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**THE EMPLOYEE EMPOWERMENT
APPROACH TO SERVICE**

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The Employee Empowerment Approach to Service

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In the 1970's, Theodore Levitt presented a "production line approach to service" as the remedy for the sector's problems of inefficient operations and dissatisfied customers. It was argued that the secrets of the production line approach could be discovered, quite simply, by looking at the world of manufacturing. The argument was to transfer to the service sector such industrial practices as the simplification of tasks and the substitution of technology, equipment, and systems for employees. Philosophically, service managers were encouraged to think in technocratic terms rather than humanistic terms.¹

In the 1990s, the "employee empowerment approach to service" is being presented as the remedy for the service sector's problems of poor customer service and inefficient operations. The guiding philosophy of empowerment is very nonbureaucratic and worker-oriented². Empowerment is presented as the remedy that can lead to higher quality service, quicker responses to customers, and lower costs. Indeed, empowerment is often presented as a cure-all for the lagging productivity and profit problems of many service organizations.

Unfortunately, service managers are not sure where to look to discover the secrets of the employee empowerment approach. There is a considerable amount of vagueness about where empowerment works, how it should be implemented, and indeed, what constitutes empowerment.³ For some it seems simply to mean allowing employees to decide how they greet a customer, while for others, it includes giving employees almost unlimited discretionary spending power to recover from any service problem.

Over time it has become apparent that simple answers are not good enough for the complex questions involved with managing service delivery and that creating empowered service workers is not a universal good, or a simply instituted practice. This had led to a number of questions about how empowered service workers should be as well as

questions about its effects. Based on evolving research in the area of service management and the experience of a number of companies, it is possible to clarify many of the issues involving the empowerment of service workers and to state some strong guidelines about how empowerment should be managed. We have captured them in the following ten statements about empowering service workers:

*Empowerment is a "state of mind" that is produced by **high-involvement** management practices.*

Employees don't just suddenly feel empowered because managers tell them they are. Organizational policies, practices, and structures must be changed to create empowerment on a sustained basis. It is possible to give employees a brief rush of adrenaline following a speech by a charismatic leader about how they are the front line of the organization and critical to its effectiveness, but this passes unless organizational structures, practices, and policies constantly and continually send a message that employees are empowered in order to deal effectively with customers.

Research suggests that empowerment exists when companies implement practices that distribute power, information, knowledge, and rewards throughout the organization.⁴ This is happening most frequently in companies that have abandoned the traditional, top-down, control-oriented management model in favor of what has been labelled a high-involvement approach. High-involvement organizations (HIOs) use multiple management systems to try to create work environments in which everyone (not just management) is encouraged to think strategically about their jobs and the business and to assume personal responsibility for the quality of their work.⁵

Power can be redistributed by pushing decisions down to employees who interact directly with customers. Often this requires restructuring work so that employees as a group or team are responsible for the entire service process or for a designated group of

customers. Information needs to be pushed down through sharing customer feedback, as well as through giving employees financial information about how the business is doing. Employees need to be knowledgeable concerning the goals and objectives of the business as well as the full-service delivery process of which they are a part. Finally, they need to be in a position to experience customer expectations and feedback.

Rewards need to be allocated based on how effectively employees use information, knowledge, and power to improve the quality of service that customers receive and the financial performance of the organization. This can be done in the form of stock options, profit sharing plans, gainsharing plans, and a host of other plans that tie employees financial rewards into the success of the organization.

Management practices that push down power, information, knowledge and rewards create an empowered "state of mind" within employees. This state of mind is what "comes between" management practices and the results they hope to achieve -- employees who work hard to provide great service and delighted customers. (See Figure 1). Precisely specifying what any particular state of mind looks like, empowered or not, is a tricky business. However, based on research in the area of job design and our work with service managers and their employees, an empowered state of mind seems to include feelings of:⁶

- o Control over what happens on the job, i.e. freedom of choice among different ways of doing the job; input on how the job is designed; a belief that you can handle the job; better able to respond if something goes wrong.
- o Awareness of the context in which the job is performed. i.e. understanding of where work fits into the "big picture"; where it fits in with various downstream and upstream activities.
- o Accountability for work output. They recognize the linkage between the quality and quantity of their own work, and the rewards they receive at work.

Figure 1 emphasizes the importance of both management practice and employee state of mind for implementing empowerment. The management practice empowerment equation reads: **Empowerment = Power x Information x Knowledge x Rewards**. The multiplication sign, rather than a plus, highlights that if any one of the four pieces is zero, that is if nothing is happening to redistribute that ingredient, then empowerment, itself, will be zero. This formula reminds managers to avoid the common error of giving employees more discretion (power), but not providing employees with the necessary abilities (knowledge) to exercise that discretion wisely. As Jeff Stiegler, CEO of Investors Diversified Services (IDS) puts it, "Empowering without enabling creates huge frustration".⁷

The center piece of empowerment is how it transforms employees' psychological experience of themselves and their work. The quality of management practices aimed at empowering employees can be judged by their success in creating an empowered state of mind. The key is structuring work situations so that employees throughout the organization have the personal feeling that they have what they need to satisfy the customer.

In short, empowerment is not a state of mind that comes about simply through better training of service employees. It is a performance capability and state of mind that is produced by a unique set of well-designed, systematically implemented, organizational practices and procedures. This is the main reason why in fact it is difficult to produce and once created it is hard for competitors to match, making it a sustainable source of competitive advantage.

Figure 1

**A Model of
An Employee Empowerment Approach to Service**

**High Involvement
Management Practices
That Push Down:**

Power

e.g. Quality Circles,
Job Enrichment

Information

e.g. Customer Feedback
Unit Performance Data
Data on Competitors

Knowledge

e.g. Skills to analyze
business results
Group process skills

Rewards

e.g. Pay tied to service
quality
Individual and group
pay plans

**Create in Employees
"An Empowered State of Mind"
in which they feel:**

More **Control** over what
happens on the job

More **Awareness** of the
context in which the
job is performed

More **Accountability** for
Work output

**That leads to these
Positive Outcomes:**

Employees who work
hard for customers

Customers whose
expectations are met or
exceeded

Organizations that
enjoy the returns from
customer satisfaction
and retention

*There is empirical evidence, not just war stories, that empowerment produces **results**.*

There is a large amount of anecdotal and case evidence that empowerment does produce more satisfied customers and employees. The success of Xerox with their customer service units, Taco Bell with its restaurants, Ritz-Carlton, and so on, are well known and frequently told stories. Lacking, however, is definitive national survey data which shows that service organizations which adopt empowerment are more effective than those which do not. So at this point, any organization moving to empowerment as a management strategy is required to make a leap of faith. However in our view, it is not too great a leap in most businesses.

This assertion is supported by a great deal of research which is focused on the effectiveness of particular empowerment practices. The distinction we are making here is between research on total firm performance, and research which has looked at the effectiveness of specific empowerment practices such as gainsharing, communication programs, work teams, job enrichment, skill-based pay, and so on. Evidence on these practices is consistent and positive. For example, the evidence on self-managing work teams shows that they do typically produce positive results in terms of quality and costs.⁸ Similarly, the evidence on gainsharing plans shows that they produce substantial cost improvements as well as better service.⁹ For a long time, the research focused mainly on manufacturing situations, but today there is also data to show that they work quite well in the service environment.

Individual companies need to systematically track the results of their own empowerment activities to empirically assess their own leap of faith. They must develop data-based answers to questions such as: After all our efforts to empower employees, are they really any more empowered now than they were twelve months ago? And, if they are, so what? Are increased levels of employee empowerment associated with increases in customer satisfaction? Since efforts at employee empowerment tend to incur higher

employee selection and training costs, it is important to track whether there are returns on these investments.

One alternative for assessing whether employees feel more empowered is simply to ask them. Xerox does this. At Xerox, the desired state of mind of an empowered employee is the perception that "I can do what is needed, subject only to boundaries of morals, ethics, law, process capability, and GSA price exposure." Employees are asked to report whether they experience this state of mind.

Survey questions that tap into the tension between the production-line and employee empowerment approach can reveal a lot about how much progress has really been made in empowerment. For example, how would your employees answer the question, "If I exceed my budget in order to satisfy a customer, my boss will approve" or "if I break a rule to help a customer, I know it's OK."

Customers can be surveyed to determine if they view employees as empowered. Xerox strives for customers having a certain desired state of mind on empowerment, not just employees. The desired state is "that front line employees can and quickly do take action to do the right thing for them as customers, thereby making it easy and pleasant to do business with Xerox." This customer perception can be tracked over time and also correlated with customer satisfaction to see if empowerment produces results.

Another assessment strategy is to track changes in the percentage of employees who are "covered" by what the firm has defined as empowering management practices. For example, suppose an organization operationalizes empowerment as the number of employees receiving customer feedback, participating in a "service" quality circle, and covered by a gainsharing plan. Empowerment in that organization can then be said to rise or fall from year to year depending on the direction and magnitude of change in the percentage of employees exposed to these practices. The firm should also assess if there are corresponding percentage increases in employee and customer satisfaction, as well.

A final measure of progress toward employee empowerment can be monitoring changes in organizational structure. Companies including Xerox, IBM Canada, and Taco Bell all feel that decreasing levels of management and increasing spans of control are important indices of success in empowerment. Taco Bell has been particularly vocal in attributing much of its resurgence the last few years to the empowering effect of flattening its management structure.

Overall, the data on empowerment is not as comprehensive as would be desirable, but it is starting to accumulate and it consistently shows that empowerment can work in the service sector. Indeed, it suggests that it can provide an important competitive advantage. We predict that this advantage will become even more clear as more firms empirically assess the success of their own empowerment efforts.

Empowerment is the key to service recovery, but frequent empowered acts of recovery signal a system with too many fail-points.

Every service situation, because of the complexity and challenges that come from dealing with individual customer differences, breaks down on occasion. An empowered employee can be an enormous resource when the normal service delivery process breaks down. Often recovering from a service break down requires employees to innovate, problem solve, and act independently in order to come up with solutions to difficult situations. In many cases, it is virtually impossible to specify in advance the correct procedures to deal with service problems. By their very nature, they are hard to predict and therefore, it is difficult to "standardize" procedures for service recovery.

The writings on service recovery abound with heroic stories of employees doing exceptional things in order to satisfy a customer. This has become an important tradition in many organizations which celebrate and reward service recovery. Organizations should celebrate and reward service recovery. It is an important organizational capability that

needs to be nourished and institutionalized. However this does not mean that anything goes with respect to service recovery. Indeed, it is quite appropriate for organizations to set budget limits and constraints on what an employee can do to respond to a crisis situation or a dissatisfied customer. For example, Ritz Carlton, the Baldrige Award winning hotel chain, limits employees responses to \$2,500. Obviously, this is a much higher amount of money than most employees need to spend to satisfy a customer, but it still puts a limit on how big an expenditure an employee can make. If a truly extraordinary situation occurs, employees can go beyond this limit, but it serves as a useful guideline.

A different hospitality company, Hampton Inn, gives employees much less discretion than Ritz Carlton. The hotel makes a one-hundred percent satisfaction guarantee. If guests are not completely satisfied with their stay, they are not expected to pay. Employees at every level of the hotel are empowered to use this guarantee as a tool to deliver total guest satisfaction without asking the general manager for permission in advance. In addition, all employees receive extensive training regarding the concept behind the satisfaction guarantee and how to implement it. In this case, it is clear that the movement of power, information, and knowledge to the employees is systemic. Hampton Inn claims that the program has increased job satisfaction levels and the feeling of ownership throughout the 7,000 employees of the hotel.

As these examples suggest, one challenge in managing empowered acts of recovery is setting reasonable boundaries for employee heroism. A second challenge is learning something from the empowered act that will lead to repairing the failure point in the delivery system that caused the problem in the first place. Let's take a closer look at these two challenges.

Boundary-setting boils down to establishing the difference between "good" versus "bad" heroic acts of empowerment. Employees sometimes don't realize the impact that their heroic act has on upstream or downstream activities. The helpful hotel desk clerk who allows a disgruntled guest to check-in early doesn't always think through the

implications for that day's housekeeping plan. Companies can tackle this by providing employees what Xerox terms "line of sight" or "line of visibility" training in which employees are made very familiar with where their job fits relative to upstream and downstream activities.

After increasing employees awareness of the context for their actions, boundaries can then be set in terms of dollar limits, as illustrated by the Ritz-Carlton and Hampton Inn examples. This can even be fine-tuned so that the dollar limits vary by value of customer. The frequent business traveller guest may have a higher dollar limit than the one-time tourist. But employees must also understand when to do something out of the ordinary, not just how much. Marriott identifies not only the boundaries for employees, but tries to identify "safe zones" for them -- situations in which empowered actions are called for. Marriott has employees spend a day in empowerment training to hear stories of empowered employees and to discuss the merits (or demerits) of the employee's actions. Relatedly, Williams Sonoma collects stories of good examples of empowered actions and makes them available to employees through electronic mail.

The real challenge, however, is to fine tune the service delivery system so that employees don't need to scramble to recover because they get it right the first time. Here, advocates of the employee empowerment approach may have much to learn from the production-line approach's emphasis on procedures and technology. The strength of the production line approach to service is how it delivers reliability and consistency.

An important key for companies concerns better integrating their employee empowerment programs (which tend to glorify recovery) with their TQM efforts (which sanctify doing it right the first time). A rule might be that the "hard" tools of TQM such as pareto analysis, fishbone diagrams, and so on should be used more, the more frequent the occurrence of acts of recovery.

Another rule is to refocus employees to exert their empowered energy on redesigning delivery systems, rather than to reacting to failures in them. A story told at

SAS Airline illustrates what this means. SAS surveys of passengers revealed that their most frequent complaint was that SAS did not keep its promise of giving every passenger the newspaper of their choice. SAS personnel would try to recover by finding more newspapers or offering something to make up for it (a free drink). The interesting part of the story is, though, that SAS management had no idea this was happening! The front-line was not informing folks up the line of this frequent and annoying failure point and as a result no systemic fixes were made.

Service organizations need to convince the front line that part of being empowered is enjoying the right, and shouldering the responsibility, to pass this information along and to develop better systems and procedures. Bill Marriott's thoughts nicely summarize the dual aspects of truly effective empowered acts of recovery: "Do whatever's necessary to take care of guests. Also, track, measure, and follow-up how to handle it better next time, the first time."

Empowerment to Delight, Rather than to Recover. Empowerment can be used to do it more than right, the first time...not just to get it right the second time. For example, a recent story in the *Wall Street Journal* told of a Ritz Carlton's guest experience with trying to find a specialty grocery store while staying at a hotel in Atlanta. The concierge not only located the store, he arranged for the doorman to drive the guest after they had trouble summoning a taxi. The guest was clearly delighted by this unique act of service delivery.

There are two very different categories of empowerment: recovery and delight. Each type of empowerment requires its own budget and behavioral limits to guide employee actions effectively. An organization's business strategy should determine the relative emphasis on each category and the specification of limits. A Taco Bell which competes on price in very short service encounters with customers might be wise to empower employees for recovery, only. Ritz Carlton, however, may empower employees to do both, perhaps even emphasizing delight more than recovery.

*Empowerment should be adopted for the "right" reason -- to provide a source of **sustainable** competitive advantage based on "type of organization."*

Service firms adopt empowerment for one or more of the following reasons:

(1) As a strategic initiative to improve its products or services, i.e. like emphasizing total quality or innovation, (2) Because everyone else has and there is a fear of falling behind "contemporary management practice," (3) Because management believes it would be immoral to manage any other way; that all employees must be allowed to "grow" in their workplaces, and (4) To create a unique type of organization that has superior performance capabilities which derive from the adoption of a new logic of organizing.

We believe that the reason for adopting empowerment that scores best against the criteria of durability and success is (4) -- the creation of a unique type of organization. Here, type of organization, can become the basis of **sustainable** competitive advantage. Southwest Airlines and Nordstroms illustrate this. These organizations have made their management philosophy and organizational capabilities their enduring basis of strength. They are an enduring source of advantage because they are not easily imitated. The winning edge does not reside in the characteristics of the products or services themselves, but in how they are delivered. This tough to mimic capability is embedded in an equally unique type of organization that is based on employee empowerment.

The other reasons for empowering may yield impressive returns, as well, but they have limitations or vulnerabilities. If empowerment is adopted as a strategic initiative it will be viewed as a tool like TQM. Tools serve organizations, they do not necessarily define them. They often get no further than being used in special activities, rather than being fully integrated into the organization's fabric or culture. And tools are easily discarded if the organization feels their usefulness is not immediate or large enough; witness the fate of TQM in many firms.¹⁰ Additionally, other firms can easily acquire or steal the same tools, to quickly level the competitive playing field.

If empowerment is implemented just to copycat the alleged best practices of the day, the likelihood of abandoning the effort may be high because no authentic intrinsic conviction is driving the effort. Management's beliefs in the underlying assumptions of the production model may never really change, so the temptation is high to regress to tight control of employees at the first signs that implementing empowerment may be difficult.

Finally, empowerment may be tried out of a sense of moral obligation. Great, but such love may be blind to the costs of empowerment or, possibly worse, to the existence of business conditions that actually favor a control model. On the latter point, there is research that indicates customers of convenience stores such as 7-11, for example, prefer fast, procedurally-driven service over service by employees who can exercise a lot of discretion on the job and who display lots of tender loving care to customers.¹¹

Competitive advantage in the service industry comes about through developing capabilities and competencies which are not easily duplicated and provide superior value to the customer. Ultimately, this is the most important and sustained reason for adopting empowerment. It must be seen by the organization as a competitive advantage that is significant and sustainable. Evidence is building that it can provide this, but it can provide it only if it is adopted with this as the strategy in mind and a long term commitment is made.

Empowerment should be an organization-wide concept and an organization-wide reality, not something that is extended to an isolated few.

We often hear executives say that they agree with the empowerment concept and are interested in cultivating it within their organization, but they also feel that there are many jobs or tasks that must remain procedurally-driven. For example, in hospitals, we want lab technicians to do things by the book and we don't want commercial airline pilots "winging" it. Or, at a more fine-grained level of analysis, we may want lab technicians to act

empowered on tasks involving, say interpersonal dealings with physicians, but not on tasks such as conducting biopsies.

There is little question that in many jobs there are certain activities that must be done in procedurally defined ways. These are often required by law as in hospitals and airlines, or it simply has been discovered that there are necessary steps in the use of particular technologies and in working with certain kinds of customers. Following procedures and standardized operating methods does not necessarily mean that empowerment cannot be an important part of how employees feel about their work situation. In many of the most procedurally driven jobs, there are still opportunities for discretion, for employees to make inputs, and for employees to innovate. For example, employees who have to work procedurally driven jobs can be made members of empowered work teams charged with reexamining processes, problem-solving quality issues, and so on.

The alternative to a strategy which calls for employees to have some discretionary power, even in jobs which are highly routine, is to have a double-breasted organization. That is to create a world in which some employees are highly empowered and expected to innovate, while others are assigned to the routine, boring work, and managed in a very traditional way. The problem with the double-breasted approach to management are many. It often creates an organization of first and second-class citizens, makes it difficult for organizations to send a clear definitive message to its employees about how they are treated and how they are valued by the organization, and it limits an organization in many practices it may want to adopt. Along these lines, we have heard executives say that empowered departments in their organization find it very frustrating to interact with more control-oriented departments in which no one seems to have the authority to make a decision or do anything.

In some cases, it admittedly is very difficult to empower employees because technology demands that they do repetitive work. For example, it is hard to change the

work of toll collectors, telephone operators, check processors, and so on. In these cases, it may be best for organizations that want to use involvement to either sub-contract out work that cannot be managed effectively with the involvement approach or to try to automate it out of existence. AT&T and other telephone companies for example are automating the operators jobs so rapidly that soon they will be virtually eliminated.

Peter Drucker has shared some provocative thoughts that suggest the type of empowerment that is desirable for service employees doing procedurally-driven, repetitive work. Even they, Drucker says, can be empowered to answer the question of how to "work smarter", the real key to productivity improvements in the service sector. These front-line employees can be made partners in productivity improvement by getting their input on issues such as: Why do we even perform a particular task?; and If we have to do it, what's the best way of doing it? Drucker points out that Frederick Taylor, the Father of the production-line approach, never asked the workers he studied how they thought their jobs could be improved, he told them. If certain service jobs have to be rationalized and procedurally driven, the employees should at least be empowered to answer Drucker's questions.¹²

Empowerment of workers is not a substitute for good management.

We are beginning to hear more people say that empowerment may actually be a sexy sounding cover for management screw-ups. That empowerment is really the act of placing responsibility for system "damage control" on the shoulders of front-line service workers as opposed to keeping it on the shoulders of management. That empowerment can be a dysfunctional substitute for the painstaking "root cause analysis" necessary to fix the system permanently; to do what's necessary to prevent the need for empowered service recovery in the first place.

This skepticism is frequently further fueled by two other events that tend to accompany empowerment. One is "downsizing" or "delaying." The "cutting heads" approach to good management is taking some shots these days. It is now just as often referred to as "dumbsizing" by business analysts who point out that it often does not produce the hoped for positive response from Wall Street and may leave the company overly hollowed out for business in the future.

The other event is the increased workload and heightened job stress experienced by those who do get to keep their jobs. Taco Bell, for example, has been a key mover in delaying and right sizing in the name of empowerment. And Taco Bell has made impressive gains. Yet a former high placed executive reports that many employees refer to it as Taco *Hell* because of the enormous performance expectations being pushed down on everyone.

Managers who rely too heavily on employee empowerment to solve their service problems fall into what Ben Schneider and David Bowen call the "Human Resources Trap".¹³ The HR Trap snares managers when they lean on their people to provide better and better service without simultaneously trying to improve the core service offering itself, enhance the tangibles, make available state-of-the art technology and market research, and so on.

To avoid the HR trap, these authors advise managers to create two related, but different, organizational climates within their companies. One is a climate for well-being, in which employees sense that practices in selection, training, and rewards meet their needs as individuals. More and more, employee empowerment appears necessary to create a climate for employee well-being.

Yet a climate for well-being, alone, will not get the job done. The saying that satisfied employees produce satisfied customers is true, but is not the whole truth. A climate for service, per se, is also necessary. Employees need to experience a setting in which practices and procedures in the area of systems support (e.g. R&D; marketing) and

logistics support (e.g. equipment, paper forms) appear to take customer service seriously. Employees need a terrific service system if they are to be both satisfied and productive in an organization that emphasizes empowerment.

Good service management requires the active management of both the empowerment process and the service management systems of an organization. When it happens, one finds both satisfied employees and customers.

Unions need to become partners in empowerment efforts.

The American union movement has not strongly supported or encouraged the efforts of companies to create empowered work organizations. Admittedly, some unions are moving toward acceptance, but the landscape is cluttered with failed empowerment efforts that were undermined by lack of union support or commitment.

One possibility is to go ahead without union support, but this is extremely difficult to do and probably not wise. Where there is a union, there are potential legal problems with going ahead in the absence of union support and there are certainly trust and credibility problems. As was noted earlier, empowerment is brought about only by changing the reward system and work structure practices of organizations. Many of the items that need to be changed are covered by union contracts and to change them without union support is difficult and potentially illegal.

The challenge is to get union cooperation in creating an empowered work setting. This can be done, and there is evidence of it being successful with unions such as the steel workers, the communication workers and the automobile workers. What it takes to get union support for empowerment efforts is a combination of making unions partners in the process and finding the right union leadership. As long as it is management's program and something that management decides to do to an organization, it is very hard to get union

support. When it is a joint activity that is going to make things better for the workforce and for the company, many union leaders will sign up and provide support.

Some progressive union leaders argue that the existence of a union is a necessary condition for having a truly empowered organization. This argument rests on the view that without a union to prevent management from backsliding, there is always a possibility that management will cancel the empowerment activities whenever it feels that they are inconvenient or not in the interest of management. They go on to argue that the only way to prevent this is to have a union to hold management to its previous commitments. There certainly is a valid point here, but it is a long way from this point to the view that empowerment can only be effective in situations where there is a union.

Our belief is that companies which do not have unions can often move more quickly to empowerment because they do not need to negotiate many of the changes. Admittedly, there is always the risk that management can move just as quickly away from empowerment when there is no union. However, there is an important point here that managers should keep in mind once they move to empowerment. Moving away from empowerment may be just the move that will cause employees to organize or join a union because they will feel that a union is necessary given the untrustworthiness of management. In short, the challenge for management in the case where there is no union is to behave as if there is a union once they have moved down the path of employee empowerment.

The slow pace of adopting empowerment in the service sector still leaves room for firms to capture "early adopted advantages".

Service organizations are moving more slowly toward empowerment than are manufacturing organizations.¹⁴ There are a number of reasons for this including the type of competitive pressures that service organizations face. Manufacturing organizations, particularly those that face foreign competition and speed to market issues, are adopting

empowerment practices most readily. The explanation for this seems obvious: they have to change in order to survive. In the service sector, although in some cases foreign competition exists, and certainly in many cases increasingly difficult domestic competition exists, there still is not quite the same pressure to change as there is in many manufacturing businesses. As a result of this, change is slower in the service sector, and indeed, often comes about more as a result of organizations trying to gain competitive advantage, than as a result of their trying to survive in an increasingly competitive environment.

In many respects, the slow rate of change in service organizations can be an advantage to the service organization that is an early adopter of empowerment. As an early adopter or first-mover, it can get ahead of the adoption curve, and as a result, gain a competitive advantage. Ultimately, if, as we believe it will, empowerment proves to be the preferred management style for many service businesses, then change to it rather than being an advantage will be a competitive necessity. Still the last adopters are likely to lag behind the early ones in using it effectively. We think this helps explain why Nordstroms overwhelms its competitors when it opens a new store in an area. Our belief is that for other first-movers, this is precisely what they could achieve.

The particular approach to empowerment must be strategically fitted to any other organizational change effort underway (e.g. re-engineering; total quality).

The management literature today is full of "packaged" change programs intended to improve organizational effectiveness. The learning organization, total quality management, and re-engineering are currently very popular approaches to organizational change. An important part of all three of these is the idea of empowerment. There is no evidence that suggests any of these is consistently superior to the others. Ultimately, any program of organization change that is targeted toward empowering individuals has to deal with the four areas of power, information, knowledge, and rewards. The starting place can

potentially be with changing any one of these four, or by changing some combination of them. Re-engineering, for example, emphasizes changing structure and job design, and as a result, influencing information and power. It pays very little attention to rewards.

The challenge for any organization is to diagnose its situation and to decide which change process is most likely to be successful. If, for example, it is beginning to do new things with information technology, re-engineering may be exactly the right place to start. On the other hand, if the organization is operating a relatively stable, high volume service business, total quality management may be the best place to start. The challenge is to identify opportunities for change, and match those opportunities to particular change efforts.

For change to be accepted, there must be a felt need for change of the kind that is being tried. Thus, it is important to deal at least partially with the problems the organization is having and to treat them, while at the same time, setting in place a change process that ultimately will cover all of the change areas that need to be dealt with in order to produce a truly empowered organization. For example, starting with rewards, if there is a high sense of reward inequity, can be a valid place to begin the change process, but it should not be a place to end the change process. Research on gainsharing plans and profit sharing plans clearly shows that they are effective only if information, knowledge, and power are changed to support paying individuals on all levels of the organization based on the financial performance of the organization.¹⁵

Empowerment is a better approach for some organizations than others.

In our earlier article on employee empowerment, we introduced a "contingency approach to empowerment" based on the idea that differing degrees of employee empowerment are required for different business conditions.¹⁶ For example, we said that service firms facing unpredictable conditions (e.g. complex and changing customer expectations) should implement the employee empowerment approach more fully than firms facing predictable conditions (e.g. simple and stable customer expectations). Part of our rationale was that decades of management research, on leadership and organizational design, have concluded that there is no "one best way" for everyone. We believe the same is true for empowerment.

At the same time, we must admit that in the short time since we presented our contingency argument, both employee and customer expectations to be empowered have skyrocketed. To meet these expectations, more firms may need to adopt empowerment to keep everyone satisfied. Now even McDonalds advertises that its' employees and customers are empowered. Although we feel this trend is good news overall (many firms have clung to the production line longer than their business conditions warrant), we remain convinced that empowerment makes more sense for some businesses than others.

Empowerment in the Future

The more recent employee empowerment approach is still less well understood than the conventional production-line approach. Nevertheless, as the conclusions stated in this article indicate, this is changing as research and experience in the area of empowerment accumulates. Employee empowerment has been tried less than the production-line, but as that also changes, we believe it will prove to be the more effective approach to service for achieving competitive advantage in many businesses.

References

1. See the two classic articles by Theodore Levitt: "Production Line Approach to Service," *Harvard Business Review*, September-October 1972, pp 41-42; and "Industrialization of Service", *Harvard Business Review*, September-October 1976, pp 63-74.1
2. See, for example, Chip R. Bell and Ron Zemke, "Terms of Empowerment", *Personnel Journal*, September 1988; Timothy W. Firnstahl, "My Employees are My Service Guarantee," *Harvard Business Review*; and Leonard Schlesinger and James L. Heskett, "Enfranchisement of Service Workers," *California Management Review*, 1991, vol. 33, pp 83-100.
3. We presented our own thinking on these issues in: David Bowen and Edward E. Lawler III, "The Empowerment of Service Workers: What, Why, How and When," *Sloan Management Review*, Spring 1992, pp 31-39. Response to that article and the recent efforts of increasing numbers of companies to implement empowerment have raised new issues, which are the focus here.
4. Edward E. Lawler III, Susan A. Mohrman, and Gerald E. Ledford, Jr., *Employee Involvement and Total Quality Management: Practices and Results in Fortune 1000 Companies* (San Francisco: Jossey-Bass Publishers, 1992).
5. See Edward E. Lawler III's two books on the subject: *High-Involvement Management* (San Francisco: Jossey-Bass Publishers, 1986) and *The Ultimate Advantage* (San Francisco: Jossey-Bass Publishers, 1992).
6. The model in Figure 1 is similar in its dimensions to the Job Characteristics Model, Edward E. Lawler III, and J. Richard Hackman, "Employee Reactions to Job Characteristics," *Journal of Applied Psychology*, 1971, 55, p 259-286 and J. Richard Hackman and Greg R. Oldham, "Motivation Through the Design of Work: Test of a Theory," *Organizational Behavior and Human Performance*, 1976, 16, pp 250-279.

The present model is intended to emphasize (1) that empowerment can enhance the motivating potential of jobs, and (2) the importance of creating certain psychological states within employees as a key ingredient of empowerment. The face validity of this model seems strong, given what is known about job design and empowerment, but it should be noted that the model has not been empirically tested.

7. Quoted in *The Service Edge* newsletter, June, 1993, p.1 (Minneapolis: Lakewood Publications).

8. See for example, R. I. Beekun, "Assessing the Effectiveness of Socio-Technical Interventions: Antidote or Fad?" *Human Relations*, 1989, 42 pp 877-897 and E. Sundstrom, K. P. DeMeuse, and D. Futell, "Work Teams," *American Psychologist*, 1990, 45, p 120-133.
9. For a summary of research on gainsharing, see Edward E. Lawler III, *Strategic Pay* (San Francisco: Jossey-Bass, 1990). Also see R. J. Bullock and Mark E. Tubbs, "A Case Meta-Analysis of Gainsharing Plans as Organization Development Interventions," *Journal of Applied Behavioral Science*, 1990, 26, p 383-404 and Christine Cooper, Bruno Dyck, and Norman Frohlich, "Improving the Effectiveness of Gainsharing: The Role of Fairness and Participation," *Administrative Science Quarterly*, 1992, 376, 471-490.
10. Reports of disillusionment with TQM include: Oren Harari, "Ten Reasons Why TQM Doesn't Work," *Management Review*, January 1993, 33-36; and Jay Matthews and Katel, "The Cost of Quality: Faced with Hard Times, Business Sours on Total Quality Management," *Newsweek*, September 7, 1992.
11. R. J. Sutton and A. Rafaeli "Untangling the Relationship Between Displayed Emotions and Organizational Sales: The Case of Convenience Stores," *Academy of Management Journal*, 1988, 31, 461-487.
12. Peter F. Drucker, "The New Productivity Challenge," *Harvard Business Review*, November-December 1991, 69-70.
13. Benjamin Schneider and David Bowen, "The Service Organization: Human Resources Management Is Crucial," *Organizational Dynamics*, Spring 1993, 39-52.1
14. See Lawler, Mohrman, and Ledford, Jr., "*Employee Involvement and TQM: Practices and Results in Fortune 1000 Companies*"
15. See Lawler, *The Ultimate Advantage*.
16. See Bowen and Lawler. Their contingency model describes how three types of involvement (suggestion, job, high) represent increasing degrees of empowerment whose effective use depends on their goodness of fit with certain organizational and environmental conditions.