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GEM

PRINCIPLE



*Six Steps to Creating a High
Performing Organization*

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The GEM Principle

Six Steps to Creating a High Performance Organization

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An imprint of
Oliver Wight Publications, Inc.
85 Allen Martin Drive
Essex Junction, VT 05452



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Preface

New approaches to management and leadership have quickly taken hold in our dynamic business world. In recent years, most companies have restructured or reorganized, selecting their management programs from a range of diverse innovative alternatives. Many have adopted total quality management (TQM) initiatives; some have pursued continuous improvement; others have downsized or rightsized; still others have delayed or have introduced cross-functional teams; and numerous firms have ventured into the area of business process engineering—the effort to achieve a dramatic increase in productivity by radically reorganizing a part or process of a business. There is, however, one fundamental element underlying this diversity: the commitment to establish a greater degree of teamwork among employees, with more responsibility delegated across the organization; that is, the concept of *empowerment*, which acts as the atom from which the molecules of these different approaches are constructed. *The GEM Principle* examines this core concept, presenting six steps for high-performance organization as it narrates a fictional but realistic account of the problems faced by management in a typical American company.

Many business executives, most of them in companies very much like the one depicted in this book, are betting the futures of their organizations on the concept of empowerment. They find the idea so appealing because in a bitterly competitive marketplace, it offers hope for success. Empowerment also has attracted many politicians, providing them with a conceptual foundation on which to base their hopes for effective grassroots action in our society; in a world of distant and unresponsive government institutions, it promises to lend some power to the average individual. In fact, the word *empowerment* is now so widely used that it is rapidly becoming a buzzword, part of a cliché about more freedom for rank-and-file people in both the political world and

the business world. Its popularity speaks of the great needs of our time. Although that popularity has also promoted a great deal of distrust, the bottom line is that those in power believe that empowerment will work. When a reporter asked Jack Welch, chairman of General Electric, why, if empowerment is so vital, "so many consider this stuff Mickey Mouse," he replied: "There is cynicism about this stuff in our society. But I think the people who run a lot of today's corporations believe in it. What are we doing this for? To be competitive. To win." ("He Brought GE to Life," *Newsweek*, November 30, 1992, p. 63).

Despite the popular use of the word *empowerment*, the concept is poorly understood by many people. Empowerment is much more than simply setting up teams in a company or establishing local councils in a district and then letting them make decisions and act independently. Instead, for empowerment to produce successful results, several conditions must be met, which themselves demand considerable effort to achieve. The reason for this is straightforward: In a complex organization, islands of empowerment must be coordinated and aligned with one another or the resulting conflict of direction and purpose will create chaos. Making sense of the whole through cooperation among the parts is the function of both political leadership and corporate management. Consequently, empowerment does not mean an end of the hierarchy of power, but rather a reduction in its size and a revision of its functions. For those of us who work in organizations that are experiencing change, understanding what the new empowered environment requires of us is critical to both the success of our careers and the success of our companies.

It is also vital that the cynicism about empowerment be understood for what it is: a basic misconception. Despite the egalitarian principles in which empowerment is so obviously rooted, some people who believe in workplace democracy nevertheless distrust it. Although it conveys the clear message that people should be free to act on their own, it has been denounced for its alleged implication that the many must be given power—"empowered"—by the few who possess it. But those who object on this basis confuse their aspirations with reality. In fact, in a world of large hierarchically organized institutions, power does tend to be concentrated in the hands of the few; however, if they

do not relinquish some control, then there cannot be greater initiative for the many. The term *empowerment*, with its implication of delegation downward, is therefore in accord with reality.

Among the conditions most necessary for empowerment is a restructuring of the traditional hierarchy found in most large organizations. In the traditional setting, supervisors are charged with directing the work of subordinates in a way incompatible with empowerment. I have addressed the complex issue of restructuring in a previous book entitled *The Rebirth of the Corporation*. This current book, *The GEM Principle*, supplements *Rebirth* without repeating it. Together, the two volumes present a comprehensive view of how empowerment works in an organization, describing in depth the new structure of business—clusters or empowered teams (*Rebirth*)—and the new style of management that complements it—GEM management (*Empowerment*).

It is hoped that this book will contribute to the improvement of our organizations by helping readers understand better what empowerment entails and what conditions are necessary for its achievement. Although this concept is discussed in the context of business management, it should be remembered that the principles delineated here apply fully to government and offer hope not only for our business organizations but for our society as well.