

Reading and Shaping Informal Power

How to diagnose where informal influence actually sits, and redirect it toward sound decisions and collective performance.

Theory session

Advanced

Running case: LumenLedger



Where this session sits

2.2 addressed whether people speak; 2.3 asks whose voice actually carries

MODULE 1

From Founder to
Leadership System

MODULE 2

**Culture as an
Operating System**

MODULE 3

Strategic Continuity
Under Pressure

SESSIONS IN THIS MODULE

2.1

Engineering Culture Into Daily Work

Hiring signals, meeting practices, rituals and consequences

2.2

Candor Through Difficult Conversations

Conditions for dissent, and confronting problems directly

2.3

Reading and Shaping Informal Power

Redirecting informal influence toward sound decisions

YOU ARE HERE

What this session explains

Diagnosing influence that does not appear on the org chart

01

Power has identifiable sources

Six of them, only one of which is formal position.

02

Networks reveal what charts conceal

Advice, trust and information networks rarely match the reporting structure.

03

Dependence is the underlying mechanic

A's power over B is B's dependence on A — which is measurable.

04

Informal power can be redirected

Not eliminated. The realistic aim is to align it with sound decisions.

Six bases of power

French and Raven's taxonomy, which remains the most useful diagnostic available

LEGITIMATE	Authority from formal position. The only one on the org chart, and rarely the strongest.
REWARD	Control over what others want — budget, promotion, access, opportunity.
COERCIVE	Ability to impose cost. Effective at compliance, corrosive to voice.
EXPERT	Recognised competence others depend on. Frequently the dominant source in technical organisations.
REFERENT	Others want the relationship or the identification. Hard to build, hard to counter.
INFORMATIONAL	Control of what others need to know. Synapse's position exactly.

THE OVERLOOKED ONE

Informational

Whoever holds the records the system depends on has power regardless of contracts or hierarchy.

THE DIAGNOSTIC USE

Name the source before responding

Expert power is answered differently from reward power. Treating them alike is why influence attempts fail.

French, J. & Raven, B. (1959). The bases of social power. In Studies in Social Power. Ann Arbor: University of Michigan.

Power is the inverse of dependence

Emerson's formulation, which makes power analysable rather than mysterious

WORKING DEFINITION

A's power over B equals B's dependence on A — which rises with how much B needs what A controls, and falls with the availability of alternatives.

1

Criticality

How much does the other party need it?
Customer balance records are maximally critical at the moment of withdrawal.

2

Substitutability

Can they get it elsewhere? Partner banks could not reconstruct the records independently.

3

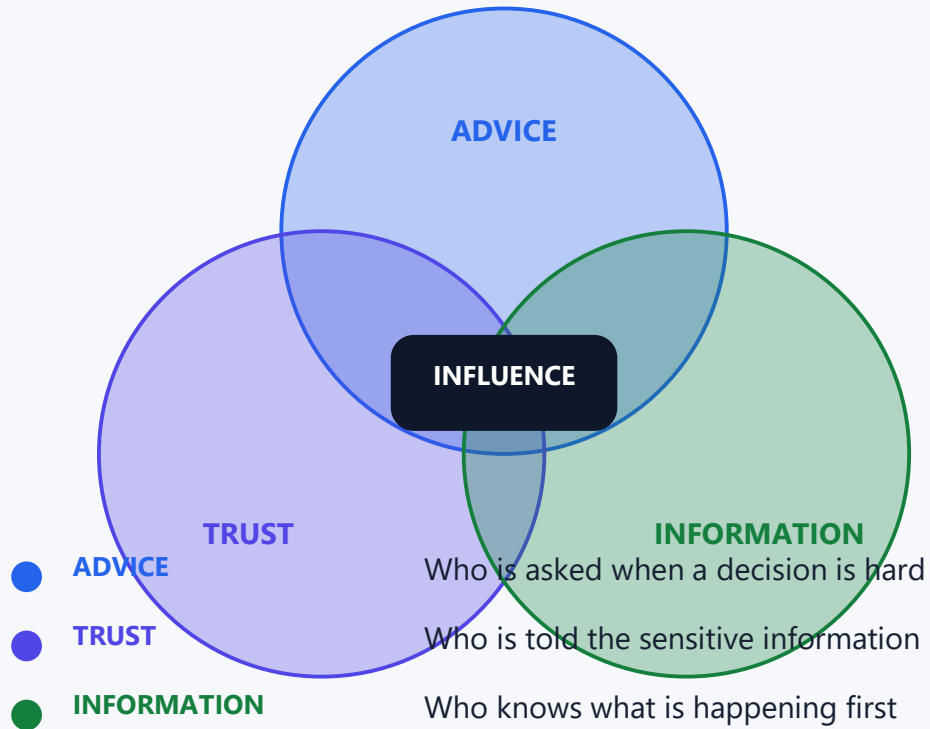
The implication

To reduce someone's power, create an alternative.
To increase your own, become harder to substitute — or hold what others need.

Emerson, R. (1962). Power-dependence relations. *American Sociological Review*, 27(1), 31–41.

Three networks, and why they differ

Map them separately; the overlap is where real influence sits



Krackhardt, D. & Hanson, J. (1993). Informal networks: the company behind the chart. Harvard Business Review, 71(4).

THE FINDING

They rarely align

The person most asked for advice is frequently not the person with the title — and both matter differently.

HOW TO MAP IT

Three questions, confidentially

Whom do you go to for advice? Whom would you tell bad news? Who tells you what is really happening?

THE INTERSECTION

Where change succeeds or fails

People central in all three can carry or block any initiative, regardless of their formal level.

Being central and being a broker

Two different structural positions, with different kinds of power

CENTRALITY

Many connections

GIVES

Reach, visibility and early awareness.

STRONG AT

Mobilising — getting something adopted quickly.

ITS LIMIT

Ties inside one group add little new information.

BROKERAGE

Spanning separate groups

GIVES

Non-redundant information, and control of what passes between groups.

STRONG AT

Novel combinations; negotiating between functions that do not talk.

ITS RISK

A broker who becomes the only channel is a single point of failure.

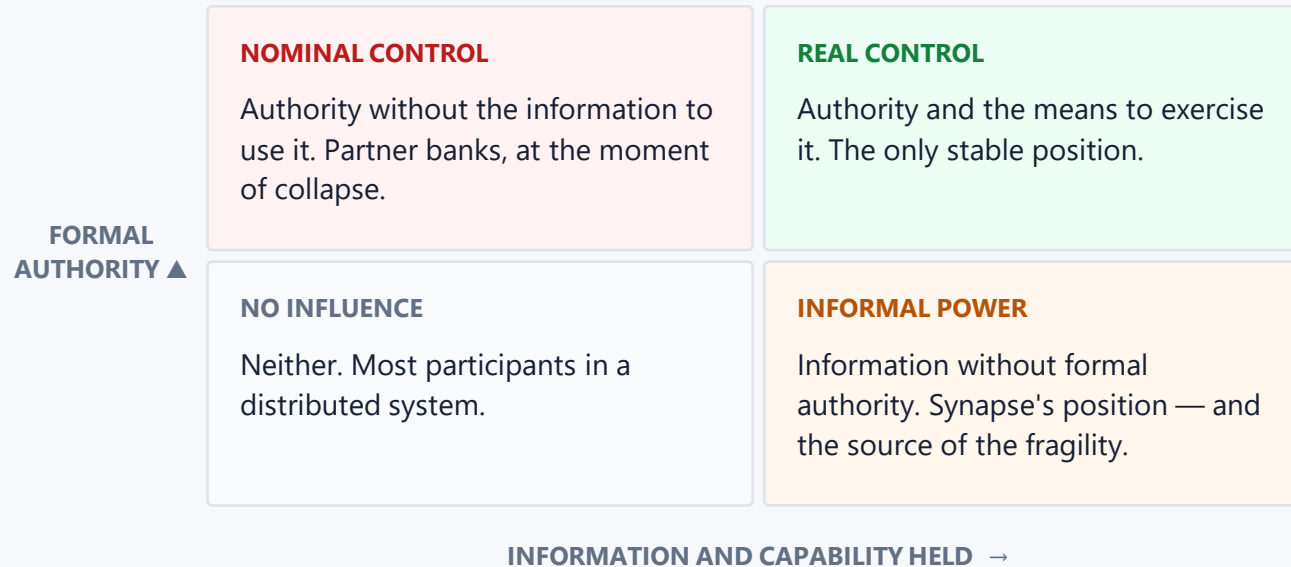
WHY BROKERS ARE VALUABLE AND RISKY

Burt's structural holes argument: the value is in spanning the gap, not in the number of ties — which also explains why a broker has an incentive to keep the gap open.

Burt, R. (1992). Structural Holes. Harvard University Press.

Nominal control and usable control

The Synapse test: who could actually act when it mattered



THE FAILURE

Authority that cannot be exercised

Banks held the funds and could not produce the records, so withdrawals were impossible regardless of who was legally responsible.

THE GENERAL TEST

Ask who could act tomorrow

Not who is responsible on paper — who has the information and capability to do the thing.

THE REMEDY

Move information toward authority

Either give the authority-holder the records, or give the record-holder accountability.

Working with informal power rather than against it

Four situations and the response that actually works

Situation	What not to do	What works
An influential sceptic blocks a change.	Route around them and announce anyway.	Involve them early enough that their objections shape the design.
Expertise is concentrated in one person.	Rely on it and hope.	Pair and document deliberately; reduce the dependence without diminishing the person.
A broker controls a critical handoff.	Formalise around them punitively.	Create a second channel, and make the broker's contribution visible.
Informal leaders contradict the stated direction.	Restate the direction more loudly.	Find out what they know that you do not — they are usually responding to something real.

THE ROW WORTH REMEMBERING

The last row is the most important. Informal resistance is usually informative before it is obstructive, and treating it as insubordination destroys the signal.

Influence, politics and manipulation

The distinction is whether the other party would object to knowing your method

LEGITIMATE INFLUENCE Evidence, coalition-building, appealing to shared goals. Transparent about method and intent.	ORGANISATIONAL POLITICS Advancing an interest through informal means. Neutral — how it is done decides.	MANIPULATION Withholding relevant information, misrepresenting support, or exploiting dependence.
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THREE TESTS BEFORE AN INFLUENCE ATTEMPT

Test	The question
Transparency	Would I be comfortable if the other party knew exactly how I was going about this?
Reciprocity	Would I accept this being done to me in the same situation?
Information	Am I withholding something the other party would need to decide well?

Three ways leaders misread power

Each produces initiatives that stall for reasons nobody can name

Reading the org chart

Looks like Aligning the named leaders and expecting adoption.

Why it fails Advice and trust networks rarely match the reporting lines.

Fix Map the three networks before launching anything.

Mistaking nominal for usable control

Looks like "We are accountable for that."

Why it fails Accountability without information or capability cannot be exercised — Synapse.

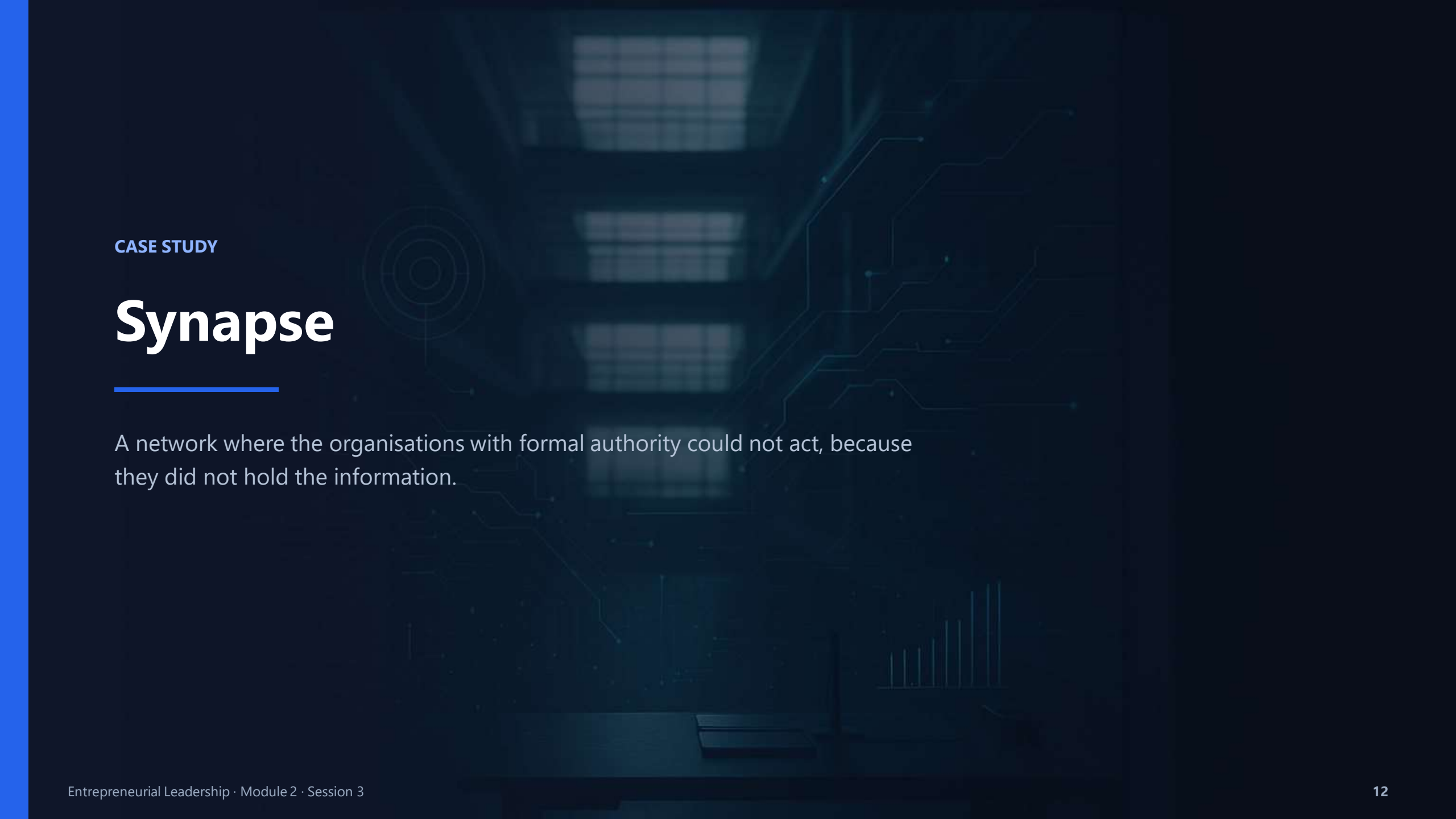
Fix Ask who could actually act tomorrow.

Treating resistance as insubordination

Looks like Pressing harder when informal leaders object.

Why it fails They usually know something the plan does not account for.

Fix Interview the resistance before overriding it.



CASE STUDY

Synapse

A network where the organisations with formal authority could not act, because they did not hold the information.

Authority without the records

Influence shaped by information as much as by contracts

FORMAL POSITION

Banks held the authority

THE STRUCTURE

Partner banks held customer funds; fintech platforms held the customer relationships.

NOMINAL CONTROL

Banks were central to customer access — legally and operationally the party that releases money.

THE DEPENDENCE

Several organisations depended on shared operational records maintained by an intermediary.

ACTUAL POWER

The intermediary held the records

WHERE INFLUENCE SAT

Synapse's middleware position concentrated operational importance in one party.

WHAT HAPPENED AT THE TEST

When Synapse collapsed, partner banks could not produce accurate customer balance records.

THE CONSEQUENCE

Withdrawals became effectively impossible for 100,000+ customers, despite the banks holding the funds.

READING THE CASE

Influence in a network is shaped by information as much as by contracts or position. Nominal control is not usable control, and the difference only becomes visible under stress.

Drawn from the session case pack.

Bringing the theory to LumenLedger

Diagnosing where influence actually sits

Step	What you do	LumenLedger example
Map three networks	Advice, trust, information — confidentially.	Two engineers appear in all three; neither is a manager.
Identify brokers	Who spans groups that do not otherwise talk.	One person connects partner operations and engineering — and is a single point of failure.
Test nominal vs usable control	Who could act tomorrow.	Compliance is accountable for fund attribution; engineering holds the reconciliation data.
Reduce critical dependence	Create alternatives without diminishing people.	Second engineer paired onto reconciliation; runbook documented.
Align information with authority	Move one toward the other.	Compliance gets direct read access to the break report, daily.
Engage informal leaders first	Before announcing, not after.	The two central engineers review any process change before it is proposed.

WHAT COMES NEXT

Module 3 turns to incentives, crisis and succession — where formal and informal power are tested hardest.

What to carry out of this session

1 Power has six sources; position is only one.
Expert and informational power usually dominate in technical organisations.

2 Power is the inverse of dependence.
To reduce someone's power, create an alternative — not a policy.

3 Map advice, trust and information separately.
They rarely match each other, and none matches the org chart.

4 Nominal control is not usable control.
Partner banks held the funds and could not release them.

5 Interview resistance before overriding it.
Informal resistance is usually informative before it is obstructive.

Sources for this session

Primary references behind each concept

BASES OF POWER	French, J. & Raven, B. (1959). The bases of social power. In <i>Studies in Social Power</i> .
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ORGANISATIONAL POWER	Pfeffer, J. (1992). <i>Managing with Power</i> . Boston: Harvard Business School Press.
RESOURCE DEPENDENCE	Pfeffer, J. & Salancik, G. (1978). <i>The External Control of Organizations</i> . New York: Harper & Row.
INFLUENCE	Cialdini, R. (2021). <i>Influence</i> (new and expanded ed.). New York: Harper Business.