THE WAKE-UP CALL

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„Who is the Most Powerful Person in A German Company?“: Informal Power, Legal Authority, and the Art of Recognizing True Influence

By Christian Rook

When I ask managers who they believe holds the power in their company, I get a wide range of answers. The CEO usually lets out a quick laugh and confidently says, “I do!”, only to look around the room, seeking approval.

When I follow up (by then, the CEO often looks disappointed, sensing his answer may not be the right one), the Head of Sales says, “The customer, of course!” That’s what he’s been taught. The CFO brings up the banks or the supervisory board. HR refers to the mission statement, which claims employees are at the center. And so it goes, with no one giving the truly correct answer.

The Seemingly Simple Answer

Let’s look at a scenario we encounter in Germany again and again, especially in change management or corporate transformations:

A company is in crisis. Revenue has dropped by 30%, one site is under review for closure, and the owners demand a restructuring plan within six weeks. The management team works around the clock: crisis meetings, external consultants, Excel marathons late into the night.

Every PowerPoint, every strategic paper contains the same line: **“Decision by Executive Management.”** They carry the responsibility. They hold the mandate from the owners. Their name is tied to success or failure.

So clearly, they’re the most powerful entity in the company. Or are they?

When Power Becomes Invisible

Three months later, the restructuring plan is finalized: reorganization of production, flexible working hours, new compensation model, layoffs. On paper, it's watertight, signed off by consultants, approved by the supervisory board. Management announces it’s time for implementation.

But… then… nothing happens.

Suddenly, it becomes clear: the most important voice belongs to someone who isn’t even mentioned in any management presentation.

Power Through Structure

In German companies with more than 20 employees, there is a parallel structure to the formal hierarchy: the works council ("Betriebsrat"). Not appointed, but elected. Not bound by instructions, but independent. Not easily terminated, but protected by special labor laws.

This structural distinction is crucial. While the CEO owes their position to the owners and can be replaced relatively quickly, the chair of the works council owes their position to the workforce.

And while executives come and go (the average CEO lasts four years, the average department head about two and a half), the works council often remains for decades. It survives reorganizations, changes in ownership, and strategic realignments. It is the institutional memory of the company.

Power of Veto

Back to our restructuring case: What management failed to factor into their planning now becomes painfully obvious.

Almost every measure affects co-determination rights. Working hours? Subject to approval. New pay structures? Requires negotiation. Monitoring software? Can be blocked entirely.

A "no" from the works council isn't a moral protest, it's a legally enforceable stop sign. Even a lawsuit at the labor court won't help much: proceedings take months, the company loses valuable time, and the works council often wins.

Anyone who holds veto power holds real power. Not always the power to create, but always the power to stop. And that is often even more powerful.

Power Through Knowledge

The works council knows things that don't appear in any management report. They're aware of informal influencers, hear cafeteria gossip, sense when teams are burned out or when a department has mentally checked out.

This information is gold, and it doesn't automatically flow upward. In fact, the works council often knows more than the management team.

Management Bears the Pressure

The supervisory board starts accounting for the projected savings as soon as the plan is approved. But the pressure to deliver results lies squarely with management. And almost every impactful measure requires co-determination. Without the works council's tolerance, or better yet, cooperation, the plan is doomed.

And: there are no statutory deadlines for these processes. A clash with the works council, especially when management assumes it holds all the power, leads to delays, expert opinions, arbitration boards. It takes time. And runs counter to all stakeholder expectations.

Time usually works in the works council's favor, not management's.

"Let's Just Vote Them Out"

I've seen managers who were openly hostile toward the works council. They didn't want to "give up" any of their power. This often ended in chaos.

At one company, the regional director had a strong dislike for the head of the works council and his team. He launched a (legally questionable) campaign to force new elections. The workforce was mobilized, quietly. It came down to a list vote: List 1 was the current works council, List 2 consisted of the manager's "loyalists."

For six months, the company focused almost entirely on this election, and not on its actual problems. The result was clear: List 1 was re-elected with a strong majority. The works council came out even stronger than before.

The Inconvenient Truth

So who really holds the most power in a company?

The CEO? He can make decisions, but not always implement them. And he can be replaced overnight.

The CFO? He can freeze budgets, but he can't win hearts.

The Head of Sales? He brings in revenue, but can't overcome internal resistance.

Or the chair of the works council? He doesn't lead strategically, but he can derail any strategy. He controls no budget, but he controls acceptance. He is the only one who cannot simply be replaced.

The Paradox of Modern Leadership

The higher someone climbs in the hierarchy, the more dependent they become: on the capital markets, on their superiors, on quarterly targets. Only the works council is independent, except from their voters. And those voters sit next to them in the cafeteria.

Conclusion

The most powerful person in a company is rarely the one with the biggest office. It's the one with the deepest roots. The one whose approval you need, but can't buy.

Answer to the original question:
The most powerful person in a company is often not the one who makes the decision,
but the one who decides whether that decision becomes reality.
And in most German companies, that's the **works council**.

How to Work with a Works Council

The works council is not an adversary but an institutional partner. Those who collaborate with them are far more likely to implement change successfully and sustainably. The key is recognizing what this article aims to convey: that the works council is the most powerful institution in the company.

Once we know and accept that, we can work more effectively. Also: the most powerful person in the company deserves respect, **genuine** respect.

Here are a few guiding principles:

- **Early involvement:** The works council should be informed and included as early as the idea stage, not just during implementation.
- **Regular meetings:** Weekly 1:1 or 1:2 meetings with the chair(s) build trust and continuity.
- **Ad hoc consultations:** For urgent or unexpected developments, the works council must be looped in immediately. Delays cost time and trust.
- **Transparent communication:** Openness, even about difficult issues, strengthens the relationship.
- **Building trust:** Honesty, respect, and personal integrity pay off in the long run.
- **Quick response time:** When misunderstandings or conflicts arise, use a direct line. Don't wait, speak up.
- **Joint initiatives:** Working groups and shared projects create ownership and a sense of partnership.
- **Listen actively:** The works council often has better insight into employee sentiment than middle management. They have no incentive to lie, on the contrary, their credibility depends on their integrity.
- **Respect the role:** The works council isn't "in the way", it's part of the path. Leaders who internalize this will lead more successfully.

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