Leadership in The Digital Age: An Oxymoron?

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Abstract

The digital age enables novel organizational models, where power is distributed across the organization, in other words where each employee is entrusted with a certain level of decision power. One of the main challenges is to create the organizational conditions, so that employees feel compelled to accept their new responsibilities.

Drawing from the theory of loosely coupled systems, this study proposes a model to organize and manage companies, so that they perform at a high-level, grow rapidly and sustainably, remain agile, and people-centric as they grow.

The proposed model is articulated around 5 key factors: (1) culture of empowerment, (2) promotion and personal development, (3) management by context, (4) autonomy, and (5) alignment of values.

Introduction

The starting point for this research is my experience as co-founder and President of an ecosystem of software development companies, headquartered in San Francisco, with presence in the USA and Latin America. The company is modelled and operated after these research findings.

A fast-growing and ever-changing industry, Information Technology (IT) is at the forefront of novel organizational models, as it deals with most of today's challenges: globalization, shortage of talents, inclusion of millennials, rejection of traditional management models, etc.

Some IT companies with an innovative organizational model have documented their experience; it is the case of Netflix for instance; the presentation of its organization by its CEO (Hastings, 2009) has been downloaded over 18 million times, which demonstrates the tremendous interest in novel organizational models. Carney and Getz (2011) document some interesting examples of companies located in the USA and Western Europe.

Unfortunately, since there is not much scholar literature available on this topic, the underlying theoretical organizational models are not well documented, or made available to a general audience; a direct consequence is that business leaders tend to continue to adopt rather traditional organizational models for their companies.

Some of the startups of today will become the giant corporations of tomorrow, and because of their traditional business models, some of these giant corporations, like those of today, will prove to be an ideal environment for large-scale white-collar crime, as pointed out by Berger (2011), who studied some highly publicized cases of corporate crimes recently observed in industry leaders like Enron, Haliburton, and Goldman Sachs.

If we want to avoid these corporate wrongdoings in the future, we must now start using business models that do not yield to the very same corporate abuses.

Drawing from the theory of loosely coupled systems, this study proposes a model to organize and manage companies, so that they perform at a high-level, grow rapidly and sustainably and remain agile, and people centric as they grow.

The proposed model is articulated around 5 key factors: (1) culture of empowerment, (2) promotion and personal development, (3) management by context, (4) autonomy, and (5) alignment of values.

The implementation is done by applying 5 fundamentals:

1. Empowerment implies the distribution of power to all levels of the organization
2. Gradual change is a luxury of the past; change should be a continuous process
3. Self-organizing teams always outperform well-structured ones when it comes to solving complex problems. Management needs to provide guidelines, not rules
4. Too much cultural orthodoxy is limitative. Diversity trumps uniformity, always
5. Employees need to be able to "visualize" a rich career path. Leaders need to ask their employees to be creative, not competitive.

1. Loosely Coupled Systems

Weick (1976) defined a loosely coupled system as one in which elements are responsive but retain evidence of separateness and identity.

According to Weick (1976), loosely coupled systems lower the probability that the whole system will be impacted when change occurs in the environment; preserve many independent sensing elements that know their microenvironments; support localized adaptation; generate a greater number of mutations and novel solutions; buffer the whole system from breakdowns in parts of the system; offer more room for self-determination; and are inexpensive to run because they require less time and money to coordinate people.

Thus, loosely coupled systems offer many advantages for building business ecosystems that can thrive in today's dynamic economy. Weick (1976) mentioned seven of them, which can be summarized as follows: (1) high resilience, (2) sensitive sensing mechanism, (3) high adaptation capabilities, (4) ability to retain a greater number of mutations and novel solutions, (5) ability to seal off the system from the potential collapse of an element, (6) more room for self-determination by the actors, and (7) their relatively inexpensive costs to run.

Possibly the main question attached to loosely coupled systems from the beginning has been, "What holds them together?" How does it happen that loosely coupled events that remain loosely coupled are institutionally held together in one organization that retains few controls over central activities?

I am suggesting here a framework, based on the loosely coupled system theory, that answers the "how do systems hold together" question. In addition, this system was created considering the following constraints many start-ups are facing now: inclusion of millennials, continuous change, rejection of traditional management models, and self-organizing teams.

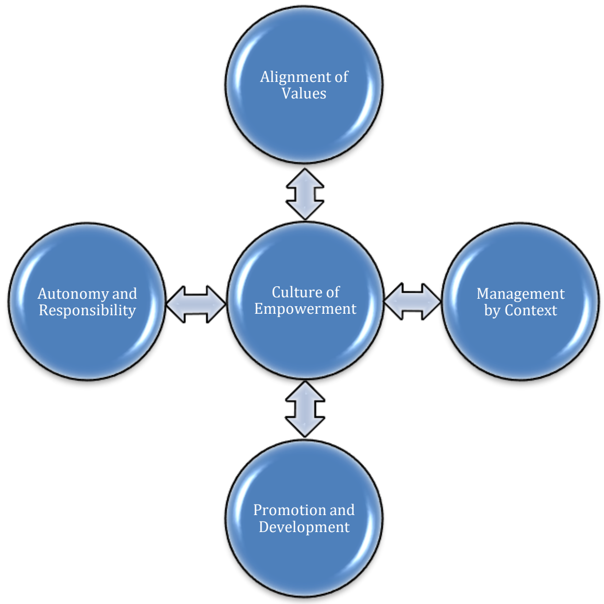

Figure 1. The proposed framework

As shown in the figure 1 above, the framework has 5 components:

1. Culture of empowerment,
2. Promotion and development,
3. Management by context,
4. Autonomy and responsibility, and
5. Alignment of values.

Let's review them.

2. Culture of empowerment

Kanter (1977, 1993) was one of the earliest proponents of empowerment at work. She defined power as "*the ability to get things done, to mobilize resources, to get and use whatever it is that a person needs for the goals he or she is attempting to meet" (p. 166).* Power is "on" when employees have access to lines of information, support, resources, and opportunities to learn and grow (p. 305). When any of these resources, which Kanter called lines of power, is unavailable, then power is "off," and work is not effective.

Lines of power emanate from formal and informal systems within the organization; formal power is derived from specific job characteristics that include flexibility, adaptability, creativity associated with discretionary decision-making, visibility, and centrality to organizational purpose and goals. Informal power is derived from social connections, and the development of communication and information channels with sponsors, peers, subordinates, and cross-functional groups (Kanter, 1993; Laschinger et al., 2001, 2004).

An abundant body of literature demonstrates that structural empowerment predicts the following:

- Job satisfaction (Wong & Laschinger, 2013),
- Autonomy (Laschinger, Sabiston, & Kutscher, 1997),

- Respect (Laschinger & Finegan, 2005),
- Intent to stay on the job (Nedd, 2006),
- Organizational commitment (Smith, Andrusyszyn, & Laschinger, 2010),
- Leadership practices (Wong & Laschinger, 2013), and
- Job stress and burnout reduction (Laschinger, Wong, & Grau, 2013).

3. Promotion and Development

The flattening of vertical boundaries in organizational structures has dramatically reduced the possibilities for employees to enter a company confident enough that they could patiently climb the corporate ladder to reach a position of privilege and power. As James (1995) said, the rungs on the ladder have simply been removed.

The decline of the traditional organizational career has created new ways for employees to think of their own careers. Kanten, Kanten, and Yesiltas (2015) referenced several perspectives on career management that have emerged and become popular in the literature, the boundaryless career and the protean career being the main ones.

Kanten et al. (2015) summarize the shift between the traditional career paradigm and the new career paradigm in the table 1 below:

Table 1. Comparison Between New and Traditional Career Approaches

	Traditional Career	New Career
Working Range	One or two organizations	Numerous organizations
Employment Relationship	Commitment-oriented job Security	Performance and flexibility-oriented employment
Commitment	Dependent Employer	Independent Employer
Skills	Organization-specific	Can be transferred between organizations
Success Evaluation of an Individual	Wage promotion, status	Psychological means of the job
Education	Formal Programs	On-the-job training
Responsibility of Career Management	Organizational	Individual
Basic Attitudes	Committed to the Organization	Job satisfaction and professional commitment
Important Characteristics	Age-oriented	Learning-oriented

Source: From Kanten et al. (2015), summary of pp. 319-320.

This is the new challenge presented to corporations like ours, with an extremely flat structure: how to create employee loyalty, as more employees embrace a boundaryless or protean career?

The answer I propose in this framework lies in the combination of empowerment and a loosely coupled system. In fact, I believe that most employees will opt for staying with a company that creates the conditions of their empowerment; there is less stress and more potential opportunities in evolving within a business ecosystem than there is in playing it alone, especially in the IT industry where little can be achieved without serious teamwork effort.

4. Management by Context

I drew from the knowledge management theory to demonstrate why context matters more than control, at least for software companies, and used the Cynefin framework (Snowden & Boone, 2007) to illustrate my point. The Cynefin framework is a sense-making methodology that provides a typology of contexts to describe problems, situations, and systems. Snowden & Boone (2007) conceptualize four possible situations:

- *Simple* (best practice). In the simple domain, the relationship between cause and effect is clearly understood. The facts of the situation are assessed, categorized, and then a response based on established (best) practice is executed.
- *Complicated* (good practice). In this case, the relationship between cause and effect is not necessarily well understood and requires the help of expert analysis. Several options are investigated, and then a response based on the analysis is determined.
- *Complex* (emergent practice). In the complex domain, the relationship between cause and effect cannot be immediately understood, and often only retrospection reveals the interrelationships between cause and effect.
- *Chaotic* (novel practice). In this case, there is no relationship between cause and effect; a good example would be a fire, where one's first reaction would be to run for safety.

An increasing number of companies need to deal with complex processes. Unfortunately, they tend to approach them using the same methodology they use to solve their complicated problem, and this need to change.

Software development belongs to the complex category, as similar causes are unlikely to produce the same effects over time; in fact, as stated by Snowden (2013) in a keynote address:

> Because it worked that way in the past does not mean it will work this way in the future, and people constantly do it. […] The more you prevent past failure, the more you increase the probability of future failure. (37:20 – 38:00)

Succeeding in managing complex systems, like developing software for instance, largely depends on the following:

- Identifying the systems that are complex (non-linear), and handle them as such
- Setting up the proper context in the beginning of the project,
- Granting a high level of autonomy to the development team and to each team member in the team, and
- Understanding that projects can fall into a chaotic mode; in this case, the management style should change to centralized decision making until it can reverse to management by context.

Back to the theory proposed in this study, both research and state-of-the-art in software development suggest that management by context is the best option to successfully develop sophisticated applications. A culture of empowerment, combined with loose coupling, favors autonomy, self-organization, and reactivity, and therefore favors management by context.

5. Autonomy and Responsibility

Autonomy and empowerment are positively related. Laschinger et al. (1997) demonstrated that empowerment predicts autonomy. Kanter (1993) mentions that she uses the word *power* in organizations as synonymous with autonomy and freedom of action (p. 197).

Carney and Getz (2011) posit that prior to granting freedom to employees, the first step is to transform the company from a "how" one, in which managers instruct their employees on how to do their jobs, into a "why" one, where employees know why they are doing what they are doing. This is consistent with a loose coupling approach, which recommends that decisions be made at the point of contact between the company and its environment.

When the "why" environment is in place, leaders need not try to motivate people but instead build an environment that allows employees to grow; employees will motivate themselves when they clearly understand the company's vision and adhere to it. In affirming this, Carney and Getz follow Deci and Ryan's extensive empirical work (2000), which led them to a conclusion similar to McGregor's (1967): Human motivation does not need to be controlled; people are self-motivated to act in search of mastery and well-being when provided a nourishing environment.

The companies studied by Carney and Getz (2011) are not isolated cases of companies that promote autonomy as a means to increase performance. Netflix and the Virgin conglomerate are two highly publicized examples.

These findings are consistent with the model elaborated in this study. The companies mentioned in the examples are organized as loosely coupled systems, with empowerment and autonomy at the core of the company's functioning.

6. Alignment of Values

6.1. Communication channels

Communication is a central concept for organization and management theory (Thompkins, 1987). Hargie and Tourish (2009, p. 419) argue that internal communication is *increasingly recognized as a crucial variable in determining organizational success, and as a vital issue requiring further research*. Barnfield (2003) states that internal communication has been recognized as a strategic focus for business communication, second only to leadership concerns.

Welch and Jackson (2007) propose a framework to describe the internal corporate communication (ICC) between strategic managers and internal stakeholders. According to this framework, the main goals of ICC are as follows:

- Creating a greater commitment of the employees to the organization,
- Promoting awareness of the organization's changing environment (external changes),
- Helping understand the organization's evolving aims (internal changes), and
- Promoting a sense of belonging to the organization.

Researchers have approached ICC both from leadership and employee perspectives.

6.1.1. Leadership perspective

Grunig (2009) contends that CEOs as top leaders of the organization help define and embody the organizational image and personify the organization to internal and external stakeholders. Garbett (1988) notes that the CEO's personality shapes the character and culture of the entire organization. Men (2015) posits that CEOs often serve as the catalyst in forming the communication philosophy and style of the organization, establish management credibility to employees, engage in two-way communication, and use their personal influence and connections to foster trust. In other words, CEO communication is an indispensable part of organizational leadership communication.

6.1.2. Employee perspective

Employees tend to evaluate communication channels based on their expectations for those channels (Cameron & McCollum, 2003). Beneficial internal communication relies on appropriate messages reaching employees in formats useful and acceptable to them; perceived inadequacies in the communication process could inadvertently damage internal relationships (Welch & Jackson, 2007). According to Pincus et al. (1991), employees desire a more open and closer relationship with top managers, particularly the CEO. The perceptions of employees toward top management are "closely linked to their overall perceptions of the organization as a place to work and the general state of the morale" (Pincus et al., 1991, p.9).

In summary, there is no doubt that well-managed internal communication positively influences employee engagement. Successful internal communication requires CEOs to favor direct contacts with their employee base, always checking the quality and frequency of the communication, as poorly managed internal communication creates employee frustration.

6.2. Hiring strategy: Building the right workforce

Dineen and Soltis (2011) claim that regardless of the type of organization, an employer's success is closely tied to the type of individuals it employs.

According to Aarts (2015), many thriving companies, including Whole Foods, Pinterest, and Zappos, are using culture fit interviews as main decision factors. Furthermore, hiring for culture fit is engrained in Silicon Valley's subculture. Mitch Kapor, the founder of Lotus 1-2-3, calls the local sub-culture a mirror-tocracy. Aarts (2015) recommends very carefully using culture fit for hiring, as it can yield to conformity, which can harden into cultural orthodoxy.

Phillips, Liljenquist, and Neale (2009) elaborate on the risk of cultural orthodoxy. They posit that better decisions come from teams that include a socially distinct newcomer.

In summary, a decision that leaders need to make when hiring talents is to either favor a homogeneous workforce or a heterogeneous one. A homogeneous workforce is obtained by placing the main focus on the candidate's fit to the corporate culture, while a heterogeneous one is achieved by focusing mostly on the candidate's skills. In any case, employers need to avoid the risks of becoming a monoculture, or the equally dangerous risk of not being able to enforce the corporate culture.

6.3. Social activities

Cohesive groups generally outperform non-cohesive groups and have greater job and personal satisfaction (McGrath, 1984). Furthermore, group cohesion has positive effects on an individual’s contribution to a group (Carron, Colman, Wheeler, & Stevens, 2002). Cohesion has been considered the most important determinant of success in small groups (Carron & Brawley, 2000), and many authors have attempted to define and operationalize this concept, including Cota, Evans, Dion, Kilik, & Longman (1995) for instance.

Sanchez and Yurrebaso (2009) demonstrated that a culture of work teams contributes to strengthening the cohesion in these teams. In other words, the more the group members share values, beliefs, and cultural norms, the more they will feel attracted to the group and thus the greater the level of group cohesion. It has also been suggested that the interaction among group members leads to higher levels of cohesiveness (Harrison, Price, & Bell, 1998).

Team performance is a critical success factor for most companies. As shown in this section, group cohesion is a must, as cohesive groups outperform non-cohesive ones. In addition, the more behaviors are shared, the greater the group cohesion. Social activities are a privileged means to create shared behaviors, team spirit, and group effort. This explains why social activities are a central element of the theory presented in this study because they are a significant contributor to enabling companies to perform at a high level.

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