

# A FoW REPORT ON POWER AND LEADERSHIP

A report prepared by the Future of Work Research Consortium

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Our research at the Future of Work has benefitted from the contributions of our members over the last seven years including:





## INTRODUCTION

Our leaders are failing us, or at least that is the dominant narrative nowadays. The dissatisfaction is so prevalent that allegiances around the world seem to be shifting to leaderless movements like the Arab Spring, which aim to show that everyone should wield as much power as the individuals officially in charge. Management practice has always been closely intertwined with broad societal trends. According to our research, the hype in organisations around new power structures that propagate self-management reflect a similar distrust of authority and a belief that treating employees as empowered and autonomous individuals pays off. Today, many believe that the businesses of the future will be flatocracies: organisations without hierarchy that operate effectively through egalitarian power arrangements rather than through the power and orders of leaders.

With this theme, it was FoW's ambition therefore, to explore the future of power and leadership. Using a multi-pronged research methodology, we firstly conducted an in-depth literature review to identify the trends affecting organisational power structures and leadership. The writings of great thinkers in psychology and neuroscience also enhanced our understanding of power. These insights were augmented by the practical experiences of Consortium members who were invited to participate in a set of Focus Group calls. Finally, we researched a number of in-depth case studies to expand our knowledge of future-proofed best practices. Cases can be found in our online library, which is open to all FoW members at [www.fowlab.com](http://www.fowlab.com).

This FoW report reflects the insights of our multi-dimensional research approach, as well as the practical insights shared by our delegates and expert guest speakers at the Power and Leadership Masterclass.

### 1. WHY NOW?

Recently, companies have begun to experiment with new power structures (see, Insight: Early Experiments). Many are dismantling their hierarchical power structures by flattening out their management hierarchies whilst some organisations have taken a step further and dispensed bosses entirely. But why now? What has happened to make hierarchical power structures such a contentious issue in so many organisations? As we embarked on our research for this theme, we found five key trends that are questioning the validity of hierarchies:

#### 1.1 The End of Power

According to the latest Edelman Annual Trust Barometer, confidence among the 'mass population' in CEOs, industry and government officials has barely budged since the Great Recession. In light of this trend, Harvard Professor Barbara Kellerman in her book, *The End of Leadership* considers whether we are heading towards the end of power. Tracing the history of leadership from the all-powerful Greek and Roman gods, to religious leaders like Abraham and Buddha, to philosopher kings, to constitutional monarchs, to elected representatives ruling with the consent of more and more of the governed, Kellerman highlights that the pattern has been persistently constant: a consistent diffusion of power from the few at the top to the many more below. Are we then moving towards the final stage, in which the governed are no longer willing to give their consent to any power—despotic or democratic?<sup>1</sup>

## Insight: Early Experiments

At the Power and Leadership Masterclass, Professor Lynda Gratton highlighted some of the organisations that are experimenting with new power structures:

**Holacracy at Zappos:** Through Holacracy, Zappos is paving way to the emergence of a more egalitarian power structure. Freed from management, job titles and hierarchy, employees have the power to join various fluid teams called 'circles', in which they essentially propose their own job descriptions, approve the 'roles' of others, and decide what projects the group should undertake.

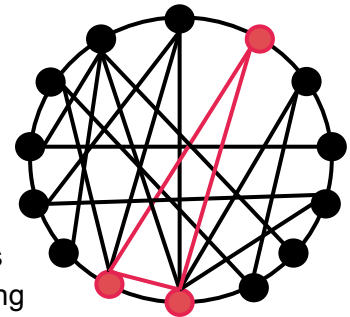
**Self-Management at Valve:** At Valve Software, employees have almost complete autonomy in what they work on. Managers do not assign people to projects. Instead, projects grow organically, based on how many people want to work on them.

**Innovation Democracy at W.L. Gore:** W.L. Gore's power structure is based on the following three principles: 1. A lattice, with self managed teams; 2. Commitments, not assignments; 3. Sponsors and leaders, not 'bosses'.

Listen to the full keynote at [www.fowlab.com/library](http://www.fowlab.com/library)

### 1.2 Power of Technology

The emergence of inexpensive communication technologies, social networking, and crowd-sourcing has brought with it networks of globally distributed individuals suddenly able to connect across boundaries, share information at light-speed, swiftly attract new members and generate seemingly leaderless action. According to some theorists and management gurus, this power of technology has increased the tendency to see hierarchy as disappearing and being irrelevant.



### 1.3 Rise of 'Network of Teams'

As highlighted by the latest Deloitte Global Human Capital Trends report, a new organisational model is on the rise: a 'network of teams' in which companies empower flexible teams to work on diverse projects and challenges. As companies strive to become more agile, many organisations are trying to shift their structures from traditional models towards these interconnected, flexible teams. Indeed, according to our research, organisations in some ways are becoming like Hollywood movie production teams, with people coming together to tackle projects, then disbanding and moving on to new assignments once the project is complete.<sup>2</sup> These dynamic networks are questioning the validity and use of traditional hierarchical power structures.

### 1.4 'Why Should Anyone Work Here'

A new social contract is developing between companies and workers, driving a major shift in the employer-employee relationship from parent-child to adult-adult. Until now, most organisations did not care about the employee experience because all the power was in the hands of employers. They simply needed to list a job and give employees a place to do that job. Today, however the power has shifted into the hands of employees who have plethora of options at their disposal like starting their own company or freelancing. At the Power and Leadership Masterclass, London Business School Professor, Rob Goffee illustrated how in this new world of work, designing an organisation where people 'want' to work is an utmost priority. Many

believe that a step back from a command and control power structure will achieve such a work environment.

### Insight: Creating an 'Organisation of Dreams'



At the Power and Leadership Masterclass, London Business School Professor, Rob Goffee, talked about creating an organisation where people 'want' to work. According to his research, an 'organisation of dreams' is built on the following principles:

**D**ifference – "I want to work in a place where I can be myself."

**R**adical honesty – "I want to know what's *really* going on."

**E**xtra value – "I want to work in an organisation that makes me more valuable."

**A**uthenticity – "I want to work in an organisation that truly stands for something."

**M**eaning – "I want my day-to-day work to be meaningful."

**S**imple rules – "I do not want to be hindered by stupid rules."

Listen to the full presentation at [www.fowlab.com/library](http://www.fowlab.com/library)



### 1.5 Profound Insights from Neuroscience


One of the most exciting findings to emerge from neuroscience in recent years underlines the multi-dimensional effect of powerlessness on employees. For example, lack of power has been shown to have negative consequences for employee well-being, motivation and even cognition. Many organisations believe that a move away from hierarchical power structures will help their employees not suffer the consequences associated with powerlessness.

## 2. EARLY EXPERIMENTS: WHAT HAVE COMPANIES FOUND?

Despite these trends which highlight the strength of peer networks and the supposed levelling effect of technology, our research indicates that power is still often a zero-sum game. Experiments to do away with hierarchical power structures in most organisations have not been smooth (see, Challenges of Self-Management). For example, some of the challenges that emerged from our research and Focus Group Calls ranged from: How do you evaluate performance to how do you stop people from trying to exercise power they no longer have?

An indicator of these challenges is that when given the choice of embracing holacracy or taking a buyout, almost 210 of Zappos 1,500 employees took redundancy rather than relinquish their titles and status. Today the staff turnover has jumped to an unprecedented 30%, and many of those who remain are puzzled and demoralised. In 2016, Zappos fell off Fortune Magazine's Best Places to Work for the first time in eight years.<sup>3</sup>

Past attempts to dismantle hierarchical power structures have not been notably successful. Holacracy's principles echo with those of the Spaghetti Organisation, one of the forgotten fads of 1990s. A system to empower employees to create their own development projects, it was



pioneered by Oticon, a Danish hearing-aid maker. However, it fell out of use when much of the innovation it produced was wasteful and workers lamented the lack of clear career paths.<sup>4</sup>

Indeed, getting organisations to do away with hierarchical power structures is proving to be next to impossible. For all its enemies – and the millions of copies of employee empowerment handbooks – hierarchy is amazingly resilient. An indicator of this is that since 1983, the number of managers employed in the U.S. economy has nearly doubled, while employment in other occupations has grown by less than 40%, according to data from the Bureau of Labor Statistics.<sup>5</sup>

Why do hierarchies persist? In 1832, as Charles Darwin travelled through Tierra del Fuego on the southernmost tip of South America, he encountered a series of native tribes whose living conditions he described as “wretched.” He wrote that there, “man exists in a lower state of improvement than in any other part of the world”. He blamed their conditions squarely on the egalitarian nature of their tribes: “The perfect equality among the individuals composing the Fuegian tribes must for a long time retard their civilization. In Tierra del Fuego, until some chief shall arise with power sufficient to secure any acquired advantage, it seems scarcely possible that the political state of the country can be improved”.<sup>6</sup>

Since he made that assertion over 180 years ago, countless social scientists have similarly argued that hierarchies are necessary. In fact, many theorists have even argued that hierarchies are inevitable as they stem from our evolutionary roots. In other words, if different forms of social organisation were more advantageous, groups would have successfully adopted them long ago. Hierarchy has evolved to be the most dominant form of social organisation because it works. All those structures and systems serve a purpose. On the most basic level, the invisible hand of hierarchy helps people know who does what, when and how, and simplifies interactions by setting clear expectations and role clarity.

### **Insight: Challenges of Self-Management**

**The Status Syndrome:** A key reason for the failure of egalitarian power structures is that perceptions of status and our overall standing in hierarchies are extremely important to us. They affect how we make decisions, how altruistic we are, as well as our overall mental and physical health. In his book *The Status Syndrome*, Michael Marmot highlights how closely status is aligned with longevity and good health. Status even surpasses education and income, two factors that usually determine how healthy an individual can be throughout their life.

**Lack of Role Clarity:** Challenges regarding lack of role clarity range from: Who do you report to if there are no bosses? What is expected of you if you do not have a job title? How would you be compensated? Who are you accountable to? Interestingly, role clarity emerges as among the most important drivers of organisational health, and ultimately performance, in McKinsey research based on the Organisational Health Index (OHI).

**Dysfunctional power games:** Critics of egalitarian power structures point to the way human nature takes over when hierarchical structures of power disappear along with the titles that denote them. According to this view, innate perceptions of status kick in to draw the evolutionary lines of who is boss and who is not. In a company devoid of leaders, human dynamics will take hold to result in dysfunctional power games which Corinne Bendersky of UCLA has shown hurt group performance.

**Lack of predictability:** Latest research from the University of Michigan suggests that employees thrive in predictability. For example, the research indicates that we would far rather have a leader who was horrible all of the time, than one who was horrible only some of it. People claim they love jobs in which every day is different, but there is little evidence to back this up. Put simply, alternative power structures like self-management fail to deliver because they lack predictability and security.



But hierarchy is more than nature's way of helping us to process complexity. Hierarchy also offers purely psychological benefits by providing clear markers that let us know how far and fast we are climbing the ladder of success: Clerks can become department heads, corporals can rise to sergeants, and priests can move up to become bishops.<sup>7</sup> These insights are effectively captured by the empirical research of Professor Larissa Tiedens of Stanford University, who found that in experiments, participants given the choice to select hierarchical or other power structures always chose hierarchy.<sup>8</sup> It is interesting to note that the majority of participants in these studies were Millennials – presumably the post-hierarchy generation. These results speak not only to the efficiency of hierarchy as an organising principle, something noted by Charles Darwin decades ago, but even more relevantly to the fact that individuals actually prefer and choose hierarchy.<sup>9</sup>

### 3. THE FUTURE OF POWER

So, where does this leave us? During the FoW research process and Masterclass, we found that the future of power lies in making peace with hierarchies. However, there is no doubt that this power structure can sometimes be dysfunctional. It may for example, foster distrust, dishonesty, lack of motivation, territoriality, fear, greed and insensitivity. The way forward therefore, is to reap the benefits of hierarchy while at the same time mitigating its negatives. At the Masterclass, we asked our delegates the following four key questions in order to help them assess the efficacy of their organisations' hierarchical power structures:

**Q1: Does Power Inhibit Voice?**  
**Q2: Does Power have Legitimacy?**  
**Q3: How do your Leaders cope with Power?**  
**Q4: What is the Effect on the Powerless?**

**Q1: Does Power Inhibit Voice?** A recent study from Columbia University analysed more than 30,000 Himalayan mountain climbers from 56 countries on more than 5,000 expeditions. The researchers found that members of expeditions coming from more hierarchical countries were more likely to die in the Himalayas. Why? Because people from these countries are less likely to speak up and less likely to alert leaders to changing conditions and impending problems. The Himalayan context highlights a key insight: Hierarchies can hurt by suppressing valuable insights.

Several research studies and our own research with Consortium members highlight that low-power individuals in organisations also inhibit the expression of their ideas (see, Inhibiting Factors of Voice). Laboratory research on groups show a similar pattern; participants temporarily assigned a low-power position tend to express their opinions less, even though the hierarchy was just constructed moments before. Bales' classic studies of small groups found that the top-ranking group members spoke 15 times more frequently than the lowest-ranking group members and nearly five times more than the next highest-ranking members.<sup>10</sup> For HR teams evaluating the efficacy of their power structures, the question is therefore: to what extent do our power structures create a psychologically safe environment for all employees to voice their opinions and ideas?



### Insight: Inhibiting Factors of Voice

**Fear Factor** – Most employees do not voice their opinions and views due to fear.

**Futility Factor** – The belief that saying something will not make a difference, so why bother?

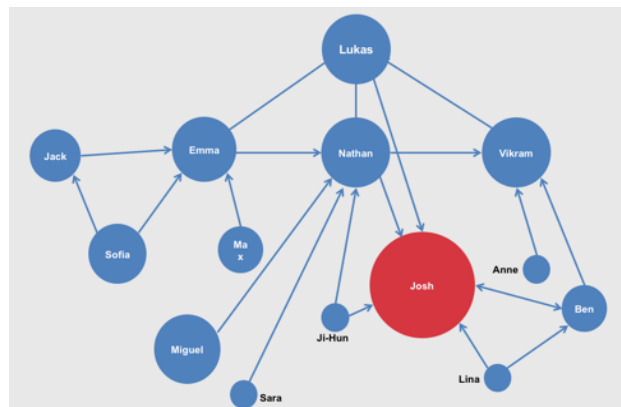
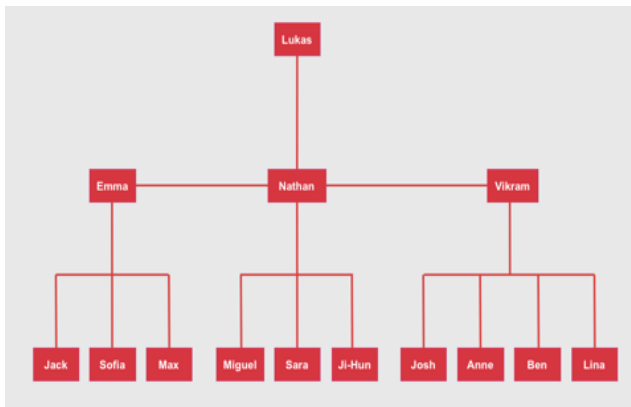
**Hierarchical Mirroring** – This is the subtle notion that meaningful discussions can only occur between people of equal power across the organisation.

**Weighted Average Approach** – The opinions and ideas of individuals lower in the hierarchy are sometimes solicited but the judgments of those at the top are given more weight.

**Homogenising of Views** – Individuals are likely to adopt the perspectives of high-power individuals, thereby increasing inhibition of original ideas.

**Q2: Does Power have legitimacy?** Perhaps the most interesting thing about power in general is that you cannot just have power de facto unless there are people ready to see you as having power. We can all think of leaders who, despite their similarities in rank, may have more or less power. In other words, formal rank is not always power.<sup>11</sup> When most people think about power, their minds go immediately to the control that leaders exert from their positions atop the hierarchical power structure. But power extends far beyond the formal authority that comes from a title. Most scholars and practitioners now also recognise the importance of the informal power that can come from access to networks and competency.<sup>12</sup>

To understand this point, let us look at the figures depicted below. The first image is the formal hierarchy of one unit in a large company. Here, Lukas holds the most senior position, while Josh is at the bottom of the pyramid. But, as the informal network diagram shows, many people seek Josh out for advice, making him more central to the network than Lukas, and thus highly powerful. This study done by Julie Battilana of Harvard Business School highlights that such dynamics in an organisation - where rank and power does not align - can be detrimental to group productivity.<sup>13</sup>



David Dunning and Justin Kruger at Cornell have great research showing that the least competent people often end up in charge.<sup>14</sup> Much research on Status Characteristics Theory has documented how we are more likely to select leaders according to their sex, age, physical attractiveness, and ethnicity, based on the assumption that those characteristics are associated with competence. In this context, it is interesting to note that there are fewer S&P 1500 companies led by women than S&P 1500 companies led by men named John. And John is more successful if he has a deep voice, a large signature and superior golf game.<sup>15</sup>

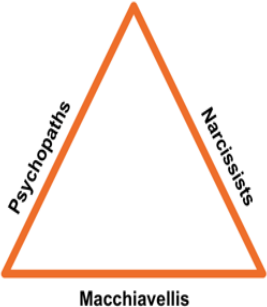


S&P 1500 companies led by women



S&P companies led by men named John

Previously, an impressive 15-year longitudinal study found that individuals with dark triad traits – Psychopathy, Narcissism, Machiavellianism - gravitated towards the top of the organisational hierarchy. Psychopathic individuals are generally more dishonest, egocentric and reckless than the population average. Machiavellianism is somewhat more related to superficial charm, manipulation and deceit. Narcissism relates to a selfish sense of entitlement coupled with little consideration for others.<sup>16</sup> The question for HR teams is therefore: To what extent does our organisation use data-driven hiring and promotion practices that are based on objective assessments of competence so that powerful positions in the organisation are not obtained through manipulation or charm?



**Q3: How do your leaders cope with power?** Hierarchical power structures will harm collective success when the possession of power induces leaders to be disinhibited and less sensitive to others' needs. A significant body of empirical research demonstrates that power has transformative effects on human psychology. People feeling powerful think, feel, and act differently than people who feel powerless. According to Adam Galinsky and Maurice Schweitzer, there is a little bit of Mr Donald Trump in all powerful people. The two academics are among the pioneers of a technique called 'power priming', that helps people feel more masterful. They find that, once primed for power, even the most reticent people experience significant changes in their behaviour. According to their research, powerful people are more inclined to be selfish, rude and risk-prone.<sup>17</sup> Recent examples of selfish behavior among leaders in major corporations (e.g. Enron, Worldcom) illustrate the disastrous consequences of power.<sup>18</sup> The question for HR teams is therefore: To what extent does our organisation help leaders to cope with this dark side of power?

**Q4: What is the effect on the powerless?** When the epidemiologist Michael Marmot first examined the mortality from heart disease among British civil servants, he noticed an interesting fact: The lower the employee's civil-service grade, the higher the mortality risk. In fact, job control and status accounted for more of the variation than physiological factors. These findings resonate with our research which highlights that not being able to control your environment produces feelings of helplessness and stress, and study after study has demonstrated that stress can harm your health. So it follows that being in a position of low power is literally hazardous to your health, whereas having power and the control that comes with it could prolong your life.<sup>19</sup>

Another study by Professor Amy Cuddy of Harvard Business School bears the same result. She brought hundreds of people participating in Harvard executive-education programmes into the lab and compared their levels of cortisol with the average levels of the general population. She found that leaders reported less stress and anxiety than did the general population, and their physiology backed that up: Their cortisol levels were significantly lower. Moreover, the higher their rank and the more people they managed, the lower their cortisol level. According to research by Pranjal Mehta, of the University of Oregon, and Robert Josephs, of the University of Texas, the most effective leaders, regardless of gender, have a unique physiological profile, with relatively high testosterone and relatively low cortisol.<sup>20</sup> For HR teams evaluating the

efficacy of their power structures, the question is therefore: To what extent does our organisation give employees opportunities to feel powerful and in control so that they do not suffer the consequences associated with powerlessness?

#### 4. A WAY FORWARD: 5 ACTIONS TO CONSIDER

During the Masterclass, delegates analysed what the future of power means for their organisations and how they can progress towards a more future-proofed position in their power and leadership journey. To offer impetus to their journey, Lynda Gratton in her Masterclass keynote highlighted five key actions that organisations and its leadership must consider. Our actions are based on extensive academic research, insights from Focus Group Calls and studying of organisations that have harnessed effective power structures and leadership styles:



1. Loosen control without losing control
2. Create psychological safety
3. Encourage leaders to project warmth
4. Facilitate 'network of teams'
5. Manage the emotional culture

##### 1. Loosen Control...:

Employees will be most committed and motivated to the organisation when they feel their day-to-day work environment is autonomous. Our research indicates that employees need to believe they have a sense of control over their work or they may adopt what psychologist Martin Seligman at the University of Pennsylvania termed 'learned helplessness', where they basically stop taking initiative. In a similar vein, Harvard psychology professor Ellen Langer conducted research on mindfulness and 'choice' and found that giving people choices over their environment actually extended life by years.<sup>21</sup>

It is interesting to note that the majority of people want power for autonomy rather than influence. According to recent research from the University of Cologne, the University of Groningen, and Columbia University, there are two different conceptions of power - power as influence and power as autonomy. In all three studies conducted, the researchers wrote, feeling "autonomy quenches the desire for additional power - —but influence does not."<sup>22</sup>

However, as discussed at the Power and Leadership Masterclass, providing autonomy is not enough. Leaders must ensure that their people have the requisite clarity to make successful decisions. Giving people real autonomy requires hard work of crafting all the incentives, processes and systems that actually empower employees to be autonomous. Perhaps the most important thing leaders can do is to adopt a mindset of 'checking in' rather than 'checking up' on employees. If leaders are constantly monitoring *how* people achieve their goals, then they are checking up. This makes people feel that their judgment, talents, and skills are not valued; it also constrains experimentation. As a result, it kills both motivation and creativity. Instead,

leaders should try asking questions like, “What do you need to get this project done?” “Is anything getting in your way?” or “What can I do to help out?” In this way, leaders can check in with people and they will be in a much better position to provide employees with the resources and help that they really need.<sup>23</sup>

**...without Losing Control:** Whilst loosening control is essential, it is important to do this without losing control. This was also highlighted at the Power and Leadership Masterclass by our Guest Speaker Kasper Holten, Director of Opera at the Royal Opera House (London) who underscored the necessity of sometimes ‘embracing your demons’ and being the ‘tough guy’ (Listen to the full session at [www.fowlab.com/library](http://www.fowlab.com/library)).



Our own research indicates that many companies that survived major shocks have had strong leaders with authoritative styles. In what was arguably one of the greatest corporate comebacks of all time, Steve Jobs rescued Apple by being the ‘tough guy’ against considerable resistance. It is no coincidence that many of the best known successful corporate turnarounds are attributed to single individual, such as Jobs at Apple, Sam Palmisano at IBM and Carlos Ghosn at Nissan. Indeed, we have found that maintaining control is essential in situations where (1) decisions are time-sensitive and (2) there is a need for coordination.<sup>24</sup>

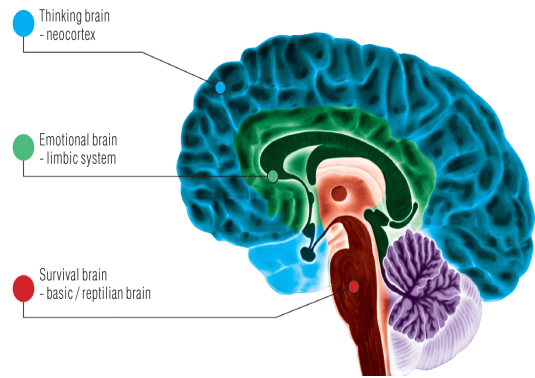
However, according to recent research by Ron Carucci published in the best selling book, *The Rise to Power*, many leaders struggle to exercise control in their effort to create an autonomous and empowered working culture. He conducted more than 2,700 interviews with leaders around the world and found that the greater challenge of power was not exploiting it, but renouncing it. In an effort to create egalitarianism and to avoid risks associated with making tough calls, these leaders struggled to exercise power.<sup>25</sup> As highlighted by Kasper Holten at the Masterclass, power requires careful stewardship, yes, but the way forward is for leaders to embrace their power not fear it. Put simply, leaders today need to balance the roles of boss and coach, allowing teams more freedom and autonomy while keeping them focused on objectives.

## **2. Create Psychological Safety:**

In 2012, Google embarked on an initiative — code-named Project Aristotle — to study hundreds of teams and understand why some succeeded while others failed. They congregated some of the company’s best statisticians, psychologists, sociologists and engineers. Project Aristotle’s researchers began by reviewing many different permutations. Were the best teams made up of people with similar interests? Did it matter more whether everyone was motivated by the same kinds of rewards? How often did teammates in best teams socialize outside the office? Were their educational backgrounds similar? Was it better for all teammates to be outgoing or for all of them to be shy? In the end, their results indicated that the key ingredient in team and organisational success is psychological safety.<sup>26</sup>



In psychologically safe environments, employees feel encouraged to ask for clarification, to point out errors, and to share new and challenging ideas. These psychologically safe environments produce fewer errors and more innovative ideas. Neuroscience corroborates this point. When the amygdala registers a threat to our safety, arteries harden to handle an increased blood flow to our limbs in preparation for a fight-or-flight response. In this state, we lose access to the social engagement system of the limbic brain and the executive function of the prefrontal cortex, inhibiting creativity and the drive for excellence.<sup>27</sup> This view is backed by research that the Berkeley Professor Barry Staw and his colleagues have done on 'threat rigidity'. Their findings highlight how excessive stress impairs executive functions such as judgment, memory, and impulse control.



Often it is the day-to-day behaviour of the powerful that determines whether psychological safety exists in an organisation. With simple steps, the powerful can diminish inhibiting factors and create a sense of inclusiveness. (See, *Insight: How to Create Psychological Safety*<sup>28 29</sup>). In *Turn the Ship Around!* the retired Navy Captain L. David Marquet describes how a culture of fear inundated the USS *Santa Fe*, before he took over.<sup>30</sup> The crew had low morale and the worst retention rate in the fleet. Marquet argues that the constant fear of being yelled at for making mistakes and not being able to challenge authority made it harder for sailors to think well and act quickly. Once Marquet took over, he empowered his crew members by creating psychological safety. As a result, they became more confident, accountable and autonomous and Marquet led the ship from low-performing to award-winning.<sup>31</sup>

### Insight: How to Create Psychological Safety

As discussed at the Power and Leadership Masterclass, the ideas you want and need from your employees will always be a challenge. Halfhearted efforts like vague invitations to submit opinions and ideas will not work. What will make a difference is taking the following four steps to assure employees that it is both safe and worthwhile to contribute:

**Initiate:** Open doors and attitudes are simply too passive. Initiating conversations informally can be much more effective than just being open to it when it comes your way.

**Intimacy:** Psychological safety requires leaders to minimise the institutional and attitudinal distances that typically separate them from their employees. This shifts the focus from a top-down distribution of information to a bottom-up exchange of ideas.

**Immunity:** Employees need to feel empowered to experiment and fail.

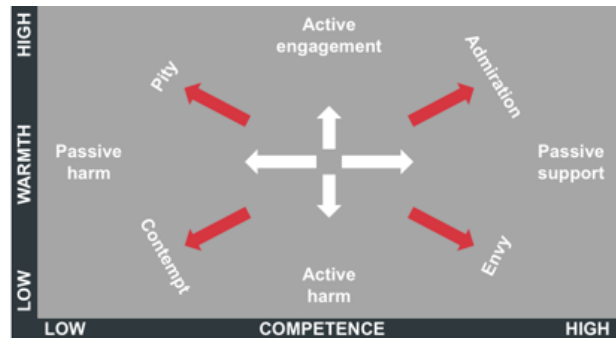
**Intentionality:** In surveys of more than 3,500 employees in multiple organisations, James Detert of Columbia University found that leaders' failure to 'close the loop' increased subordinates' belief that speaking up was futile by 30%. But if leaders had closed the loop in the past, their reports spoke up 19% more frequently.



### 3. Encourage leaders to project warmth:

Is it better to be loved or feared? Insights from the field of psychology show that these two dimensions' account for more than 90% of the variance in our positive or negative impressions we form of the people around us. As increasingly in organisations, authority depends on one's ability to influence followers and not on one's title, it is essential for leaders to understand what brings more influence: Warmth or Competency?

One of the most interesting insights to emerge from both the literature review and Masterclass is that the majority of leaders today tend to emphasize their strength and competence, but that is exactly the wrong approach. For example, research by Amy Cuddy of Harvard Business School, and colleagues Susan Fiske, of Princeton, and Peter Glick, of Lawrence University demonstrates that if leaders are highly competent but show only moderate warmth, they will not be able to earn the true engagement and support of their employees. Decades of sociology and psychology research also shows that the best way to gain influence is by first focusing on warmth and then displaying competence.



According to our research, there are many facets to displaying warmth. The key however, lies in demonstrating respect. This is the result of a study of nearly 20,000 employees around the world conducted by Harvard Business Review and Tony Schwartz, CEO of The Energy Project. In fact, no other leadership behaviour had a bigger effect on employees across the outcomes they measured. Employees who are treated warmly and with respect literally operate more from their pre-frontal cortex, associated with nuanced decision making, creativity and abstract thinking.<sup>32</sup>

Another simple way to project warmth is through recognition. A 2014 study by O.C.Tanner surveyed 2,415 employees in 10 countries and 7 languages. Among the 512 U.S. employees who said their company had strong recognition practices, 87% felt a strong relationship with their direct bosses. The frequency of recognition also plays a role. For those who said they receive some form of appreciation more than once a month, 82% describe a strong bond with their bosses. When that occurrence drops to less than once a month, only 63% feel those strong ties.<sup>33</sup>

### 4. Facilitate 'network of teams':

In his book *Team of Teams*, General Stanley McChrystal describes how the US military's hierarchical power structure deterred success during the early stages of the Iraq war.<sup>34</sup> After watching Al-Qaeda win battles, McChrystal's solution was dramatic: Decentralise power to flexible and autonomous teams. However, McChrystal did not change the formal hierarchical structures of power of the military. Rather, he created a new structure that allowed for empowerment and flexibility within the overall organisational structure. This new structure enabled officers to quickly move from their administrative positions to mission-oriented projects for a set purpose, knowing that they would once again have a home to return to within the hierarchical power structure after the mission was completed.<sup>35</sup>



During the Focus Group Calls and the Lab session at the Masterclass, the ability to quickly build, deploy and disband teams came out as a critical skill for today’s organisations. These ‘network of teams’ contain representatives from all hierarchical levels, who leave formal titles at the door to contribute in a decidedly anti-hierarchical forum and then return to a home once a team-based project is done. The successful organisation of the future will therefore have two organisational structures: A Hierarchy, and a more egalitarian and flexible Network. In fact, according to our research, hierarchical power structures make it easier for power fluidity to exist in teams as each employee has a formal role to which he or she can return.

The job of the leader therefore is to create an environment where ‘networks of teams’ can grow and those closest to the problem are empowered to move with agility and precision. Integral to an effective ‘network of teams’ is to define the mission of each team clearly, allow for fluid power shifts, and build a shared culture and set of communication tools that help teams align with each other. According to recent research by Deloitte, organisations will need to draw clear distinctions between two necessary roles and types of management: the talent manager reflecting the traditional, formal power structure and the project manager representing the new network of teams (see the figure below).<sup>36</sup>

Talent Manager	Project Manager
Focuses on the individual’s career and development goals	Focuses on the aim and objectives of the project
Measures an individual’s achievement against individual goals and capabilities	Measures an individual against contribution to team and project
Listens to individuals’ long-term career goals and helps them reach those goals	Listens to individuals’ desires for that project and helps align them with the project
Gives the individual coaching and development toward their career goals	Gives the individual coaching and development toward their role in the team
Takes care of the ‘return trip’ after each project completes	Focuses on getting the right people into the project
Tracks and monitors the individual’s career progression	Tracks and monitors individuals contribution to the project and team

**5. Manage the emotional culture:**

Sixteen thousand – that is how many words we speak, on average, each day. So imagine how many unspoken ones run through our minds which impact our emotions and feelings.<sup>37</sup> Most companies pay little attention to how employees are feeling. They do not realise how central emotions are to building the right culture. Some companies have started using apps like Niko to help teams log their emotional reactions and





make the connection between their emotions and productivity<sup>38</sup> (see, Insight: How to manage the emotional culture<sup>39</sup>). Unfortunately, though, these companies are in the minority as most organisations struggle to manage their emotional culture. It is interesting to note that managing the emotional culture came out as the biggest challenge among our Consortium members during a Masterclass activity called the Power and Leadership Journey.

This is primarily because when people talk about culture, they usually mean the cognitive culture: the shared *intellectual* and to an extent *moral* values, norms and assumptions that serve as a guide for employees. Cognitive culture is unquestionably vital but it is only part of the story. The other important part is what Professor Sigal Barsade of Wharton calls the group's emotional culture: the shared *ffective* values, norms and assumptions that govern which emotions people have at work. Despite a renaissance of scholarship on the ways that emotions shape people's behavior at work, emotional culture is seldom managed as purposely as cognitive culture and often it is not managed at all. Companies suffer as a result.<sup>40</sup>

#### **Insight: How to manage the Emotional Culture**

According to latest Accenture Strategy research, a new generation of technologies can now gather unparalleled levels of information about emotional states at work. Watches, headbands and rings can detect physiological data such as heart rate, skin temperature and brain waves to accurately read a person's mood. Data from these sensors can then paint a rich picture using input about emotions, stress levels, relationships and collaboration patterns. This information can then be used as the basis for managing the emotional culture.



## KEY MESSAGES AND CONCLUDING REMARKS

In business, the prevalent view is that hierarchical power structures kill initiative, crush creativity, and have therefore seen their day. Academics, consultants, and management gurus regularly forecast their demise and imminent replacement by new, egalitarian power structures. Yet the intensity with which we struggle against hierarchies only serves to highlight their resilience. As companies experiment with new power structures, the search for greater empowerment, collaboration and innovation still eludes the majority of companies.

This FoW report is neither a defense of hierarchies nor another attack on them. It is a reality check, a reminder that hierarchy remains the basic power structure of most, if not all, large organisations. It seems more sensible therefore, to accept the reality that hierarchies are here to stay and to work hard to mitigate their negative by-products.

As currently practiced, hierarchical power structures undeniably have their drawbacks. They may for example bring out the dark side of human behaviour like greed, insensitivity and deceit. But according to our research these qualities are not the inevitable companions of hierarchy and would disappear if hierarchy were properly structured. After extensive research, we have identified 4 key questions that organisations must ask themselves in order to assess the efficacy of their hierarchies and 5 key actions that they must consider in order to future-proof their power structures and leadership styles:

### 4 Questions to Ask about Your Company

Does power inhibit voice?

Does power have legitimacy?

How do your leaders cope with power?

What is the effect on the powerless?

### 5 Key Actions to Consider

Loosen control without losing control

Create psychological safety

Encourage leaders to project warmth

Facilitate 'network of teams'

Manage the emotional culture

Armed with this knowledge, organisations can create hierarchies that lead to victory with the fewest casualties along the way. The key message is that the future of power lies in making peace with hierarchies and learning how to empower employees without dismantling hierarchical power structures. We aim to spur more research on this critical insight through our FoW Jam 2016. A separate report will be available after the Jam summarising the key insights and takeaways. Finally, we hope that our findings and conclusions inspire Consortium members to account for a more nuanced understanding of power structures and thus progress towards a more future-proofed position on their power and leadership journey.

**Haniah Shaukat, Head of Research – Organisational Resilience**

## CASE STUDIES



### Case Study: The Power of Recognition at Campbell Soup

Before the arrival of CEO Douglas Conant, Campbell's was in a situation of crisis. The company was said to have a 'toxic' culture where 62% of employees did not feel actively engaged and 12% felt actively disengaged<sup>1</sup>. In 2001, Conant joined the company and introduced several strategies to improve the company's morale. The strategies were founded on two principles. First was the Campbell promise – "Campbell valuing people, people valuing Campbell". Two distinct steps then followed this promise - 'declare yourself' and 'deliver your promises'. These two steps were rooted in the importance of holding oneself accountable in a position of leadership. In doing so, Conant believed that authentic trust would be developed between employees and their leaders, resulting in a significant rise in employee engagement levels.

In order to implement these principles, Conant employed a variety of practical strategies. To begin with, every day, Conant went to work in a pair of walking shoes alongside a pedometer. In doing so, Conant was able to track the amount of steps he took in a single day. The goal was simple – take 10,000 steps a day in order to interact with as many employees as possible in a meaningful and warm way. The brief encounters that Conant made allowed him to make personal connections and provide employees with a human link to the decisions made for the company's direction and strategy. Next, Conant also highlighted the importance of congratulating positive contributions to the company. He believed that present day companies emphasized too much of a focus on what employees do wrong, versus where they have succeeded. Thus, every day Conant made a point of writing up to 20 handwritten notes in order to celebrate employees' successes. These notes were handwritten in order to promote a more personal feel and were delivered to members at all levels of the company. Over the course of 10 years, Conant was able to leave over 30,000 notes.

In addition to these two practical strategies, Conant also employed a 'listen-frame-advance' triad. What this meant was that Conant understood the value of listening to his employees and then actively engaging in their requests. He believed that this form of inclusivity would foster greater empowerment. One way in which he put this to practice, was by surveying all 580 workgroups at the same time, every year. These surveys would also include leader evaluations. What was particularly notable about these evaluations was that a leader's ability to inspire trust was deemed the most important criterion for a good leader. In addition, to further promote inclusivity, Conant held a lunch with approximately a dozen employees once every six weeks to better understand different perspectives within the company.

The warmth, inclusivity and personalisation of Conant's strategies meant that by 2009, 68% of the employees were actively engaged with only 3% being actively disengaged<sup>1</sup>. In fact, 17 people were enthusiastically engaged for every one employee who was not. The many steps that Conant took stresses the importance of genuine and warm interactions between leaders and employees. This case study is a concrete example of how organisations can empower employees through warmth, psychological safety, respect and recognition without dismantling their hierarchical power structures.

Read the full case study at [www.fowlab.com/library](http://www.fowlab.com/library)



### **Case Study: Network of Teams at the Special Operations Community**

Following the September 11 attacks, the US military's Special Operations community found itself outmaneuvered by Al Qaeda – an organisation less capable, when measured on any traditional scale. The Special Operations community quickly learnt that their adversary bested them because they were a globally distributed network without any true form of top-down leadership. In order to tackle this new adversary, the Special Ops community adapted their organisational power structure and transitioned from a top-down structured entity to a hybrid model. The new hybrid model called the 'network of teams' retained the beneficial aspects of hierarchical power structure whilst allowing for the development of internal and external flexible networks that could help drive the real action.

Under this new power structure, officers closest to the problem are empowered to quickly move from their administrative positions to mission-oriented projects for a set purpose, knowing they have a home to return to once again within the hierarchy after the mission is completed. Officers are also enabled by senior leadership to constantly form internal and external relationships with anyone who could be an effective associate in overcoming the terrorist threats. In order to effectively empower these networks, the Special Ops also developed a real-time information and operations group to centralise information and provide all teams with real-time, accurate data about war activities everywhere.

The role of the leadership in this new power structure is to lead from the middle. Rather than being at the center for all guidance, today's leaders need to create an environment where cross-boundary relationships can grow and those closest to the problem are empowered to move with agility and precision. Finally, it is important to note that throughout this process, leaders must consistently articulate the common purpose of the network, reminding all members why they have been chosen to be a part of the team.

Dynamic global markets, digital disruption, the diversity of global teams, and the need to innovate and work more closely with customers are driving the formation of networks of teams among high-performing companies. In fact, a 2016 study by Deloitte found that 92% of companies believe that redesigning their organisation is either important or very important, making it No. 1 in ranked importance among this year's respondents.

The case study above highlights the importance of companies viewing their employees as resources to the organisation, versus as a resource to their manager. This can be achieved through: teaching and encouraging employees to work across teams, enabling people to move from team to team as and when needed, setting up real-time information networks, letting teams set their own goals and by communicating shared vision and values through all levels of the company.

Read the full case study at [www.fowlab.com/library](http://www.fowlab.com/library)



## ABOUT THE FUTURE OF WORK RESEARCH CONSORTIUM

*Over the coming decades, the world will be transformed by the host of emerging technologies that are shaping our interactions with work and connecting us with each other in ever more sophisticated ways and across ever more parts of the globe. These technological developments will play a continuous role in linking the regions of the world together as the force of globalisation brings goods, services, and indeed jobs to ever more areas of the world.*

- Lynda Gratton, Professor at London Business School and founder of the Hot Spots Movement

Over the last seven years, the Future of Work Research Consortium (FoW) has brought together a global community of 90 of the world's most influential companies. By combining energetic live events with cutting-edge collaborative technology, we have connected more than 500 executives, all of whom are leading their organisations in preparing for the future.

FoW is widely acknowledged as one of the most innovative and collaborative forums for exchanging insights, models and concerns about the future of work. Led by Professor Lynda Gratton, FoW unites academic research and organisational practice to deliver a unique multidisciplinary experience. Members of the Consortium benefit from access to the very latest academic research and practical insights and have the ability to learn and develop in a way that is customised to their needs.

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