2006 he started Crankset Group to provide outcome-based mentoring and peer advisory for business owners in the U.S., Europe, Africa, and Asia. Chuck also leads a for-profit business based in Africa designed to solve poverty by building local economies.

Chuck wrote ***Making Money Is Killing Your Business,*** named #1 Business Book of 2010 by NFIB. He is also a regular convention speaker and magazine contributor. Recent speaking appearances include Kenya, DR Congo, Ireland, New Zealand, and regularly throughout the U.S. Print appearances include Harvard Business Journal, Entrepreneur Magazine, CNNMoney.com, and NYTimes.com. He was also cited in Dr. Stephen Covey's final book before he died, *The 3rd Alternative*.

**WhyEmployeesAreAlwaysABadIdea.com**
**3to5Club.com**

Crankset Group
PUBLISHING

JACKET DESIGN BY FERMENTABLE SUGAR LLC
AUTHOR PHOTOGRAPH BY BRAD NICOL

*A radical new book about the Participation Age, for everyone who: has a job, owns a company, or manages people.*

## IMAGINE

No employees or managers, just Stakeholders.

No titles, no departments, no corporate ladder, no office hours, unlimited vacation time, profit sharing for everyone.

No written policies or HR department. Rules destroy creativity.

Where people Make Meaning, not just money, and a lot more of both.

## *Why Employees Are Always a Bad Idea...*

is about these companies. They exist right now, in every industry, with five Stakeholders to 10,000. And everybody wants to work there.

***Why Employees Are Always a Bad Idea*** will transform employees to Stakeholders, and show leaders how to eliminate archaic business practices to move their companies into the Participation Age.

A new, must-have business book by the author of the #1 Rated Business Book of 2010 (NFIB), ***Making Money is Killing Your Business***.

**Chuck Blakeman**

$25.95
ISBN 978-0-9843343-4-6
52595
9 780984 334346