



Power and Influence in Organizations

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**We pledge our honor that we have not violated the
Honor Code in preparation of this group project**

Introduction

This paper proposes to analyze how outsiders (consultants, in particular) are able to accumulate power and influence in an organization. Many theories and conventional wisdom support the idea that insiders are better positioned to exercise power and authority within the context of an organization. We have found that an outsider can bring fresh knowledge that is valued by insiders. Moreover, a reputation of independence, honesty and competence are all ingredients that are required for outsiders to build trust. As the consultant's reputation grows, the network of contacts starts to grow as well as its effectiveness. Our arguments are supported by (1) an interview with a successful consultant who over the years has built an impressive network; (2) discussions with executives with whom the consultant has worked; (3) observation and research of other materials, publications and published papers on the topic of outsiders versus insiders.

The subject for our case study is Harvey Bergholz, the Founder and President of Jeslen Corporation, a firm providing consulting services in the areas of Strategic Planning, Facilitation, Organization Design & Development, Process & Project Management, and HR Management & Development. We were provided Harvey's name through a contact working at a company to which Harvey provides Strategic Planning and Executive Coaching. We quickly learned that word of mouth is the process that has allowed Harvey to develop a business that provides services to Harris Bank, Hewitt, and several other large companies. Given this, we decided to study the role of networking to establish a broad client base, and examine Harvey's ability to influence decision making as an outsider. We also look at the transactional style used by Harvey in his work as a consultant.

Literature Review

Harvey has effectively developed a network with many structural holes. This network has allowed him to develop a business that has lasted for over thirty-seven years, entirely by word-of-mouth references. In this segment we look at Wayne Baker's guidelines for establishing strong networks, and how these techniques are visible in Harvey's set of contacts. One of Baker's reasons for promoting networking is that developing social networks leads to happiness, growth, satisfaction, and a meaningful life¹. This has certainly proved to be the case for Harvey, as his business networks led him to meet his wife, Kathy, in 1992.

Wayne Baker explains that word of mouth networking exerts a powerful influence in the decision-making process because it transmits meaning in multiple ways, via words, emotions, inflection, and body language. The channel is also interactive, allowing for two-way feedback through queries and replies, while offering source credibility, as recommendations are typically passed on through convincing sources – friends, colleagues, associates, or known experts. When a colleague makes a recommendation, that person effectively puts his or her “reputation” on the line. In addition, the recommender generally knows whether his or her tastes and preferences match those of the potential client, tying in to Cialidini's principle of similarity. Most importantly, every time one increases their network of direct contacts by a single person, they also tap into a vast network of indirect contacts.²

Harvey supports these theories through his own writings, calling the referral “the most valuable of all business generators” for four distinct reasons:

1. The act of being referred to others is validation of your value;
2. At the point you walk-in to meet the potential client, the relationship is half-formed and the engagement is already half-sold;
3. Referrals are your highest ROI marketing strategy, there is no cost attached to this type of marketing;
4. Referrals generate the highest-quality clients and engagements.

To further clarify the second point above, Harvey explains that the person making the recommendation tends to “sell” the referral, “We want our friends to know our own decision to employ the professional was a good one, and they, too, should have confidence in him or her”³.

Harvey’s structural tree shows how word of mouth has helped to build his business and demonstrates how key clients have been the source of repeated engagements and numerous referrals. In our interviews with Harvey’s clients, we repeatedly heard that they had, or would, refer Harvey to others with very specific comments, as the following list describes. Please also see the attached appendix of Harvey’s structural tree.

- Tony DiTomasso has recommended Harvey on a few occasions. Tony only recommends him when he hears of a problem that he feels Harvey can solve.
- Paul Fischer recommended Harvey indirectly to the Chairman/President of Rose Pharmaceuticals. He told him that Harvey is able to get a large group to talk positively, that he never inserted himself on the wrong side of an argument, and that he is very good at facilitating discussions and keeping the group focused on the problem on hand.
- Lee Synnott also recommended Harvey to others. His assessment of Harvey was that he was a “straight shooter”, a good listener, and gave honest feedback. He stressed that Harvey is good at asking the right questions and will work with his clients to state their objectives and then help plan how to achieve them. He also stated that Harvey is best suited to team-oriented organizations and those groups that would push back and work dynamically.
- Steve King has recommended Harvey on occasions, building upon his own experience with Harvey and their successful projects together.
- Michael Lowe has recommended Harvey to others proactively. He explains that Harvey has established credibility with all projects with which he was involved.

As a final note, Baker talks about the importance of follow up in word of mouth marketing. He says, “Polite persistence is required to build and maintain lines of

communication...to get your message out. You have to keep in touch...to build mutual understanding. Repeated interaction encourages cooperation”⁴. Harvey employs this practice in his engagements, contacting his clients after the engagement is complete. As Harvey’s client Lee Synnott stated, “Unlike any other consultant I have worked with, Harvey would continue to follow-up even after his assignment was over. He would inquire if everything went as planned. No other consultant ever did that. Harvey made sure that I was satisfied with his work.”

To understand the value Harvey brings to an engagement, it is important to understand why companies hire consultants. In “Consulting to Management”, Greiner and Metzger cite the following reasons given by clients for hiring consultants (via survey results):

1. Provide independence and unbiased judgment;
2. Present new ideas and a fresh approach;
3. Possess the ability to diagnose problems and evaluate solutions;
4. Perform tasks with technical skills infrequently needed;
5. Supplement present skills of staff and management;
6. Implement systems and train employees.⁵

The leaders we interviewed shared these points repeatedly, particularly stressing independence and the fact that consultants bring new ideas to the table. The following is a summary of the reasons Harvey’s clients cited for acquiring his services.

- Paul Fisher stated that skepticism of his own firm’s ability to tackle the problem, combined with the belief that people have blind spots with respect to their own organization, were the main reasons for hiring an outsider. He also believed that it was prudent to get a second opinion from an outsider.
- Steve King stated that Harvey possessed unique skills that couldn’t be found within the company and that they needed a trusted source for confidentiality purposes and to provide an objective perspective.
- Michael Lowe sought a third party point of view with the strength and independence to challenge the company’s established procedures. He believed that this was

necessary to eliminate sentiment and focus on practical solutions as opposed to relying on insiders that are emotionally invested in the company.

Beyond the independence and alternative point of view that are provided by the consultant, Greiner and Metzger point out that the success or failure of a consulting project depends on the multi-faceted skills that a consultant brings to the client's situation. If the consultant is not perceptive, does not communicate with sensitivity, or lacks up-to-date knowledge, the client's problems will not be solved.⁶ It is interesting to note that each of the subjects interviewed specifically cited Harvey's perceptiveness and broad knowledge as key factors related to his success in working for them.

Method / Limitations of Method

Our approach to this study, outside of the relevant research, consisted of an in-depth interview with Harvey followed by confidential discussions with several of his clients. Harvey agreed to meet with us and answer any questions over a two hour period, while the interviews with his clients were conducted via telephone. His clients were very willing to note their observations and spoke candidly about their experiences with Harvey. However, despite our attempts to garner negative feedback, very little was forthcoming.

Thus, the major limitation to this method is that of selection bias. Given Harvey's word-of-mouth networking, and independent set-up as an individual consultant, it was difficult to find clients that may have been disappointed with Harvey and the work that he performed. As Harvey's success stemmed from positive referrals, it follows that any clients that had negative comments would have fallen out of Harvey's structural tree and be unavailable to us for questioning. This limits our ability to seek disconfirming evidence that may cast doubt on the suggestion that an outsider can be more influential than an insider.

In addition, many of Harvey's clients, with whom we interviewed, are also his personal friends. This is certainly part of the reason they agreed to speak with us. Given this, it is unlikely that they would have shared negative anecdotes regarding Harvey and his work, in the fear that such stories would get back to Harvey and jeopardize their relationship.

Other limitations to our study include biases associated with memory – many of the clients we interviewed were not currently working with Harvey and their recollections of how he exerted influence may have been affected over time. However, regardless of the details of their memories, the general impression that each of Harvey's clients maintained was always positively enthusiastic. Furthermore, Harvey's success in establishing a career as he did speaks for itself and serves to allay many of the concerns of our study that we have described above.

Results

As we discussed earlier, the purpose of our study was to identify the manner in which an outsider is able to build power and influence within an organization. Additionally, we looked at how outsiders are able to take the resultant credibility and construct/expand their networks. Finally, we examined the transactional approach used by consultants. Through studying Harvey Bergholz, we have found clear evidence that an outsider can often be more influential and exert more power within an organization than many top executives at the client firm. However, an outsider's ability to exert such influence depends on having mastered many of the techniques associated with the study of power and influence. In Harvey's case, we found that he was exceptionally adept at such practices as described further below.

First, Harvey worked very hard at developing his reputation. He repeatedly stressed, particularly in his role as an independent consultant, that it is critical to build a strong reputation in order to generate further business through referrals. Knowledge can be easily bought, or even sub-contracted, while reputation can't. One can know everything in the world, but if no one knows that, one cannot make a living with it. The most effective form of marketing is word-of-mouth referrals, and that relies entirely on reputation. The general theme of Harvey's reputation is one based on trust and a willingness to be very direct, at times even brutally honest. As an outsider, Harvey is able to make the tough recommendations that insiders typically feel reluctant to make. For example, Harvey was recommended to the CEO of Innerpac, a specialty packaging company in Cicero, Illinois. The CEO was the largest stakeholder in the four-member ownership group and was the only senior executive who wanted to expand the business. His partners opposed him, wishing to sell the business instead, and Harvey was brought in to recommend an unbiased, best course of action for the company. After meeting Harvey, the CEO (Tony DiTomasso) felt strongly that he could be trusted and allowed Harvey to interview the other three partners at the firm. Harvey soon came to the conclusion that expansion was the best option, and as a result, recommended that Tony meet with his partners and flatly give them the choice to go along with the expansion or leave the firm. It was not an option that Tony had considered, given the close relationship that he had with his colleagues, but he nevertheless respected such

strong, pointed advice. After acting on Harvey's suggestion, the remaining partners decided to stay at the firm and the business has since been very successful.

Such action by Harvey strengthened his reputation as an honest, unbiased evaluator and led to his being recommended to others by Tony in the years since. Without Harvey's presence as a hired consultant, such a bold statement from Tony would likely have caused internal problems among the partners and may have caused them to sell the business. This is a clear example of an outsider being much more effective than an insider making the same recommendation. When the current CEO of Innerpac, Gene Marino, later took over Tony's position, he retained Harvey's services lending credence to the staying power of Harvey's approach and demonstrating how the success of an outsider can flourish into new opportunities both inside and outside a given organization.

As a side note, it is interesting to point out that Tony had no intention of hiring an outside consultant with respect to his company's problem. Harvey was recommended by a colleague of Tony's during a Young Presidents Club event after Tony had discussed his dilemma with his associates. This is not only an example of effective word-of-mouth networking, but it also highlights the fact that outsiders are not always considered to help with internal decisions despite the success they might bring.

Furthermore, Harvey, like Lyndon B. Johnson, was able to ask very detailed questions, the answers to which an insider might be "expected" to know. Insiders may risk projecting weakness in asking simple questions and may be viewed as a non-team player when asking challenging questions, especially in the situation where you are interacting directly with peers or superiors. Both LBJ and Harvey asked challenging questions, made careful notes of the responses, both in speech and body language, and were able to act accordingly in the absence of any fear of reprisals.

Harvey's ability to ask right questions at the right time to the right people intrigued Karen Stoeller when she first worked with Harvey. Today, after 24 years, Karen boasts of successfully referring Harvey to 27 contacts. "He does his homework. Every time he is talking with you he is writing a book on you", says Karen.

A second technique that Harvey employs to build his influence as an outsider is that he is able to build his network according to his own strengths. Harvey assembles his network by only accepting roles in which he feels capable of success. Such a tactic raises his actual probability of success and adds to his credibility when being referred by clients. This is in contrast to an inside employee who is expected to find the solution to any problem that he is asked to solve. Insiders do not have the luxury of selecting only the tasks to which they are best suited and, as a result, take much longer to build their reputations to the point that significantly enhances their ability to influence and exercise power.

However, once Harvey has accepted a job, he readily admits that he is somewhat of a chameleon. For example, once he begins working with a client, it may become clear to him that the CEO of the company is adamant that certain options are out of the question. This limits Harvey's effectiveness as he finds himself unable to make recommendations that he feels are in the company's best interest. However, if he states that he is unable to complete the task because he disagrees with the courses of action available to him, he risks damaging his reputation as a reliable consultant, which would have a negative impact on his ability to network. As a result, Harvey accepts the situation but states on the record his preferred plan of action. He then proceeds with his duties under the specified guidelines, appeasing the executives that hired him while at the same time trying to limit any potential damage.

For example, Harvey gave an account of a CEO who wished to cut costs by making large numbers of layoffs to offset the fact that a new product would have to be shelved. The CEO was concerned only with preventing the company from missing its earnings projections under his watch as Chief Executive, rather than demonstrating concern for the long-term viability of the company. Harvey adopted a transactional approach in this situation. He explained that it is not realistic to say, "I won't do this project"; which would be too idealistic. So, in this particular case instead of giving up he did a detailed analysis of the company by sector and recommend specific personnel cuts rather than reductions across the board. He was also successful in getting the company to double its severance package, allowing the CEO to appear as a humanitarian and preserving his reputation. This flexibility on Harvey's part

allows him to increase his influence without antagonizing his clients. Again, this is in contrast to insiders who are respected for consistency in their views and performance and are often expected to simply follow the desires of their superiors.

In addition, Harvey follows up with clients for whom he has completed a task to ensure that his solutions have been effectively implemented. This is essentially a combination of free advice for the customer and free advertising for Harvey. A consultant who is interested beyond the job is much more likely to be recommended in the future or hired again by the same contact, which was emphasized many times by the clients that we interviewed. This adds further credibility to the outsider as contacts within the firm are impressed by his genuine interest in the success of his recommendations. Insiders that repeatedly make queries as such, on the other hand, are often viewed as overbearing or accused of micro-managing their subordinates.

Having labeled Harvey as a “chameleon”, it is important to note that Harvey’s ability to listen and evaluate the situation is critical in his line of work and allows him to adapt his solution to the given circumstances. If he was ineffective at this aspect of his job, he would never have succeeded as he has. Harvey ensures that he probes the right sources of information and reflects on his findings before making recommendations. He has built a good foundation through fundamentals and experience, but he doesn’t force-fit a situation to his abilities. This further builds on his credibility and enhances his reputation as an honest, straightforward and no-nonsense consultant.

There are a number of techniques that Harvey utilizes on a consistent basis to increase his influence in an organization. Specifically, he asks questions about the decision process used within the firm, noting the organizational differences between those companies that rely heavily on financial projections and those that use broad strategy evaluations. From this, Harvey is able to pinpoint the real decision-makers and makes every effort to be liked by them in an attempt to become more influential. This relates directly to Cialdini’s theory of liking in order to exert influence. Once he has proved his credibility to the power groups, he is much more likely to make significant headway. As an outsider, Harvey is able to create a

new impression among the firm's key personnel, an option not available to insiders for whom the decision-makers have often already formed an opinion.

Another technique that Harvey used to a great effect was to employ a strategy of coaching the group to get to the decisions that he believed needed to be made. As Gene Marino mentioned in his interview with us, it is important that the group feels it reached a decision on its own. By adopting this technique, Harvey was able to build trust among the group members, allowing them to maintain credibility within the organization, while justifying his own value by leading the group to the appropriate conclusion. Harvey's style also helped to eliminate much of the tension that surfaces when an outsider is brought into a company, a key factor in determining the outsider's chances of success.

In addition, as an outsider, Harvey is able to deal with resistance in a unique way, unencumbered by the constraints encountered by insiders. This increases his flexibility, giving him a greater chance of being successful than otherwise. Harvey states that it is imperative to recognize where the resistance lies early in the process and to deal with it immediately. To do this, he interviews office personnel under strict rules of confidence, disposing of all notes and personal documents at the conclusion of his task. From his interviews, he is able to build individual profiles of those he must influence and be flexible in his interactions with them in order to play to their preferences. Harvey tends to approach his targets privately so as not to cause embarrassment in a boardroom setting and delivers his arguments in a non-confrontational manner, using numbers and graphs or strategic logic as appropriate. He feels that selection of the appropriate media and flexibility in format and presentation style are key factors in allowing him to overcome resistance. He is then able to make a strong, clear and detailed portrayal of his vision for his client's firm, without worrying that he will end up in an argument during the course of a presentation.

Again, such flexibility is more difficult for insiders. Employees of a company often use the same presentation style under the pretext of "this is how it's always been done here". If they deviate from the accepted and established methods, they are often questioned as to why they changed their style, an uncomfortable query to answer. As an outsider, Harvey can take

advantage of operating outside the usual restrictions, whether real or imagined, of a company's culture. He is not expected to comply with a company's set standards and as a result can use this flexibility to maximize his influence.

One of the client's that we interviewed said that often outsiders are very good at making recommendations but do not remain with the organization long enough to implement the necessary changes. He stated that Harvey certainly tried very hard to work within the constraints of the company but on occasion, his plans were not carried out due to budget limitations or internal conflicts of which he was unaware. He also declared that a consultant's job is only to recommend a certain course of action and this causes a disconnect between the outside consultant and the insiders at the firm who are entrusted with the burden of implementing the new procedures. However, he also admitted that Harvey was far superior to other consultants with whom his firm had worked at putting decisions into a business framework and even submitted an instruction manual on how to implement his recommendations. Overall, this client was of the opinion that Harvey's contributions dwarfed these minor drawbacks and has referred Harvey as opportunities have arisen.

The final comparison of Harvey's ability to influence compared to an insider deals with his transactional leader approach. The interview with Harvey is peppered with political and social commentary. It seems that if Harvey were to lead his own company, his approach might be a mixture of transformational and transactional. However, as a consultant, Harvey is required to use transactional interactions with his clients. Although Harvey is able to point to several clients for whom he has had many engagements over 1-2 decades, each engagement tends to be short-term in nature. His clients are calling him to help them solve a problem. Several of the clients we spoke with mentioned Harvey's ability to quickly work with decision makers and to provide advice in a given situation. Harvey is focused on understanding the business needs and providing a solution. In each of these situations, Harvey must use a transactional approach in accomplishing objectives.

In our interviews with Harvey's clients, we heard comments that indicated Harvey applied a transactional approach in his engagements:

- Michael Lowe notes Harvey is able to compromise and fit the solution into the existing constraints and is able to eliminate emotions and focus on a practical solution versus an insider who is emotionally invested in the company
- Paul Fischer stated that Harvey explains things in simple terms e.g. if we do X, Y, and Z then we would get A, B, and C. In addition, he focuses on the business rather than on individuals.
- Lee Synnott noted that Harvey was smart and understood who paid the bills.
- Karen Stoeller said Harvey is quick and his astute questions help more than those from traditional consultants who are hung up on their roadmaps.

Implications / Conclusions / Discussion of Results

As a result of our interviews and research we have learned that consultants are often praised for their second opinion and fresh approach to different challenges. Organizations value outside knowledge and sometimes rely fully on consultants for creativity and new solutions. In our interview with Harvey, he mentioned that he constantly keeps himself informed about consulting theory and techniques. As Daniel Levinthal and James March observe in “The Myopia of Learning”, there is a “positive loop between experience and competence”.⁷ Harvey is a perfect example of this principle. He constantly builds on his past assignments and does not focus on one industry. This variety empowers him to approach each situation more effectively. Moreover, because of his complex and unique network Harvey engages more frequently in different projects, therefore increasing his experience and competence.

Levinthal and March observe that successful adaptation in one situation may inhibit pressure to adapt in other situations and this creates specialization of learning competence. This principle of specialization and learning substitution could be applied to explain why organizations lose when they hire fast learners who quickly adapt and conform to the organization norms, hence the need for outside consultants. Therefore, in certain situations insiders could add value by not complying with the established procedures. Arguably,

organization could benefit from employees who “think outside the box” and take the role of outside consultants.

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Harvey Bergholz's Network

