Second Edition

Managing an Organization

Theodore Caplow

An updated, completely revised edition of the classic *How to Run Any Organization*

Managing an Organization

SECOND EDITION

Theodore Caplow

University of Virginia

Holt, Rinehart and Winston
New York • Chicago • San Francisco • Philadelphia
Montreal • Toronto • London • Sydney
Tokyo • Mexico City • Rio de Janeiro • Madrid

Library of Congress Cataloging in Publication Data

Caplow, Theodore.
Managing an organization.

Rev. ed. of: How to run any organization. 1st ed. c1976.
Bibliography: p.
Includes index.
1. Management. 2. Organization. I. Title.
HD31.C343 1983 658.4 83-30

ISBN 0-03-058578-3 (General Book edition)

ISBN 0-03-059729-3 (College edition)

Address correspondence to:
383 Madison Avenue
New York, N.Y. 10017

Printed in the United States of America
Published simultaneously in Canada
3 4 5 6 059 9 8 7 6 5 4 3 2 1

CBS COLLEGE PUBLISHING
Holt, Rinehart and Winston
The Dryden Press
Saunders College Publishing

Managing an Organization

Contents

CHAPTER THREE

Productivity 80

CHAPTER FOUR

Morale 115

CHAPTER FIVE

Change 158

Introduction

In authority, in power, in charge,
in control, in command,
at the head, at the helm,
at the wheel, in the saddle . . .
Excerpt from *Roget's Thesaurus*

Whom This Book Is For

This book is for any man or woman who is head of an organization. The organization may be as small as a racing crew or as large as a multinational corporation; the principles of management will be the same and the difficulties to be overcome will be similar.

Most books about management attempt to show executives and administrators at all levels how to perform their assignments efficiently and how to work effectively with superiors, equals, and subordinates. This book has nothing to say about working with superiors and equals; it assumes that you, the reader, are supreme in your domain. Even though the organization you lead may be part of a larger organization, this volume has nothing to say about getting along with capricious superiors and competitive colleagues. It is solely concerned with the challenging problem of how you can run your own organization so that your authority is secure, communications are good, the purposes of the organization are effectively fulfilled, the people in it want to stay, and changes in your organization's environment are successfully handled as they arise.

An earlier version of this book was called *How to Run Any Orga-*

nization, too cocky a title for so serious a book, but otherwise accurate. I know of at least two companies that require every department head to keep a copy of it in his or her desk. This new version covers the same ground with more emphasis on upward planning and other methods of inducing subordinates to lend you the full use of their brains. It is still a very thin book compared to textbooks on management-in-general, which run to 700 or 800 pages and are not designed for bedtime reading. They have to be heavy to take in the mass of practical detail involved in such subjects as budgetary planning, personnel administration, and marketing and other matters that white-collar workers in large companies need to know about.

The present book is thinner because the basic principles of managing an organization successfully happen to be rather simple and straightforward. These principles, which have to do with the coordination of other people's efforts, do not vary appreciably from one type of organization to another or even, I would insist, from one culture to another. The right way to run an organization is the same in Patagonia and in Minnesota, whatever the differences in appearance.

The theory of managing an organization is much easier to understand than it is to follow in daily practice. Perfect managers are as rare as perfect wives or perfect ballplayers. Good managers, however, are not uncommon. For the most part they are made, not born, and the easiest way to become a good manager is to understand the theory, apply it in the real world, learn from mistakes, and learn even more from the experience of doing things right.

What an Organization Is

An organization is a social system deliberately established to carry out some definite purpose. It consists of a number of people in a pattern of relationships. The pattern is not entirely dependent on the particular persons who belong to the organization at a given time. The organization assigns a *position* to each of its members, and the incumbent of a position has a set part to play in the organization's collective *program.* Every organization has a program—a set of planned activities that can go well or badly. If they consistently go well, the organization thrives. If they go badly, it disappears or is restructured for another try. The manager of an organization is the person who has the primary responsibility for making its activities go well.

An organizational program always involves considerably more than one central activity. Whether the central activity is a production process, a game, a fight, or a ceremony, the organization must also maintain its internal structure, keep its members happy, and adapt to changes in the external environment. In addition, the manager of any organization has the peculiar and personal problem of establishing authority. In discussing problems, we will take that one up first, since unless the manager can keep the right to manage, the other parts of the managerial assignment quickly become irrelevant. The first chapter of this manual is about "Authority."

It does the organization little good, however, for the manager to establish authority unless that authority is used to hold the organization together and achieve its purposes. Holding the organization together does not imply that all members of the organization will have identical goals and agree about how to achieve them, but it does require them to agree sufficiently for the organization to pursue its collective goals in a unified way. This limited agreement results from continuous communication up, down, and sideways within the organization. Most of this communication flows through established channels, formal or informal, and is modified in predictable ways by these channels. All this is discussed in the second chapter, "Communication."

But communication is not an end in itself. It is a means of getting the organization's job done, which is, of course, what management is all about. A manager is someone who supervises the work of others and can, by his or her own actions, increase or diminish their productivity. In practice, there are two quite different modes of supervision—direct and indirect—and they call for somewhat different strategies. In addition to the problems of routine supervision, there are all sorts of special problems that appear in any division of labor and interfere with the efficiency or the effectiveness of a work group. These matters are considered in chapter three, "Productivity."

The belief that productivity and morale are necessarily correlated is part of the folklore of organization. Like most folklore, it contains a grain of truth. Sudden increases in productivity are likely to stimulate short-term improvements of morale, and vice versa. But the general relationship between productivity and morale is more complex. As empirical studies in diverse types of organization have shown, high morale often accompanies low productivity, and crises of morale may be brought about by rising productivity. There is always some significant relationship between the output of an organization and the emotions of its members, but the relationship is far too intricate to suggest that productivity and morale are interchangeable. The managerial policies that sustain morale are described in "Morale," the fourth chapter.

No organization, however limited its goals, can safely ignore the larger social systems from which it draws its people and its resources. Every organization attempts to control the external environment, but no matter how large, rich, or sacred it becomes, it cannot develop any real immunity to changes in the external environment. Some of these external changes are attributable to the organization's own activities; some result from long-term trends and can be anticipated in a general way; some are so surprising that they cannot be imagined until they have actually occurred. In a complex, modern society, this last category is nearly inexhaustible. The unanticipated effects of legislation, technology, political upheavals, moral fashions, migration and other forms of mobility; innovations in transportation, communication, and entertainment; the movement of prices, and the fluctuation of scarcities now guarantee a fairly adventurous history to even the most insulated and reclusive organizations, such as craft unions and boarding schools. The problem of adapting an organization to external change is particularly challenging because external changes not only affect the conditions under which the organization pursues its goals but may also transform the goals. The problems that arise in this way cannot be as neatly resolved as some of those discussed under other headings, but they are not hopelessly difficult, as we shall see in the final chapter, "Change."

These five topics—authority, communication, productivity, morale, and change—are the substance of this manual. We shall take them up in order, but before turning to the first topic I would like to draw your attention to some basic principles of management.

Basic Principles of Management

1. All human organizations resemble each other so closely that much of what is learned by managing one organization can be applied to managing any other organization. Every organization, for example, has a collective identity; a roster of members, friends, and antagonists; a program of activity and a time schedule to go with it; a table of organization; a set of formal rules partly contradicted by informal rules; procedures for adding and removing members; utilitarian objects used for organizational tasks; symbolic objects used in organizational rituals; a history; a special vocabulary; some elements of

folklore; a territory; and a method of placing members within that territory according to their relative importance. Every organization has a division of labor that allocates specialized tasks to its members and a status order that awards them unequal shares of authority, honor, and influence.

2. Every organization—except the very smallest—is a cluster of suborganizations of varying sizes, which are organizations in their own right and have all of the features described above. Some suborganizations are departments of the parent organization; some are illegitimate factions of it; some are formally independent of it, like a union local in a factory, or attached to it temporarily, like an orchestra hired for a club dance. The important thing to remember about suborganizations is that their goals are never completely compatible with the goals of the parent organization. It is seldom possible to reform a suborganization for the benefit of the parent organization without encountering resistance. On the other hand, it is quite impossible to manage a large organization without occasionally offending, damaging, or destroying some of its suborganizations.

3. The problems of managing a large organization are similar to the problems of managing a small or medium-sized organization, if only because every large organization is run by a managerial oligarchy which is itself a small organization—there is no other way to do it. Problems of communication, data retrieval, and public relations are necessarily more complex in a large organization, but there are more people to help with them too. Running a large organization should not require more of your time and effort than running a small organization. If it does, something is probably wrong with the way your job is set up or with your personal style.

4. During any given interval in an organization's history, it will be growing, stable, or declining. Some organizations, such as business corporations, normally strive for growth but do not always achieve it. Some, such as exclusive clubs, attempt to avoid either growth or decline. Others, such as legislatures and baseball teams, have a fixed number of members, although the number of assistants and supernumeraries can vary. Still others, such as social movements past their peak, continue to operate for long periods of time while declining in size. The task of management is easiest in a growing organization because growth itself—whatever its real cause—is usually viewed as a sign of managerial success and because the input of new resources occasioned by growth can be used to pay for mistakes. Managing a stable organization is a more difficult task and calls for

a finer adjustment of means and ends, careful decision-making, and alertness to the external environment. The management of a declining organization may be easy or hard, depending upon whether the decline is regarded as inevitable. In the face of an inevitable decline, standards of managerial performance may be low. In the case of a decline that is regarded as reversible, the task of the manager is always difficult and sometimes impossible.

5. Most organizations find it harder to satisfy one of their goals than others, for reasons beyond their control. When this is the case, the manager's success with the critical goal is the thing that matters, while the achievement of other goals is overlooked or taken for granted. Maintaining authority is critical, for example, in a prison or penitentiary; maintaining membership is what counts in a civic association; as director of a summer camp you are judged almost exclusively by whether you can keep up morale; as coach of a football team that can win all its games you need not worry about much else.[1] Thus, every type of organization tends to develop managers who are overspecialized in the accomplishment of one assignment and who minimize their other responsibilities until this neglect catches up with them in the shape of rebellion, schism, bankruptcy, or reform by outsiders.

6. Many organizations develop crises from time to time. An organizational crisis is a situation in which the priorities of management are forcibly rearranged by some unforeseen combination of circumstances. The qualities that you, as manager, are called upon to display in a crisis may be quite different from those routinely required. College presidents are called on for personal courage, prison wardens are asked to show Christian charity, long-term planners are compelled to make snap decisions. Skill and luck play equal parts in the management of crisis. The skill can be practiced, but not the luck, so that while a few well-handled major crises may strengthen an organization and its leadership, a long series of crises will almost certainly ruin it. If you, as a manager, perceive your role as "putting out fires," then you are a poor manager and ought to be replaced by someone who attaches more importance to fire prevention. The fundamental procedures for preventing organizational crises are early detection and the rehearsal of drills that transform crises into routine problems.

CHAPTER ONE

Authority

There was trouble in the State of Lu,
and the reigning monarch called
on Confucius to ask for his help;
when the Master arrived at the court,
he went to a public place and took a seat
in the correct way, facing south,
and all trouble disappeared.

From a Chinese chronicle

Love, Fear, and Charisma

Opinions differ about whether it is better for a manager to be loved or feared by subordinates, but to be loved *and* feared is best of all.[1]

Fear is a normal reaction to anyone who embodies uncontrollable power over oneself, who can reward and punish without restraint. The courtiers of Henry VIII or the Grand Turk lived in a constant exhilaration of fear, knowing that the master with whom they associated daily could end their lives with a casual word. I have seen lieutenants paralyzed by the appearance of a brigadier general and professors backing away from a university president with profound bows. I knew a chef so feared in his kitchen that the cooks' knees knocked visibly at his approach. It is not at all unusual for foremen and choirmasters to arouse panic in their groups, not to mention the Mafia dons and high school principals whose stock in trade is their ability to scare people.

Love is another spontaneous reaction to authority. The love of armies for their generals has been one of history's strongest forces. There is always some love between a good teacher and a good class, and even between good chairmen and their committees. Many a modern executive would leave spouse and child, parent and friend, to follow a boss.

The talent for arousing fear and love in followers is called *charisma*. The term was invented by the great German sociologist Max Weber to describe a type of nonbureaucratic leadership, but charisma is abundantly displayed in bureaucratic organizations, too. We tend to think of it as a kind of natural gift, like musical talent, but the empirical evidence does not support this view. In some positions, such as the speakership of a legislature, nearly every incumbent appears charismatic; in other instances, it seems to be the combination of a particular personality and a particular position that generates charisma. A few of history's most charismatic figures—Mary Baker Eddy and Pope John XXIII come to mind—developed their charisma in old age. There is no single constellation of personality traits we can associate with charisma. Some charismatic figures are marked by their enthusiastic vitality, others by their pale austerity; some are sociable, others withdrawn; some use their power to win lovers, others avoid all intimate contacts. If we look at the most charismatic figures of a particular era, it is hard to discern any common traits they have except intelligence and energy. What other resemblances can be found between Abraham Lincoln and John F. Kennedy, between Hitler and Chairman Mao, between Mahatma Gandhi and Indira Gandhi?

But to return to management on a more modest scale, how is one to be both feared and loved by some (never all) of one's followers? What makes a manager feared is the reputation of acting ruthlessly when the interests of the organization, as he or she conceives them, are opposed to the interests of individuals. The establishment of such a reputation is partly a matter of style and partly a matter of substance. The appropriate style is to impose punishment promptly and confidently, without any interest in the excuses of the offender. One or two harsh actions of this kind can make a leader more feared than a whole reign of terror conducted in a more capricious manner.

The best policy to follow in developing a reputation for severity is to make any decision that involves a conflict between the organization and an individual according to fixed principles announced in advance and applied so consistently that each application takes on a didactic character. Nearly every organization, for example, must eventually deal with a theft of organizational property by a member. The offense cannot be ignored without inviting trouble. It does not matter so much whether the punishment is prosecution or expulsion or demotion or counseling, but it does matter that the full penalty be invoked in every case without much regard to extenuating circumstances or to the possibility of reprisal by the offender's friends.

Organizational love is even more predictable than organizational fear. For you to be loved as a manager, your organization's program must be successful, its success must be attributable to you, and you must develop a reputation for acts of kindness to individual followers. Success is the essential element in this formula. Without it, an organization will not love its leader at all, although after conspicuous success has aroused devotion to a leader, the attachment sometimes persists throughout a subsequent period of failure. More often it does not. Football coaches and political candidates who win consistently are loved despite bad habits and defective characters. The greater the organization's success, the easier it is for the leader to claim the credit and the less likely it is that the claim will be disputed. If your organization is extremely successful—your football team undefeated or your party swept into office by a landslide—it may not even be necessary for you, the leader, to perform those small acts of kindness toward individuals which assure the onlookers of your potential goodwill toward themselves. If you are genuinely kind and sympathetic, so much the better; a whole body of anecdote and legend will grow up around you. If you are not, the myth of your kindness will spring up by itself or will be fabricated. Organizational success is the vital ingredient in the love potion.

We are getting a little ahead of our story. Before you, as a manager, can be feared or loved for your achievements, you must first assume your office, discover its powers and limitations, and actually exercise the authority to which you are entitled in theory. This process always takes some time and causes some trouble. Let us look at it more closely.

Assuming the Office

Leaving out those few managers who obtain an office by founding a new organization, most new managers are installed as successors to a former manager. They key elements in succession are the strength of the predecessor and where the successor comes from.[2] Four basic situations are outlined in the table below: an outsider who follows a strong predecessor, an insider who follows a strong predecessor, an outsider who follows a weak predecessor, and an insider who follows a weak predecessor.

The most promising of these situations is that of the outsider who follows a weak predecessor. In that case, the new incumbent is sure of a welcome but is not bound by the predecessor's policy or constrained either to imitate or to avoid the predecessor's style. The least promising situation is that of an insider who follows a strong predecessor. If you imitate the predecessor's style you will appear inadequate or ludicrous to those who knew you in a subordinate capacity, while if you change the style and modify the policies that have been working so well, you will seem foolish and perhaps disloyal. There is no easy way out of this trap. In the long history of hereditary monarchy, very few sons of highly successful fathers were successful in turn, except when the son was allowed to assume his duties gradually—before the father's disappearance from the scene. Philip II of Spain was thus introduced to power by Charles V and Marcus Aurelius by the Emperor Hadrian, two of the rare instances when a great ruler was able to transfer power to an heir without loss of momentum. This solution requires more foresight, good judgment, and generosity on the part of the predecessor than is often to be found. Donald B. Trow's study of executive succession in more than a hundred manufacturing companies found that in a stable, family-owned company in which the manager's son was the potential successor, he was usually regarded as unfit for the job.[3] Without special preparation, the inside successor's best hope is to promise to imitate his great predecessor and then to involve the organization in a conflict, a merger, or some other adventure large enough to change its character.

As an insider following a weak predecessor, you may do fairly well if you are the leader of a rebellious faction that overthrew the old regime and if, upon taking office, you treat the adherents of the old regime decisively, removing them or winning them over, as circumstances allow. Unless you can do one or the other, your term of office will be short and unhappy. An insider succeeding a weak predecessor to whom loyalty is owed is in so hopeless a situation that only luck can solve the problem.

The most interesting of the four situations is that of an outsider who follows a strong predecessor. This can work out well or badly, and the outcome is largely determined by the new incumbent. If this is your case, then you should try to develop a personal style that contrasts sharply with the style of your predecessor while retaining most of the policies that have made the organization strong. If your predecessor was a frosty autocrat, you can be friendly and outgoing. If bu-

Chances of Success in Various Types of Managerial Succession

	Strong Predecessor	*Weak Predecessor*
Inside successor	Chances unfavorable	Chances uncertain
Outside successor	Chances moderately favorable	Chances very favorable

reaucratic procedures have been previously emphasized, your new style may encourage informality. If the former policies emphasized growth, your new watchword might be stability. If your predecessor had a strong personal staff, it can be dismantled; if he or she worked alone, the time is ripe to recruit assistants. Such actions, baldly described, seem whimsical, but they work in real life, as shown by such excellent case studies of succession as Alvin Gouldner's *Patterns of Industrial Bureaucracy*[4] and Robert H. Guest's *Organizational Change*.[5] The rationale for a dramatic change of style is partly psychological and partly structural. Psychologically, you, as the successor, cannot hope to escape unfavorable comparison with your successful predecessor unless you appear to be so different as to make comparison difficult. Structurally, you cannot hope to take over the hierarchy of support that sustained the authority of your predecessor. In order to gain control of the organization, you have to restructure the existing hierarchy and change the distribution of authority and influence in your own favor. You cannot do this by shifting people around on a large scale. You probably lack authority to do so, and even if you have it, you cannot distinguish your potential friends from your potential foes at so early a stage. The existing hierarchy can be more tactfully, and just as effectively, reorganized by modifying a few key goals. If the prison's purpose is shifted from custody to rehabilitation, or the firm's primary interest from sales volume to profitability, or the college moves from selective to open admissions, the key figures of the old regime will inevitably lose influence and be supplanted by people more beholden to the new regime. The danger in this strategy is that the former group may perceive the threat and