



## **NETWORKED LEADERSHIP** **Andrea Charman and Rita Cruise O'Brien** **Creative Leadership Ltd.**

Contradiction is hardly new among those who write about leadership. The pace of change and complexity have generated new forms, new styles and new strategies. We would like you to consider the need for leadership to develop in more collective or collaborative forms: networked leadership or leading by and through networks.

One of the essential qualities of networked leadership is trust. Yet a recent international survey (22,000 respondents in 21 countries) commissioned by the Wall Street Journal reveals a sorry tale of low trust in business leaders (Nov 25 2003, p. 16). In the US, only 38% of employees had trust in business leaders. In Western Europe it was even lower – 33%.

It may prove difficult to move forward on networked leadership, although there is growing research and practitioner interest in the concept.<sup>1</sup> Perhaps we shall have to be content with a minority following for a time. Yet, why is it important? Coping with turbulence is a primary reason. The uncertainty and unpredictability of the business environment is another “push factor.” The scope of expertise and confidence of a single leader is not sufficient in an increasingly specialised world. There is a variety of aptitudes, qualities and expertise in any senior team. Successful companies will leverage, strengthen and diversify these capabilities.

The development of effective networks promotes social capital, which in turn yield extra assets such as energy, innovation and motivation. A networked organisation can promote local responsibility based on initiative rather than rules and reap consequent commitment. Federal Express is renowned for giving delivery and call centre employees considerable financial responsibility and the latitude to “own” the service they provide. Changes in policy are considered by all. Making a contribution to the process enhances ownership. Delegation and empowerment rely on networks. Southwest Airlines is another example.

There has been a “metronome tendency” in many large companies - wavering between central control and decentralisation. One CEO favoured one: the next, the other. Yet neither was satisfactory in achieving the anticipated ends because the model was based on structure and control rather than values, responsibility and new attitudes and behaviours. This occurred at Hewlett Packard some years ago when Carli Fiorini discovered that a policy of decentralisation of products and services she inherited was generating wasteful duplication and competition among HP divisions. She transformed the organisation to a centralised structure in order to compete more

effectively. Fiorini could rely on the positive HP culture. Built since the early days of the firm, it was people-centered and empowering, so the transformation was successful.

Complexity in business promotes altered assumptions, different methods and new tools.<sup>2</sup> True though this may be, it is doubtful that most CEOs will be willing to cede power to consider alternatives like collegial leadership. Here perhaps lies the stumbling block of responding to complexity in new and imaginative ways. And here, also, lies the barrier to raising those dismal results on trust!

A committed network leader would create the environment, stimulus and the conditions for building strong relationships. He/she would encourage value added links to work, destroy the silo mentality and the tendency to lob blame over the wall to another department or division. Strong networks have greater value than weaker ones. This approach does not inevitably lead to the negation of centralised power. Leading by networks tries to engage all stakeholders. It has been found that “the value of a network increases in proportion to the square of the number of people using it. But it should be noted there does appear to be an optimal size of network beyond which they “fall prey to saturation, cacophony, contamination and clustering.”<sup>3</sup>

“Flexible firms”<sup>4</sup> and “boundaryless organisations”<sup>5</sup> explored various forms of diffused organisational models. Recent research<sup>6</sup> identifies the weaknesses of relying on outsourced staff which have less responsibility than internal staff and less productivity. It would seem that it has value if one gets the arrangements right. When complex work was externalised (for flexibility, cost and access to expertise) the staff had low discretion. Simplifying work made it easier to audit but it was much less satisfying to employees.

Some large successful firms such as Dell and Nike offer an alternative and more successful model. While key capabilities are retained internally at a strategic level, their model is one of networked outsourcing. The objective of the model is industry leadership through joint ventures and partnerships which enable rapid learning on both sides in order to stay ahead of the competition. Charles Poirar<sup>7</sup> offers extensive research and commentary on this approach to networked leadership in his work on how to build and sustain competitive advantage. Trust, transparency, dialogue and shared accountability are axiomatic.

Companies which build social capital on close and vibrant social networks are able to generate high levels of trust and norms of co-operation. They encourage good judgement in their people and develop few rules. A major task of the networked leader is to encourage and sustain relationships built on trust. This goes together with the encouragement of a sense of purpose and the promotion of a strongly held view that “we all are in it together.” The networked leader recognizes and reinforces successful networks and encourages others. Networks and people are coached how to improve performance, overcome problems and learn from errors.

Killing social capital based on networks is easy if the leader is a super star. Henry Mintzberg wrote about “the quiet manager,” most effective, but without stellar qualities which he found to be stifling among the senior team and in employees in general. His quiet manager inspires, fosters openness and releases energy based on diffused responsibility.

To be successful a networked leader needs to listen and engage in dialogue, surface assumptions, promote consensus and seek agreement. The networked leader serves, sustains and supports. He/she values colleagues and promotes followership (as the principal keeper of the vision and stories). The network leader delegates, empowers and encourages learning, influences, practices openness and is perceived to be fair. He/she ought to be innovative and flexible, inspire and build a reputation for integrity. Above all else, the networked leader encourages challenges, promotes trust. This is what makes it work.

Problems need yet to be worked out. Networked leadership can generate some negative tendencies: too many chefs and diffused accountability.<sup>8</sup> These twin tendencies are the enemy of successful networked leadership. Organisations may feel that they cannot rely on networked leadership in times of crisis or the need for a quick turnabout. In such a case, there might be an agreement to select a “crisis leader” who can drive the required change or respond to the crisis. There will be among the senior team some who will be better able than others to carry this off.

Networked leadership does not avoid conflict. Far from it. But it may be able to deal with it more efficiently, creatively and successfully than the traditional organisational model. It can become a form of influence. The biggest single challenge will be the successful division of power in a way which fosters collaboration.

Let us hear your views on the prospect of developing networked leadership in your organisation.  
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<sup>1</sup> The Center for Creative Leadership is one of the foremost research institutes on leadership with locations in North Carolina, California, Colorado and Brussels. They have a new project on “connected leadership” designed to respond to complexity.

<sup>2</sup> William Drath is the project leader of “connected leadership” at CCL. “Leadership in Action,” Volume 23, No 1, March/April 2003, p.4

<sup>3</sup> Andrew McAfee and F-X Oliveau, “Confronting the Limits of Networks,” MIT Sloan Management Review, Vol. 43, No 4, Summer 2002, p.85.

<sup>4</sup> J. Atkinson, “Manpower Strategies for Flexible Organisations,” Personnel Management, August, 1984.

<sup>5</sup> R. Ashkenas, et al, The Boundaryless Organisation,” San Francisco: Jossey Bass, 1995.

<sup>6</sup> Irena Grugulis, et al “The Rise of the ‘network organisation’ and the Decline of Discretion,” Human Resource Management Journal, 2003, Vol. 13, 2. This was research financed by the Economic and Social Research Council.

<sup>7</sup> Charles Poirar, How to Build and Sustain Competitive Advantage, Bennet-Koehler, 1999.

<sup>8</sup> William Drath, “Leading Together: Complex Challenges Require a New Approach,” CCL, Leadership in Action, op.cit, p. 7.