

The Invisible Organization

*How Informal Networks Can Lead
Organizational Change*

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GOWER

‘The Invisible Organization’: Highlights of the Book

Unlike the formal leadership structure of a traditional organization chart, in reality there is not a single or small group of leaders in organizations but lots of them. Some leaders influence the views of many people and some of just one or two, influencing and ‘leading’ at all levels across your organization. The CEO, senior management team and all of the formal management hierarchy put together can probably identify less than a third of these dispersed ‘leaders’ and the management team’s combined power to influence represents less than 20 per cent of the total potential influencing capability across all employees. More than three quarters of the leaders in your organization are probably not in the management hierarchy at all!

This is ‘The Invisible Organization’: a world of influencers and informal employee networks that most accurately reflects the ‘real world’ in your business.

The fundamental idea behind this book is that business can best be managed through a balanced implementation of formal and informal networks. The formal networks are represented by organization charts, business processes, systems and formal procedures. The informal networks are made up of an array of ingredients: influence networks, communication networks, knowledge networks; even sub-networks of individuals experiencing bad behaviours, process problems or missed opportunities. All your previous business designs have been based on management control through formal networks alone. For the first time, CEOs and senior managers can now seek to design and build their organizations by using the most effective mix of both the formal and informal elements – by getting the balance right.

Until the late 1990s, the practical use of informal networks was inhibited by difficulties in accuracy and reliability in two main areas:

1. Identifying the key influencers at all levels across an organization: those who are both highly influential and by nature change-positive, or at least open-minded on change.
2. Identifying informal networks where sensitive information is required, particularly where named individuals are failing to perform effectively.

The breakthrough came when iterative interviews were used to identify accurately relevant key influencers at all levels. (This process begins by interviewing known change champions, getting their views on change-positive and open-minded influencers and then progressively repeating the interview process across the organization – with only the individuals mentioned being interviewed at each successive stage, until no new names emerge. This eliminates major distortions inherent in representative sampling due to the inputs of change-negative and disinterested individuals.) Once the key influencers at all levels are known, they are then selectively engaged to guide the questionnaire design, sample selection and results analysis process that results in much more accurate and relevant informal networks being uncovered.

Now that these two difficulties have been overcome, extensive experience over the last 5 to 10 years shows that balanced formal and informal networks can be used to resolve effectively many of the intractable problems that have beset businesses in the past. Successful examples range from business turnarounds, large international mergers and acquisitions, major process and system-driven change programmes, fundamental cultural change and continuous improvement, through to organizational problem solving, succession planning and employee motivation on a day-to-day basis. It is an approach that offers a permanent alternative to the stubborn 70 per cent failure rule for business change initiatives.

It is in the management areas, however, that the main impacts of the effective use of balanced networks will be experienced (see Chapter 5: Throwing out those tired old HR models). The high-performance workplace of the future will incorporate the following very different roles:

- Executive leadership – to develop strategic direction, with a little autocracy and a lot of collaboration for effective change implementation.
- Middle managers – to act as coordinators and enablers for the ‘high-performance workplace’, guiding and integrating a plethora

of ideas and initiatives, mainly from below, all within the context of an agreed business strategy.

- First-line management – the *real* people managers in the 'high-performance workplace' – most will be key influencers, so some 60 per cent of incumbents probably need to be replaced – often with more women than men.
- HR Managers – with a key role, to inform and guide senior managers in optimizing the people resource through formal and informal mechanisms – but most won't make the transition.
- Local influencers and those with extensive personal networks – get much bigger roles across all forms of business change – as these key individuals become the *real* change agents.

Balanced networks will also have a profound impact on outsourcing decisions. In many cases, outsource suppliers are forced to overcome one fundamental hurdle that does not apply if change is implemented internally – they have to fragment at least some of the relevant informal personal networks! Because of the fundamental importance of using informal networks to drive successful business change, these increased pressures on outsource suppliers may well shape the future direction of the white collar outsourcing industry. The traditional outsourcing model will be replaced progressively by an in-house 'transform-operate-transfer' model. This model is based on the service provider delivering a core team of change design and implementation specialists who will take transitional responsibility for selected areas of the business and will deliver agreed target changes in agreed timescales.

Once you know who the key players are across informal networks, it becomes possible to implement practical, effective 'deep' leadership – the fruitless search to develop 'super managers' is replaced by practical leadership through 'super networks'. The real super managers are then those who can best engage and focus key individuals across the leadership 'super network'.

VIEWS AND CLUES

Throughout this book, we draw the reader's attention to selected extracts from newspapers, magazines and published reports.

These selections of 'Views and Clues' contain clues as to the major trends and underlying drivers that determine why business change fails and how future change can be successfully implemented. They also set the scene for fundamental changes in the ways that employees are managed, engaged and motivated.

One reason why big organizations become inefficient is communication failure. Subordinates have lots of reasons not to tell bosses the truth. They don't want to burden 'busy' people with detail, or rock the boat, or be victim of 'shoot the messenger' syndrome. The upshot

of this was famously described by the late Kenneth Boulding: 'The larger and more authoritarian the organization, the better the chance that its top decision-makers will be operating in purely imaginary worlds'

Source: *We put up with terrible, inept government. Why?*, *The Times*, 30 May 2007

In Britain, there is a growing anxiety about the standard of business leadership and decision making. Accenture, the global consulting, technology and outsourcing company, carries out a review, The High Performance Workforce Study, every 18 months or so. It regularly finds that leadership is one of the top three concerns reported by senior executives.

Source: *Farming out isn't always the answer*, *The Sunday Times*, 10 June 2007