Introduction

The nature and quality of leadership, in the sense of statesmanship, is an elusive but persistent theme in the history of ideas. Most writers have centered their attention on political statesmen, leaders of whole communities who sit in the high places where great issues are joined and settled. In our time, there is no abatement of the need to continue the great discussion, to learn how to reconcile idealism with expediency, freedom with organization.

But an additional emphasis is necessary. Ours is a pluralist society made up of many large, influential, relatively autonomous groups. The United States government itself consists of independently powerful agencies which do a great deal on their own initiative and are largely self-governing. These, and the institutions of industry, politics, education, and other fields, often command large resources; their leaders are inevitably responsible for the material and psychological well-being of numerous constituents; and they have become increasingly public in nature, attached to such interests and
dealing with such problems as affect the welfare of the entire community. In our society the need for statesmanship is widely diffused and beset by special problems. An understanding of leadership in both public and private organizations must have a high place on the agenda of social inquiry.

The scientific study of large organizations is certainly not neglected. Much has been learned in the fields of industrial management and public administration. Recent years have seen a lively interest in new approaches to scientific management and in the development of a "theory of organization." Among students of political science, sociology, economics, and business administration there is a steady search for fresh ways of looking at organization, for new "models" to help us achieve a better use of human resources and a more adequate understanding of decision-making.

Much of this interest has quite practical roots. The question most often asked or implied is: How can we make our organizations more efficient? How can we improve incentives, communication, and decision-making so as to achieve a smoother-running operation? How can we do the job most surely and at the least cost? This is a necessary and reasonable quest, for there is no doubt that most organizations operate at levels well below their potential capacity.

But does a preoccupation with administrative efficiency lead us to the knottiest and most significant problems of leadership in large organizations? Should efficiency be the central concern of the president of a university or a large business, the head of a government agency or the director of a voluntary association? Are we getting at what is truly
basic in the experience of institutional leaders? Are we helping to improve the self-knowledge—and thereby the competence—of men charged with leadership responsibilities? Are we able to link the development of managerial skills to the larger problems of policy? This essay is an attempt to deal with these questions by exploring the nature of critical decisions and of institutional leadership.

As we ascend the echelons of administration, the analysis of decision-making becomes increasingly difficult, not simply because the decisions are more important or more complex, but because a new "logic" emerges. The logic of efficiency applies most clearly to subordinate units, usually having rather clearly defined operating responsibilities, limited discretion, set communication channels, and a sure position in the command structure. At these lower levels we may expect to find effective use of rather simple devices for increasing efficiency and control; and it is here that scientific techniques of observation and experiment are likely to be most advanced and most successful.

The logic of efficiency loses force, however, as we approach the top of the pyramid. Problems at this level are more resistant to the ordinary approach of management experts. Mechanical metaphors—the organization as a "smooth running machine"—suggest an overemphasis on neat organization and on efficient techniques of administration. It is probable that these emphases induce in the analyst a trained incapacity to observe the interrelation of policy and administration, with the result that the really critical experience of organizational leadership is largely overlooked. This may explain the coolness with which organizational studies are often received by leading administrators, particularly
when these studies deal with top command and staff areas. Much of this coolness undoubtedly stems from a natural reaction against proposed changes which may threaten vested interests. Yet there is also a feeling among administrators that the studies offered are naïve and irrelevant, perhaps because they apply a logic which does not adequately reflect the real problems that the administrator himself must face.

The search for a fresh approach to administration has led to a considerable interest in “human relations.” This interest has brought about a wider understanding of why people work and how they get along together, particularly in small-scale group settings. The characteristics of small groups, especially the psychological aspects of communication and perception, have received much emphasis. There is no doubt that this work can and does tell us much about the human problems of participation in organizations. But the observer of large enterprises, if he tries to see them whole, is left with a sense of inadequacy. He feels a need to look beyond personal relations to the larger patterns of institutional development. Yet he knows also that no social process can be understood save as it is located in the behavior of individuals, and especially in their perceptions of themselves and each other. The problem is to link the larger view to the more limited one, to see how institutional change is produced by, and in turn shapes, the interaction of individuals in day-to-day situations. The closer we get to the areas of far-reaching decision, the greater is the need for this deeper and more comprehensive understanding of social organization.

The argument of this essay is quite simply stated: The executive becomes a statesman as he makes the transition from administrative management to institutional leadership.
This shift entails a reassessment of his own tasks and of the needs of the enterprise. It is marked by a concern for the evolution of the organization as a whole, including its changing aims and capabilities. In a word, it means viewing the organization as an institution. To understand the nature of institutional leadership, we must have some notion of the meaning and significance of the term “institution” itself.

Organizations and Institutions

The most striking and obvious thing about an administrative organization is its formal system of rules and objectives. Here tasks, powers, and procedures are set out according to some officially approved pattern. This pattern purports to say how the work of the organization is to be carried on, whether it be producing steel, winning votes, teaching children, or saving souls. The organization thus designed is a technical instrument for mobilizing human energies and directing them toward set aims. We allocate tasks, delegate authority, channel communication, and find some way of co-ordinating all that has been divided up and parcelled out. All this is conceived as an exercise in engineering; it is governed by the related ideals of rationality and discipline.

The term “organization” thus suggests a certain bareness, a lean, no-nonsense system of consciously co-ordinated activities. It refers to an expendable tool, a rational instrument engineered to do a job. An “institution,” on the other hand, is more nearly a natural product of social needs and pressures—a responsive, adaptive organism. This distinction is a matter of analysis, not of direct description. It does not

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mean that any given enterprise must be either one or the other. While an extreme case may closely approach either an "ideal" organization or an "ideal" institution, most living associations resist so easy a classification. They are complex mixtures of both designed and responsive behavior.

When we say that the Standard Oil Company or the Department of Agriculture is to be studied as an institution, we usually mean that we are going to pay some attention to its history and to the way it has been influenced by the social environment. Thus we may be interested in how its organization adapts itself to existing centers of power in the community, often in unconscious ways; from what strata of society its leadership is drawn and how this affects policy; how it justifies its existence ideologically. We may ask what underlying need in the larger community—not necessarily expressed or recognized by the people involved—is filled by the organization or by some of its practices. Thus, the phrase "as a social institution" suggests an emphasis on problems and experiences that are not adequately accounted for within the narrower framework of administrative analysis.

Perhaps a classic example is the analysis of a political constitution as an institution. In such an inquiry the social and cultural conditions (class structure, traditional patterns of loyalty, educational level, etc.) that affect its viability are studied. We see how the formal charter is given life and meaning by the informal "social constitution" in which it is imbedded. When the latter is absent, the constitution is likely to be weak and ineffective. Giving life to a constitution is partly a matter of achieving general consensus regarding proper ways of winning power and making laws.
But much more is also involved. The working of the American constitutional order cannot readily be grasped without understanding the function of the party system in accommodating diverse interests, in blunting the edge of ideological conflicts, in winning for the community a progressive erasure of old issues as new ones arise. Proposals to change the parties into single-minded ideological instruments strike at the institutional basis of the political order. These and similar problems have long been recognized. It is important, however, to make the transition from these great constitutional issues to the less dramatic problems of administration that also arise from the interplay of formal or legal systems and their social environments.

An awareness of the social setting of administrative activity goes beyond “public relations.” The latter phrase suggests practices that leave the organization intact, essentially what it has always been, using routine devices for smoothing over difficulties with groups on whom it is dependent. Indeed, much is accomplished in this way. But when an enterprise begins to be more profoundly aware of dependence on outside forces, its very conception of itself may change, with consequences for recruitment, policy, and administrative organization at many levels. As a business, a college, or a government agency develops a distinctive clientele, the enterprise gains the stability that comes with a secure source of support, an easy channel of communication. At the same time, it loses flexibility. The process of institutionalization has set in.

The relation of an organization to the external environment is, however, only one source of institutional experience. There is also an internal social world to be considered. An
organization is a group of living human beings. The formal or official design for living never completely accounts for what the participants do. It is always supplemented by what is called the “informal structure,” which arises as the individual brings into play his own personality, his special problems and interests. Formal relations co-ordinate roles or specialized activities, not persons. Rules apply to foremen and machinists, to clerks, sergeants, and vice-presidents, yet no durable organization is able to hold human experience to these formally defined roles. In actual practice, men tend to interact as many-faceted persons, adjusting to the daily round in ways that spill over the neat boundaries set by their assigned roles.

The formal, technical system is therefore never more than a part of the living enterprise we deal with in action. The persons and groups who make it up are not content to be treated as manipulable or expendable. As human beings and not mere tools they have their own needs for self-protection and self-fulfillment—needs that may either sustain the formal system or undermine it. These human relations are a great reservoir of energy. They may be directed in constructive ways toward desired ends or they may become recalcitrant sources of frustration. One objective of sound management practice is to direct and control these internal social pressures.

The relations outlined on an organization chart provide a framework within which fuller and more spontaneous human behavior takes place. The formal system may draw upon that behavior for added strength; it will in its turn be subordinated to personal and group egotism. Every official and employee will try to use his position to satisfy his
psychological needs. This may result in a gain for the organization if he accepts its goals and extends himself in its interests. But usually, even in the best circumstances, some price is paid in organizational rigidity.

Similarly, when a technically devised organizational unit becomes a social group—a unity of persons rather than of technicians—newly deployable energy is created; but this, too, has inherently divisive and frustrating potentialities. For the unity of persons breaks through the neat confines of rational organization and procedure; it creates new strivings, primarily for the protection of group integrity, that exert an unceasing influence on the formal pattern of delegation and control. This search for security and fulfillment is reflected in the struggle of individuals for place and preferment, in rivalry among units within the organization, and in commitment to ingrained ways of behaving. These are universal features of organizational life, and the problems they raise are perennial ones.

Of these problems, organizational rivalry may be the most important. Such rivalry mobilizes individual egotism while binding it to group goals. This may create a powerful force, threatening the unity of the larger enterprise. Hence it is that within every association there is the same basic constitutional problem, the same need for an accommodative balance between fragmentary group interests and the aims of the whole, as exists in any polity. The problem is aggravated in a special-purpose enterprise because the aims of the whole are more sharply defined, and therefore more vulnerable to divisive activity, than in the natural community.

Organizational rivalry has received a great deal of atten-
tion in connection with efforts to unify the United States military establishment. This case is especially instructive, because throughout the discussion the positive value of competition among military agencies has been emphasized. The rivalry in question here does not pertain primarily to combat or low-echelon units, but rather to "headquarters" competition involving the struggle for funds and prestige among the services.

What arrangements, it is asked, will best protect legitimate competition among military services, yet maintain the needed integration of strategic and tactical planning? This broad question depends in turn on others: Who are the key participants in various kinds of organizational rivalry? Of what value is integrated training and should it take place at low levels or at high levels in the command structure? Do weak technical services need special protection against stronger rivals? What can this protection consist of? These and many similar "constitutional" problems arise because of the natural tendency for parochial, self-protective interests of subordinate individuals and groups to be given an undue priority. As in all constitution-making, the problem is to fit this spontaneously generated competition into a framework that will hold it to the interests of the whole.

Once we turn our attention to the emergence of natural social processes within a formal association, and the pressure of these on policy, we are quickly led to a wide range of interesting questions. Thus, the tendency for a group to develop fixed ways of perceiving itself and the world, often unconsciously, is of considerable importance. With this sort of problem in mind, a study of a military intelligence agency, for example, can go beyond the more routine aspects

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of administrative efficiency. The study should also consider whether any institutional factors affect the ability of the agency to ask the right questions. Are its questions related to a general outlook, a tacit image of itself and its task? Is this image tradition-bound? Is it conditioned by long-established organizational practices? Is there a self-restricted outlook due to insecurities that motivate a safe (but narrow and compartmentalized) concept of military intelligence? A study of these problems would explore the conditions under which organizational self-protection induces withdrawal from rivalry rather than participation in it. More needs to be known about such pathological withdrawal for it, too—no less than excessive rivalry itself—may frustrate the rational development of organizations and programs.

The dynamics of organizational rivalry—not the mere documentation of its existence—has received very little systematic attention. This is a good example of an area of experience not adequately accounted for within the conceptual framework of administrative analysis. Organizational struggles are usually thought of as adventitious and subversive. This outlook inhibits the development of a body of knowledge about organizational rivalry, e.g., stating the conditions and consequences of factional victory, defeat, and withdrawal, or indicating the way external pressures on an organization are reflected in internal controversy.

A similar sensitivity to internal social needs is assumed when we raise the issue in an even more delicate form: Does the conventional organization of military services according to distinctive weapons result in the espousal of self-serving strategies? If there is an intimate relation between strategy and capability, then the strategically unguided
development of weapons may create ultimately undesirable commitments to strategies that depend on these weapons. Is it not worth inquiring whether the ability to adapt military planning—including, especially, research and development—to politically significant goals is not inhibited by this organization of the services? The tendency to emphasize methods rather than goals is an important source of disorientation in all organizations. It has the value of stimulating full development of these methods, but it risks loss of adaptability and sometimes results in a radical substitution of means for ends. Leaders may feel more secure when they emphasize the exploitation of technical potentialities, but the difficult task of defining goals and adapting methods to them may be unfulfilled. This is so because the definition of goals requires an appraisal of many co-ordinate objectives—for example, political as well as military—whereas technical development can be more comfortably single-minded.

Taking account of both internal and external social forces, institutional studies emphasize the *adaptive* change and evolution of organizational forms and practices. In these studies the story is told of new patterns emerging and old ones declining, not as a result of conscious design but as natural and largely unplanned adaptations to new situations. The most interesting and perceptive analyses of this type show the organization responding to a problem posed by its history, an adaptation significantly changing the role and character of the organization. Typically, institutional analysis sees legal or formal changes as recording and regularizing an evolution that has already been substantially completed informally.

Thus the emergence of the Operations Division as Gen-
eral Marshall's command post, eclipsing other sections of the General Staff, is an important theme in Cline's institutional history of that agency. In this work we see the contending forces, the changing problems of command, the informal accommodations of interest and power, all contributing to a developing pattern that was largely "in the cards." A similar study of the present Joint Chiefs of Staff organization would attempt to discern the direction of its evolution, keeping in mind as a hypothesis the potential emergence of a single chief for all the services. Such an analysis of a Research and Development Board would take account of the inherent instability of advisory bodies, the pressures for integration into the military command structure and for providing an immediate operational pay-off, as well as the possibilities of allaying these pressures without sacrificing the basic character of the agency.

Throughout, emphasis is on the group processes at work—how they generate new problems and force new adaptations. This emphasis on adaptive change suggests that in attempting to understand large and relatively enduring organizations we must draw upon what we know about natural communities. In doing so we are led to consider such matters as the following:


3 Although realistic studies of such organizations are not readily feasible (though not excluded) even at much lower echelons, historical analyses of similar but less "sensitive" agencies can provide a more adequate basis for organization planning. A program of case studies, guided by theoretical sophistication and alertness to significant problems, can provide the data needed. An important beginning along these lines has been made by the Inter-University Case Program under the direction of Harold Stein. See his Public Administration and Policy Development (New York: Harcourt, Brace, 1952).
1. The development of administrative ideologies as conscious and unconscious devices of communication and self-defense. Just as doctrinal orthodoxies help natural communities to maintain social order, so, too, in administrative agencies, technical programs and procedures are often elaborated into official “philosophies.” These help to build a homogeneous staff and ensure institutional continuity. Sometimes they are created and manipulated self-consciously, but most administrative ideologies emerge in spontaneous and unplanned ways, as natural aids to organizational security. A well-formulated doctrine is remarkably handy for boosting internal morale, communicating the bases for decisions, and rebuffing outside claims and criticisms.

2. The creation and protection of elites. In the natural community elites play a vital role in the creation and protection of values. Similarly, in organizations, and especially those that have or strive for some special identity, the formation of elites is a practical problem of the first importance. Specialized academies, selective recruiting, and many other devices help to build up the self-consciousness and the confidence of present and potential leaders. However, again as in the natural community, counter-presures work to break down the insulation of these elites and to warp their self-confidence. A problem of institutional leadership, as of statesmanship generally, is to see that elites do exist and function while inhibiting their tendency to become sealed off and to be more concerned with their own fate than with that of the enterprise as a whole. One answer, as in the Catholic Church, is to avoid selectivity in the choice of leaders while emphasizing intensive indoctrination in their

*See pp. 119–130.*

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training. The whole problem of leadership training, and more generally of forming and maintaining elites, should receive a high priority in scientific studies of organization and policy.

3. The emergence of contending interest-groups, many of which bid for dominant influence in society. The simple protection of their identity, and the attempt to control the conditions of existence, stimulate the normal push and pull of these groups; and the bid for social dominance is reflected in the crises that signify underlying shifts in the distribution of power. The same natural processes go on within organizations, often stimulating the rivalry of formal administrative units, sometimes creating factions that cut across the official lines of communication and command. Here, too, there is normal day-to-day contention, and there is the attempt to become the dominant or "senior" unit, as when a personnel department replaces an accounting division as the source from which general managers are recruited; or when a sales organization comes to dominate the manufacturing organization in product design. These changes cannot, however, be accounted for as simply the products of bureaucratic maneuver. The outcome of the contest is conditioned by a shift in the character and role of the enterprise. Many internal controversies, although stimulated by rather narrow impulses, provide the channels through which broader pressures on the organization are absorbed.

The natural tendencies cited here—the development of defensive ideologies, the dependence of institutional values on the formation and sustaining of elites, the existence of internal conflicts expressing group interests—only illustrate
the many elements that combine to form the social structure of an organization. Despite their diversity, these forces have a unified effect. In their operation we see the way group values are formed, for together they define the commitments of the organization and give it a distinctive identity. In other words, to the extent that they are natural communities, organizations have a history; and this history is compounded of discernible and repetitive modes of responding to internal and external pressures. As these responses crystallize into definite patterns, a social structure emerges. The more fully developed its social structure, the more will the organization become valued for itself, not as a tool but as an institutional fulfillment of group integrity and aspiration.

Institutionalization is a process. It is something that happens to an organization over time, reflecting the organization's own distinctive history, the people who have been in it, the groups it embodies and the vested interests they have created, and the way it has adapted to its environment. For purposes of this essay, the following point is of special importance: The degree of institutionalization depends on how much leeway there is for personal and group interaction. The more precise an organization's goals, and the more specialized and technical its operations, the less opportunity will there be for social forces to affect its development. A university has more such leeway than most businesses, because its goals are less clearly defined and it can give more free play to internal forces and historical adaptation. But no organization of any duration is completely free of institutionalization. Later we shall argue that leadership is most needed among those organizations, and in those