



Report of the Wolfsberg Think Tank "Macht, Vertrauen und Verrat" led by Dr. Patricia Seemann, CEO, Spehre Advisors, Walchwil, at Wolfsberg on 3 and 4 October 2005

1. Power, trust and betrayal are central and fundamental to an organization's ability to perform, specially at the top of organizations where the issues are 'in the raw' and most obvious and critical.
2. Fundamental to the good exercise of power is plain decency. If you vest power in an individual who is decent, clear headed and smart, all of this will work. If he lacks integrity, is woolly minded and confused about what is a decent thing and what isn't, none of this will work, nor will any of the legal and regulatory instruments work to prevent abuse and malfeasance. Clarity and cleverness are easy to evaluate. But how does one evaluate whether an external candidate for a top position is "decent"? What do we mean by "decent" anyway? (Though, nowadays, these questions may apply increasingly often also to internal candidates).
3. Power is the ability to achieve organizational purpose. We exercise power by taking decisions. Institutional power is vested in order to confer the right and responsibility to take decisions and the accountability for their consequences.
4. What constitutes a company's competitiveness, what makes it win, is the ability to take good decisions, which are right, timely and actionable. This not only applies for the big decisions, such as corporate strategy, M&As etc. It applies to the myriad decisions taken in companies every day. What do I offer this customer? Who do I put on the project team? How do we reply to this question from the regulator? What am I going to do in the office today?
5. The company that wins is the one that is
 - The first to understand which decisions need to be taken, given the market environment and stakeholder interest.
 - The one that knows where that decision needs to be made and where accountability will lie.
 - Able to make decisions at all levels of the firm that are aligned with the corporate intent. It will be more efficient because it will not dissipate its energies in circular discussion and scattered paths of work and patterns of investments.
 - Is ready, willing and able to act on the decisions it takes, effectively and gracefully.
6. It follows that how power is delegated, exercised and accounted for deeply impacts the ability of the firm to perform.
7. One way of looking at decision making is to distinguish 'public' from 'private' decision making. The public part is the more or less explicit debate about what needs to be decided, how that should happen and what the decision should be, as well as how it will be implemented. Private decision making is the thinking, and sometimes emotional, process of making up your mind about what you think is happening, what needs to be decided, what you think needs to happen, the confidence you have and how you are going to run the 'political' process of getting the organization to align with this decision.

8. Public decision making is shaped, given a 'Gestalt' by a combination of explicit structures, process and rules on the one hand, and the implicit rules given by the prevailing culture, the individuals involved, the shapes of network etc.
9. For an organization to make good decisions it needs to pay attention to both the hard, explicit and the soft, implicit systems. Hard systems are policies, processes and structures that decide and define who can make what kind of decision and who must take which types of responsibility and who is accountable for what. This is, by the way, another way of looking at governance.
10. We are quite familiar with building and overseeing the hard systems. Research shows that the make-up of the hard systems has little or no influence on the quality of decision making. The hard systems determine the 'who and how' of decisions; who makes what kind of decision and often when it gets made, and the process to be followed. This influences the timeliness and the efficiency of decision making, but not its content.
11. The 'what', or the content of a decision is determined by the soft factors in an organization. These include culture, reputation, the type of people working in it, their good judgment and integrity. They determine for instance how dissent is heard and acted upon, how rich and productive debates are, what the company is able to perceive, what kind of behavior is career enhancing, which decisions are implemented.
12. These soft and hard systems also correspond what J. Nye has called the instruments of hard and soft power. Soft power is the ability to 'shape the preferences of others'. In a corporate context this means such things as the ability to attract the kind of people you need, to draw their attention to relevant issues and keep them focused, to shape a culture which ensures that the right kinds of behaviors are respected and admired. Soft power does not belong to management in the same way hard power does. For soft power to be effective it needs stakeholders who willingly listen, decide and act in the interest of the firm. In other words, soft power is as much a bottom up as a top down affair. This has implications on the aspects of power which need to be cultivated with great care.
13. The ability to skillfully mix hard and soft forms of power and decision making systems is decisive for a company's performance because it shapes the ability of a firm to make good decisions. This mix needs to be adapted to the strategy and 'life cycle' in an organization. For instance, understanding and deliberately shaping this mix becomes critical when moving from a cost cutting to a growth mode. In the former the hard systems will be the drivers of a decision making capability. When shifting into a growth mode however, the soft decision structures become essential.
14. How can you tell that an organization has good decision making practices - short of financial results (which always lag the actual situation in the firm)? Since it is the soft factors determine decision making quality, a great deal can be inferred from assessing the quality and robustness of a firm's soft factors. Dave Ulrich and Norm Smallwood have developed a diagnostic tool which makes it possible to assess and track a firm's soft factors by assessing the degree to which stakeholders perceive the company to:
 - know which promises to make, and keep them,
 - develop and implement a strategy that is compelling to all its stakeholders
 - build the right technical capabilities
 - build the social capabilities required.

15. Power is a right as well as a responsibility – certainly not a perk. Mostly we focus on how to engage the team, get consensus, etc. But the decision is one person's duty to make, for one individual to take responsibility for and for its consequences. Therefore high quality private decision making is critical. This is the individual exercise of power. How well that person goes about his private decision making has very significant impact on his success and that of his firm.
16. The higher up a position is, the more complex and ambiguous the decisions are that need be made, and the more unintended consequences they are likely to have. Therefore we need to be as careful, thoughtful and disciplined about private decision making as the public. Senior executives might therefore be well advised to consider building a network of Third Opinion advisors (the term is Saj-Nicole Joni's), to prepare the public for discussion, to air uncertainties and doubts, to weigh dilemmas, sometimes even to sort out gut feel and emotional reactions. These are not coaches, who take care of personal needs such as behavior, communications, etc. These are business savvy advisors, well informed with no stake in the outcome, with whom the truth can truly be discussed.
17. If one agrees with the premise that power, decision making and performance are intricately related, then the issue of protecting one's power, building the necessary trust, as well as anticipating and dealing with betrayal become a central focus of attention in service of the firm, not only of an executive's personal goals and ambitions.
18. Power is like a controlled substance. It is invigorating, intoxicating, dependency creating - and it warps perception. It creates its own microclimate and elicits strong emotions. Power is an aphrodisiac as Henry Kissinger once said. It is seductive, not only for the owner of power, but for all those in its circle of influence. It can generate devotion bordering on bondage as well as jealousy leading to cold revenge.
19. Power has two siblings, trust and betrayal. Power cannot be exercised without some degree of reciprocal trust, either based on structural policies and rules or on a personal level. Power, well exercised, generates trust because it brings predictability and reliability into the system. That is one of the reasons why people who have power have a duty to protect it. We tend to think of protecting one's power as a particular form of ego-trip. Certainly it is sometimes protected for that reason. But if power can be rashly challenged or can be usurped carelessly that is a breach of duty on the part of the person in power. Such actions interfere with the effective exercise of power rendering it less reliable and predictable, which in turn hinders clear decision making, trust and performance.
20. Here are some thoughts on 'Good Housekeeping' in relation to Power:

Honor and dignity matter

Honor begets loyalty and dignity engenders respect. This is why power without honor is disgusting and power without dignity is ridiculous.

Power – the greatest risk is the vacuum

The greatest risk of power is not its abuse, it is the reluctance to use it. Power abhors a vacuum, it will immediately be filled. It will be contested, a struggle will ensue, people will get confused. All this impacts organizational order and consistency and with that its ability to make good decisions.

Morals and ethics cannot be a personal issue

Exercising power is not primarily about virtues. Rather it is about effectiveness and how the two should be balanced.

Just because you're paranoid doesn't mean that they are not out to get you

Betrayal is the act of seduction with the intent to deceive. It is a risk inherent to power, either because those subject to it would like to bend it to their agenda or because they would like have power themselves. Betrayal is a cardinal sin in an organization because it destroys trust, crippling a company's ability to collaborate, thereby undermining power, which leads to confusion and infighting. Lack of collaboration, infighting and confusion are lethal to good decision making.

Betrayal is usually achieved through intrigue. It is usually a long slow, insidious slide. Therefore it is very important to watch for early signs.

Watch out for signs of incipient betrayal

Asocial behavior such as disruptive and aggressive comments in meetings.

The false Volunteer. For instance piloting a project in a part of the organization where its failure is assured. Or with holding or coloring information to isolate the CEO.

False flattery.

Change in 'smell' in personal interactions.

Overall: Trust your instinct. If you think it 'stinks', it probably does.

Betrayal needs to be punished

Betrayal needs to be punished because betrayal disrupts the fabric of trust in the organization (remember the troops are watching). Even more important, loyalty always comes at a cost.

Don't betray those who are loyal by not biting the bullet of firing someone close to you.

However never personally humiliate. This will debase you.

If you cannot fire the individual, shine light on the betrayal, at least let them know you noticed.

Don't take it personally... it's part of the territory of power.

Having said all that – friendship does matter. A CEO who sees human beings around him only through the lens of organizational dynamics, order and usefulness loses his own humanity to the detriment of his life and the people with whom he lives and works.

Power generates resistance, a bit like the mechanical physics of action = re-action.

Therefore CEO's and senior executives should try to delegate any power they do not need. But there are some things which they must keep

- Strategy (what we focus our decision making on)
- Talent (the kind of people we have that make decisions)
- Reputation (how those decisions impact our stakeholders)
- Organizational systems. (how we organize power and focus decision making on daily basis)

Clearly, these are the so-called intangible assets of the firm – i.e. everything that creates value that you can't drop on your foot. These assets comprise roughly half any given company's market value because they shape stakeholders confidence in your future performance. They are the source of significant non- financial risks, such as reputation.

21. Power is a modern taboo. It is not addressed directly because it is often considered a personal asset not an organizational one. This misleads us into believing that the greatest threat of power is its abuse, that trust and power are antithetical, that betrayal either doesn't happen or that one should aloofly rise above the occasion.

In fact power and performance are intricately linked. The linchpin is decision making throughout the organization. How power is delegated, how it is enacted and how it is accounted for in great measure shapes a firm's ability to make good, timely and actionable decisions.