



## YET ANOTHER REORGANISATION ?

by Peter Garrett

*About the distribution of power – and why so many reorganisations simply don't work*

### **IN A NUTSHELL:**

*Reorganisations are now so common in large organisation that one is seldom completed before the next one starts – despite the results being mixed at best. The enthusiasm with which enterprises reach for the reorganisational lever reflects a lack of understanding about **how organisations work**. How **power** is delegated and distributed through an organisation is a primary responsibility of the leaders in that organisation. Power is extended in the form of authority to make decisions, and it is distributed through **power lines** – either **hierarchical** (chain of command) or **cross-grain** (functions and broad initiatives). These power lines need to be clearly defined and understood for the organisation to succeed. When things falter, organisations are all too ready to reach for the **reorganisation** lever to swing the power, like a pendulum, in favour of some power lines and away from others. But **large-scale reorganisations are expensive** and often ineffective because they simply redistribute the power within a business rather than **solving fundamental tensions** between hierarchical and cross-grain leadership, which is often the root cause. Furthermore, however well an organisation is designed it will not be perfect. There are predictable places where **decision-making tensions** will arise – namely at the **interfaces between the power lines**. A more effective way to resolve these tensions is through establishing **power centres**, where key players from different power lines are brought together in **high quality face-to-face dialogue** to determine the best way forward in **complex and ambiguous situations**. The power centres may take the form of one-off workshops or ongoing forums. They are necessary because **poorly functioning interfaces are costly** (in terms of money, time and reputation), and they cannot be resolved successfully by any one of the players (or power lines) in isolation since they are interdependent. The major power lines all meet at the top of an organisation, and here the tried and tested approaches often prove insufficient to tackle a set of more **deeply held beliefs and habits that form around leaders**. Establishing **candid and rigorous dialogue** in an **executive forum** can shift stuck or dysfunctional patterns of behaviour. Leaders may be slow to turn to executive forums to manage ambiguous situations for themselves as executives, and for the organisation, if they lack the necessary **dialogic skills** and if they are unfamiliar with how organisations actually work. But once **dialogic forums** are in place at an executive level and (where needed) at an interface level, then the frequency of **reorganisations will decrease** and organisational **confidence in leadership will tend to rise**. In those situations where reorganisation is appropriate, power centres*



*should be a deliberate part of the design. Much of the redistribution of power will be directed through **vertical and cross-grain leadership** - but **executive dialogues** are essential to align power, understanding and action at the top of the organisation, and **interface leadership** is necessary to manage complex decision-making at critical local interfaces in the body of the organisation. Sustainable **business success** in the 21<sup>st</sup> century will demand an ability to think laterally and vertically, and the skills to use power centres to resolve their competing interests and priorities. Getting this right, given its innate difficulty, is a key to **competitive advantage**.*



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The pace of reorganisations has accelerated to such a degree that it is common practice in many operations to launch a new restructuring effort before the previous one has been completed. Given the enormous cost of each reorganisation in terms of money, time and stress, one wonders how this extraordinary situation has come about. Each restructuring necessitates a period of internal focus that: draws attention away from the market; places demands on top of already full agendas; delays decision-making while people determine who will have the power to decide what; and escalates anxiety as the very real threat of being dismissed, made redundant or relocated challenges job security. The implicit assumption in all of this is that a reorganisation is the best way to effect change in a business. Whilst there are situations where this may well be the case, such a high frequency of reorganisations implies strongly that there are plenty of circumstances where it is not the best approach. I believe that the speed with which businesses leap to pull the organisational lever displays a basic lack of understanding of the way in which organisations work. With a clearer appreciation of this, businesses would recognise that change can be accommodated in an organisation in far more efficient and effective ways.

“Yet another reorganisation...  
yet another transformational  
marathon...”

I've got to get out of here!”

Here are three notions for leaders to consider before leaping into their next re-organisation:

- There is no perfect organisational design.
- Whatever organisation is put in place, it is predictable where the tensions will arise and where there will be a higher probability of contested decisions and potential failure.
- Something can be done about it...



### ***How organisations work***

Clearly, the effectiveness of any organisation depends on the quality of the decisions being made. Two central factors in forming those decisions are obvious but routinely overlooked: how well people talk and think together, and *who* decides *what*. The power to make decisions is critical to a leader's effectiveness, 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. Ultimately, how well leadership distributes the power to make decisions determines how effective the organisation is.

Power is delegated by means of what I call *power lines* and concentrated in what I call *power centres*. In most organisations there are two kinds of power lines: the *leadership hierarchy*, which runs in vertical lines or 'silos' (the chain of command), and *cross-grain leadership*, which runs laterally and in functions or broad initiatives (cross-departmental projects). These two types of power lines serve different purposes. Each is necessary, and both the vertical and lateral power lines need to be clearly defined and operational for the organisation to reap the benefits of coordinated action. In practice, the power lines inevitably compete with each other.

It is quite predictable that the interfaces between the power lines are the points of vulnerability (and opportunity) in any organisational design, because where the power lines meet there will be competing interests, priorities, reporting lines and agendas. That requires a range of key players who can think together effectively for good decisions to be made. How well the competing power lines are reconciled at their various interfaces has everything to do with how frequently leadership is compelled to resort to 'yet another' reorganisation.

### ***Hierarchical Power Lines***

The most obvious means by which leadership exerts the control of power is through hierarchy – the formal structure that is depicted in organisational charts. But there is more to it than the formal arrangement of roles, authorities and accountabilities that are generally defined in performance contracts for departments, divisions and individuals. 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 was used so well in eighteenth-century Prussia (*Refer to Images of Organisation by Gareth Morgan*). Instead of following the common practice of collecting traditional, loosely organised tribal units into a large army, Frederick had great success by introducing the novel requirement that each soldier answer directly to a single person in authority above him. This had the advantage that the organisation could easily replace individuals, which is necessary in warfare (and apparently in modern business practice) 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 being distracted by other concerns. It is structured such that everybody reports to somebody higher, and decision-making conversations are 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 great advantage of the hierarchical power line is the simple 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 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 independently does what they think best. In emergencies, the need for a strong leadership structure is particularly evident.

The downside to over-dominant hierarchical leadership, particularly when obedience is rewarded and noncompliance reprimanded, is the suppression of healthy commercial risk-taking and initiative. A leadership delegation I heard of recently in this mode was: *"Here are the boxes, here are the roles and here are your responsibilities. There is nothing else for you to do other than 1, 2 and 3 in the morning, and you'll do 1, 2 and 3 in the afternoon"*. Also, silos can become impenetrable 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 cripples potential synergies. Curiously, the more successful the



silos become, the more expensive are the duplications through lack of uniformity across the organisation as a whole, the losses to benefits of scale and the impairment of compliance. This is where *cross-grain leadership* comes into play, and the pendulum inevitably starts to swing in that direction.

### ***Cross-grain Power Lines***

I call this other type of power line *cross-grain*, because it cuts across the hierarchical lines of the vertical power. This is the power invested in functions, projects and activities that traverse silo boundaries to act across the organisation. The cross-grain power line enables integration across a complex organisation, thereby offering the advantages of scale, efficiency, control and compliance. Centralising the control and reducing 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 customer service centres, or establishing a centralised HR department instead of locally reporting HR organisations within each of the businesses, are examples of this, as are shared IT support systems rather than local bespoke

solutions. Compliance and safety are often run through a cross-grain power line to enforce conformity and to economise on the cost of retaining expertise where it would be prohibitively expensive to retain experts in each of the individual businesses. Budget negotiations across a number of divisions or regions may of necessity be managed through a cross-grain power line. Also, branding and other customer-interface activities may be put into a cross-grain power line in order to present a single face to the customer despite a complex internal organisational structure. And of course executive leaders tend to enjoy championing initiatives through cross-grain power lines – to reduce costs, to improve their line of sight (and thereby control), or to promote a cultural change of behaviours across the organisation.

A cross-grain power line may operate through influence by promoting its benefits to others with decision-making rights, or it may have power invested in it by the executive leadership to require its services to be used. In a softer form, it involves networks that collaborate across organisational silos

“The notion that there are these two power lines is absolutely my experience. I recognise it completely, and I recognise the pendulum swing between them.”



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 economy and compliance across the organisation.

A cross-grain power line delivers benefits based on the alignment and conformity of processes and systems across various business units. It employs *lateral thinking* (rather than vertical thinking), which means that decision-making conversations are in pursuit of wholistic (from 'whole' whereas holistic is derived from 'holy'), across-the-board benefits. The key point is that the cross-grain decision-making power is deployed to the cumulative benefit of the overall organisation, viewed from the perspective of the particular cross-grain activity, even if this is at the expense of some or even all of the silos.

Just as with leadership hierarchy, cross-grain power lines become detrimental if they begin to become dominant. As they become more powerful, they can progressively move decision-making away from the front line, and those responsible for delivery at the interface with the customer find that more and more aspects of the standardised systems and processes fail to accommodate the particular needs of their local situation. Compounding this, those in the hierarchical power lines may increasingly feel that they are no longer running their own businesses but being constrained by those who appear to have little comprehension of their situation, and this fuels their need to shift the power back to themselves.

### ***The Conflict of the Power Lines***

Neither cross-grain nor hierarchical leadership structures are exempt from competing for power and resources within their own structures, as well as with each other. Added to this, each power line has different perspectives, interests, priorities, targets and ways of thinking. Done well, a 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. Managed poorly, however, employees can find themselves answering to competing demands from different power lines, where supporting one may necessitate letting another down, in what could be called 'the tyranny of accountability'. You will know when two or more power lines are poorly reconciled, however, because organisational politics will abound. The organisation will be permeated by 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 recalcitrance. The real cause, however, more often lies in the unresolved conflict of the organisational decision-making power lines. Standing in another's shoes can prove to be humbling for individuals who had been fighting their corner in a silo role and are then moved into a cross-grain role - or vice versa. With the change of perspective, power and priorities, they may appreciate things differently and begin to understand why others behaved the way they did in a different power line.

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 leadership's attention and energy.

If the hierarchical leadership structure and vertical thinking are dominant (which

is often the case when their contribution to the bottom line is more obvious and they are favoured by the reward structure) then there will be markedly more decisions made in the operational silos that stick. These decisions will be made in the context of the local silo and resources will generally be deployed to the advantage and in the interests of the silo. This marginalises the cross-grain leadership lines which often need the cooperation and resources of the various silos, particularly the time of their people, to deliver across-the-board economies and realise large-scale opportunities. A typical example: *"The individual businesses were very successful, but if you were working in the centre it was unfortunate because the businesses had absolutely all the power."*

"The centralised functional head believed that this is the organisational model we need in a particular region, but the regional head says: "What are you talking about, woman?" He had been running an integrated business in a powerful way, and wanted to know why he should change that. So what happens when the two power lines clash? With these particular power lines it ended up with a testosterone test - and in spite of the gender, she has a lot of the testosterone. But in that particular case he had more and she decided that it wasn't worth the fight - it wasn't worth the clash. Indeed they were kind of riding a bit of a high in that region and so she would have been taking on quite a popular leader. With a weak regional head it would have been a totally different story - he would have been run over like he was so much wheat in a wheat-field."



On the other hand, if cross-grain leadership dominates (because of, say, compliance legislation, a belief by leadership in economies of scale, or perhaps a drive to match competitors' efficiencies) then it may result in more and more complexity for the vertical power lines, with decisions being taken further away from the point of delivery to the customer. 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 these lines of power is critical to the health of the organisation, and the challenge of achieving this reconciliation applies to 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 they will find feeble backing if their bosses have failed to address the power conflict successfully.

Often the conflict is not only a kind of power struggle between different decision-making power lines (hierarchical and cross-grain) but it is also between the ways of thinking and basic assumptions which predominate in each of the power lines. Vertical thinking and lateral thinking are different. Vertical thinking occurs within the context of the hierarchical power line, and tends to be more structured and single-minded (others might call it "narrow") - whereas lateral thinking is within the context of the cross-grain power line, tends to be more wholistic, across-the-board and cumulative (others might say "detached from the real world"). In extreme cases they miss each other completely, with the result that each assumes the other just doesn't get it, or is purposefully ignoring the real issue.

Any troubled interface between two power lines can become a major handicap for an organisation as co-operation can no longer be relied upon, behaviours become counter-productive and fragmentation occurs. As all this becomes more engrained, they are increasingly costly in terms of money, time and reputation (within the organisation, and with customers). Almost every organisation will have a number of such damaged interfaces. People know they are costly but often believe they are largely impervious to being fixed, even if subjected to 'yet another' reorganisation, because they themselves are caught up in the unresolved power battle.



### ***The Reorganisation Pendulum***

Almost every new leader automatically makes his or her mark by reorganising, but even within their term of office it often only requires a modest evidence of dysfunctionality for leaders to react and attempt to restore balance by shifting decision-making power in favour of power lines that have been less dominant. This pendulum phenomenon will be familiar to anyone who has worked in a large organisation for some years. The swing travels from giving greater decision-making power to the vertical line and more locally and operationally, to giving greater decision-making power through the lateral line and more centrally in head office, and back again every few years. This re-distribution of power from the hierarchical power lines to the cross-grain power lines - and then vice versa - is implemented through reorganisations. How often have you heard somebody say that the new reorganisation will take us back to the way we used to operate five, seven, or however many, years ago?

“You cannot create a perfect organisation. There are always compromises in any organisational structure you create. Reorganisation just chases the problem somewhere else – like squeezing a balloon.”

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, the scenario typically goes as follows:

First, a senior figure steps in and demands that the competing factions sort out their difficulties. Should they fail to come to resolution, then the senior figure makes 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, 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 a decision has been made that may bring compliance for a time, but the power conflict has not been resolved—and it will present itself again in time. Then, when patience runs out, the CEO, or board (or their representatives) will typically decide to reorganise. The intention, of course, is to prevent the conflict from recurring.



A reorganisation 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. Reorganisations are very costly in terms of time and energy, so you would think that leadership would avoid them. There is no sign, however, that they are going out of fashion. I would argue that it would be more fruitful to learn how to resolve power conflict well.

“If they could not resolve it, somebody else will have to step in and say: ‘Enough is enough! Let me slam your heads together good and hard so you understand that I am tired of this, then go - fix it!’ And what normally happens under those circumstances is one of the protagonists is removed and their activity is reorganized. That is the typical outcome of that, especially if you are talking about senior people.”

One could go further and say that managing this balance of power is the primary role of leadership - because whatever the organisational design, there will always be the competing forces of a number of different power lines to resolve. Leaders can redistribute the power in repeated large-scale reorganisations, and this is the choice that it seems leaders make without much thought about other options, certainly on entering a new leadership role. A different approach is to manage change on a continuous basis, in smaller regular bite-size pieces - more like a pilot continually checking the flight path rather than suddenly veering off onto a new route every now and then. This can be significantly cheaper and more effective than large-scale change, as well as deepening organisational confidence and securing employee trust in the leadership. But the second option (of continuous change) is only possible if you have an understanding of power centres and the skills and capabilities to use the power invested in them to make sound decisions.

### ***Power Centres***

Power centres are the secret to balancing the different power lines and reconciling potential and actual conflicts between them. They may take the form of one-off (or occasional) workshops, or ongoing forums, depending on the complexity of the interfaces and level of interdependence involved. Change can be accommodated in a measured way through power centres without resorting to major



reorganisations and all the costs and disruption they incur. Where large-scale reorganisation is a more appropriate response, (perhaps to a market collapse or sudden opportunity) then the power centre can of course determine to proceed in that way. Whereas power lines run across the organisation, either vertically or laterally, power centres are given decision-making power at key interfaces in the organisation. The executive group is a special case since all the major power lines interface at this location, so understanding how power centres can work is particularly important at the executive level.

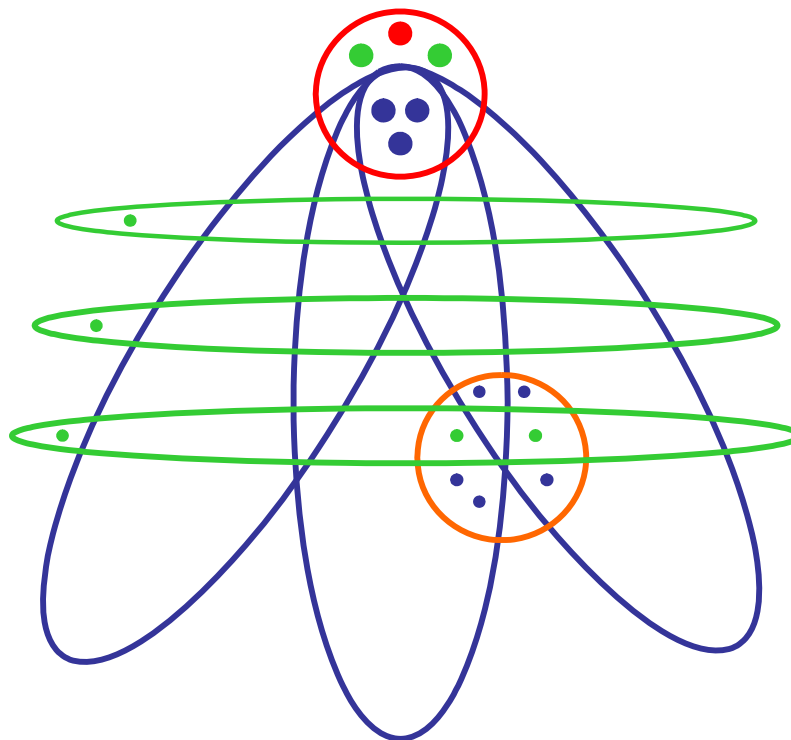
“The tension between the power lines is more than healthy – in my mind it is essential – and the prime role of leadership is managing that tension and the balance of power in the organisation.”

For power centres to function well, a balanced representation from the competing power lines needs to be included in the conversation. There is an easy check for this: whenever there is second-guessing about how ‘they’ might react (to a decision the power centre is looking to make) then the representation is inadequate for a sound decision - because they are not in the room to speak for themselves. The principle is that ‘they’ should participate in the reasoning process. Later efforts to get ‘buy-in’ then become something of the past. A power centre may be chaired or facilitated by an independent person, but otherwise it should be made up of key people who have authority (through position or influence) in the relevant and competing power lines.



When participants step from their power line and into a power centre, their thinking needs to change from *vertical* or *lateral* thinking to *dialogic* thinking - which seeks the best decision for the organisation rather than a particular power line. This shift is represented in the power centre by seating people in a circle so that no one person is dominant in the conversation, and everyone can see and hear everybody else easily. The key is that individual participants must represent the interests of their particular power line (about which they know more than others), whilst giving primary allegiance to the needs of the whole organisation—even if this is to the detriment of their own silo, or function. This is what could be termed ‘jointly and severally responsible’. As a metaphor, it involves everyone laying their 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. This requires trust, candour and high-quality dialogue.





## ORGANISATIONAL LEADERSHIP POWER MAP



### POWER LINES

-  Hierarchy
-  Cross -Grain  
Functions/Initiatives

### POWER CENTRES

-  Executive Leadership
-  Interface Forum



### ***Interface Dialogue Forums***

In any organisation, the distribution of decision-making power will need careful attention in several critical locations. These are predictable - they lie at the structural interfaces of the power lines, and in particular where several business lines or silos meet several cross-grain leadership functions or initiatives. Decision-making is always more complex at any interface where a number of power lines meet, and some degree of organisational clash is almost inevitable. There is a real risk of 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 concerns may be about cost in terms of money, time or status, but it is usually all three combined. In such locations an *interface forum* can find the best way through the often complex and ambiguous situation. Once people see key players shift from being adversaries to working productively together in a diverse forum, it impacts the organisation directly, by signalling and demonstrating a different way of working. Individual businesses and cross-grain activities find themselves accommodating each other's needs and priorities more willingly as the interface forum obliges them to think outside their own box.

“I believe that organisational changes rarely fix fundamental problems. In my opinion it has always been about getting the right people into the right conversations, and behaving the right way. Dialogic capabilities and dialogic skills are fundamental to resolving organisational tensions.”

A multi-national may, for example, have a range of different businesses all attempting to develop new markets in say Russia, India, China or elsewhere. Without an interface forum at a national (or perhaps regional) level, it would be extremely difficult to co-ordinate the different businesses' activities (which otherwise could be acting counter-productively towards each other), resource the activities efficiently, benefit from each other's leads, opportunities and business contacts, and present a concerted face and brand to the political powers that dominate the new market.

Another example would be the executive decision to upgrade large IT systems across the whole organisation for long-term benefit whilst the individual businesses are facing short-term trading pressures (which can be likened to changing the aircraft engine whilst flying). It is predictable that agreeing the level of local customisation and sequencing downtime is going to be a challenge, and may



lead to competitive behaviour between the power lines involved. It is leadership's responsibility to set up an *interface dialogue*, as a workshop or an ongoing forum, to manage this situation more effectively than the typically disjointed power plays one hears about so often, that quickly becomes personalised.

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 delegate their involvement to others. The core issues to be addressed should a) be persistent, b) have a cost to them (in terms of money, time or status) and c) be issues which cannot be resolved by any one of the power lines on their own. The interface forum can either be empowered to make binding decisions on the participants, or can establish a common ground of understanding from which participants make decisions in their own power lines. Whichever is more appropriate in a particular situation, they are a forum to reconcile power conflicts in an inclusive way.

Mapping of the interface is the first step, to ensure that the necessary players from the key hierarchical (vertical) and cross-grain (lateral) power lines are identified and included. Careful attention needs to be given to convening. Although it may prove challenging, it is not wise to proceed without all the core players, even if they want to send others on their behalf, unless they also delegate the authority for a binding decision to be made in their absence. Depending on the past experience of participants, it may be wise to set some game rules about how the workshop (or forum if it is longer-term) will be run. It may focus participants' minds to ask the relevant more senior leader or leaders to attend the start and finish of a 'workout' in order to define the task and the boundaries, and later to hear the outcome.

Once the task and boundaries are set, and it is clear who is in the room and what roles they play, the conversation will typically start out being divergent, to include as many perspectives and interests as possible, then convergent to identify options. Participants have the dual role of representing their own particular power line and of understanding the complex interface of which they are just a part. Dialogic practices and process skills are needed to establish a quality of conversation that can support and challenge different assumptions - and enable the players to work out a way forward together that meets the varying needs and interests to be reconciled. Genuine feedback leads to thinking more systemically and searching for a sustainable solution to the complex dynamics in the situation.



The practice of dialogue is unfamiliar to many people, and they often need to have an experience of dialogue to realise the functional value of high quality talking and thinking together. If an *executive dialogue* is already in place, then setting up an *interface dialogue* becomes much easier because it is simply a matter of extending that way of working into the body of the organisation. But if not, which is more usually the case, then an interface forum can give leaders a chance to get the feel of dialogue in action, and might be used as the inspiration for an executive dialogue to be put in place.

### ***The cost of a damaged interface***

When the interface between a number of power lines is not functioning smoothly, people start to make attributions about each other, co-operation can wear thin, and the cost in terms of time, money and reputation increases. It is possible to estimate the cost to the organisation of a damaged interface. There is what is lost internally, such as the cost of transactions across the interface being slowed down, poorly managed or rejected – which stretches budgets and can result in project and system failures. Secondly there are external losses such as the impact of poor delivery to customers and consequent reputational damage. In addition there are opportunities for creating value which are being delayed or wasted. Clearly in a large operation the cost can amount to a substantial sum of money, and a business case could easily be made for setting up an interface workshop or forum to improve the decision-making across the interface.

“Good dialogue is one of the sweetest skills, and one that makes an enormous difference to the efficiency of an organisation.”

### ***The Executive Dialogue Forum***

At the top of an organisation there is inevitably a centre of power, because all the major power lines interface here, and this can be developed into an ongoing executive dialogue forum. There are significant challenges to establishing dialogue at an executive level, but anyone who has participated in a well-functioning executive dialogue forum one will never forget how effective and enjoyable it was. Passion, common sense, commitment and good dialogue flourish in such a setting. Those who have been part of a sustained high-quality dialogue will also tell you that for an extended period no large-scale reorganisations were necessary, because change kept taking place every day. Once an executive dialogue is established, those involved find it rewarding to be together on a regular basis despite their busy lives. They disagree more successfully because they value each other's view and want to



understand the assumptions and reasoning. They feel safe enough to expose their aspirations and their fears, and support and challenge each other with respect and humour. The quality of decision-making benefits enormously and the organisation develops confidence in how it is being led.

There is a large prize to be won from an executive level dialogic forum, but this level of interaction is relatively uncommon and the tried and tested approaches are usually insufficient to tackle a set of more deeply held beliefs and habits that form around leaders. The leaders themselves have risen to an executive level of responsibility precisely because they have developed most of their skills in either vertical (hierarchical) or lateral (cross-grain) thinking. That is what they have been rewarded for, that is what they know, and all too often they have never tried other ways of working beyond their accustomed style. Even if they *do* become aware of a dialogic way of interacting, under pressure they can tend to revert to old ways of operating. There is clearly a need for skill development as well as a will to work together at a higher level of effectiveness. Executives can learn the necessary dialogic practices and process skills with time and commitment, along with some executive coaching and facilitation in the early stages. But without an effective executive power centre, reorganisation will remain the only, and the most over-used, tool available to balance and redistribute power.

Certain conditions are necessary for the formation of a dialogic executive forum. The CEO has a key role in distributing certain of his or her decision-making powers to his/her executive leaders as a group - and the other executive leaders must reciprocate by stepping up and assuming authority and decision-making responsibility individually and collectively. CEOs who claim to release power to their executives, but then heavily influence or over-ride the decisions they make, will prevent any kind of functional leadership system from developing. Executives who are not willing to stand up for themselves will similarly thwart the formation of a leadership system. These two dynamics will almost certainly result in over-dependence on the CEO, limited feedback and an environment where people do not say what they really think and mean, resulting in impaired executive decision-making.

Next, executive leaders have to learn how to depersonalise conflict. There may be elements of interpersonal conflict to be resolved by distinguishing between an individual's *intention* and the *impact* they had. Many problems, however, do not really originate there but rather in the crossed organisational power lines. To sustain the dialogue at both these levels, feedback mechanisms are necessary. Regular feedback encourages continual correction. It also helps develop the capacity to think systemically and



to see and understand where crossed decision-making power lines are causing trouble. This is especially challenging for those who have attained a measure of success through enthusiasm or force but have ignored the feedback loops that might challenge their independence. 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, suppliers, customers, stakeholders and competitors.

Once meeting face-to-face as an executive forum, there are dialogic skills to develop. It is a matter of stepping out of a series of monologues or set pieces, and establishing the dialogue. There are dialogic practices that build the kind of conversation that is conducive to good thinking, and without these the executive group will unwittingly repeat unhelpful, counter-productive and at times dysfunctional behaviours. The dialogic practices can be learnt and utilised by anyone, but by-passing them is not an option if a really effective executive power centre is to be attained.

### ***Dialogic Thinking***

In dialogue, decisions are based on understanding rather than obedience, and reached through thinking together rather than debating, manipulation or the selling of pre-determined positions. The root of the word 'dialogue' is interesting: 'dia' means 'through' (as in diameter, which is a line through the centre of a circle) and 'logue' comes from the Latin 'logos' which is 'the word, or meaning'. So in dialogue, a common meaning emerges through the conversations in the power centre. I like to call this 'common' sense. It is not consensus, which can bring decision-making to a standstill. It is the establishing of a common ground out of which decisions will be made.

The power forum will not succeed unless four basic *dialogic practices* or disciplines are actively in use. If these practices are active then a contained atmosphere ('container' for short) will be established which is conducive to good talking and thinking together. Like all practices, everyone can get better at them no matter what level their starting skill. They can be used as a measure of the quality of any conversation designed to set the ground for good decision-making.



## POWER LINES

POWER LINE:	HIERARCHICAL LEADERSHIP	CROSS-GRAIN LEADERSHIP
FORMS:	SILOS	FUNCTIONS & BROAD INITIATIVES
THINKING:	VERTICAL	LATERAL

## POWER CENTRES

POWER CENTRE:	EXECUTIVE LEADERSHIP	INTERFACE LEADERSHIP
FORMS:	EXECUTIVE FORUMS	INTERFACE FORUMS
THINKING:	DIALOGIC	DIALOGIC

### *Dialogic Practices*

- **Voice** – to say authentically how you think and feel, and what you want and need, during the conversation with everyone in the room - rather than saying one thing in the forum and saying something different to some of the participants privately later.
- **Listening** – to what another person actually means - rather than just noting confirmations of your opinion and the views that you attribute to them.
- **Respect** – to accept that the views of others are legitimate to them, and to give clear feedback of their impact on you, but never in order to put the person down.
- **Suspension** – to be aware that how you see things is your particular perspective – rather than being certain that you are right, that you see things as they really are, and that your views must also be self-evidently true for anyone else.



Despite the level of competence individuals have in each of these practices, the crunch comes when the stakes are raised in a situation that affects their own power line and/or them directly. Then they may resort to a quite different set of behaviours and overlook the fact that without these dialogic practices you cannot establish and maintain the conditions for good thinking together and sound decision-making. Getting through this kind of tough situations, with everyone present in the conversation, builds the dialogic muscle to be able to engage strongly about the issues that really matter to move the business forward.

In addition there are two process skills that are particularly helpful to support the decision-making dynamics of the group:

#### ***Process Skills***

- ***A balance of enquiry and advocacy:*** *advocacy* to represent the position and interests of you and your power line; and *enquiry* to understand the positions and interests of the others and their competing power lines.
- ***A balance between divergence and convergence:*** first *divergence* to broaden the *enquiry* and get all the perspectives and relevant information into the room (without which there will be no common ground or commonsense); then *convergence* to narrow down the thinking through *advocacy* to the best options, followed by a choice of action.

Learning these dialogic practices and process skills is an essential part of executive development. Those leaders who become competent in them can transform stuck situations without resorting to violating people by forcing them to do what is against their better judgement, and hence carry the respect of their employees. Power lines benefit from good dialogue, but power centres are *dependent* on the quality of dialogue, and both executive forums and interface forums quickly become dysfunctional without good dialogue. They end up either as talking shops, because the decision-making power has moved elsewhere, or they are dominated by particular individuals or cliques. Attending to these developmental steps will ensure that an executive dialogue is established. Once it is up and running, this ongoing forum is a powerful and conducive setting for accurate decision-making. It respects and includes the otherwise conflicting vertical and cross-grain power lines, and – more critically - it resolves different interests and priorities on an ongoing basis, thereby obviating much of the need for reorganisation.



### **Conclusion**

Many reorganisations are simply wasteful. There is no such thing as an ideal organisation, and much of the time leaders are simply swapping one set of organisational tensions for another – like re-arranging deck chairs. In the vast majority of situations, dialogic thinking supported by power centres at the key interfaces and the executive level offer a better chance of addressing many of the challenges faced by businesses that a reorganisation is often intended to address but in practice fails to do.

These are the kind of questions I would want to answer, with conviction, when next trying to effect change in a system or wanting to achieve greater alignment:

- What implications will any reorganisation have for the distribution of power in my enterprise?
- What is the real cost/benefit ratio of a reorganisation, and how will it help the customer?
- Will it really make any material difference to what goes on?

Whatever course of action is taken, concurrently I would want to:

- Establish an executive dialogic forum to reconcile the major power lines in the organisation on an on-going basis
- Invest in the development of the needed dialogic leadership skills
- Have executive leaders cut their teeth on interface workshops and forums to prove their value to the business.

***Peter Garrett, July 2008***

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