

# The 4 Degrees of Delegation



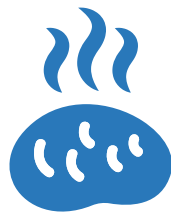
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# How Would You Rate Your Ability to Delegate?

If you're like most business owners, you probably give yourself a decent grade. However, if you're constantly finding yourself disappointed in people on your team, the problem may be less about them and more about your ability to delegate effectively. For example, do any of these delegation styles sound familiar?



## THE HOT POTATO DELEGATOR

The Hot Potato Delegator tires of a project or task and quickly tosses the activity to an employee to handle. Like a hot potato, you touch the problem briefly and pass it on to someone else quickly without much thought. The problem is, the person you are giving the project to may not be clear on what you want them to do, which means the potato often falls back into your lap.



## THE DELEGATION HIPPIE

The Delegation Hippie is inspired by the free-loving spirits of the 1960s that believed in communal living, where there were no rules and everybody was treated equally. The Delegation Hippie asks a subordinate to handle a task but fails to provide clear lines of authority and control. The employee is left wondering if they need to check in with their boss before deciding on a course of action and are unclear about the budget they have been given to work with.



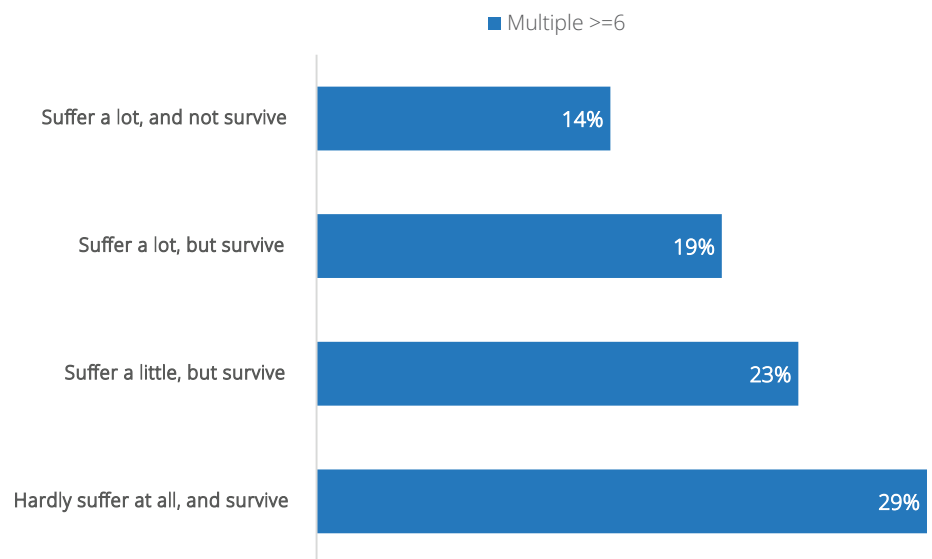
## THE FALSE DELEGATOR

The False Delegator is the person who asks an employee to help with a project. The employee is left with the impression they are being given broad decision-making authority to complete the project, while the manager actually wants to be kept abreast of the possible solutions her employee is considering and wants to retain the final decision-making authority. The employee decides on a course of action without the consent of their manager, and problems arise.

# Why Delegation Is Important

Before we get into how to delegate effectively, let's start with a quick summary of why delegation is a critical skill for any business owner. Being able to delegate well means your company can thrive without you personally overseeing the details. This freedom allows your company to grow without you as a bottleneck while the quality of your work life improves as you no longer have to spend your time fighting fires and answering mundane questions. Best of all, your company is worth more.

As you can see in the chart below, those companies that can sustain a three-month absence of their owner are more than twice as likely to receive a premium acquisition offer<sup>1</sup> compared to companies unlikely to survive the loss of the owner:



1. Defined as 6+ times EBITDA

# How to Get Your Company to Run Without You: The 4 Degrees of Delegation

Delegation is clearly important, so why do so many small business owners fail to delegate tasks effectively?

The problem comes down to thinking of delegation in a black and white fashion. Instead of thinking of delegation as binary, think of delegation as having four degrees, where each degree offers your employee more decision-making autonomy and authority.



## THE FIRST DEGREE OF DELEGATION: FOLLOW MY LEAD

The first degree of delegation is where you trust an employee to follow your instructions. You create a Standard Operating Procedure and ask that they follow the steps you outline in your instructions. For more, download [\*The Definitive Guide to Creating Standard Operating Procedures\*](#).

With first-degree delegation, your employee must follow your process. They are not being given any decision-making authority, and you're not accommodating many variables.

This kind of delegation is suitable for common tasks where you're clear on what you want done and how you want someone to do it. For example, you may delegate the task of entering a new contact into your company's CRM platform. There is a specific way you want it done, and there is little need for your employee to think independently or critically about the task. This kind of delegation is ideal for simple tasks carried out by relatively junior employees when you have provided them with a [\*Standard Operating Procedure\*](#) to follow.



## THE SECOND DEGREE OF DELEGATION: RESEARCH & REPORT

The second degree of delegation involves giving an employee a broader scope of responsibility to research the range of options for completing a project or task. You don't have the solution in your mind, so you'd like your employee to

do some thinking and come back to you with some options. You're trusting an employee to do their own analysis and bring you a short list of options to consider. Importantly, with second-degree delegation, the decision on which course of action to take remains with you.

This kind of delegation is ideal when you don't have the answer to a specific challenge and you'd like to see the breadth of possible options. These are usually high-stakes decisions that could have a negative impact on you and therefore you want to stay involved and make the final decision. There is some critical thinking required with this second degree of delegation, so it's important that your employee has good intuition for weighing options and some common sense.

For example, you may ask an employee to do some research into flight options for traveling to a city. In this case, you don't want your employee to give you a laundry list of dozens of options; you would prefer they come up with three or four intelligent options for you to consider. Since you'll be the one sitting in an airport terminal waiting for a connection if your employee makes the wrong judgement call, you'd like to make the final decision.



### THE THIRD DEGREE OF DELEGATION: **DO IT & REPORT**

The third degree of delegation involves extending decision-making authority to an employee. You trust your employee to make a decision, but you'd also like to be kept in the loop to coach your employee if you start to question their decision making.

This kind of delegation makes sense when you have provided your employees with a Standard Operating Procedure (For more, download [\*The Definitive Guide to Creating Standard Operating Procedures.\*](#)) and you trust your employee(s) to think like an owner. It also helps if the stakes of a bad decision are relatively low.

For example, you may delegate the process of collecting receivables to someone on your team while asking them to keep you in the loop with their progress so you have an early warning if the process starts to wander off track.



### THE FOURTH DEGREE OF DELEGATION: **DO IT**

The fourth degree of delegation takes a page out of the old Nike advertising campaign, which implored their customers to "Just Do It." This level of delegation is used when you trust an employee to completely remove something from your plate.

It is best used when you have provided an employee with a Standard Operating Procedure for completing a task and the impacts of a bad decision are relatively manageable. It can also be appropriate to use the fourth degree of delegation if a task is something you know little about and would be better handled by someone who is more knowledgeable.

Let's imagine you need to hire a carpet cleaning company. You know nothing about carpet cleaning, and the downside of picking the wrong cleaner is manageable. Therefore, you may choose to assign the task to a subordinate using the fourth degree of delegation.

As you can see from the four degrees, each type of delegation is different and extends more or less authority to your subordinates depending on the degree.

# Good Delegation Often Requires Budget Authority

In addition to defining the *degree* of delegation, you'll also want to consider whether a time or monetary budget is required.

For example, at the Ritz-Carlton hotel chain, each employee, regardless of level, is given a \$2,000 budget to fix a guest's problem. Ritz-Carlton is using the fourth degree of delegation (Do It) and empowering staff at all levels to make a guest's problem go away provided it can be done for less than \$2,000. Each employee at Ritz-Carlton knows they have the decision-making authority to act up to a specific spending threshold. For example, if a bellhop damages a piece of luggage, they know they can—and are expected to—replace the piece of luggage provided they can do so for less than \$2,000.

You may think the \$2,000 rule is overly generous, but the average Ritz-Carlton customer spends more than \$250,000 with the chain in their lifetime. The \$2,000 budget is a reasonable investment to keep a quarter-million-dollar customer happy.

Like a financial budget, you may also consider providing a time budget with each degree of delegation. For example, you may ask an employee to invest up to ten hours researching options for a new shipping process for your company and to report back with their recommendations. The employee knows their job is to research some possibilities and report back to you (second degree of delegation) and that you are comfortable with them investing roughly a quarter of a typical work week on the project.

With a ten-hour budget, your employee knows that an exhaustive analysis taking months is too much time to invest and a cursory Internet search is too superficial. A time budget gives your employee a sense of how important the task is to you and how comprehensive they need to be in exploring options.



# What Happens When Someone Gets Stuck: Yes-able Questions

If you pick the appropriate degree of delegation, create a Standard Operating Procedure, and outline a time or financial budget for your employees, many of your projects and tasks can be successfully delegated. Despite your rigor in assigning a task, employees may still get stuck and need clear guidance from you on what to do when they hit a roadblock.

This is where the “yes-able” question comes in handy. Tell your employees that when they have a problem, they need to resist the urge to deposit their problem into your lap. Instead, they must research two or three possible solutions to their problem and present their recommendation in a question you can simply respond to with a yes or no.

For example, let’s imagine you decide to delegate the task of collecting your company’s receivables. You have chosen the first degree of delegation and provided your employee with a Standard Operating Procedure and an allotment of time to get it done. Despite following the process, the employee gets stuck when a customer refuses to pay. In the old days, your employee would likely come to you and deposit the problem in your lap: “*Mr. Jones won’t pay. What should I do?*” They have neatly transferred the problem from their lap to yours.

A better solution is to make yourself available to employees with questions but insist they pose them in a format that allows you to say yes or no. Now when Mr. Jones says he won’t pay, your employee is forced to consider some options. She would likely conclude that one option is to write the customer off, another would be to send them to collections, and a third might be to propose a payment plan.

After weighing the three options, you simply ask your employee to come to you and explain the options she has considered and pose a simple question you can say yes or no to. It might sound like this:

*“Mr. Jones won’t pay. I’ve considered writing off the account, sending him to collections, or offering a payment plan. If we write him off, we’re out the money. A collections agency may get the money, but we’ll never do business with Mr. Jones again. Therefore, I think the payment plan is the best option. Are you okay if we divide the amount he owes us into three installments and get him to pay over time?”*

You can simply say yes or no. You can also see the rigor of their thinking and understand the other options your employee has considered. Best of all, your employee starts to think like an owner.

# SUMMARY



If your goal is to build a business that can thrive without you, you need to master the art of delegation. Start by assigning a degree of autonomy you want your employee to have, and then outline a time-based or financial budget to work within. Finally, encourage employees who get stuck to come to you with questions you can simply answer yes or no to, and you'll find the number of problems that end up in your lap will diminish. All the while, you'll be building a more enjoyable and valuable business.