

Stick This in Your Stovepipe

By Patrick Marren

Often when a society has utterly collapsed, the last remains of the civilization are the chimneys of the buildings. Similarly, when a business organization is in a state of imminent collapse, its vertical structures – its “stovepipes” – often remain in place, long after their usefulness has dissipated.

Stovepipes arise naturally at a certain size of organization. At a certain point in the growth of any organization, it is impossible to survive without a divisionalized structure, with different divisions reporting to the same authority. Some organizations, like the United States government, began (almost) immediately with a divisionalized structure; other organizations, like the Apple Computer Company, waited some time before instituting anything like a hierarchical structure. But the basic principle of division of labor exerts tremendous pressure on organizations to specialize, and with specialization come stovepipes.

The specialization inherent in each stovepipe tends to lead to an *esprit de corps* among its members. The better-led the stovepipe is, the more likely it is that it will be imbued with such a group spirit. Paradoxically, the stronger the team spirit is within each stovepipe, the more the team will come to see the rest of the organization as “outsiders” who “just don’t get it” and who cannot always be trusted.

Managements who fail to understand the tradeoff between necessary divisional team spirit and necessary information sharing within an organization are asking for serious trouble. The balance between the two desirable elements is tricky to manage under the best of circumstances; if a new chief executive has emerged from such a strong divisional culture, and is unable to shake off his or her divisional prejudices sufficiently to give other parts of the organization their due, he or she may set the company on a course towards disaster. A siege mentality can develop within stovepipes that feel neglected or put upon, and the best executives within these stovepipes may start to “vote with their feet,” causing a landslide within the division in question. Even if the new top executive has the best of intentions, the preconceived notions of the “un-chosen” stovepipes can quickly snowball into a self-fulfilling prophecy if care is not exercised.

But organizational information flow is an even bigger issue with respect to stovepipes. There is almost literally no organization that I have worked with that has not lamented its “stovepiped” nature. What they invariably are referring to is a situation in which, due to large organizational size, physical remoteness, or extreme specialization, different “stovepipes” begin to seek their own ends, irrespective of the good of the company as a whole, and also begin to hoard information that might be useful to people elsewhere in the organization.

This is a truly difficult problem, one of the most difficult in all of management. *Esprit de corps* is something that is absolutely necessary on the one hand, extremely difficult to maintain in groups of humans that have exceeded a certain size on the other hand, and on the third hand, it seems to require some “Other” out there against which to strive. When your company hits a certain size, and you are in Marketing, then the people in Finance may just start to look like dangerous aliens to you, and vice-versa.

Stovepipes quite often outlive their usefulness. Often in these cases they cause tremendous damage before they are finally knocked down. One obvious example is the United States government prior to – and, indeed, since – 9/11. Not only was information hoarded between one agency and another; it was hoarded in different parts of the same agency, the FBI being the most famous example. Individual agents in Minnesota and Arizona possessed information that might have foiled the plot, but the organization as a whole was not set up to share that sort of information. Indeed, when 9/11 hit, reports indicated that the Bureau’s information systems were incapable of e-mailing pictures of suspects, because systems budgets had been systematically pillaged to fund travel by agents to chase down leads, culturally a far more comfortable activity for the organization than sitting in front of a computer screen. (Al Qaeda’s computer systems were laboring under no such impediment – although they suffered from other problems, as we shall see.)

It is reported that problems of “stovepiping” continue to dog our government’s anti-terrorism efforts even today, four and a half years after 9/11. The problem is said to be particularly severe in the Department of Homeland Security, which is an amalgam of 22 separate agencies that had different homes prior to 9/11. Combining 22 different “stovepipes” in one department, and where necessary rearranging them, was never going to be an easy or short-term job. Even if Hurricane Katrina had not happened, shining a spotlight on real problems within some parts of the infant agency, and causing some to call for the Department’s disestablishment or yet another reshuffle, DHS would have been hard-pressed to create an organizational structure and ethos and common identity in less than a decade, if not more.

It is not that stovepipes are “bad,” or that organizations should be (or even can be) loose affiliations of Renaissance men and women. Stovepipes are absolutely necessary, in most cases. But even on the first day they are established, even in the best-organized companies, stovepipes are never a perfect match for corporate needs.

And from that first day on, unless the organization is uncommonly lucky, stovepipes start to lose relevance and “fit” at a steady rate as external forces change the environment within which the organization operates.

Knowing when reorganization is necessary is a difficult art. Almost always, stovepipes must be broken down and reassembled before most people are ready for the change. People, even creative people, are not generally comfortable with change to their daily routines. Probably this is because the rate of change we face today far exceeds that our forebears faced in the millennia prior to the development of Microsoft Office. It may have been tougher in the mastodon-hunting days, but the Clan of the Cave Bear was rarely re-engineered by groups of soulless consultants in Armani fur pelts.

Another aspect of the stovepipe issue is possibly related to Western culture (or more precisely, American or “Anglo-American” culture). We are used to competition in America, and we tend to distrust centralized control of institutions. We rely more on the local, and we have difficulty transferring our loyalties to large organizations. Those who live and work far from us we tend to regard with a measure of suspicion. It’s quite easy to turn this hint of suspicion into outright competition, even against another branch of our own organization.

And sometimes this competition is a good thing. Handled correctly, competition between stovepipes can be a very positive force within an organization. Competing R&D teams often lead a company to great success. Competing auto brands drove General Motors from triumph to triumph throughout most of the twentieth century, most notably during the first half of the century, when its “stovepiped” model of organization outdid Ford’s far simpler structure.

Again, the question is not “stovepipes or no stovepipes.” Stovepipes are unavoidable in most cases. Rather, the key is to premeditatedly choose the type of stovepiping that will accomplish your strategic goals – and to plan for its obsolescence. In addition, it helps to communicate to the organization that no particular structure is sacred, and that every structure can be expected to change in the none-too-distant future to a new system of “stovepipes.”

Still, despite the inevitability of stovepipes within organizations, I believe it significant that every single organization I have ever consulted to has expressed frustration with “stovepipes.” I have worked with too many different organizations (and types of organizations) for this to be occurring merely by chance. I have never heard a client bemoan a *lack* of stovepipes. It seems obvious that in the greater proportion of organizations, stovepiping is causing problems; therefore, there must be a countervailing force keeping those stovepipes in place despite the harm they are doing.

I believe that force is custom or habit. And that’s not all bad. Few human beings are able to re-invent their lives on a daily basis. A balance must be struck between custom and optimization of processes. The University of Chicago professor Mihaly Csikszentmihalyi has made a career studying the phenomenon of “Flow” (also the title of one of his best-selling books). Unless human activity is carefully designed, Csikszentmihalyi writes, it will either bore the actor with tasks that are too easy, or it will overwhelm him or her with tasks that are too hard. “Flow” is the optimal point between these two undesirable extremes – where the work is neither too hard to do well, nor so easy that it becomes boring.

In an ideal world, each specialized “stovepipe” would be able to migrate its specialized processes at a rate that was neither so slow as to be boring for its members, nor so fast that they could not keep up. The world we live in, alas, is not ideal, and in this vale of tears, in which externally-forced change appears to be permanently accelerating, the enforced pace of change seems to be outstripping that which is compatible with “flow.”

And this makes sense. Capitalism is, as Schumpeter wrote, a process of “creative destruction.” Without the “destructive” part of the process, it could not maintain its rate of “creation.” But “destruction” implies rejection of accepted modes of economic activity, and therefore disruption of the businesses and lives of those who were, just months or years before, happily living in a state of “flow.”

Hence the frequency with which we hear our clients complain of the curse of “stovepiping.” Any stovepipe has a specialty; and any specialty has specialists who are comfortable doing things in a certain way, and to heck with what the outside world says. But any codified way of doing something is composed of steps that the outside world is constantly seeking, via the creatively destructive action of capitalism, to compress, replace, or render irrelevant. This lack of congruence between the external demands of both markets and other stovepipes on the one hand, and the internal demands of the workers within the stovepipe on the other, causes tension across “stovepipe borders.”

Often specialists feel simultaneously a certain superiority over those unwashed people not within the stovepipe, and a sense of insecurity about the machinations of their rival stovepipes and the lack of understanding of their calling on the part of upper management (which is often seen as favoring rival stovepipes over “ours”).

When change accelerates, one possible reaction on the part of any stovepipe is to hoard information. In a world of a diminishing pie, where some slices are destined to shrink, if you believe that your “rival” stovepipe is conniving to reduce your slice and increase theirs, you may feel

compelled to withhold certain information that an outside observer might say should be shared for the good of the company.

Thus doth the tactical begin to consume the strategic within many organizations. If your company is large and dominant, and is lucky enough to be in a period of modest change, it can survive such infighting for quite a long time. American automakers in the 1950s and 1960s, IBM in the 1970s, and the pre-deregulation American air carriers survived internal disjunction of this type for long periods.

But if your company is not so blessed, then it will not survive this sort of internal contradiction for long. When internal rivalry is met with an external environment that demands rapid adjustment, the result can be a sudden switch from fruitful internal competition to a "Prisoner's Dilemma" situation, in which mutually suspicious "stovepipes" will cease cooperating – even when such cooperation would result in optimal mutual benefit – in order that each might avoid losing short-term internal tactical advantage to the other.

The essential tasks in the management of stovepipes, then, must be to keep the competitive instincts of stovepipes focused outward; to foster information-sharing between stovepipes (one means being the physical rotation of staff across stovepipes to create personal connections across the barriers); to make it quite clear by example that actions that harm the company as a whole in order to benefit a part of the

company will not be tolerated; and, above all, to maintain trust across the organization through constant frank communication from top to bottom and from "west" to "east."

Stovepipes are unavoidable, and can be useful. Abraham Lincoln kept his paperwork in his "stovepipe." But they can be dangerous too, as Lincoln allegedly found out in 1864 while observing the Battle of Fort Stevens. At six feet four inches, with his stovepipe hat making him seven feet tall, Lincoln stood on the parapet, watching smoke puffs from Confederate snipers, seemingly unafraid, even when an officer three feet from him was killed. A twenty-three year-old Oliver Wendell Holmes Jr., serving with the Union Army, not realizing it was the President, shouted, "Get down, you damned fool, before you get shot!" Lincoln rapidly complied, hitting the deck.

The lesson: stovepipes are useful, in their place... but the external world just may be trying to blow a hole in them, so pay attention.

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