Organization Theory for Leaders

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Organization theory is more than just an academic pursuit, it is a primary requisite for good leadership. This article helps meet that requirement by viewing organizations as a part of a broader, total environment and provides insight into how organizations interact with specific sectors of their environment. It concludes with an analysis of the role of top leadership organizations.

In this century society has become a society of organizations.[1] The growth of civilization is really a study of the ability of people to organize in a meaningful way. Major contributors to military history such as Alexander the Great, Napoléon, and Clausewitz recognized and capitalized on the importance of organizations. The leader of today, even more than in the past, must have a basic understanding of the factors affecting organizations.

What are organizations? What are their traits, and how do they function? These are fundamental questions for those who study organizations. They are also vital questions for those who call themselves leaders, for leaders exist only in relation to some sort of organization. Since leaders are charged to organize, direct, and control the elements of an organization, they should certainly understand that which they are charged to lead. Understanding organizations is more than just an academic pursuit, it is a primary requisite for good leadership. This article helps meet that requirement.[2]

To understand something of organizations one must approach the subject in a logical fashion. Therefore, this article first looks at organizations as a part of broader, total environment. Next, it reviews how organizations interact with specific sectors within this external environment; and last, it catalogues the basic internal traits of organizations as a basis for examining the role of the leader. Although the theory presented herein relates to both corporate and military organizations, it specifically isolates those unique aspects which differentiate them.

To begin, however, one must first define an organization, and this brief composite serves as an excellent introduction: "An organization is essentially a separate and distinct group of people (and resources) that have been brought together for a common purpose or objective. Furthermore, the interaction of its members is consciously coordinated toward accomplishing a common objective." For example, the United States Air Force is a separate and distinct organizational

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entity. It has a common objective of providing defense for the country and its resources. The employment of pilots, mechanics, ground crews, and aircraft have all been coordinated toward that objective. A similar description could be made about tactical wings and squadrons and, with slight changes in terminology, we could discuss IBM or US Steel.

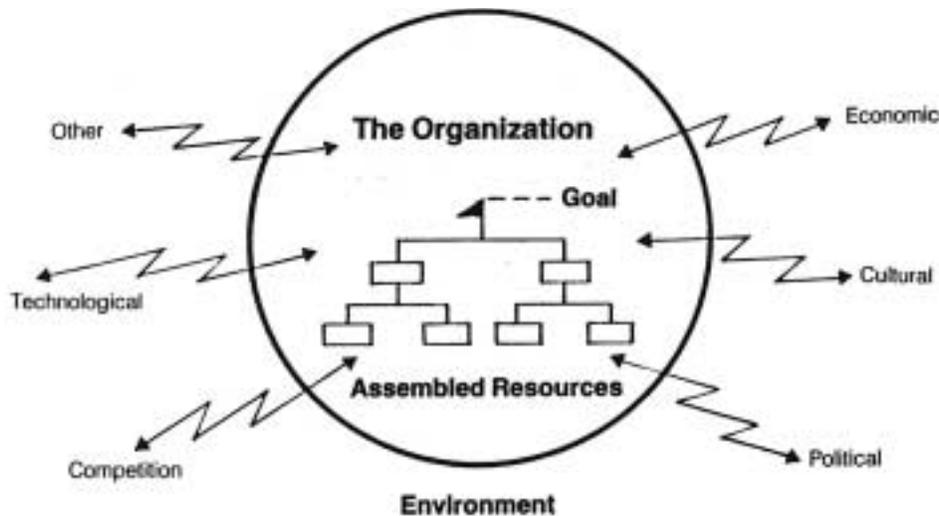## An Organization and Its Environment

Although the foregoing definition stated that organizations were essentially separate, distinct entities, it did not say that organizations are autonomous and completely independent of their environment. Indeed they are not. Dr. William B. Wolf, in his article "Reflections on the Theory of Management," observes that "the organization cannot be isolated from the broader society of which it is a part.[3] Philip Selznick states that "an organization is adaptive—adapting to influence upon it from an external environment,"[4] and Chester I. Barnard, writing in *The Functions of the Executive,* notes that "the very survival of an organization depends on a proper environment equilibrium."[5]

Figure 1 is a graphic example of this delicate balance. Note that the arrows depict a continual interchange between the organization and its environment. For example, if the organization is a business firm, it must advertise and sell its product to customers who are in the broader environment. If the firm cannot sell its product, it will not survive. Therefore, a business firm draws its very sustenance from the environment, and if it cannot, it ceases to be a viable organization. Similarly, a military organization must satisfy the political environment from which it draws the budget which is imperative to its resource base.

This environmental interchange is continuous. A firm sends its product out to customers, and the customers return revenues to the firm when they buy its product. Employees are hired from the environment, and federal laws impose certain constraints on how the firm can treat them. In fact, this relationship is so complex and so critical it is well to note various sectors of the environment with which this interaction takes place.

For our discussion, the environment will be limited to five primary sectors: economic, cultural, political, competitive,

Figure 1. An Organization and Its Environment

and technological. Others could be added such as international, local communities, and other organizations. To interact with these primary sectors means an organization must function within a complex of structures and conditions. To demonstrate this interchange, consider how a commercial firm interacts with the various sectors of its environment. Later, this same analysis will be made with military organizations.

While a business firm generally interacts with all of the primary sectors, its main emphasis is on making a profit. Since it is essentially an economic organization, its executives carefully define a particular segment of the economic environment they want to exploit; analyze market demands of the cultural sector for a particular product; and initiate organizational policies to encourage that market to buy their product. If people buy their product and if sales are good, revenue is returned to the firm and the interchange continues. If the product is not bought, sales suffer and the firm must somehow adjust. For example, American automobile manufacturers are currently adjusting to a changing demand in the economic environment by manufacturing smaller cars. But the economic sector is not a business firm's only concern—there are others.

The cultural sector of the environment also affects business firms, because it determines the basic attitudes of employees toward work and their service or product. Our society has historically been characterized by a strong work ethic, one which research suggests, is undergoing a period of change. This changing of cultural values may cause firms to pursue new methods of worker motivation and to reconsider the very nature of work itself.

A commercial organization also interacts with the political sector of its environment. For example, government at any level may either pressure organizations to change their practices or pass laws to control them, and the corporate entity exists only by the consent of society. The growing concern for consumer protection is an example of the political sector's effect on business. Also, hiring practices are regulated by the political sector. The law now states that job seekers cannot be rejected because of age, race, or sex.

The technological situation in the environment is also important. In the United States, a business firm can count on a larger number of technologically advanced subcontractors and specialists to help with organizational problems. In this sense, the technological environment is usually a positive factor. However, when technological and competitive sectors of the environment combine, there can be problems. As an example, in 1961 a firm by the name of American Photocopy confidently announced that it and two other companies had the copying machine market "sewed up" with their new wet-copying machine. Unfortunately, they were not aware of technological abilities of a small firm called Xerox. Competition always exists, and technology is often used to exploit that competition.

In summary, a business firm is by no means an island unto itself. It is constantly interacting with the various sectors of its environment, and as the environment changes, so must the firm if it expects to remain a viable institution. Of all sectors of the environment, however, the economic sector has the most profound effect on business organizations. Take away the revenue an organization receives from its environment and it will cease to exist.

But what about military organizations? Are they unique, or do they have a great deal in common with the basic model of a business firm?

In the broadest sense, government agencies and commercial firms are similar because neither are autonomous structures. Nor does this point require elaborate proof. The largest of our governmental agencies, the Department of Defense (DOD), is very much aware of just how important a senator and his or her colleagues are to its

continued well-being. If you are still doubtful, read the annual appropriations hearings to put those doubts to rest. Indeed, to expand this example, all government agencies (federal, state, or local) must run the environmental gauntlet of political and economic appropriations.

Thus, military agencies do interact with their environments, and much said of business firms also applies to them. There are, however, some basic differences. A military agency is much more involved with the political sector than a business firm. In the final analysis, both types of organizations must rely on the favorable response of individual citizens, but the business firm secures its support essentially from the marketplace, while the military agency is more dependent upon making its appeal through the political process.

The economic sector also influences military agencies, for like business firms, they must also deal with problems of inflation. In addition, both must draw funds from the economic environment. While a business firm receives its funds directly from sales and revenue, a military service receives its funds through the appropriations process. In either case, the amount received is very much predicated on conditions within the economic and political sectors.

A military agency's interaction with the cultural and technological sectors is roughly the same as for business organizations. There is, however, a distinct difference in the competitive sector of the environment. Military agencies do not typically compete with other agencies in the marketplace. Still, there are exceptions to even that rule. The United States Air Force and Navy have certainly been competing to see which will provide the major follow-on strategic weapons for the future. The Air Force wants the stealth bomber, and the Navy is advocating the Trident. Further, DOD has to compete for national priorities with Medicare and Social Security.

Therefore, business firms and military agencies do have much in common but they also have some unique differences. Both facets are best summarized by the following points:

1. Organizations, both military and commercial, relate to their environments and are dependent on them.

2. Both types of organizations are influenced by five primary sectors of the broader environment (economic, cultural, political, competitive, and technological).

3. There are some distinct differences between the two types of organizations, especially the ways they relate to the economic, political, and competitive sectors of the environment.

4. Although military and commercial organizations do differ, their similarities outweigh the differences. Furthermore, the differences seem to be more procedural and technical, than fundamental.

Before leaving this discussion of organizations and their environment, one concept should be reemphasized: an organization is dependent upon its environment, and as the environment changes, so must the organization if it expects to remain fully functional. While many organizations exist in a peaceful and supportive environment, it is not always the case. In order to achieve and maintain relative harmony with its environment, an organization must recognize and react to the realities of that environment. If the organization is a closed system that either disregards, does not understand, or rejects the information coming from its environment, it is doubtful that it will make a reasonable adjustment. If, on the other hand, the organization is receptive to feedback and capable of adapting, it will probably continue as a viable institution. Based on this concept, there is little or no difference between governmental and commercial organizations.

The singular most important change in recent years affecting organization is the growing interdependence of organizations and their environments. In the old Wild West movies, Fort Apache could lock its gates to the world around it. The military organizations of today have many more responsibilities to the external environment. The nature of our complex world suggests that *no organization can be an island.*

The Internal Traits of an Organization

All organizations have certain internal characteristics or traits in common. While not all authorities agree as to just what these common traits are or how they should be labeled, four are frequently identified: objectives, structure, processes, and behavior.[6] Examination of any organization reveals evidence of these common traits. The following is a detailed examination of these common internal characteristics of organizations.

Objectives

By definition, objectives are supposed to be the focus of organizational effort; that is, goals an organization's components strive to reach. As such, they play a central role in coordinating effort. Further, the broad objectives of the larger organization are broken down into lesser supporting objectives for subordinate organizations. This is often referred to as the cascade effect whereby lower levels of organization are fitted into the larger whole. DOD has the broad mission or objective of providing efficient national defense. The Air Force, Army, and Navy each have mission statements, which support it, as do their subordinate organizations down to the smallest unit in the remotest location.

Some things about objectives are not widely understood. First, and most important, statements of organizational objectives should deal with how an organization relates to its external environment. An organization is dependent on its environment, and if it cannot maintain a harmonious relationship with that environment, it ceases to be a viable institution. Since the very existence of an organization depends on maintaining this relationship, organizations should have a basic statement of what they must do to assure harmony. For a government agency, such as the DOD, its broad mission

statement indicates—what it must do if it expects to receive appropriations. For example, during the 1950s Americans were frightened by the Soviet Union. They told DOD to counter the threat at any reasonable cost, and that became the objective of DOD. During the late 1960s and 1970s, the threat seemed to subside and as cultural and political assumptions changed, a much lower military profile was suggested. In the 1980s, the assumptions changed again and cultural, political, and economic forces suggested changing mission for the military forces.

The important thing to note in this example is that a major change in the demands of the people (environment) prompted a change in objectives. The previous harmony had been disrupted, and a new internal direction (objectives) was called for if harmony was to be reestablished.

In a commercial firm the broad objective is determined in a little different manner, but as with the military agency, the objective of the company implies a desired harmony with the environment. For example, the objective might be to show a 10-percent return on investment after taxes. That objective statement implies a corollary: the company will not get 10-percent return on investment within a limited market spectrum unless it satisfactorily meets the needs of its customers. In other words, the company must adapt its product and price to conditions in the environment.

In discussing the concept of objectives, two other considerations should be introduced. First, objectives can and do change. If environmental requirements change significantly, the objective probably should change—and the quicker the better. Second, an organization's objectives are not necessarily subscribed to by its members. Merely formalizing the objectives of an organization does not mean management and employees are always working toward those objectives. This consideration is most relevant in today's society where commitment is critical to an organization's success. A leader is challenged to understand the organization's objectives, communicate them to the unit's members, and work for their commitment.

In summary, an organization and its environment are directly related. The objectives should not only define requirements for a harmonious relationship, they should serve as a guide to internal behavior as well.

Structure

With all the "wiring diagrams" (organization charts) one sees in government and business, it is not necessary to spend time justifying the fact that most organizations are structured into prearranged organizational patterns. What does appear necessary, however, is a brief review of some of the causative and dysfunctional aspects of structure.

Structure evolves out of size and technology. As an organization grows and incorporates new and complex activities, the job becomes too much for one person. Another employee is hired and the task is divided into two parts. One person specializes in and carries out part of the job, the other specializes

in the remaining tasks, and so it goes. The larger an organization is and the more activities it entails, the more specialized and structured it becomes. Thus, specialization and structure are the natural outgrowths of increasing size and complexity and one encounters them in all large organizations.

Unfortunately, there are some difficulties associated with structure, and inflexibility is one of them. Once a structure is established, it is hard to change, and inflexibility can deter an organization in its attempt to adapt to environmental changes.

Another problem is that parochialism tends to set in and cause dysfunctional conflict. Members of squadron A tend to think the whole organization operates to support them regardless of the needs of squadron B. Maintenance and supply argue over who is responsible for an aircraft being out of commission. Each specialized area tends to emphasize its interest and forget the objectives of the larger organization.

The structure of an organization should fit its objectives. A Strategic Air Command wing and a Military Airlift Command wing have different structures because their objectives are different. Leaders are challenged to cope with the fit of structure and objectives in their organizations.

Processes Including Organizations and Structure

Neither serves to describe the activity within an organization. Organizations are marked by patterns of ongoing activities, and in any organization, there are numerous and different processes going on simultaneously. While the physical processes are the most obvious (for example, a production line in a manufacturing plant), organizations have other less obvious processes under way.

Understanding informal and formal communication processes in organizations is a major challenge to leaders. Information is critical to the organization's decision process and the effective leader must know how both the formal and informal communication flow.

Decision-making processes in organizations are often quite formalized whether they are budget or equipment purchase decisions. Military organizations have developed programmed decision processes in regulations and directives designed to achieve the best use of resources. Successful leaders know these processes, how much discretionary authority they have, and when to exercise it.

These processes constitute a major characteristic of all organizations, and understanding an organization entails understanding its processes. An organization is not just a structure as portrayed by the wiring diagram. An organization is also a complex of interrelated processes, and it is through knowledge of the processes that the formal activity of an organization is understood.

Behavior

By understanding an organization's objectives, structure, and formal processes, you will have a basic idea of what that organization is like. Nevertheless, the picture is not complete

until you consider the really dynamic aspect of organizations: people and their behavior. Within most organizations there are large numbers of people performing a variety of tasks, and these individuals exert a pervasive influence on that organization. You must consider your place in the overall scheme of things to truly understand your organization.

The first point is that people in organizations are neither good nor bad—they are both. They are necessary and valuable in that they operate the machines, carry out the processes, make up the reports, and do the work. So in that sense, they are organizationally good and of considerable value.

Unfortunately, they can also be organizationally *bad.* They can steal funds, do shoddy work, demand time off, build empires, set norms that limit output, and submit false reports.

The important concept here is not that they are "good" or "bad," but that they are both! Their productive efforts are valuable and functional for the organization and their bad behavior is dysfunctional. Both functional and dysfunctional behavior are parts of organizational reality. To understand an organization, therefore, you must be aware of some of the behavioral patterns within the organization and how they affect functions of the organization. This is often referred to as the microaspects of an organization.

Another crucial point about organizational behavior is that employees are essentially self-serving. They generate behavior not necessarily to meet organizational objectives, but rather to gratify their personal goals and needs. Psychologist Carl Rogers states that people act to maintain and enhance their self-concepts.[7] Abraham H. Maslow asserts that behavior has its origins in the needs of the individuals.[8] Fredrick I. Herzberg suggests that employees are motivated only when the conditions of work satisfy their needs and when they are relatively insulated from personal dissatisfiers.[9] Current *expectancy theory* suggests people perform tasks for rewards of promotion, pay or some other benefit, and the strength of their relationships and feelings.[10]

The intent here is not to put forth some cynical concept of people, for most people are certainly capable of benevolent acts. Nevertheless, people are blessed or cursed with personal needs and drives to which they are essentially compelled to respond. This response pattern is part of the reality of organizational behavior, and it dictates many of the leader's motivational practices.

It is important to note that people pursue their needs as individuals, and as members of small, unofficial groups. These groups are an important part of the organizational matrix. These unofficial groups (the informal organization) are social mechanisms used by employees to exert internal pressures on organizations.

Individuals often behave differently when they become a part of a group. Their behavior is affected by association, unity, group standards, values, and group goals. Behavioral patterns of the group can be functional or dysfunctional. Group efforts can often cause organizations to exceed operational goals. Conversely, they can cause production to fall short of reasonable organizational goals. Leaders should develop a thorough understanding of the dynamics of group behavior and master the skills required for coping with its positive and negative influences.

In summary, organizations have common internal traits such as objectives, structure, processes, and behavior. Furthermore, these traits are not separate and distinct; they are overlapping, interdependent factors in the broader organizational system. All affect organizational behavior, and all provide the astute manager with a fundamental basis for examining and understanding organizations.

The Role of Top Leadership

The role of top leadership is often hard to distinguish in situations of dynamic internal forces and the abiding problem of adjusting to continual change in the external environment. Top leaders must clarify their positions in relation to the organization's internal needs for planning, coordinating, and directing with its external needs for coping with environmental forces.

As viewed in figure 2, the role of top level leaders becomes that of a harmonizer and balancer. Those who attempt to know must consider, balance, and integrate the internal factors and forces with those outside the organization. To illustrate this point, let us see what happens when a top leader disregards either of these responsibilities.

First, consider the case of military leaders who concentrate efforts on the external factors of the organization. The bulk of their efforts are directed toward public image. They concentrate on environmental interface while neglecting the internal situation. To the public, their organizations appear sound and efficient. The ultimate test of all military organizations, however, is the ability of their internal systems to efficiently defend the country. Neglect of internal factors prejudices that possibility.

Externally oriented leaders typically assume short-range views and may well be successful in the immediate future. Nevertheless, leaders must do more than merely make good impressions: they must also come to grips with the more difficult long-term problems of internal soundness. Military units that purposely or inadvertently appoint leaders for short tenures are likely to foster this type of leadership.

At the other end of the spectrum are leaders who concentrate on internal characteristics of the organization and ignore external forces. They believe an efficient organization will automatically be recognized for its merit. This is also a deficient point of view. Henry Ford concentrated on the internal process of manufacturing to build a tremendous organization. His purported attitude that the public could have cars of any color as long as they were black is an indicator of the difference between Ford and General Motors. Alfred Sloan of General Motors recognized the need to balance internal and external factors and, as a result, overtook Ford's initial dominant position in the automobile industry.[11]
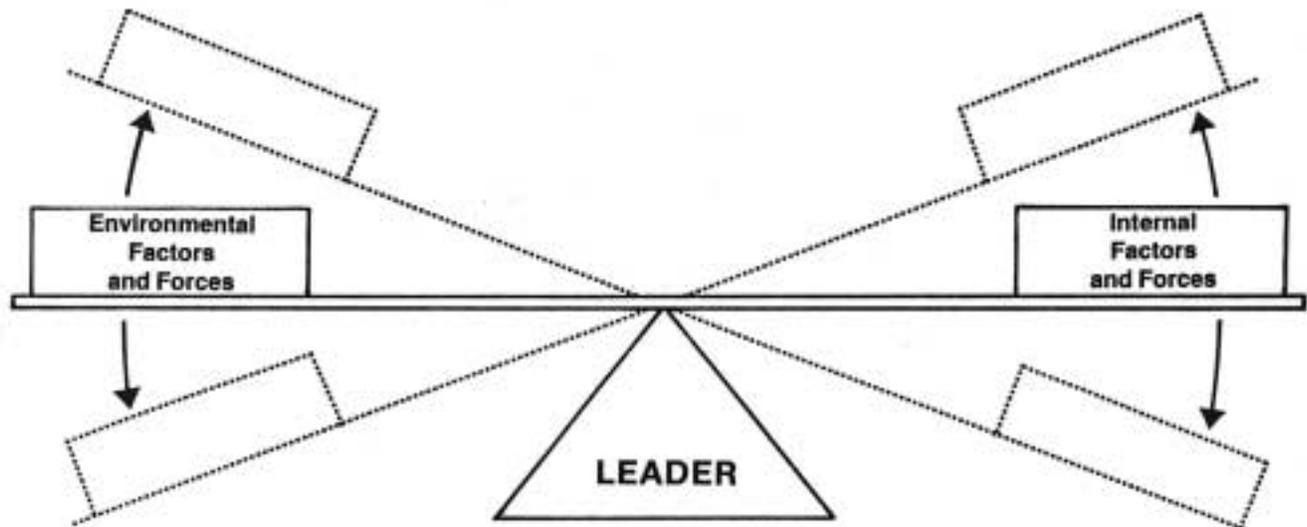
Figure 2. The Leader's Role

This discussion and examples show that top level leaders are more than just internal functionaries or external public relations representatives. Effective leaders at this level have several responsibilities. First, they must know and consider the factors and forces of the environment. Second, they must know, consider, and be able to influence their organizations' internal factors and forces. Third, they must be able to reasonably balance, integrate, and harmonize the two while leading their organizations toward productive goals.[12] How well leaders perform this third and final responsibility depends, to some measure, on how well they understand the basic tenets of organization theory.

Notes

1. Peter F. Drucker, *Management Tasks Responsibilities* (New York: Harper and Row, 1947), 807.

2. Frank R. Hunsicker and M. J. Christenson, "Organizational Theory for Managers," *Readings and Seminar, Command and Management I* (Maxwell Air Force Base, Ala.: Air Command and Staff College, August 1976): 144. (An earlier article provided the foundation for this article.)

3. William B. Wolf, "Reflections on the Theory of Management," *Management Readings Toward a General Theory* (Belmont, Calif.: Wadsworth Publishing Co., Inc., 1964), 316.

4. Philip Selznick, *American Sociological Review,* February 1948, 5–35.

5. Chester I. Barnard, *The Functions of the Executive,* 15th ed. (Cambridge, Mass.: Harvard University Press, 1962), 6.

6. Edmund P. Learned and Audrey T. Sproat, *Organization Theory and Policy* (Homewood, Ill.: Richard D. Irwin, Inc., 1966).

7. Carl R. Rogers, *Counseling and Psychotherapy* (Boston, Mass.: Houghton Mifflin Co., 1942), 28–30.

8. Abraham H. Maslow, *Motivation and Personality* (New York: Harper and Row, 1954), 80–106.

9. Fredrick I. Herzberg, "The Motivation-Hygiene Concept and Problems of Manpower," *Personnel Administration* (January–February 1964), 480–87.

10. Victor Vroom, *Work and Motivation* (New York: John Wiley & Sons, 1964).

11. Alfred Sloan, *My Years with General Motors* (Garden City, N.Y.: Doubleday and Co., 1964).

12. Drucker, 400.