

Extracts from 'The Invisible Organization', Gower 2008

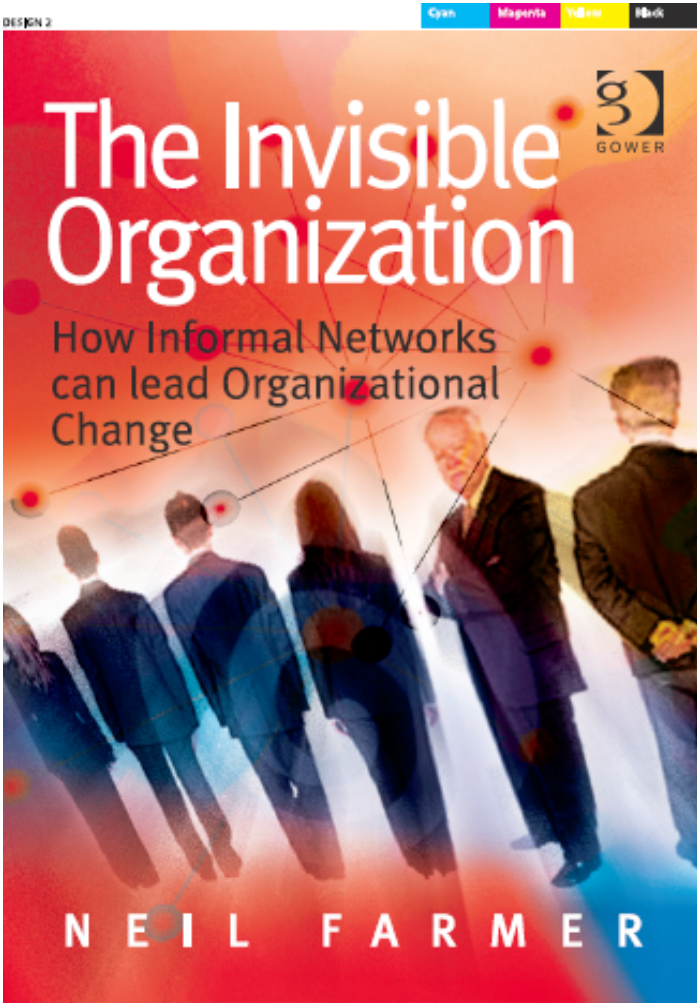
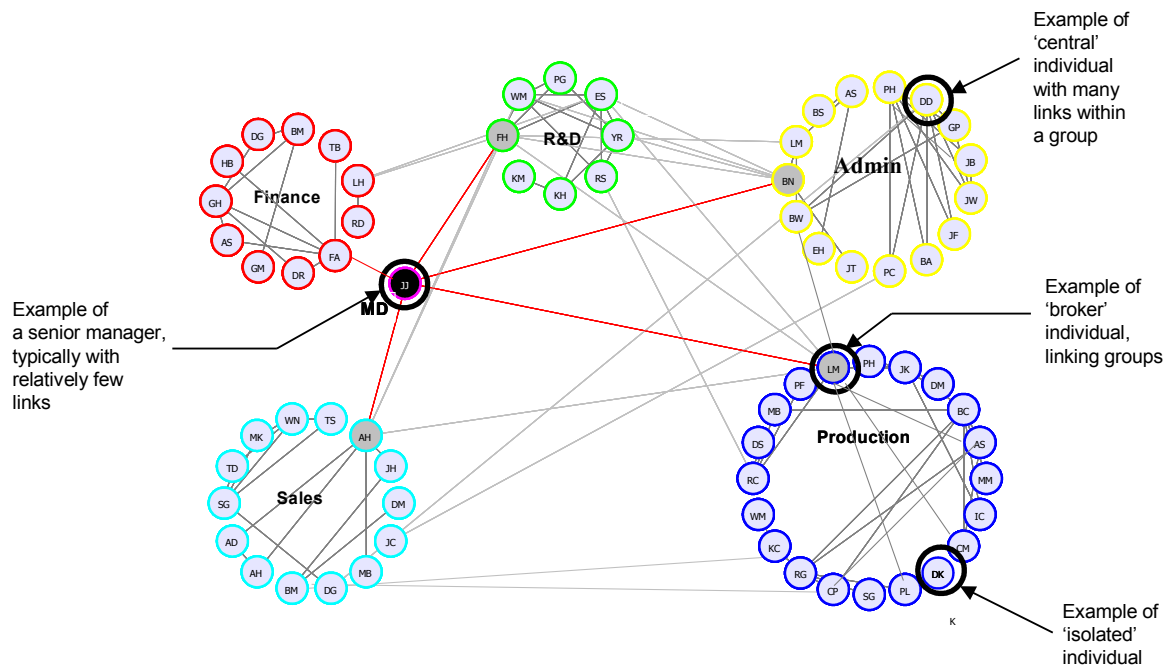


Figure H1: Typical patterns within informal networks



Note: This type of informal network diagram can be produced by a wide variety of organisational 'scans', ranging from the identification of key influencers, through communication, knowledge and data sources and value-added patterns, to problem identification and analysis. Changes in specific analysis patterns over time can indicate the success or otherwise of interventions/remedial actions.

Software used: MagusNetworker

‘The Invisible Organisation’ – highlights of the book

Unlike the formal leadership structure of a traditional organisation chart, in reality, there is not a single or small group of leaders in organisations 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 organisation. 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% of the total potential influencing capability across all employees. More than three quarters of the leaders in your organisation are probably not in the management hierarchy at all!

In addition to informal leaders, there are individuals who play key informal roles in inter-group communications, act as sources of internal knowledge and external business intelligence, generate innovative ideas and have largely untapped access to a variety of internal and external insights through their informal personal networks.

This is ‘The Invisible Organisation’: 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 organisation 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 organisations 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:

- Identifying the key influencers at all levels across an organisation: those who are both highly influential and by nature change-positive, or at least open-minded on change.
- 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 organisation – 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.

The implications, particularly for programme and project management, business innovation and productivity are profound – as selected informal leaders drive effective change and informal employee networks increasingly determine who works on innovation and who does not. Wishful thinking about employee ‘engagement’ is replaced by practical actions and real changes in roles and responsibilities. Informal employee networks determine how work is organised and ‘who does what’, both in specific projects and in local management.

Extensive experience over the last five to ten 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 organisational 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% 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 co-ordinators 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% 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 optimising 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’.

We are experiencing major breakthroughs in change management, knowledge management, organisational design, talent management, employee engagement, innovation, outsourcing and almost all of the traditional approaches to HR. Managing and motivating people effectively in a turbulent, fast-changing world is, for the first time, about to enter the executive’s comfort zone.

Chapter 6: Managing your business using informal employee Networks

Over the decades, there have been many management ideas and theories that have been propounded by a whole variety of inspirational speakers at conferences around the world. Once the initial buzz died down, most of these ideas came to be seen for what they were – mostly marginal improvements on best practices or just an interesting idea that time, and the realities of the business world, forgot. Many were actually very old ideas, dressed up in a shiny new suit of clothes to make them appear attractive – and make their proponents lots of money.

The fundamental idea behind this book is that business can best be managed by a balanced implementation of formal and informal networks. The formal networks are represented by organisation charts, business processes, systems and formal procedures. The informal networks are made up of an array of networks: influence networks, communication networks, knowledge networks, varying sub-networks of acceptable and unacceptable behaviours, and many more. All previous business designs have been based on management control through formal networks alone. For the first time, CEOs and senior managers can design and build their organisations by trying to optimise both the formal and informal elements.

If, therefore, the concept of managing your business through a balance of formal and informal networks is to succeed – with all the profound changes that this fundamental shift implies – it must be worth it. It must be *much* better than current practice and last the test of time. In other words, if balanced formal and informal networks are to have a lasting and major impact on businesses, the approach must successfully address and resolve most (if not all) of the really difficult problems experienced in businesses today.

To illustrate the power and scope of the balanced networks approach, the first part of this chapter is focused on a wide cross section of business problems that might confront a new CEO taking over a failing business. Although the examples used are from the private sector, almost all of the techniques and approaches used can be applied equally as well to business problems in the public sector.

Using balanced networks to address problems in a failing organisation

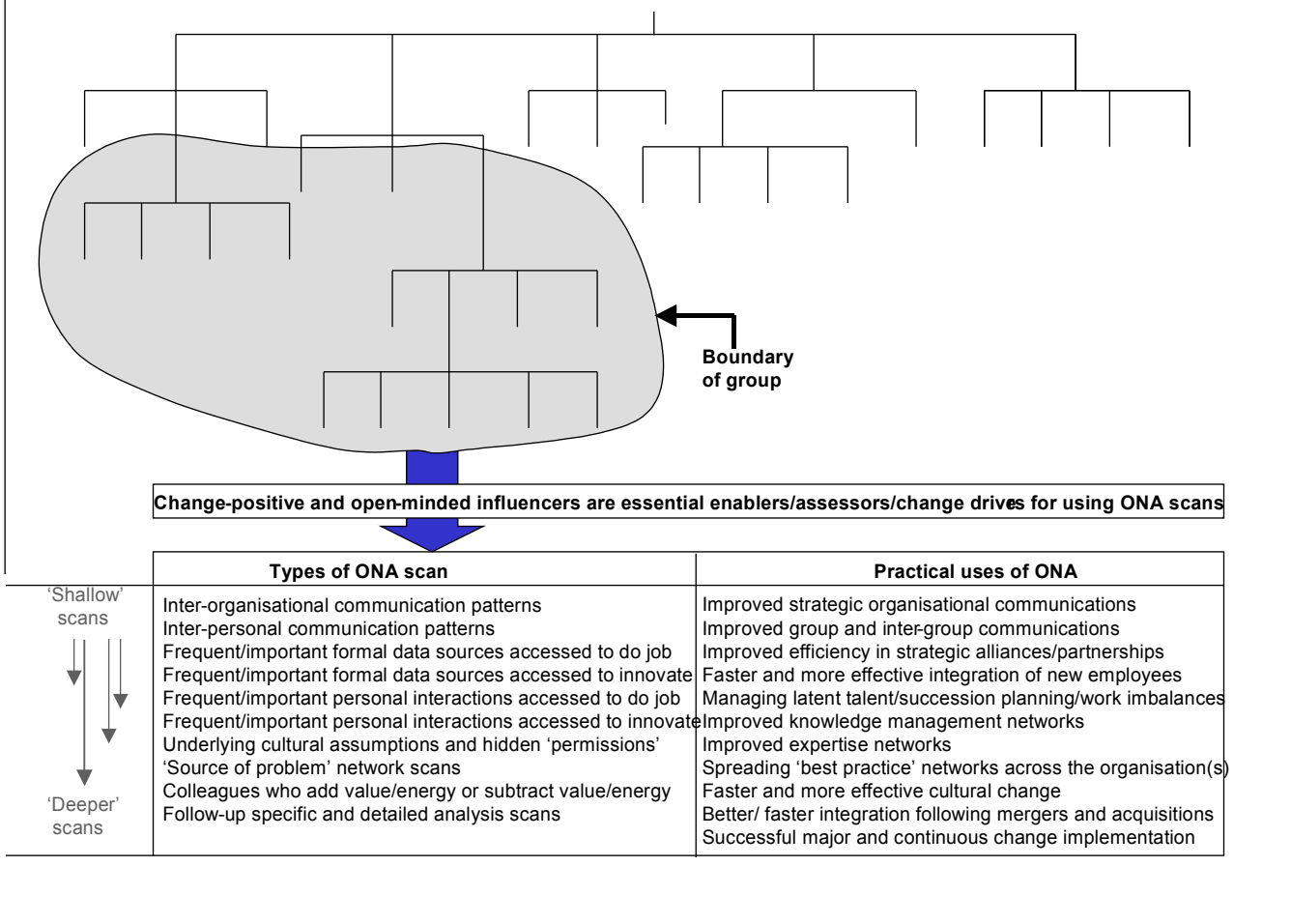
Consider an extreme case - a new CEO, recently appointed to sort out a failing organisation with multiple problems. On day one he/she has no informal network of contacts, does not know the management team well and certainly does not know who drives all those informal influence networks across the organisation. The CEO gets lots of input and advice from direct reports but has little other than instinct to assess the value of this type of contribution. It is, after all, quite likely that many of the senior managers were involved in creating some of the problems in the first place.

If the multiple problems in the organisation are reasonably typical, these might include low productivity, poor innovation, a sloppy, error-prone or cynical culture, some effective and some poor managers, poor knowledge and expertise management, and very mixed performances across sales/customer servicing areas. Overall, the organisation's track record in making effective changes will leave a lot to be desired.

Creating the new CEO's personal network

Addressing all these issues will take considerable skill, careful timing and judgement. The CEO will probably call upon consultants, selected managers and others to put together a vision of the future business and a high-level plan for the transformation. The chances of making these proposed changes real are vastly enhanced if informal network techniques combining influencer engagement and Organisational Network Analysis (see Figure) are

Practical uses of Organisational Network Analysis (ONA)



employed. The most immediate benefit is to identify an effective personal network of key people that the new CEO can engage with to drive change. In addition, relevant ONA scans will provide the CEO with an informal network 'toolkit' that can selectively be used later to aid the solution to specific business problems (as described below).

Changing the management team

Top of the list will be those few individuals in the current management team who are identified as competent, change-positive or open-minded influencers, followed by change-positive influencers at lower levels in the organisation. Early, informal discussions with these key influencers will rapidly enable the CEO to identify areas of serious concern and key managers who may need to be replaced. Although some of the existing managers will be capable of playing a part in re-building the business, experience shows that significant changes to the management team (at all levels) at an early stage are strongly associated with successful turnarounds.

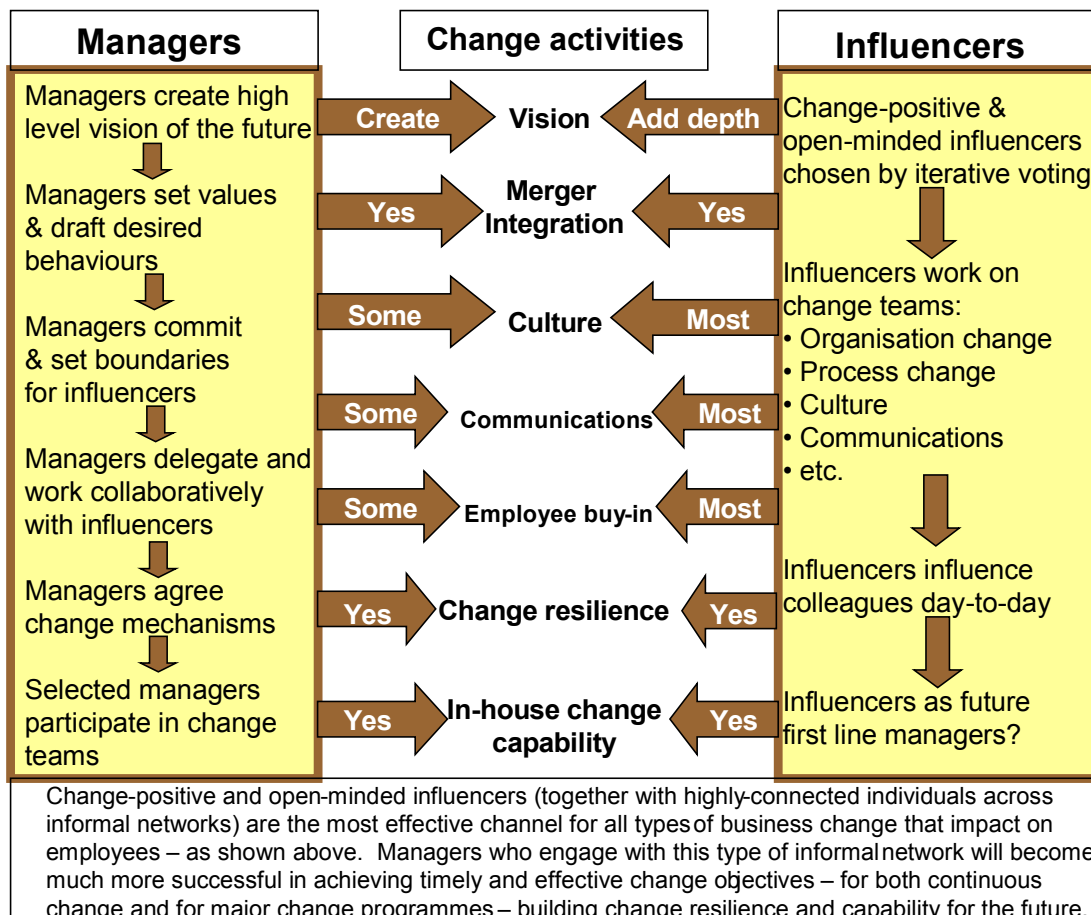
In choosing new members of the management team at different organisational levels, the CEO should consider promoting change-positive influencers with the right skills and knowledge, as well as selecting new managers from outside the organisation. In a failing organisation, it is important that changes at first line management level (where most people management takes place) are carried out quite rapidly following the creation of new senior and middle management teams. In all cases, relevant situational interviews, based on face-to-

face and team collaborative behaviours, are the assessment tool of choice. Key selection criteria for new members of the management team at different levels should include:

- Senior management – able to develop the strategic direction, with a little autocracy and a lot of collaboration for sponsoring implementation through the organisation’s *real*, mainly local, change agents.
- Middle managers – able to act as collaborative co-ordinators and enablers for the ‘high performance workplace’, guiding and integrating a plethora of ideas and initiatives, mainly from below. (Ideally, all internal candidates should be highly influential with those who would become the new manager’s direct reports).
- First-line management – the *real* people managers in the ‘high performance workplace’ – as many as possible will be change-positive or open-minded influencers, recruited internally, but some will need to be recruited externally - typically, with more women than men being chosen on merit.

As a routine element in each internal job change, the relevant individual’s informal personal network status should be assessed to identify situations where informal networks may become fragmented by the move, with appropriate remedial action being taken (see below).

Helicopter view of Influencer Engagement Process



Once the new management team at all levels is in place, each of the business problem areas can be addressed. A wide range of problems is examined below to illustrate how balanced formal and informal network techniques can be used to drive real business benefits in difficult circumstances.

Low productivity (and a poor work culture)

Low productivity is always a symptom of more fundamental, underlying problems, such as poor, disjointed processes, unsuitable (inadequate or over-complex) IT systems or a 'lazy' work culture. Informal network techniques can be used to boost the business impact of traditional process and IT redesign initiatives – which are often very logical but disappointing when implemented - in three main ways:

- By using relevant change-positive and open-minded influencers to refine high-level visions, designs and plans, so that these become more realistic and effective. These key individuals not only understand the realities of the current work environment, but are the most likely group of employees to be innovative and open to new ideas. In addition, they are capable of winning the hearts and minds of colleagues, so smoothing and speeding up the implementation of new processes, systems and work practices.
- By being very selective in deciding on the employees who will be offered redundancy during any (compulsory or voluntary) downsizing exercise. The key to a successful downsizing is to be left with the 'right' people to successfully operate in the new smaller, streamlined work environment. Informal network techniques can be used to identify employees who should be retained in two ways. The most obvious are the change-positive and open-minded influencers. In addition, however, all employees with strong desirable Organisational Network Analysis (ONA) characteristics should be included, providing that they are not identified as 'value-subtracting' or habitually change negative. For example, those with strong informal communication networks (particularly broker types), key players in innovation or knowledge networks, or those who form a significant role in sales networks (possibly through their extensive contacts with current or potential customers).
- By using selected local managers, working with change-positive and open-minded influencers, to agree new work behaviours and then change the day-to-day culture through a series of 'reinforcement' exercises over a period of months. (Reinforcement changes behaviour on a day-to-day basis when these key individuals consistently congratulate and publicise 'good' colleague behaviours when the desired behaviours are carried out. Equally, but less often, they politely but firmly chastise 'bad' behaviours on a one-to-one informal basis.) It won't deliver 100% cultural utopia but it will eliminate almost all of the really poor behaviours very quickly. Effective culture exercises of this type can give a new impetus – a second surge if you get the timing right – to ongoing business transforming initiatives.

Poor innovation

Research and development projects fail more often than they succeed. Out of every ten R&D projects, five are flops, three are abandoned and only two ultimately become commercially viable.

Most organisations with a poor track record of innovation assume that practical new ideas come from a few geniuses or from specialist teams who work in isolation for long periods before submitting their best ideas for review. Even when cross-silo teams are put in place,

these are often merely a reflection of internal silo structures – with project leaders chosen because of their seniority or perceived technical ability. These individuals, moreover, may not be the best judges of new ideas, and their specialist expertise may in fact blind them to innovations in other areas. Many will have relatively poor informal networks of relevant (internal and external) personal contacts.

In contrast, the reality is that most innovations are created through networks – groups of people with complementary skills (sometimes at diverse locations) working together. (The best innovation comes through problem solving; the best problem solving comes through cross-functional working. Innovation, with its high risk of failure, occurs at the boundary between stability and chaos. Informal networks operate at that boundary, and hence are a good environment for innovation. Organisational Network Analysis (ONA) can be used routinely to provide key insights into those individuals who should best be engaged in different types of innovation – balancing the needs for including key skills within manageable numbers of people, with a range of personal contacts covering all relevant skill and knowledge areas. Frequently, lower level individuals with broad experience within and outside the organisation prove to be more effective in innovation teams than their more senior, technically focused superiors who are less well travelled. In large organisations, the ONA databases can be used rather like an estate agent – to bring together the best match of skills and personal contacts to meet the requirements for a specific innovation project. As a rule of thumb, strong personal networks should cover both technical specialists and key managers in the organisation who are instrumental in bringing innovations to market.

Once the best mix of individuals is identified for a particular innovation project (or group of related projects), a certain amount of ingenuity is also required to create an optimum mix of formal and informal channels through which these people can stimulate engagement across multiple personal networks – workshops, intranet interest groups, shared database access, social events, mentor arrangement, etc. Getting the right people engaged in innovation is of course just part of the end-to-end, idea-to-market process. Effective innovative organisations still need to have effective processes in place to rapidly select, test, refine and bring new ideas to market.

It is easy to underestimate the potential impact of this fundamental shift in perspective – from ‘specialist groups’ to ‘complementary skills plus personal networks’. The bottom line, however, is that a very different group of people become involved in innovation, with very different ways of working, and generally with very different, much improved business benefits.

Poor knowledge and expertise management

Not all innovation across organisations is large, strategic or organised through project teams. A lot of specific, piecemeal innovation happens as a result of changes in the business or work environment, as part of continuous improvement programmes, or through local initiatives. Many larger organisations have in recent years invested significant sums of money in the development of knowledge management systems and associated training. Some of this knowledge sharing is, from time to time, invaluable in many types of business innovation. A lot of it is redundant.

Now that mature Organisational Network Analysis (ONA) is available, the historic model for knowledge management is changing. The traditional model was typically based on software facilities that enabled the acquisition, organisation, storage and dissemination of knowledge content. Generally this was done using standard taxonomies (classification and data relationship schemes) within customised software tools and repositories. The additional (and sometimes alternative) elements in the new model of knowledge management can be summarised as:

‘Connecting to the right people just-in-time, accessing their knowledge and advice on a particular business issue or problem, synthesising that knowledge, and applying it to good effect’.

Sometimes this may be formalised through special interest or ad hoc groups, but often it is carried out by one or two individuals working to sort out a problem that looks like it could grow into something bigger.

Once again, the bottom line is that very different people become involved, with very different ways of working, and generally with very different, improved business benefits.

Very mixed performances across sales/customer servicing areas

Rather like the myth of the genius researchers driving innovation, the myth of the ‘super-salesperson’ persists in many businesses today. Dig a bit below the surface, however, and a familiar pattern begins to emerge. The reality once again is that most high-performance sales teams operate through networks – groups of people within customer organisations, within the sales team itself and within the parent organisation.

Diverse, good quality client connections across several members of a sales team drive better, more-focused customer service and enhanced cross-selling opportunities. The most consistently effective sales teams have a broad spread of well-connected salespeople, in contrast to less consistent teams where success is often heavily dependent on a few individuals with extensive personal networks. The most significant benefit of personal networks within the parent organisation is to access key information and advice to assist with specific sales opportunities.

Given these insights, the challenge is to recruit only suitable salespeople who are good at collaborating in teams; extending the depth and breadth of existing networks within and across customers and sales team members; extending networks within selected areas of the parent organisation; setting up suitable mechanisms to encourage and reward all relevant personal networks; and progressively building the best practices across all sales teams.

The bottom line is that the new CEO will end up with a very different set of sales people, working and rewarded in different ways, delivering increased sales of current products and services, but with both procedures and a collaborative culture that can identify a better range of relevant products and services for the future.

Assessing the new management team

In any new management team – even a team that is selected by the best available techniques – there will be a few ‘weak links’. These will be individuals who fail to thrive in the high-pressure atmosphere of a business turnaround – people who feel swamped by the challenges, rather than invigorated. At about six months into operating the new management set up, the CEO will be very aware of both high performance managers and those who may need to be refocused or replaced. Influencer engagement techniques and ONA can once again provide two key insights into the effectiveness of the new management team.

The first insight is to identify those senior and middle managers (at the six month milestone) who are not now viewed as either change-positive or open-minded influencers and who have been identified through recent ONA scans as ‘isolated’, ‘energy draining’ or ‘value-subtracting’ in getting work done or solving problems during the transition. Generally there will not be many of these failing managers but nevertheless it is important to take the necessary action at a reasonably early stage to maintain the credibility and momentum of the

key change initiatives. (Care must be taken in assessing individuals in this way because many senior managers can be very effective at a strategic level, or as heads of small specialist areas, without showing up as strong communicators or influencers.) Nevertheless, poor managers in key positions become very visible through these analyses – a perception that can be readily confirmed (or qualified) by informal off-the-record discussion with relevant local change-positive influencers.

The second insight is to identify those first line managers who are change-positive/open-minded and influential with their peers and subordinates. As mentioned above, most supervisors/team leaders should fall into these categories at the six-month milestone. In particular, however, some of the external recruits at supervisor or team leader levels may be failing to make an impact and will need to be replaced sooner rather than later.

Also at the six-month point, informal feedback from influencers and comparative ONA scans (snapshots of relevant informal networks before and after important changes) will give a sound assessment of how well transitions are taking place and any areas for concern and remedial action. ‘Real time’ measures of employee support for particular change initiatives on (at least) a monthly basis - obtained from selected influencers on the communications review team(s) – will provide important inputs into change scheduling decisions, as well as highlighting issues and work areas that need to be addressed.

Rationalising business locations

In many business turnaround situations, downsizing and product or service rationalisations present opportunities to restructure business locations. Relevant ONA scans showing ‘as is’ against ‘should be’ networks for communications, knowledge sharing, interest groups, etc. will often provide essential insights into where connected groups of employees should be located. Rather than indulging in simplistic ‘organisation chart plus management views’ based decisions, these informal networks open up opportunities for increased interaction between groups where this is really needed – and where there will be significant, indirect business benefits.

Changing the physical location of relevant employees will increase opportunities for important informal contact. In some cases this might tip the balance on site locations in favour of fewer somewhat larger sites. (For example, as mentioned in Chapter 3, Chrysler brought all their people involved in new car development back into one location.) In others, it might simply mean relocating relevant staff from different groups onto the same open-plan floor or re-designing communal areas and communal services. When planning for increased, relevant informal contact, easy access to social areas and facilities can be an important stimulus to an effective informal network design.

Enhancing change programme and project management

Traditional programme and project management methods have been very weak at managing the people side of change. Where ‘user representatives’ have been involved in change teams or on steering committees, the people chosen have typically been nominated by local managers, rather than being selected because of their influence or their extensive informal personal networks. Most of the time, therefore, the potentially most useful individuals are left on the sidelines. An effective new CEO may need to address entrenched positions on who are engaged in change teams and who are not.

CEO support for a balanced formal and informal network approach

In many ways, it is easier for a new CEO to turn round a failing business using informal employee networks than it is for an incumbent CEO or senior manager. The new CEO has

no illusions about his or her personal networks on day one and is therefore more likely to welcome these new techniques – even if they are outside his or her normal comfort zone.

In all of the successful experiences described in the book there was senior management support for the use of balanced formal and informal networks to solve difficult, sometimes intractable organisational problems. Senior management mindsets, however, are the single greatest obstacle to using informal networks. Often this is simply because they do not have any experience of the techniques and their effectiveness. After all, “why should I change the way that I have managed up to now? My career has been very successful without all these new intangible ideas”.

An existing CEO has a lot of historical baggage to deal with. Many have managed to convince themselves that they know who the key people are across the organisation. After all, is this capability not one of their ingrained management skills? Command and control type executives are pretty certain that their instincts on employees are correct. Even those senior managers with an open, collaborative management style often believe that they know most of the main organisational ‘players’. But they are mainly wrong. This can come a shock. Senior managers typically recognise only about 10% to 15% of the real local leaders. Even first line managers/supervisors/team leaders struggle to recognise one in three of the critically important change-positive or open-minded influencers. The accuracy level is even lower when managers are asked to identify those with relevant, cross-silo or inter-organisational personal networks.

Senior managers will need to be brave to make the move from traditional to balanced formal/informal leadership. Thankfully, the number of ‘brave’ leaders is increasingly rapidly. Their rewards will be great.

Figure 5.1: Typical informal network options in creating a high performance workplace

