



## LA LOGIQUE DE L'INFORMEL

Gérard Pavy

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*Les Editions d'Organisation, 2002, 224 pages.*

With a commentary by Alain Keravel,  
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## key ideas

Influencing the unofficial side of the organization.

Smoothly coordinating the various units of the company is critical to performance. However, this often proves more difficult than it seems. Coordination is made all the more difficult by the often contradictory need to create independent units, focused on their own objectives, e.g. innovation, production quality, or customer service.

Faced with this dilemma, many executives see their role as architects. They concentrate on defining the rules that govern how units interact in terms of structure, strategic planning, budgeting, procedures, etc. They think that if these rules are clear and well designed, people will behave accordingly and the organization will operate smoothly.

This mindset blinds them to an essential dimension of smooth organizational operation:

- ▶ **Recognize the importance of the unofficial side of the organization.**
- ▶ **Manage the impact of this unofficial dimension on performance.**

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# analysis

## 1 The unofficial side of the organization

**It is risky to run the organization as if it strictly followed official rules and structures.**

Leaders run their organization mainly through official mechanisms, i.e. by defining roles and the organizational structure, planning strategy, setting rules for units to work together, establishing reporting mechanisms, establishing procedures, etc.

However, these only partly explain how an organization really works. Actual behavior is significantly influenced by many unofficial mechanisms that come into play every day, as people network, do each other favors, bend the rules, jockey for power, etc.

Even so, many executives tend to ignore the unofficial side of their organization, some because they don't know it exists, and some because they don't think it is important. Some also balk at the idea of officially recognizing behavior that is not aligned with official doctrine. In addition, the lack of proper tools certainly doesn't facilitate the job of managing the unofficial dimension.

Observation shows that playing dumb is dangerous. Leaders who are ignorant or show disregard for the unofficial aspects of an organization run two significant risks:

- **They may lose credibility in the field.**

People in the field live the gap between the rule and reality every day. They therefore keep a sharp eye out for differences between the official line and the way things really work. They become experts in liberally interpreting and going around the rules to reach their goals. One company set strict limits on granting discounts to distributors. In practice, however, salespeo-

ple couldn't have kept their customers and made their targets without some unofficial bending of this rule.

Under these conditions, leaders who talk and act as if everything were going according to plan lose credibility in the field. After all, how to trust a leader who obviously doesn't know what is really going on?

- **They may lose control of the organization.**

However, the biggest risk is losing touch with reality. By hanging on to a formal vision of the organization – and sometimes cutting themselves off with their hostility toward any feedback that contradicts this official vision – leaders may end up with a completely distorted view of how the company actually works. They may even reach a point where they can no longer run the company effectively.

This is what happened to a European industrial equipment company with problems managing its distributors. To avoid price escalation during negotiations, executives limited the power of the regional structures – the distributors' official interlocutors. As a result, the latter were not valued, either by distributors or internally. So, key distributors went around them and negotiated prices directly with the various product managers. Official channels were circumvented to the detriment of the company, as distributors exploited internal competition among the company's products to obtain juicy discounts!

It follows then that – without denying the importance of official mechanisms – leaders must never lose sight of an additional dimension that is much less well understood, i.e. the unofficial side of the organization.

## 2 Deciphering the organization

How to take account of the unofficial workings of the organization?

The first step is to understand this dimension and evaluate its impact on performance. The factors that drive unofficial behavior must then be examined.

### ► Identify the unofficial dynamics of the organization

**Organizational dynamics are driven by power struggles between the various units.**

In addition to official rules and incentives, several factors have a major influence on people's behavior. These factors must be identified to develop an accurate idea of how the organization works. To do this, in-depth interviews must be conducted with the representatives of the various parts of the company, preferably by external consultants who can guarantee strict confidentiality to respondents.

This audit essentially concerns four factors that underpin most unofficial organizational practices:

- **Power struggles around zones of uncertainty.**

Power struggles are a well-known part of business life. They may be more or less apparent, and more or less accepted depending on the circumstances. For example people will engage power struggles openly to defend a project or negotiate a budget, but they tend to be more surreptitious when it comes to placing an ally in a key position.

An important part of these power struggles can be explained by the concept of "zones of uncertainty" (Figure A). These are areas

which are important to the success of the organization, but which are not under clear control. Remember the industrial equipment manufacturer cited earlier? A major objective in this case was to get customers to buy the company's spare parts, rather than the competition's. Yet, this largely depended upon distributor loyalty, something that the company did not perfectly control. Distributor loyalty is a typical zone of uncertainty, because it plays a key role and is difficult to control.

Zones of uncertainty have a strong impact on employees' unofficial behavior. People become more powerful when they control a zone of uncertainty, regardless of their official status. For example, in the above illustration, those who influence distributor loyalty have a lot of political clout. This is reflected in a balance of power that may be out of whack with the official distribution of authority, e.g. a salesperson close to a distributor may have a great deal of liberty to set his own working hours. This situation may also lead to turf battles for control over zones of uncertainty. For example, the after-sale service department might fight tooth and nail to keep its inspectors against all financial logic, in order to maintain its influence over distributors, and thus reinforce its standing in the organization.

• **Tunnel vision, which biases people's perception of reality.**

People usually do act rationally, but only according to their own viewpoint. Their action is inevitably based on an incomplete, biased view of reality! As a result, they may seem to behave in a way that is totally against their own self-interests and the official rules – at least from the point of view of company leaders.

For example, management may be convinced that it has created the right conditions to foster collaboration between two sales departments, e.g. clear allocation of customer segments, definition of

**Figure A**

**Zones of uncertainty**

Zones of uncertainty are areas that are important to the life of the organization, but that are not under clear control. People struggle for control of these zones, because those who manage to control these zones acquire more power within the organization.

There are five types of uncertainty:

- ▶ Control over resources (human, financial)
- ▶ Control over rules, which can govern behavior
- ▶ Access to information needed for decision making
- ▶ Control over capabilities or expertise
- ▶ Relations with the company's surrounding environment

information sharing procedures and collective financial incentives. Even so, the departments don't collaborate! Deeper analysis shows that one of the two departments feels that the other threatens its existence, because the latter is in charge of a promising segment. This came as a surprise to company leaders, who had never thought of closing one of the departments.

• **Culture.**

A third factor that influences behavior independently of official rules is corporate culture. Sociologists do not point here to the official company values, but rather to the set of tacit rules devised by employees to deal with their everyday problems. "Don't contradict the boss, and he'll support you in your career." This was one of the unwritten rules that governed behavior in a large multinational. So firmly embedded was this belief that the organization became stuck in a rut. Change initiatives fizzled out because the pervasive need for superficial consensus prevented any form of open debate.

In addition to the corporate culture cutting across the organization, each of the various units has its own sub-culture. A "wholesale" culture may be very different from a "retail" culture, for example. Fragmented cultures increase these gaps in perception, which can lead to conflicts between units.

• **Identity.**

Identity refers to the characteristics by which people identify themselves as belonging to a group and distinguish themselves from outsiders. People are subconsciously motivated by their sense of identity, because they want to be recognized and valued for what they are. This factor plays a major emotional role in interactions between units, each of which wants its own respective identity to be recognized.

The failure of a rolling mill quality program provides a good illustration. Supervisors were very proud of their ability to resolve any emergency. Yet, the quality program was designed to prevent such emergencies from ever occurring – turning supervisors from heroes into bureaucrats! This challenge to their identity was handled poorly, which largely explains why the program failed.

With the combination of these factors, the organization can be considered as a set of sub-units, each of which tries to defend its autonomy and identity with an incomplete vision of the world.

Obtained information can be combined effectively by expressing it in the form of "expectancy models." This translates audit results into concrete terms, by summarizing all of the unwritten rules that influence the behavior of a group of people in the following way: "In this type of situation, the group is likely to behave in such and such a manner."

## ► Evaluate the level of integration

### **Good collaboration between sufficiently independent units is key.**

The above analysis is used to develop an understanding of how the organization actually works, above and beyond the official rules that are supposed to govern the links between units. The next step is to understand how unofficial practices affect performance.

The answer mainly depends on the balance between two objectives:

- First, there is a need to differentiate the various units. The company needs specialists focused on the various key facets of the business that ensure its success, e.g. innovation, production, customer service, market penetration, etc. Cultural differences between units and tunnel vision are the natural consequences of that need.
- Second, units must collaborate with one another to attain common objectives. However, this collaboration is very dependent upon the unofficial side of the organization. Indeed, true collaboration cannot be dictated! The units must learn to trust each other and make mutual adjustments by communicating with one another, sharing control of zones of uncertainty and aligning their respective tunnel visions.

How well the organization strikes the balance between too much and too little integration must therefore be analyzed:

- Too little integration, meaning that units aren't collaborating sufficiently and have created silos, is the most frequently observed situation. **Figure B** describes the main symptoms of under-integration, such as a perceived lack of clear strategy or organizational redundancy, for example. Insufficient integration

**Figure B**

### **Insufficient integration**

Insufficient integration signifies too little cooperation and too many barriers within the organization.

The main symptoms are:

- ▶ Perceived absence of clear strategic direction
- ▶ Lack of cohesion within the top management team
- ▶ Organizational redundancy
- ▶ Frequent challenging of management by the field
- ▶ Huge efforts required to coordinate local policies
- ▶ Inability to implement policies across the company
- ▶ Poor communication and an active rumor mill
- ▶ Internal cultural stereotypes feeding destructive presumptions

**Figure C**

### **Excessive integration**

Excessive integration signifies too much conformity and lack of autonomy within the organization.

The main symptoms are:

- ▶ Excessive importance of support functions
- ▶ Massive hierarchical structures
- ▶ Centralized management
- ▶ A strong culture that rejects anything new and different
- ▶ Gap between the center and the periphery of the organization

is obviously not a good thing, particularly because strategy becomes extremely difficult to implement in this case.

- Too much integration is observed more rarely, but it is just as bad. This happens when units are deprived of all autonomy by highly centralized management or a one-size-fits-all culture. **Figure C** describes the main symptoms of over-integration. Responsiveness is dulled and the center becomes estranged from the periphery, which unofficially rebels against perceived bullying from headquarters.

**Figure D** proposes a detailed chart to perform this analysis. This grid covers both the official aspects (strategy, structure, etc.) and unofficial aspects of the organization (collaboration, culture, etc.).

## **3 Improving collaboration**

### **Leaders have several drivers to create a collaborative environment.**

Wanting to manage the unofficial side of the organization may seem paradoxical. Isn't the unofficial side precisely the set of independent behaviors that escape the official rules established by management?

In fact, the main pitfall is trying to dictate collaboration by proliferating the rules that govern relationships between units. This approach is very hazardous, and should be avoided. Collaboration that is dictated from the top is likely to be inconsistent with reality in the field. At best, people will resist. At worst, they will merely pretend to accept it, deepening the rift between management and those in the field.

Yet, leaders needn't just shrug their shoulders when dealing with unofficial mechanisms. Instead, they must make efforts to understand the underlying dynamics and create an unofficial context that encourages units to make appropriate mutual adjustments and collaborate willingly.

Leaders have three main ways to achieve this:

- Openly recognize the unofficial side of the organization;
- Establish shared standards of reference;
- Change the rules of the game.

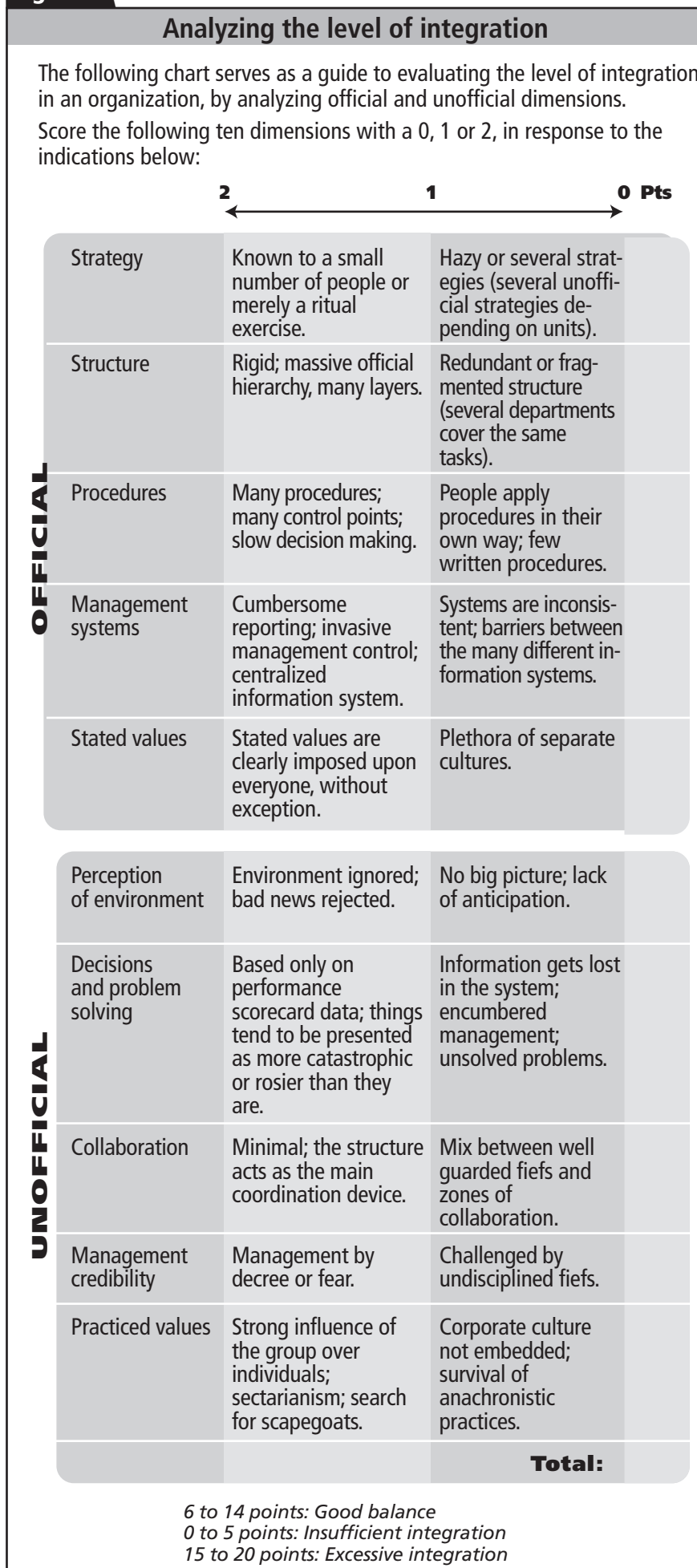
### ► Openly recognize the unofficial side of the organization

#### **Discussing unofficial motives and behavior fosters constructive relationships.**

The first action item is to openly recognize the unofficial dynamics of the organization. This can be done by organizing seminars where the diagnostic can be shared and confronted with the points of view of the various entities. This can be painful, of course, because people are generally quick to point out the failings of management at such meetings! However, the stakes are worth it. By lifting taboos, expressing the unsaid and recognizing different points of view, these meetings create the right conditions for constructive dialogue between units and with management:

- Management shows that it is open to discussion by recognizing the gap between actual behavior and official standards. This is an indication that feedback is welcome, even if it contradicts the official doctrine. Moreover, leaders appear to know what is going on by adopting this attitude, which bolsters their credibility.
- People realize that their own point of view is relative when they discover the viewpoints of

**Figure D**



other units. They then become more open minded, which reduces the risk of misunderstandings in discussions between units.

The identities of the various sub-units must be explicitly recognized. For units to collaborate, trust must be built, which requires that people feel their identity is recognized and respected. Otherwise, they waste a lot of energy on pure wariness, protecting themselves from possible attacks, or fighting against perceived threats from other units. Conversely, if the various identities are openly recognized and legitimized, a constructive climate can be established. Although this won't eliminate controversy or ensure trouble-free negotiations, all the cards are out on the table. Adjustments can then be made along the way as individuals express their respective points of view, including their feelings. People can then stop masking their real feelings and intentions.

## ► Establish common standards of reference

### **Build bridges between different cultures and identities.**

Joint analysis is the first essential step in getting units to collaborate better. In particular, this process facilitates discussion and mutual concessions by producing a common language to talk about respective expectations and views.

To further this process, management must promote standards of reference common to all units. This doesn't mean denying the existence of different cultures and identities, but rather building bridges between these cultures and fostering the consistency of the whole.

It is important to distinguish between the two approaches that can be adopted to this end:

**Figure E**

### **Create shared standards of reference**

There are several ways to create share standards of reference:

- ▶ Communicating strategy by top management
- ▶ Training managers
- ▶ Corporate "universities"
- ▶ Internal mobility programs
- ▶ Skill management programs
- ▶ A few simple, universal rules for reporting and management control
- ▶ Centralized supervision of important cross-company projects
- ▶ Quality programs
- ▶ Knowledge management programs

#### • **Define and promote common standards of reference.**

In this case, headquarters develops standards of reference designed to federate the entire company and obtain buy-in from all employees. For example, these standards of reference could be a set of values or behaviors taught through a company "university," akin to the AXA program. Another effective vehicle is federating change programs, such as Six Sigma or General Electric's Work-Out. **Figure E** provides further examples.

The advantage of such approaches is that top management can control their deployment. The disadvantage is that they attempt to force standards upon people. Therefore, even if most people comply, they remain fairly passive, because the standards have been imposed upon them from the top.

#### • **Foster the emergence of shared standards of reference.**

This passive attitude can be combated with a different approach. This involves cultivating shared standards of reference by fostering autonomous discussion between different units and employees. For example, in-depth evaluation interviews can be developed as a general practice to instill a climate of trust and improve relations between employees. More opportunities can also be created for various units to negotiate directly without going through the hierarchy. In this way, they learn to adjust to the needs of their internal

counterparts. Another possibility is to create clubs to exchange ideas and foster interdisciplinary debate in order to facilitate communication between units.

The time required to get results is a drawback to such techniques. However, a big plus is that they foster consistency by getting people truly engaged.

## ► Change the rules of the game

### **Official vehicles also have a major influence on the unofficial side of the company!**

Creating a collaborative environment sometimes takes more than just lifting taboos and creating favorable conditions for dialogue.

Some game rules may need to be changed, specifically in order to ensure consistency between stated values and actual practices.

#### • **Limit rules to the non-negotiable.**

Too many rules are dangerous. People confronted with a labyrinth of constraints tend to try to get around them, hence deepening the trench between the official view of the organization and how things really work.

It is important to identify "window dressing" and rules that everyone know are a sham in order to

reduce bureaucracy and give people more breathing room.

At the same time, company executives must ensure that a few key rules be respected. Company executives must therefore clarify these golden rules, in terms of structural and hierarchical roles, resource allocation, evaluation methods, etc., and firmly insist they be applied.

- **Modify structures.**

First and foremost, each unit must have what it needs to carry out its official assignment. Otherwise, there will be a natural gap between the official organization and the real world. For instance, this was the case for a company

whose account managers lost all credibility in the eyes of their customers, because the latter couldn't get discounts unless they short-circuited the system and negotiated directly with product managers. Each unit must also have enough room to adjust to the needs of its counterparts, thus creating an environment conducive to constructive internal negotiations.

Structural modifications can also play a symbolic role in influencing behavior, because they send a strong message about strategic priorities. Similarly, which people are chosen to fill key positions helps communicate the values and qualities the company is trying to promote.



Leaders are sorely tempted to believe that things really work according to the official rules they have established. After all, aren't people paid to obey the rules? It takes courage for executives to give up this belief, and particularly to admit that their measures may not always work because they don't control the real world. However, this is the price to pay to bridge the gap between management and the field and create a constructive, truly collaborative environment within the organization.

## commentary

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By Alain Keravel, Professor with HEC Group.

**A**s a practicing consultant, Gérard Pavy ferries his executive clients from one bank of the river to the other. They leave the familiar territory of a bureaucratic organization which ideally should give satisfaction, but which has become uncomfortable in practice, as a result of internal power struggles. Their destination is the Promised Land, free of the rocky shoals of bureaucracy.

Starting with this metaphor, Gérard Pavy recounts his vision of the unofficial side of the organization, in a non-academic style. His conclusions are based on organizational theories developed by researchers in sociology and general organizational policy. He cites numerous case studies from his consulting experience to illustrate how these theories are analyzed and implemented.

This voyage moves readers from an analysis of why the official rules of the organization malfunction, both in micro-management and macro-management terms, and gives them a glimpse of the prob-

lems along the way, before finally revealing what Gérard Pavy presents as the "integration leader" model.

Don't skip directly to the modeled solutions; the real essence of the book is in the description of the journey. In this, it faithfully reflects the recurrent challenge of the unofficial organization and its underlying rationale.

Particularly rich is the analysis chapter, whence the journey begins. It provides perspective on the impact of the tunnel vision of people within the company, as well as the malfunctions that can occur when some try to exercise control, within the general cultural and environmental context of the organization. This original combination of "micro" and "macro" perspectives (the individual as opposed to the organization as a whole) makes it easier to diagnose encountered integration challenges.

At the heart of this book is the set of rules adopted by the organization to guide or control behavior, e.g. procedures, directives, strategic

priorities and targets to attain. Another fascinating chapter illustrates the obstacles encountered during this journey, namely, how hard it is to change the ground rules followed by the players, to take account of shared values that contradict the rules, to adjust these rules in order to find the right balance between too much and too little integration within one organization.

However, the constant use of this metaphor forces readers to follow the author step by step in his successive metaphoric restatements – a process that may seem grating and redundant at times.

In conclusion, Gérard Pavy emphasizes the importance of the unofficial dimension in strategic business analysis. This is certainly a valuable lesson for us all!

# further development

Manageris e-xecutive subscribers will find in their personal Internet site the graphic slides presenting the key ideas for this synopsis, as well as the articles cited as further references.

## reading tips

**T**his book, written in French, offers some of the keys to understanding the unofficial dynamics of the company.

The author uses his experience as a consultant and organizational sociologist to explain the unofficial mechanisms that influence behavior every day, e.g. power struggles, identity crises, etc.

This is not an easy read, due to the highly conceptual style and use of technical or abstract vocabulary. In addition, the fact that the book is structured as a journey of initiation that leads from the banks of bureaucracy to the Terra Incognita of performance does not always facilitate the organization of ideas. Indeed, the metaphor sometimes complicates things further. Nonetheless, the presentation is clear

and well paced, offering many concrete examples and supporting illustrations to assist the reader.

► We advise against skipping chapter 1, a **valuable introduction** that provides a framework for the concepts that are developed later. It is here that the author develops the metaphor of **managers as architects**, suffering from an unquestioning belief in the official system. Chapter 5 develops this theme further. Readers may want to skim through chapter 2, which continues the introduction to the topic, provided they don't miss the general outline of the book on page 36.

► The keys to **deciphering the unofficial side** of the organization are discussed in chapters 3 and 6, e.g. tunnel vision, zones of uncertainty, identity, expectancy models,

etc. In our opinion, these chapters represent the very heart of the book and are a must read.

► To what extent does the unofficial side of an organization help or harm its performance? This is the topic of chapter 4, which emphasizes the quality of **collaboration across units**. This is supplemented by the **diagnostic guide** provided at the end of chapter 6.

► How can managers **influence the quality of unofficial practices**? Chapters 7 to 9 present the main vehicles of influence, distinguishing between two possible philosophies, i.e. exercising a direct influence on practices, or creating the conditions for the spontaneous emergence of value-added practices.

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## further reading

### Overcoming Organizational Defenses

Chris Argyris – Allyn & Bacon. (Book)

*Understand the obstacles to change and learning.*

### Knowledge for Action

Chris Argyris – Jossey-Bass. (Book)

*Overcome the obstacles to change and learning.*

### Creating a High Performance Operating Environment

Mercer Delta. (Article)

*A change management approach that takes account of the unofficial side of the organization.*

### La stratégie du projet latéral

Olivier d'Herbemont, Bruno César – Dunod. (Book)

*Overcome opposition to implement politically sensitive projects successfully.*

### The Unwritten Rules of the Game

Peter Scott-Morgan – McGraw Hill. (Book)

*Overcome the unwritten rules that govern behavior in the organization and that hinder change.*

### Balancing Corporate Power

McKinsey. (Article)

*Strike the right balance between organizational autonomy and collaboration.*

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Monthly publication of 2 original Manageris synopses.  
SA with a reg'd capital of €43,584  
Corp reg. # B 388 524 290  
Parity commission: 74245  
ISSN: 1243-3462  
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