



Liberate Your Employees and Recharge your Business Model

As we discussed in our recent blog post on HBR Blogging Network, it finally seems that the uproar over Marissa Meyer's diktat banning flexible work policies at Yahoo is dying down. While good arguments were made on both sides of the issue, what got lost in the charged debate was the potential for evolving traditional business models through changing the employee-employer relationship.

Our research on identifying replicable templates for business model innovation shows that innovating how a company engages with its workforce is an often overlooked way of increasing business model performance. The basic structure of the firm-employee relationship has not changed much over the last 50 years. Relying on a forecast of organizational needs, firms select the nature and number of employees, who are then assigned some working hours and tasks to do in those hours. But a few pioneering companies are challenging each aspect of this traditional model and are offering unprecedented opportunities along the way.

Rethinking Who Your Employees Are

Traditional organizations identify a set of individuals as their “employees” before they are fully aware of the employee’s talents and their needs. LiveOps is a fledgling provider of customer contact services maintains a virtual workforce of independent agents who, based on their schedules, signal their availability to join a pool of talent waiting to be “hired” once a call that matches their skills and experience comes in. Agents are paid only for their time spent on the call, and LiveOps gathers enough data on agent performance and abilities to intelligently route calls to the bets available agent.

Agents, for their part, have incentives to work hard to keep their ratings high in the system. This setup eliminates the multiple inefficiencies associated with traditional call centers: idle employees, long wait times, calls routed to uninterested or incompetent agents. Changing “Who” the employees actually are, has allowed LiveOps to shake up the customer contact industry. Today over 200 companies use LiveOps technology to support their multi-channel customer contact efforts.

Rethinking Where and When They Work

Automatic Inc, the parent company behind

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WordPress, the leading platform for powering blogs is a company that is 100% distributed. All Automatic employees work from home, or wherever they may be located, and the firm has been very successful with this strategy. Automatic employees have no set working hours, nor do they have to check in to any office. While there are many cultural issues that allow Automatic to manage and thrive with this distributed model, it is fundamentally challenging the key assumption regarding physical presence of employment.

Rethinking What They do

Traditional organizations assign employees to teams, projects and tasks. Based on their best assessment of an employee’s talents and interests, managers assign different employees to projects that they might be best suited for. Google’s famed 20% time to work on passion projects directly challenges this notion of clearly defining what each employee does. Reportedly, 50% of new projects came from this 20% of time including Gmail, Google News, Orkut, and AdSense.

Even the best informed manager does not know exactly what his/her employees are most passionate about and where they can excel. Giving employees (some) freedom to choose what they do, transfers this matching problem to the decision maker that has the best information to make this choice: the employee. Not surprisingly, employees are more likely to choose what they are interested in doing and might achieve better results. For instance, LiveOps agents know their skills and interests best, so they pick products to sell that best match their personalities and knowledge.

To be sure, the firm needs to retain some control to ensure employee efforts are aligned with firm goals, but this unshackling of employees can lead to dramatic increases in productivity. This is why Southwest replaced hundred-page long manuals of

what the gate agent must do with a simple directive: “do whatever is necessary to get the plane out of the gate, fast”. Certainly, from time to time employees will go overboard and spend too much time and money trying to get job done, but it is easier to deal with these individual cases than to create constraining, enterprise-wide rules. The resulting productivity of employees at Southwest is several times higher than at any legacy airline, more than compensating for their higher salary.

Not all of these innovations are likely to be appropriate in every organization, and each of them comes with its own caveats, but they all highlight how powerful it can be to challenge assumptions around the employee-employer relationships. Most often, changes in the way company employs people will involve changing why people work (i.e., their compensation structure). But for organizations that heavily rely on the workforce to create value these alternative approaches can be equally, if not more, effective.

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