Dysfunctional Leadership & Dysfunctional Organizations

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The Politics of failure: watch out for the warning signs of bad leadership

Executive Summary

This paper provides managers and leaders with the necessary information to implement a cure for poor organizational performance and its negative workplace politics.

1. Leadership and Performance

The subject of leadership has been greatly covered by scholars, academicians and consultants, yet building high-performance teams remains elusive to most companies. Leadership is the most important competitive advantage of a company, not technology, finance, operations or anything else. Leadership formulates the company's business strategy and builds its resources, including its people, finances and operations. The leadership team is the most important asset of the company and can be its worst liability. A failed business is the result of poor performance. Poor performance is the result of incompetent or dysfunctional leadership team. To paraphrase Leo Tolstoy, *All successful companies are successful for different reasons, but dysfunctional companies are dysfunctional in the same way*. In my experience, the main reason for poor organizational performance is not the lack of business knowledge, but rather negative internal politics.

2. Performance and Strategic Alignment

Classic management science has defined four management functions: planning, organizing, motivating and controlling. Simply put, sustaining high business performance is a product of strategic alignment. Strategic alignment can be achieved only when all teams across the organization communicate and work closely together. In other words, strategic alignment is getting all the people in an organization rowing in the same direction -- imagine the force and speed when they are rowing in the same direction and imagine the waste of energy when they are not.

Are your teams strategically aligned?

3. Performance Diagnosis Checklist

Even fast-growing and profitable companies can develop bad internal politics and unproductive work habits that will eventually lead to declining performance. It is true that the larger the organization, the more susceptible it is to the breakdown of communication, the emergence of management silos and misalignment. Yet, in my experience many of the smaller companies also suffer from similar problems. When management tends to focus so much on one management area, e.g., sales, and has no time to manage the internal organization challenges, dysfunction

creeps in and takes hold. To build and sustain high-performance teams, leadership and human resources managers should keep an eye open for the following symptoms and treat the root causes before it becomes too late.

Dysfunctional leadership symptoms and warning signs:

- Dictatorial Leadership: Management that does not allow disagreements out of insecurity or arrogance
- No 360 Degrees Feedback: There is limited or no leadership performance feedback
- Personal Agendas: Recruitments, selections and promotions are based on internal political agenda, for example hiring friends to guarantee personal loyalty at the expense of other highly performing and more-qualified employees
- Political Compensation: Stock options, bonuses and perks are not fairly linked to performance.
- Inefficient Use of Resources: Budgets are allocated between business units or departments based on favoritism and power centers rather than actual business needs.
- Empire-building Practices: Managers believe that the more people they manage and the bigger the budget, the higher the chance that they will be promoted. This results in raging battles around budgets, strategies and operations.
- Unequal Workload Distribution: You'll find some departments are underutilized while other departments are overloaded
- Too Much Management: There are many management layers in the organization, thus, hindering communication and resulting in slower execution
- Fragmented Organization Efforts: Interdepartmental competition and turf wars between rival managers lead to the emergence of silos, which results in communication gaps. Management silos almost always result in fragmented and duplicated budgets and projects, thus wasting valuable company investments.
- Too Much Talk: Plans are heavy on talk but light on action. In a political corporate culture, image management becomes far more important than actions.
- Ineffective Meetings: Argumentative and heated cross-divisions meetings with discussion and language focusing on point scoring and buck-passing rather than sharing responsibility and collaborating to solve the problem
- Lack of Collaboration: Every person for himself/herself. Low sense of unity or camaraderie on the team. The key criterion for decision-making is *What is in it for me?*
- Low Productivity: Management wastes more time and energy on internal attack and defense strategies instead of executing the work, innovating and overcoming challenges. Critical projects fall behind on deadlines, budgets and performance targets (e.g. sales, market share, quality and other operational targets)
- Constant Crisis Mode: Management team spends most of their time on fire fighting instead of proactive planning for next-generation products and services
- Morale Deterioration: Muted level of commitment and enthusiasm by other teams. Even successful results cannot be shared and celebrated due to animosity and internal negative competition
- Backstabbing: Backbiting among the executives and managers becomes common and public
- Highly Stressful Workplace: There is a high rate of absenteeism and a high employee turnover rate.

4. Bad Politics and Performance Risks

- When employees feel discriminated against, abused or unappreciated, they may resort to one or more of the following harmful options:
  - Defecting to competition
  - Resort to sabotaging the company, e.g., by sharing confidential information with competitors or the media
  - Employees may become emotionally distant and have no interest in the success of the company
  - They will display passive-aggressive behaviors, become uncooperative, work less or produce substandard results
- Key talent will leave the company. Good honest workers generally don't have the skills or disposition for functioning in a highly political environment.
- Company develops a reputation for being political and an unpleasant place to work, making it more difficult to recruit good talent to compete effectively.
- Employees will lose faith and motivation. When the leadership comes up with good initiatives, they are met with skepticism and resistance

The Bottom line: Business performance will suffer.

The worst thing that could happen to a company is when the staff loses confidence in the leadership team.

The 2 critical questions every leader must ask:

- How many of the above-listed symptoms are present in our organization, department or teams?
- How best to manage workplace politics and improve team performance?

5. Treatment Challenges

Why is it so difficult to treat dysfunctional teams and organizations?

- Many times the leadership team is part of the political game.
- There is a lack of consensus on the correct strategy: strong conflicting views or conflict of interests.
- New leaders are not able to assess who is right or wrong because of lack of information or misinformation.
- Changing the culture requires performance-rewards system reengineering, which may be faced with serious resistance
- It takes substantial time and effort to heal the wounds, to reestablish broken communications and rebuild trust and collaboration

6. Best Practices for Curing Bad Politics:

Realistically, it is not possible to have a politics-free organization. The desire for power is part of human nature, our business, and our world. Seeking power and politics in any company is neither inherently good nor bad. However, successful leaders know how to leverage politics by setting performance-oriented instead of resources-oriented political goals and rewards. Successful leaders set fair rules for the political game, reward collaborative performance and penalize animosity and negative behavior. To cure the organization from bad politics, the board of directors and investors can choose from the following list of recommendations:

- The CEO must recognize the criticality of the political problem and its impact on the business performance. S/he must commit to change and be its leading champion
- The CEO can use independent and qualified advisors/facilitators to support the change program (outsiders who have no internal agendas or biases)
- The CEO must use adequate scorecards and open employee-feedback surveys to assess the health and performance of the management team, and to identify performance roadblocks. The surveys must be anonymous and conducted by independent consultants on a bi-quarterly basis
- For valid differences of opinions, consider mediation and arbitration. If that does not work, replace difficult and uncooperative managers.
- If the existing management team does not demonstrate a true change of heart and policy, then a new powerful leadership must be brought in
- If a new leadership is brought in, s/he must be backed by the full support of the board of directors. The new CEO/leader must be given the power to make decisions, hire, fire and end bad politics.
- The leader must gather the team together and be honest and direct about bad political behaviors and should be willing to back threats with actions. It is important to have the legal counsel be present and announce that those who continue in their negative behavior will be out the door.
- To quote Gandhi: "Be the change you want to see." The most powerful leaders are almost always the role models for the change they seek. If the CEO practices bad politics, no amount of training or coaching will change the management team.
- Do not tolerate bad behavior. Realize that both bad and good behaviors are contagious. It is a proven sociological fact that people will imitate the behavior that appears to be socially acceptable, even if it is not their normal behavior. If you allow some people to get away with bad political behaviors, other people will follow.
- Focus on building a culture of collaboration as part of the management strategy. The process of building a healthy organization starts by creating cohesive teams at all levels (top, middle and line managers). Leverage executive-coaching programs and action-learning teams to solve problems and develop strategies. Learning together helps them to work better together
- Conduct company-wide team building workshops, educate teams on professional ethics and train them on people skills, communication, negotiation and conflict resolution
- Communicate, educate and build consensus on strategy, direction and performance targets
- Once a strategy is agreed upon, design a performance system to motivate and control - include both incentives and penalties. The new system must be aligned with objectives and designed to reward collaboration and penalize silos
- Use collaboration tools (Information and communication technologies) between geographically dispersed business units and teams