

YET ANOTHER RE-ORGANISATION?

Thoughts about the distribution of power in large organisations

by Peter Garrett

The pace of re-organisations has accelerated to such a degree that it is common practice in many organisations to launch a new re-organisation before the previous one has been completed. One wonders how this extraordinary situation has come about, given the enormous cost of each re-organisation in terms of money, time and stress. Each re-organisation necessitates a period of internal focus which draws attention away from the market; places extra demands on top of the normal 'day job'; delays decision-making pending determining who will have the power to decide what; and escalates anxiety levels as removing layers or relocating people pose a potential or actual threat to future employment. I believe this is irresponsible and unnecessary. Change can be accommodated in an organisation in far more efficient and effective ways once the distribution of power is better understood, and people have the dialogic skills to talk and think together in a different way.

LEADERSHIP AND POWER

The effectiveness of the myriad of activities occurring every day in any organisation depends on the quality of the decisions being made. Key factors in forming those decisions are how well people talk and think together, and who decides what. The power to make decisions is critical, and the distribution of that decision-making power is a primary function of leadership. It happens formally and informally at many different levels throughout an organisation. How well leadership distributes the power to make decisions determines how effective the organisation is, so this is well worth exploring and understanding. Power may be delegated through what I call *power lines* and concentrated in what I call *power centres*. There are two kinds of power lines running through the organisation, namely the *leadership hierarchy* (which runs in vertical lines or silos) and *cross-grain leadership* (which runs laterally and in functions or broad initiatives). These two types of power lines serve different purposes. Both are necessary and each power line needs to be clearly defined and functional for the organisation to get the benefit of co-ordinated action. In practice, the power lines also inevitably compete with each other, and how well the competing power lines are reconciled has everything to do with frequently leadership resorts to 'yet another' re-organisation.

HIERARCHICAL POWER LINES

The most obvious means by which leadership exerts the control of power is through hierarchy. Its formal structure is depicted in organisational charts, but there is more to it than that. This is the formal arrangement of roles, authorities and accountabilities generally defined in the performance contracts for departments, divisions and individuals. The hierarchical structure uses *positional power* to determine decisions, and acts in the interests of effectiveness and dependability. It is derived from the military model which originated in 18th Century Prussia (Refer to *Images of Organisation* by Gareth Morgan). Instead of the traditional loosely organised tribal units within a large army,

Frederick had great success by introducing the novel requirement that each soldier answered directly to a single person in authority above him. This had the advantage that the new organisation could thereby easily replace individuals (which is necessary in warfare) whilst continuing to function effectively.

The typical outcome of hierarchical leadership is controlled activity within a series of vertical silos which can become increasingly efficient as they concentrate on their specific responsibilities without having to be distracted by other concerns. It is structured such that everybody reports to somebody higher, and the talking together is dominated by *vertical thinking*. By that I mean that people are concerned about the expectations and needs of those to whom they report, and about what those who report to them should decide and do.

The big advantage of the hierarchical power line is the simple and linkage between authority, decision-making, action, measurement and control. In a strong hierarchy, people know what their own decision-making rights are, and who will make the decisions they do not have the power to make themselves. This means people can concentrate on their responsibilities without being distracted by other activities. It is important because much of people's time at work is spent in the pursuit of making decisions and then acting. A poorly defined leadership hierarchy makes it difficult to direct action, and a failing one can bring an organisation into chaos as everyone does their own thing. In emergencies, the need for a strong leadership structure is particularly evident.

There are downsides when hierarchical leadership is over-dominant, particularly when obedience is rewarded and non-compliance reprimanded, because this leads to a suppression of initiative and healthy commercial risk-taking. Also, silos can become impenetrable local fiefdoms with greater allegiance to the local business than the larger organisation. The most serious problem is fragmentation. Concentrating just on the interests (and rewards) of one's own silo and ignoring the rest, fragments the organisation and misses synergies. Curiously, the more successful the silos become, the more expensive are the duplications through lack of uniformity across the organisation as a whole, and this fuels the case for *cross-grain leadership* having more power.

CROSS-GRAIN POWER LINES

The other type of power line is what I call *cross-grain* in nature, because it cuts across the main business silos of the hierarchical power lines. This is the power invested in functions, projects and activities that cross the silo boundaries and act across the organisation. Finding economies by centralising the duplications in the various silo activities is a prime function of cross-grain power lines. Setting up a single call centre to replace a series of local ones, or a central HR department instead of local HR organisations within each of the businesses are examples of this, as are shared IT support systems. Compliance and safety are often run through a cross-grain power line to economise on the cost of retaining expertise where it would be prohibitively expensive to have experts in each of the individual businesses. In a different area, budgets negotiations across a number of divisions or regions may of necessity be managed through a cross-grain power line. Also, brand and other customer-facing activities may also be put into a cross-grain power line in order to present a single face to the customer despite the complex internal organisational structure. And executive leaders tend to enjoy championing initiatives of various kinds through cross-grain

power lines – either to reduce a particular area of cost, or to improve behaviours across the organisation.

The strength of the cross-grain activity, and the *lateral thinking* it employs, is the huge potential benefit to be derived from conformity and uniformity of processes and systems across various business units. The cross-grain power line may operate through influence by offering its benefits to others with the decision-making rights, or it may have the power invested in it by leadership to require its services to be used. In the softer form it involves networks that consider activity across the organisational silos to give support and share best practice. Such networks work by influence and generally have little decision-making authority. In a harder form, cross-grain power lines can have substantial budgets which are funded by imposing overhead charges on the business silos. The businesses are required to use their services and comply with their requirements in order to achieve economies across the organisation. The key point is that the cross-grain decision-making power is deployed to the cumulative benefit of the overall organisation, even if this is at the expense of some or even all of the silos.

There is a downside to cross-grain power lines if they begin to become dominant. As they become more successful, they can progressively move decision-making further and further away from the front line, and those responsible for delivery to the customer find the standardised systems and processes do not take into account the peculiarities of their local situation. The hierarchical power lines may increasingly feel that they are no longer running their own businesses, and this fuels the need to shift the power back in their direction.

THE CONFLICT OF THE POWER LINES

Different silos in the hierarchical structure compete with one another for power and resources, just as they compete for power and resources with cross-grain leadership. Added to this, each have different perspectives, interests, priorities, targets and ways of thinking. Done well, a cross-ply or matrix structure is established whereby the vertical (hierarchical) and lateral (cross-grain) power lines act in concert with one another, and the diversity adds depth and quality to the decision-making.

You will know when two or more power lines are poorly reconciled, however, because organisational politics will abound. There will be all the melodrama of attributions, criticisms and defensiveness. In such situations people can easily expend more energy making noise than money. Things are often personalised and blamed on lack of give-and-take or pure bloody mindedness, but the real cause more often lies in the unresolved conflict of the organisational decision-making power lines. Standing in each others shoes may be humbling when individuals who had been fighting their corner in a silo role are moved into a cross-grain leadership role, or vice versa. With the change of perspective, power, priorities and so on they appreciate how different it is in different power lines and why others behaved the way they did..

The decision-making power will vary in different parts of a large organisation. In some areas the hierarchy will be more powerful than the cross-grain leadership, and in other areas it will be weaker. It varies not according to what leaders say, but according to how they actually distribute the power to make decisions. In some areas the potential power conflict will be skilfully reconciled, whereas in other areas it will be recurrently messy and take up more and more of the leadership attention and energy.

If the hierarchical leadership structure and vertical thinking are dominant (which is often the case when they are favoured by, say, the reward structure) then there will be markedly more decision-making activity in the context of the operational silos. Decisions are then made in the context of the local silo and resources are deployed to advantage of the interests of the silo. This marginalises the cross-grain leadership which needs the co-operation of the various silos to deliver across-the-board economies and realise large scale opportunities.

On the other hand, the cross-grain leadership dominates (because of, say, compliance legislation, a consensus culture, or a drive to match competitors' efficiencies) then it will result in more and more complexity, and decisions being taken further away from the point of delivery. This marginalises the power of the hierarchical leadership structure and reduces the ability to measure and control the relationship between decision-making and performance. It makes for poor performance management. It leaves the sense in the silos that people are no longer running their own business but that they are run from elsewhere by people who do not understand the conditions and market situation they face.

The reconciliation of lines of power is critical to the health of the organisation, and the challenge of achieving this reconciliation appears at all levels of the organisation. If those in leadership positions do not find a way of resolving the conflicts between power lines, then those accountable to them will almost certainly suffer the same power conflict with their peers from other power lines. Those in a cross-grain leadership role, for example, may have an enormous challenge getting their priorities high enough on the various silo agendas to be able to deliver their across-the-board projects, and find feeble backing if their bosses have failed to address the power conflict successfully.

Often the conflict is not only between the two decision-making power lines (hierarchical and cross-grain) but also between the ways of thinking which predominate in each of the power lines. Vertical thinking and lateral thinking are different. Vertical thinking is more structured and single-minded (or others might say 'blinkered'), whereas lateral thinking tends to be across-the-board and cumulative (or others might say 'detached from the real world'). In extreme cases they miss each other completely and each assumes the other just doesn't get it, or is purposefully ignoring the real issue.

THE RE-ORGANISATION PENDULUM

The pendulum phenomenon will be familiar to anyone who has worked in a large organisation for some years. The swing is from an emphasis on local operational decision-making to an emphasis on centralised head office decision-making, and back again every few years. The means of achieving this is by re-distributing the decision-making power from the hierarchical power lines to the cross-grain power lines, and then vice versa - and this is implemented through re-organisations. How often have you heard somebody say that the new re-organisation will take us back to the way we used to operate 7 (or how ever many) years ago?

In the absence of successful reconciliation of a repeated decision-making power conflict between two or more silos, or between the hierarchical line and the cross-grain power lines, it typically goes something like this:

Firstly a senior figure steps in to bang heads together and demand they sort it out themselves. Should they fail to resolve it, then the senior figure feels obliged to make the call as to which silo or cross-grain power line will prevail in a particular decision. At an executive level, the senior figure may well be the CEO (or the immediate deputy) because the CEO's direct reports will typically have their primary power in a silo or a cross-grain power line. The CEO (or the deputy) may hate the politics or enjoy exercising the power (usually the latter), but when it happens it pulls the attention of the CEO to some degree into internal conflicts and away from external leadership activities that only he or she can handle. In such a situation the decision has been made but the power conflict has not been resolved - and it will present itself again in time.

Then, when patience runs out, there will typically be a decision to re-organise. This is intended to prevent the conflict recurring. A re-organisation is a redistribution of power in some way between silos, or between the silos and the cross-grain leadership. Whether or not it involves the displacement of some leaders, it will involve a change in their power to make decisions and act in particular areas of the organisation. Re-organisations have a huge cost in terms of time and energy, so you would think that leadership would avoid them. The contrary is true, however, with the frequency of re-organisations increasing each year.

POWER CENTRES

Power lines run across the organisation, either vertically (hierarchical silos) or laterally (cross-grain functions and activities). Power centres are forums that have decision-making power. They exist at an executive level, and (ideally) at the critical interfaces between competing power lines.

Power centres which function well are the secret to reconciling the potential and actual conflicts between power lines. These forums can enable change to be accommodated on an ongoing basis without resorting to major re-organisations and all the costs involved in them. To be effective in this regard, different skills have to be used in a power centre from a power line, and those in a power centre have to take a different stance from the one they take in their power line. The key is that individual participants must represent and stand for the interests of their particular power line, whilst also representing and standing for needs of the whole organisation even if this is to the detriment of their own silo, or function. This is what could be termed as jointly and severally responsible. As a metaphor, this involves everyone laying their playing cards on the table face-up and together working out the best sequence in which to play them for the good of the organisation - rather than hiding one's cards and holding onto the aces and trumps until they can be used to maximum personal advantage. It clearly requires trust, candour and the skills to engage in a high quality dialogue.

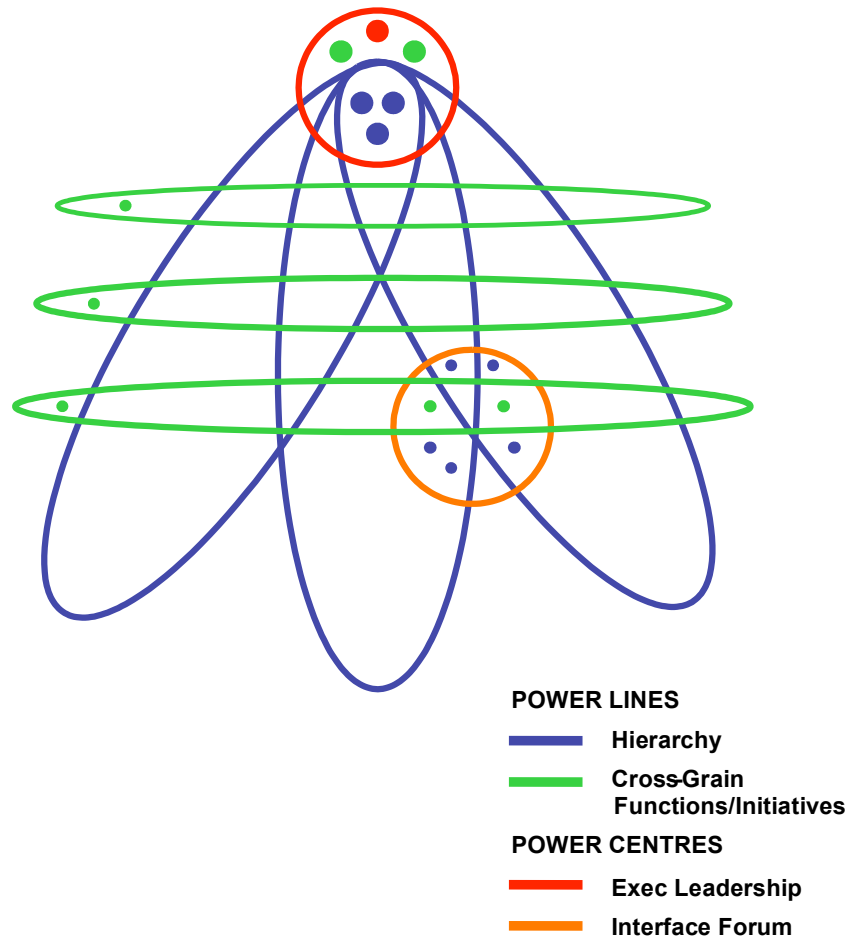
THE EXECUTIVE DIALOGUE FORUM

It is not easy to establish a well-functioning power centre at an executive level, but anyone who has participated in one will never forget how effective and enjoyable it was. Passion, common sense, commitment and good dialogue flourish in such a setting. They will also tell you that for an extended period no re-organisations were necessary, because change kept happening every day. It is uncommon, however, because the forces against achieving a functional and effective power centre at an executive level are substantial. Firstly, leaders have risen to an executive level of responsibility by

using well developed skills in vertical (hierarchical) thinking or lateral (cross-grain) thinking. That is what they have been rewarded for, that is what they know, and they are seldom even aware of another way of working together. Secondly, even if they do become aware of a dialogic way of working together, under pressure they revert to their old ways of operating. Executives can learn the necessary skills, but they must be conscious of the time and commitment it will take, and there will be a need for executive coaching and facilitation in the early stages. The prize is a large one, however, because without an effective executive power centre, re-organisation and the re-distribution of decision-making power is the only tool available

Certain conditions are necessary for the formation of an executive dialogue forum. First executive leaders have to learn ways to get beyond personalising the conflict. There may be elements of inter-personal conflict to be resolved, but most of the problems do not really originate there but in the crossed organisational power lines. Dialogic skills are needed to establish a contained environment within which executive leaders are authentic, listen to one another, respect their differences and are not absolutely certain they are right. (*Refer to the Dialogic Practices*). Feedback needs to be established to develop the capacity to think systemically because their activities are inter-dependent, but in the absence of the feedback loops they have been acting as if they are not. They realise the degree to which this is the case when they begin thinking systemically rather than transactionally, and adaptively instead of just technically. (refer to *Leadership Without Easy Answers* by Ron Heifetz). What is done by one leader, division, region or function affects others, and their reaction or response in turn affects the originator, as in a three-legged race. The same systemic thinking is needed, of course, along the whole value chain of shareholders,

ORGANISATIONAL LEADERSHIP POWER



suppliers, customers, stake-holders and competitors. The CEO has to release certain decision-making powers to his/her executive leaders as a group, and the other executive leaders must step up and assume authority and decision-making responsibility individually and collectively. CEOs who claim to distribute power to their executive, but then heavily influence or over-ride the decisions they make, will prevent a leadership system from developing. Executives who are not willing to stand up and be counted will similarly thwart the formation of a leadership system. These two dynamics between them will result in over-dependence on the CEO, limited feedback, an environment where people do not say what they really think and mean, resulting in impaired executive decision-making.

It is achievable, and once it is up and running, this ongoing executive dialogue is a generative forum for powerful and accurate decision-making. It respects and includes the otherwise conflicting vertical and cross-grain power lines, but the critical thing is

that it resolves their different interests and priorities on an ongoing basis, obviating the over-use of re-organisation.

INTERFACE DIALOGUE FORUMS

There are critical locations in an organisation where the distribution of decision-making power needs careful attention. These are at the structural interfaces (where silos meet), and in particular where there are also one or more cross-grain leadership functions or initiatives involved as well. Decision-making is more complex at these critical interfaces, and organisational clashes are so much more likely that they are almost inevitable. The executive dialogic forum, and its way of working, needs to be extended into the body of the organisation in the form of an interface forum. This impacts the organisation directly by both signalling and demonstrating a different way of working. At such an interface there is likely to be confusion or disagreement about who should decide what, who should do what, who should pay for what and who will be rewarded for what. The cost may be of money, time or status, but it is usually all three combined.

Through interface leadership, a forum is created which has the power to resolve the conflicting power lines. Some mapping will be required to ensure that substantial players from the key power lines are included in the interface forum. This means representation from the hierarchical silos and the cross-grain functions or initiatives, which brings the vertical and across the board thinking into the forum. Dialogic skills establish a quality of conversation that can include all views and work out a way forward together that meets the varying needs and interests that need to be reconciled. Genuine feedback leads to systems thinking and a sustainable solution to the complex dynamics in the situation. If a functional executive dialogue is already in place in the organisation, then interface leadership becomes much easier. If not, interface leadership can be used to provide the inspiration and example in practice for an executive dialogue to be seen as necessary. For this to work other parts of the executive leadership need to be aware of what is happening and perhaps included in some way to witness the process of reconciliation and decision-making in complex and ambiguous situations.

Interface leadership is a part of the distribution of decision-making power in the organisation. It may involve a single session over one or more days, or it may be an ongoing forum that meets regularly or only when needed. Key players from the different power lines need to be directly involved (rather than delegating their involvement to others) and the core issues addressed need to be persistent, have a cost to them (in terms of money, time or status) and to be issues which cannot be resolved by one of the power lines on their own. They are a forum to reconcile power conflicts in an inclusive way.

DIALOGIC SKILLS

Dialogic skills cover the territory of collective thinking. They include the skills to progress from dysfunctional to functional conversation (through the dialogic actions), to high quality conversation (through the dialogic practices) to focussed and penetrating thinking (through the leading energies) and system-wide vitality (through the dialogic principles). Also, dialogic skills are needed to identify an interface issue (rather than symptoms) and the key players needed to address that issue in an

interface forum. Systems Thinking reveals the way in which an organisation functions as a living system, rather than a machine, resulting in causal loops and adaptive behaviours. Such skills are needed to develop a leadership system and effective interface dialogues and forums.

POWER LINES AND POWER CENTRES

POWER LINE	HIERARCHICAL LEADERSHIP	CROSS-GRAIN LEADERSHIP
FORMS	SILOS	FUNCTIONS & BROAD INITIATIVES
THINKING	VERTICAL	LATERAL
POWER CENTRE	EXECUTIVE LEADERSHIP	INTERFACE LEADERSHIP
FORMS	EXECUTIVE GROUP	FORUMS
THINKING	DIALOGIC	DIALOGIC

WHAT NEXT

How power is delegated and distributed through an organisation is the responsibility of the leaders in that organisation. The power lines need to be clearly defined and understood – both hierarchical and cross-grain – for the organisation to succeed. The more effective one of these power lines becomes, the greater the pressure will be to increase the power of the other. The balance between central and local control will then will swing back and forth like a pendulum, unless it is managed, with hugely expensive re-organisations marking each swing. This is the role of the executive dialogue forum at the most senior levels, and of the inter-face dialogue forums at those interfaces that are least functional and have the most potential for improved resolution. When these power centres are up and running (the executive dialogue and the interface dialogues) then the frequency of major re-organisations will diminish markedly as smaller adjustments are made on a day-to-day basis. It is understandable that most organisation miss this opportunity, but it is quite possible to put this power architecture into place if there is a will to do it.