Getting the Power Equation Right

BY NOEL M. TICHY

The most successful organizations are the ones that become teaching organizations from top to bottom—the ones in which people at all levels share information and learn from each other. Teaching and learning behaviors permeate the environment; daily business transactions are based on mutual exchanges of valuable knowledge that create Virtuous Teaching Cycles. (See sidebar on page 30.) Organizations like this don't just spring up spontaneously overnight. They are always created by a team of zealots in top leadership positions who are dedicated to creating them. And these teams, in turn, are built only when there is a senior leader at the very top who uses power appropriately to build them.

The leaders who succeed in building teaching organizations—or in implementing any change, for that matter—are the ones who recognize the importance of building a team at the top. And, paradoxically, they are willing to exercise all of the power they have to issue orders, to coerce, to reward, to punish, even to fire people to make sure that they get the teamwork they need.

Building the Top Team

I have worked with dozens of CEOs over the past 25 years, helping them wrestle with developing a vision, mission, and values for their organizations. They have ranged from school superintendents in the 1970s to health system administrators to the CEOs of some of the world's largest companies. In all these years and experiences, when these top leaders have taken their senior teams off-site to focus on the future of the organization for several days, I cannot remember one single instance when everyone wanted to participate.

You would think that the top leaders of major institutions would relish the opportunity to work together, setting an agenda for the future of their institutions. But in

every group there are always resisters, people who don't want to join the game—and often don't want the game to take place at all. In each of these instances, the process has gone ahead and worked only when the senior leaders have firmly taken command. Although the purpose of the meetings was to have a free and open dialogue, these dialogues occurred only when the leaders used their authority and power to command both attendance and participation.

This paradoxical use of power, issuing orders so that people will do things that are voluntary, is often needed to build teams at the top. True team members must be willing to teach what they know and to learn from others. These are generous, self-reflective behaviors that cannot be commanded. However, they are also behaviors that generally have not been valued or rewarded in most organizations. Leaders who want to foster these behaviors, therefore, must be willing to exercise their power to overcome resisters and to create environments where the benefits of the desired behaviors can be experienced.

The single most important and difficult-to-master issue for a leader-teacher is how to effectively exercise power to the betterment of the organization and of the individuals in the organization. How do leaders, who do have power to direct, reward, and punish followers, use that power to generate the kind of teamwork that diminishes their need to use that power? How do they encourage members of the team to act independently on their own? And how do they elicit feedback, even pushback, from the people over whom they have formal control? It requires a careful and continuous cycling through a variety of power roles.

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People like to talk about achieving a balance of power among competing groups and in their own relationships with others. But the notion that a leader should seek a balance is misleading if it implies that there is some ideal, static equilibrium that once found can, or at least should, be maintained. The truth is that organizations and relationships are dynamic. When "balance" is achieved, it is the sort of balance that a tightrope artist achieves when riding a bicycle across the wire: she remains upright and moves ahead only by constantly shifting from left to right and back. Winning leaders recognize that the challenge is to move dynamically along the continuum of power from authoritarian to empowering and through a variety of roles—teacher, learner, and coach—rather than to maintain a singular static position.

The Power Equation

Failure to develop solidarity within the top team is the single biggest stumbling block to successful transformations of any kind. Ultimately the lack of team formation at the top led to the demise of CEOs Bob Allen at AT&T, Eckhard Pfeiffer at Compaq, Richard McGinn at Lucent, Jill Barad at Mattel, and Jac Nasser at Ford. The issue basically boils down to the effective use of power. The leader who is too dictatorial encourages resistance and stifles creative engagement. The would-be leader who is unwilling or unable to exert authority at critical moments loses or never attains control, and thus is unable to carry out any long-term change.
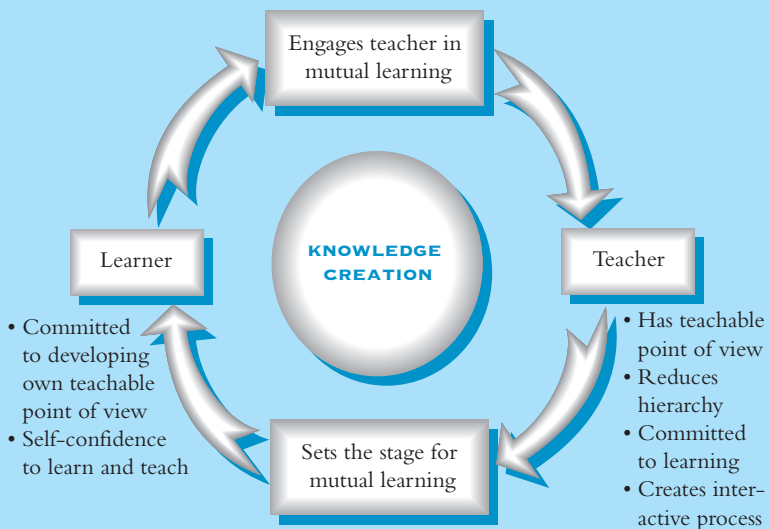
Getting the power equation right is tricky in most circumstances. But the toughest place for a leader to do it is with his or her immediate team. Exercising power

Virtuous
Teaching Cycle

In *The Leadership Engine,* I wrote about the importance of leaders developing leaders. A key theme of that book was that winning companies win because they have leaders at all levels, and they have leaders at all levels because their top leaders make developing other leaders a priority. They personally devote enormous energy and time to teaching, and they encourage other leaders in the company to do the same.

Winning leaders are teachers, and winning organizations are teaching organizations. But what *The Leadership Engine* missed was the need for teaching to be interactive. We discussed Robert Goizueta at Coca-Cola and Eckhard Pfeiffer at Compaq because each had a clear Teachable Point of View (TPOV) and was building leaders at his company. But they were each missing a critical element, the two-way nature of great teaching, where the teacher is also a learner and becomes smarter through interaction with students.

In organizations explicitly designed to be Teaching Organizations, the teaching that takes place is distinctive. It is interactive, two-way, even multi-way. Throughout the organi-

KNOWLEDGE CREATION

Engages teacher in mutual learning

Learner
- Committed to developing own teachable point of view
- Self-confidence to learn and teach

Sets the stage for mutual learning

Teacher
- Has teachable point of view
- Reduces hierarchy
- Committed to learning
- Creates inter-active process

zation, "teachers" and "students" at all levels teach and learn from each other, and their interactions create a Virtuous Teaching Cycle that keeps generating more learning, more teaching, and the creation of new knowledge. Virtuous Teaching Cycles are what keep people in winning organizations getting smarter, more aligned, and more energized every day.

The process for building a Teaching Organization is a progression that flows from the CEO to the top management team, then through-

out the organization. First, the CEO, or whoever is at the top, must develop a personal Teachable Point of View about how the company will succeed in the marketplace, then work with the senior management team to share and improve that TPOV by creating a Virtuous Teaching Cycle. Those leaders then cascade the ideas and the teaching throughout the organization. The scale shifts from the individual to the small team to the whole organization, but the basic elements of creating the teaching and learning cycle are the same.

face-to-face with close associates is much harder than the impersonal exercise of power through rules, rewards, punishments, guidelines, and the like. Face-to-face encounters require interacting with other emotional beings. The potential for emotional displays makes many leaders uncomfortable. So they avoid it, sometimes by becoming domineering but most often by being too laissez-faire. Moreover, the top team includes, by definition, the biggest power players in an organization. These are the people who have the biggest axes to grind and the most turf to protect. They are also used to exercising power in their own spheres and are often covetous of the CEO's job.

CEOs I have advised and observed are inevitably always wrestling with power and their top team. Cor Herkstroter's job at Shell was particularly difficult because its governance structure made his role of chairman similar to that of the Chief Justice, first among equals. I remember Jack Welch's struggle with Gary Wendt, CEO of GE Capital, who was generating half the profit of the company and thus had a huge power base. Wendt continuously argued with Welch and resisted him much of the time. Ultimately, Wendt headed for a business he could run himself. These dynamics never disappear—they are part of the power dynamics of leadership.

Power mistakes at any level, but especially at the highest levels of an organization, are very costly. Great leaders understand this, which is why they are very conscious and conscientious about exercising power within their top management teams. Failed transformations and failures to build winning Teaching Organizations can almost always be traced back to the failure of leaders to use

How do you use power to reduce the need to use that power?

power appropriately. The root cause in most cases has *not* been the brain power of the CEO, it's been the political failure to use power appropriately and at the same time empower the team.

Power Failures

When political failures occur, teams fall apart, and the leader is almost inevitably doomed. One CEO I know started out with a very strong political hold on the top group. Through a judicious mixture of ordering, cajoling, and persuasion, he got them to participate in a series of workshops to develop their team Teachable Point of View. Then he got them to teach their teams. But, over time, the CEO lost his focus. He got involved in acquisitions and outside commitments and took his attention off maintaining the team. A power vacuum emerged. Some resisters took this opportunity to rebel and undermine the CEO. Ultimately, he lost control of the organization, the top team splintered, and he was fired.

Another charismatic CEO I know started out with similar fervor, but got seduced by success and high-visibility outside activities. Thus he not only failed to maintain the political support of the top team, he failed to notice that he had lost it. He caught on when he was faced with a difficult set of business issues that resulted in the team undermining his power and the board ultimately firing him.

In contrast, Jack Welch never forgot the importance of keeping the top team on his side. Every day for 20 years, he worked at it. He viewed the world through the lens

of building an inspired, able, and energized team. People who weren't working 1,000 percent for his side had to be won over and excited . . . or fired. He knew that if he could maintain a top team of several hundred leaders at GE—all with the same TPOV and all out teaching—the battle was more than half won.

Power is one of the most written-about topics in all of the social sciences. But despite all the academic analyses and the popular glorification of the people perceived to be powerful, there is very little serious discussion about the concrete power issues that face leaders on a day-to-day basis. In the very same circles where demonstrations of power confer status on the power wielders, straightforward discussions of power are often considered crass. It is as if power were evil and to admit to an interest in it is to concede a moral failing. Unfortunately, that is a very damaging way to look at it. The issue isn't whether people exercise power, but whether they exercise it appropriately and productively. When a leader uses power clearly and appropriately, there is usually tremendous support for a decision and cohesiveness in the team. When the use of power is seen as inconsistent, capricious, or manipulative, the seeds of team disharmony and resistance are sown.

All CEOs are continuously faced with a cycle of control and participation. It is a paradox—not one or the other, but both. The two extremes of what I call "power failure" are easy to point out. On one end of the spectrum are the autocrats, who have a Teachable Point of View but cram it into the organization. Autocrats drive ahead without accepting feedback or input from others. At the other end of the spectrum are the abdi-crats, who are so much into empowerment and listening to others that they don't make the decisions that need to be made. By abdicating their leadership responsibilities, they create power vacuums that result in anarchy and political chaos. These two extremes are exhibited first and foremost with their immediate team.

The Autocrat

Eckhard Pfeiffer is a person who got many of the elements of leadership right but lost his job and damaged his company because he did not use his power well. In *The Leadership Engine,* I cited Pfeiffer as a good leader because he had a clear Teachable Point of View about how Compaq was going to win in the marketplace. He understood the need to create values in the Compaq culture that supported his business model. And he was effective in getting his TPOV to people throughout the company. But what he did not do was create a power setting where he was able to build Virtuous Teaching Cycles.

His dissemination of knowledge was one-way, and the message for those who might disagree or have suggestions was, "It's my way or the highway." A leader can, in the short term, get away with a one-way, top-down rigid Teachable Point of View. However, when the world began to change, Pfeiffer wasn't able to change quickly enough to keep up with it.

Pfeiffer saw that buying Digital Equipment would give Compaq workers the skills they needed. But after he spent $9.6 billion buying Digital, he did not let those people

Winning leaders move dynamically along the continuum of power.

teach him. He continued to insist on his own ideas. Valuable ideas and information that Digital workers brought to the table were not only not used by the people in Compaq, the Digital people were discouraged from acting on them as well. Several months after the acquisition took place, one of the Digital leaders told me that he was totally out of the loop on key decisions, and that the Compaq leaders, starting with Pfeiffer, had little regard for the Digital team's ideas or input. What Pfeiffer created was a vicious nonteaching cycle in which everyone actually got dumber instead of smarter.

Autocrats weaken, and if given the opportunity, will ultimately destroy their organizations because they are narrow-minded. They cram orders, strategies, and ideas into the organization and they don't learn. Over time, the organization that utilizes the eyes, ears, brains, and energy of 30,000 or 300,000 people, instead of relying on one powerful person at the top, will find smarter things to do and do them better and faster.

The Abdi-Crat

Whereas autocrats hold power too closely and exercise it too forcefully, abdi-crats do just the opposite. They wimp out. They don't enforce discipline and they don't make decisions that need to be made. Bob Allen never controlled his team at AT&T, and neither did his successor John Walters. Allen tried to play the autocrat at times, but the system and the players on his own team resisted, and he never reined them in. This was also John Akers's problem at IBM and Mikhail Gorbachev's problem in the Soviet Union.

Straightforward discussions of power often seem crass.

Varieties of Power

Sociologist Amitai Etzioni has a helpful framework that looks at both the source of a leader's power and the consequences of using that power on the others. According to Etzioni, there are three fundamental sources of power:

• *Coercive:* The use of force
• *Utilitarian:* The use of incentives
• *Normative:* The use of values

Coercive organizations, like prisons, get very little psychological commitment from their members. Prisoners comply because of the threat of punishment. They do not buy into the values of the leaders exercising the power.

Utilitarian organizations get a bit more commitment. Businesses are, to a greater or lesser degree, utilitarian. The relationship between a factory owner and a piece-rate worker is utilitarian. The worker assembles X number of blouses, running shoes, or dolls, and the owner hands over Y amount of money. It is a straight exchange of labor for wages. It produces a little more commitment than coercion. People are willing to trade a certain set of behaviors in return for money, but they are not highly committed to the organization or the leadership.

Normative organizations exercise power through commitment to a set of values. A religious organization is a good example. Missionaries thousands of miles away from the home church behave according to a set of values to which they are highly committed. These values are internalized, and the power relationship is neither coercive nor utilitarian.

Businesses over the years have used all these sources of power, but predominantly have relied on the utilitarian exchange of pay for performance. As jobs have become a larger part of people's lives, the use of normative control has played a bigger role. Work has increasingly been used in a secular society as a means for fulfilling a broader range of outcomes for members—not just money but self-esteem needs, social needs, and in some cases the highest order need, self-actualization, or the realization of one's creative potential.

The Challenge for Leaders

The challenge for leaders, then, is to use power in ways that, on one hand, focus people on a course of action and enforce the discipline to achieve it; and, on the other, empower, involve, and engage the rest of the organization. To do this, leaders must be aware of how they use power in its various forms. Leaders must have a clear Teachable Point of View about both the forms and the uses of power. This includes having a TPOV about when and how to make the tough yes/no decisions necessary to support their values and ideas.

Jack Welch used to say that rewards and incentives needed to be "both in the pocketbook and in the soul." You can't have people feel great about doing meaningful and important work and then reward them with a slogan and no financial incentives, nor can you get the emotional energy out of people through pure financial incentives and no meaningful feeling about the nature of their work. In addition to incentives, the leader needs to know when to push and punish. Welch described his approach as "hugs and kicks." The ideal, obviously, is to motivate people through utilitarian and normative means.

Even people who turn out to be strong team players sometimes have to be coerced into the game. And there are always some people who just won't get on the team. Each leader has to figure out the appropriate time period for "tryouts," which will vary according to the situation. Despite his reputation for toughness, Jack Welch was slow. He was CEO for more than five years before he made the "varsity" cut in 1986. At that time, having tired of trying to get all the leaders to buy in to his TPOV, he removed 14 of 21 business heads. Dick Brown, CEO at EDS, got rid of more than half of his officers when he came in and was able to build his team at the top within a matter of nine months. They then became a cohesive teaching unit. Brown determined that the half that he let go were not going to be leader-teachers who embraced his philosophy of creating Virtuous Teaching Cycles.

David Novak also made development of a teaching team at the top of Yum! Brands a major priority from day one. The company was new, created from the restaurant division spun off by PepsiCo. He had a Teachable Point of View around building great brands and excellent customer service. His aim, he said, was to staff each store with a team of "customer maniacs."

So, even with all the demands of heading a new company, he personally ran 10 weeks of workshops all around the world each year. The purpose of the workshops was to teach both managers in company-owned stores and franchisees how to build teams at the store level, how to reward people, and how to celebrate success. Nonetheless, for all the upbeat tone of his TPOV and the hundreds of hours he invested in coaching and cajoling, he still had to replace several members of the top team. If he hadn't done that, he says, "There is no way that we could have grown this business so fast and prepared it for the future."

The point is that building a top team is not about being soft and fuzzy. A leader who doesn't use power appropriately does a disservice to the whole organization. All three kinds of power—coercive, utilitarian, and normative—exist, and both failure to use and overreliance on any of them can be fatal. ∎