Power adheres to those who can cope with the critical problems of the organization. As such, power is not a dirty secret, but the secret of success. And that's the path power follows, until it becomes institutionalized—which makes administration the most precarious of occupations.

Who Gets Power—And How They Hold on to It:

A Strategic-Contingency Model of Power

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Power is held by many people to be a dirty word or, as Warren Bennis has said, "It is the organization's last dirty secret."

This article will argue that traditional "political" power, far from being a dirty business, is, in its most naked form, one of the few mechanisms available for aligning an organization with its own reality. However, institutionalized forms of power—what we prefer to call the cleaner forms of power: authority, legitimization, centralized control, regulations, and the more modern "management information systems"—tend to buffer the organization from reality and obscure the demands of its environment. Most great states and institutions declined, not because they played politics, but because they failed to accommodate to the political realities they faced. Political processes, rather than being mechanisms for unfair and unjust allocations and appointments, tend toward the realistic resolution of conflicts among interests. And power, while it eludes definition, is easy enough to recognize by its consequences—the ability of those who possess power to bring about the outcomes they desire.

The model of power we advance is

an elaboration of what has been called strategic-contingency theory, a view that sees power as something that accrues to organizational subunits (individuals, departments) that cope with critical organizational problems. Power is used by subunits, indeed, used by all who have it, to enhance their own survival through control of scarce critical resources, through the placement of allies in key positions, and through the definition of organizational problems and policies. Because of the processes by which power develops and is used, organizations become both more aligned and more misaligned with their environments. This contradiction is the most interesting aspect of organizational power, and one that makes administration one of the most precarious of occupations.

What Is Organizational Power?

You can walk into most organizations and ask without fear of being misunderstood, "Which are the powerful groups or people in this organization?" Although many organizational informants may be *unwilling* to tell you, it is unlikely they will be *unable* to tell you. Most people do not require explicit definitions to know what power is.

Power is simply the ability to get things done the way one wants them to be done. For a manager who wants an increased budget to launch a project that he thinks is important, his power is measured by his ability to get that budget. For an executive vice-president who wants to be chairman, his power is evidenced by his advancement toward his goal.

People in organizations not only know what you are talking about when you ask who is influential but they are likely to agree with one another to an amazing extent. Recently, we had a chance to observe this in a regional office of an insurance company. The office had 21 department managers; we asked ten of these managers to rank all 21 according to the influence each one had in the organization. Despite the fact that ranking 21 things is a difficult task, the managers sat down and began arranging the names of their colleagues and themselves in a column. Only one person bothered to ask, "What do you mean by influence?" When told "power," he responded, "Oh," and went on. We compared the rankings of all ten managers and found virtually no disagreement among them in the managers ranked among the top five or the bottom five. Differences in the rankings came from department heads claiming more influence for themselves than their colleagues attributed to them.

Such agreement on those who have influence, and those who do not, was not unique to this insurance company. So far we have studied over 20 very different organizations—universities, research firms, factories, banks, retailers, to name a few. In each one we found individuals able to rate themselves and their peers on a scale of influence or power. We have done this both for specific decisions and for general impact on organizational policies. Their agreement was unusually high, which suggests that distributions of influence exist well enough in everyone's mind to be referred to with ease—and we assume with accuracy.

Where Does Organizational Power Come From?

Earlier we stated that power helps organizations become aligned with their realities. This hopeful prospect follows from what we have dubbed the strategic-contingencies theory of organizational power. Briefly, those subunits most able to cope with the organization's critical problems and uncertainties acquire power. In its simplest form, the strategic-contingencies theory implies that when an organization faces a number of lawsuits that threaten its existence, the legal department will gain power and influence over organizational decisions. Somehow other organizational interest groups will recognize its critical importance and confer upon it a status and power never before enjoyed. This influence may extend beyond handling legal matters and into decisions about product design, advertising production, and so on. Such extensions undoubtedly would be accompanied by appropriate, or acceptable, verbal justifications. In time, the head of the legal department may become the head of the corporation, just as in times past the vice-president for marketing had become the president when market shares were a worrisome problem and, before him, the chief engineer, who had made the production line run as smooth as silk.

Stated in this way, the strategic-contingencies theory of power paints an appealing picture of power. To the extent that power is determined by the critical uncertainties and problems facing the organization and, in turn, influences decisions in the organization, the organization is aligned with the realities it faces. In short, power facilitates the organization's adaptation to its environment—or its problems.

We can cite many illustrations of how influence derives from a subunits's ability to deal with critical contingencies. Michael Crozier described a French cigarette factory in which the maintenance engineers had a considerable say in the plantwide operation. After some probing he discovered that the group possessed the solution to one of the major problems faced by the company, that of troubleshooting the elaborate, expensive, and irrascible automated machines that kept breaking down and dumbfounding everyone else. It was the one problem that the plant manager could in no way control.

The production workers, while troublesome from time to time, created no insurmountable problems; the manager could reasonably predict their absenteeism or replace them when necessary. Production scheduling was something he could deal with since, by watching inventories and sales, the demand for cigarettes was known long in advance. Changes in demand could be accommodated by slowing down or speeding up the line. Supplies of tobacco and paper were also easily dealt with through stockpiles and advance orders.

The one thing that management could neither control nor accommodate to, however, was the seemingly happenstance breakdowns. And the foremen couldn't instruct the workers what to do when emergencies developed since the maintenance department kept its records of problems and solutions locked up in a cabinet or in its members' heads. The breakdowns were, in truth, a critical source of uncertainty for the organization, and the maintenance engineers were the only ones who could cope with the problem.

The engineers' strategic role in coping with breakdowns afforded them a considerable say on plant decisions. Schedules and production quotas were set in consultation with them. And the plant manager, while formally their boss, accepted their decisions about personnel in their operation. His submission was to his credit, for without their cooperation he would have had an even more difficult time in running the plant.

Ignoring critical consequences

In this cigarette factory, sharing influence with the maintenance workers reflected the plant manager's awareness of the critical contingencies. However, when organizational members are not aware of the critical contingencies they face, and do not share influence accordingly, the failure to do so can create havoc. In one case, an insurance company's regional office was having problems with the performance of one of its departments, the coding department. From the outside, the department looked like a disaster area. The clerks who worked in it were somewhat dissatisfied; their supervisor paid little attention to them, and they resented the hard work. Several other departments were critical of this manager, claiming that she was inconsistent in meeting deadlines. The person most critical was the claims manager. He resented having to wait for work that was handled by her department, claiming that it held up his claims adjusters. Having heard the rumors about dissatisfaction among her subordinates, he attributed the situation to poor supervision. He was second in command in the office and therefore took up the issue with her immediate boss, the head of administrative services. They consulted with the personnel manager and the three of them concluded that the manager needed leadership training to improve her relations with her subordinates. The coding manager objected, saying it was a waste of time, but agreed to go along with the training and also agreed to give more priority to the claims department's work. Within a week after the training, the results showed that her workers were happier but that the performance of her department had decreased, save for the people serving the claims department.

About this time, we began, quite independently, a study of influence in this organization. We asked the administrative services director to draw up flow charts of how the work of one department moved onto the next department. In the course of the interview, we noticed that the coding department began or interceded in the work flow of most of the other departments and casually mentioned to him, "The coding manager must be very influential." He said "No, not really. Why would you think so?" Before we could reply he recounted the story of her leadership training and the fact that things were worse. We then told him that it seemed obvious that the coding department would be influential from the fact that all the other departments depended on it. It was also clear why productivity had fallen. The coding manager took the training seriously and began spending more time raising her workers' spirits than she did worrying about the problems of all the departments that depended on her. Giving priority to the claims area only exaggerated the problem, for their work was getting done at the expense of the work of the other departments. Eventually the company hired a few more clerks to relieve the pressure in the coding department and performance returned to a more satisfactory level.

Originally we got involved with this insurance company to examine how the influence of each manager evolved from his or her department's handling of critical organizational contingencies. We reasoned that one of the most important contingencies faced by all profit-making organizations was that of generating income. Thus we expected managers would be influential to the extent to which they contributed to this function. Such was the case. The underwriting managers, who wrote the policies that committed the premiums, were the most influential; the claims managers, who kept a lid on the funds flowing out, were a close second. Least influential were the managers of functions unrelated to revenue, such as mailroom and payroll managers. And contrary to what the administrative services manager believed, the third most powerful department head (out of 21) was the woman in charge of the coding function, which consisted of rating, recording, and keeping track of the codes of all policy applications and contracts. Her peers attributed more influence to her than could have been inferred from her place on the organization chart. And it was not surprising, since they all depended on her department. The coding department's records, their accuracy and the speed with which they could be retrieved, affected virtually every other operating department in the insurance office. The underwriters depended on them in getting the contracts straight; the typing department depended on them in preparing the formal contract document; the claims department depended on them in adjusting claims; and accounting depended on them for billing. Unfortunately, the "bosses" were not aware of these dependences, for unlike the cigarette factory, there were no massive breakdowns that made them obvious, while the coding manager, who was a hard-working but quiet person, did little to announce her importance.

The cases of this plant and office illustrate nicely a basic point about the source of power in organizations. The basis for power in an organization derives from the ability of a person or subunit to take or not take actions that are desired by others. The coding manager was seen as influential by those who depended on her department, but not by the people at the top. The engineers were influential because of their role in keeping the plant operating. The two cases differ in these respects: The coding supervisor's source of power was not as widely recognized as that of the maintenance engineers, and she did not use her source of power to influence decisions; the maintenance engineers did. Whether power is used to influence anything is a separate issue. We should not confuse this issue with the fact that power derives from a social situation in which one person has a capacity to do something and another person does not, but wants it done.

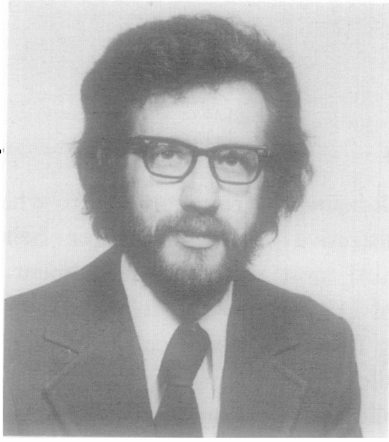
Power Sharing in Organizations

Power is shared in organizations; and it is shared out of necessity more than out of concern for principles of organizational development or participatory democracy. Power is shared because no one person controls all the desired activities in the organization. While the factory owner may hire people to operate his noisy machines, once hired they have some control over the use of the machinery. And thus they have power over him in the same way he has power over them. Who has more power over whom is a mooter point than that of recognizing the inherent nature of organizing as a sharing of power.

Let's expand on the concept that power derives from the activities desired in an organization. A major way of managing influence in organizations is through the designation of activities. In a bank we studied, we saw this principle in action. This bank was planning to install a computer system for routine credit evaluation. The bank, rather progressive-minded, was concerned that the change would have adverse effects on employees and therefore surveyed their attitudes.

The principal opposition to the new system came, interestingly, not from the employees who performed the routine credit checks, some of whom would be relocated because of the change, but from the manager of the credit department. His reason was quite simple. The manager's primary function was to give official approval to the applications, catch any employee mistakes before giving approval, and arbitrate any difficulties the clerks had in deciding what to do. As a consequence of his role, others in the organization, including his superiors, subordinates, and colleagues, attributed considerable importance to him. He, in turn, for example, could point to the low proportion of credit approvals, compared with other financial institutions, that resulted in bad debts. Now, to his mind, a wretched machine threatened to transfer his role to a computer programmer, a man who knew nothing of finance and who, in addition, had ten years less seniority. The credit manager eventually quit for a position at a smaller firm with lower pay, but one in which he would have more influence than his redefined job would have left him with.

Because power derives from activities rather than individuals, an individual's or subgroup's power is never absolute and derives ultimately from the context of the situation. The amount of power an individual has at any one time depends, not only on the activities he or she controls, but also on the existence of other persons or means by which the activities can be achieved and on those who determine what ends are desired and, hence, on what activities are desired and critical for the organization. One's own power always depends on other people for these two reasons. Other people, or groups or organizations, can determine the definition of what is a critical contingency for the organization and can also undercut the uniqueness of the individual's personal contribution to the critical contingencies of the organization.



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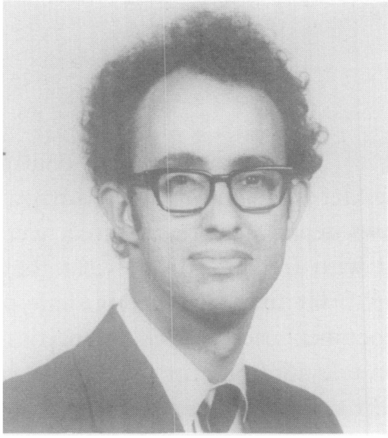
Perhaps one can best appreciate how situationally dependent power is by examining how it is distributed. In most societies, power organizes around scarce and critical resources. Rarely does power organize around abundant resources. In the United States, a person doesn't become powerful because he or she can drive a car. There are simply too many others who can drive with equal facility. In certain villages in Mexico, on the other hand, a person with a car is accredited with enormous social status and plays a key role in the community. In addition to scarcity, power is also limited by the need for one's capacities in a social system. While a racer's ability to drive a car around a 90° turn at 80 mph may be sparsely distributed in a society, it is not likely to lend the driver much power in the society. The ability simply does not play a central role in the activities of the society.

The fact that power revolves around scarce and critical activities, of course, makes the control and organization of those activities a major battleground in struggles for power. Even relatively abundant or trivial resources can become the bases for power if one can organize and control their allocation and the definition of what is critical. Many occupational and professional groups attempt to do just this in modern economies. Lawyers organize themselves into associations, regulate the entrance requirements for novitiates, and then get laws passed specifying situations that require the services of an attorney. Workers had little power in the conduct of industrial affairs until they organized themselves into closed and controlled systems. In recent years, women and blacks have tried to define themselves as important and critical to the social system, using law to reify their status.

In organizations there are obviously opportunities for defining certain activities as more critical than others. Indeed, the growth of managerial thinking to include defining organizational objectives and goals has done much to foster these opportunities. One sure way to liquidate the power of groups in the organization is to define the need for their services out of existence. David Halberstam presents a description of how just such a thing happened to the group of correspondents that evolved around Edward R. Murrow, the brilliant journalist, interviewer, and war correspondent of CBS News. A close



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Professor Pfeffer has consulted in the areas of decision making and organizational and management development, and has published extensively in the areas of power in organizations and environmental constraints and organizational responses. Along with Gerald Salancik, he has written The External Control of Organizations: A Resource Dependence Perspective, *to be published by Harper and Row.*

friend of CBS chairman and controlling stockholder William S. Paley, Murrow, and the news department he directed, were endowed with freedom to do what they felt was right. He used it to create some of the best documentaries and commentaries ever seen on television. Unfortunately, television became too large, too powerful, and too suspect in the eyes of the federal government that licensed it. It thus became, or at least the top executives believed it had become, too dangerous to have in-depth, probing commentary on the news. Crisp, dry, uneditorializing headliners were considered safer. Murrow was out and Walter Cronkite was in.

The power to define what is critical in an organization is no small power. Moreover, it is the key to understanding why organizations are either aligned with their environments or misaligned. If an organization defines certain activities as critical when in fact they are not critical, given the flow of resources coming into the organization, it is not likely to survive, at least in its present form.

Most organizations manage to evolve a distribution of power and influence that is aligned with the critical realities they face in the environment. The environment, in turn, includes both the internal environment, the shifting situational contexts in which particular decisions get made, and the external environment that it can hope to influence but is unlikely to control.

The Critical Contingencies

The critical contingencies facing most organizations derive from the environmental context within which they operate. This determines the available needed resources and thus determines the problems to be dealt with. That power organizes around handling these problems suggests an important mechanism by which organizations keep in tune with their external environments. The strategic-contingencies model implies that subunits that contribute to the critical resources of the organization will gain influence in the organization. Their influence presumably is then used to bend the organization's activities to the contingencies that determine its resources. This idea may strike one as obvious. But its obviousness in no way diminishes its importance. Indeed, despite its obviousness, it escapes the notice of many organizational analysts and managers, who all too frequently think of the organization in terms of a descending pyramid, in which all the departments in one tier hold equal power and status. This presumption denies the reality that departments differ in the contributions they are believed to make to the overall organization's resources, as well as to the fact that some are more equal than others.

Because of the importance of this idea to organizational effectiveness, we decided to examine it carefully in a large midwestern university. A university offers an excellent site for studying power. It is composed of departments with nominally equal power and is administered by a central executive structure much like other bureaucracies. However, at the same time it is a situation in which the departments have clearly defined identities and face diverse external environments. Each department has its own bodies of knowledge, its own institutions, its own sources of prestige and resources. Because the departments operate in different external environments, they are likely to contribute differentially to the resources of the overall organization. Thus a physics department with close ties to NASA may contribute substantially to the funds of the university; and a history department with a renowned historian in residence may contribute to the intellectual credibility or prestige of the whole university. Such variations permit one to examine how these various contributions lead to obtaining power within the university.

We analyzed the influence of 29 university departments throughout an 18-month period in their history. Our chief interest was to determine whether departments that brought more critical resources to the university would be more powerful than departments that contributed fewer or less critical resources.

To identify the critical resources each department contributed, the heads of all departments were interviewed about the importance of seven different resources to the university's success. The seven included undergraduate students (the factor determining size of the state allocations by the university), national prestige, administrative expertise, and so on. The most critical resource was found to be contract and grant monies received by a department's faculty for research or consulting services. At this university, contract and grants contributed somewhat less than 50 percent of the overall budget, with the remainder primarily coming from state appropriations. The importance attributed to contract and grant monies, and the rather minor importance of undergraduate students, was not surprising for this particular university. The university was a major center for graduate education; many of its departments ranked in the top ten of their respective fields. Grant and contract monies were the primary source of discretionary funding available for maintaining these programs of graduate education, and hence for maintaining the university's prestige. The prestige of the university itself was critical both in recruiting able students and attracting top-notch faculty.

From university records it was determined what relative contributions each of the 29 departments made to the various needs of the university (national prestige, outside grants, teaching). Thus, for instance, one department may have contributed to the university by teaching 7 percent of the instructional units, bringing in 2 percent of the outside contracts and grants, and having a national ranking of 20. Another department, on the other hand, may have taught one percent of the instructional units, contributed 12 percent to the grants, and be ranked the third best department in its field within the country.

The question was: Do these different contributions determine the relative power of the departments within the university? Power was measured in several ways; but regardless of how measured, the answer was "Yes." Those three resources together accounted for about 70 percent of the variance in subunit power in the university.

But the most important predictor of departmental power was the department's contribution to the contracts and grants of the university. Sixty percent of the variance in power was due to this one factor, suggesting that the power of departments derived primarily from the dollars they provided for graduate education, the activity believed to be the most important for the organization.

The Impact of Organizational Power on Decision Making

The measure of power we used in studying this university was an analysis of the responses of the department heads we interviewed. While such perceptions of power might be of interest in their own right, they contribute little to our understanding of how the distribution of power might serve to align an organization with its critical realities. For this we must look to how power actually influences the decisions and policies of organizations.

While it is perhaps not absolutely valid, we can generally gauge the relative importance of a department of an organization by the size of the budget allocated to it relative to other departments. Clearly it is of importance to the administrators of those departments whether they get squeezed in a budget crunch or are given more funds to strike out after new opportunities. And it should also be clear that when those decisions are made and one department can go ahead and try new approaches while another must cut back on the old, then the deployment of the resources of the organization in meeting its problems is most directly affected.

Thus our study of the university led us to ask the following question: Does power lead to influence in the organization? To answer this question, we found it useful first to ask another one, namely: Why should department heads try to influence organizational decisions to favor their own departments to the exclusion of other departments? While this second question may seem a bit naive to anyone who has witnessed the political realities of organizations, we posed it in a context of research on organizations that sees power as an illegitimate threat to the neater rational authority of modern bureaucracies. In this context, decisions are not believed to be made because of the dirty business of politics but because of the overall goals and purposes of the organization. In a university, one reasonable basis for decision making is the teaching workload of departments and the demands that follow from that workload. We would expect, therefore, that departments with heavy student demands for courses would be able to obtain funds for teaching. Another reasonable basis for decision making is quality. We would expect, for that reason, that departments with esteemed reputations would be able to obtain funds both because their quality suggests they might use such funds effectively and because such funds would allow them to maintain their quality. A rational model of bureaucracy intimates, then, that the organizational decisions taken would favor those who perform the stated purposes of the organization—teaching undergraduates and training professional and scientific talent—well.

The problem with rational models of decision making, however, is that what is rational to one person may strike another as irrational. For most departments, resources are a question of survival. While teaching undergraduates may seem to be a major goal for some members of the university, developing knowledge may seem so to others; and to still others, advising governments and other institutions about policies may seem to be the crucial business. Everyone has his own idea of the proper priorities in a just world. Thus goals rather than being clearly defined and universally agreed upon are blurred and contested throughout the organization. If such is the case, then the decisions taken on behalf of the organization as a whole are likely to reflect the goals of those who prevail in political contests, namely, those with power in the organization.

Will organizational decisions always reflect the distribution of power in the organization? Probably not. Using power for influence requires a certain expenditure of effort, time, and resources. Prudent and judicious persons are not likely to use their power needlessly or wastefully. And it is likely that power will be used to influence organizational decisions primarily under circumstances that both require and favor its use. We have examined three conditions that are likely to affect the use of power in organizations: scarcity, criticality, and uncertainty. The first suggests that subunits will try to exert influence when the resources of the organization are scarce. If there is an abundance of resources, then a particular department or a particular individual has little need to attempt influence. With little effort, he can get all he wants anyway.

The second condition, criticality, suggests that a subunit will attempt to influence decisions to obtain resources that are critical to its own survival and activities. Criticality implies that one would not waste effort, or risk being labeled obstinate, by fighting over trivial decisions affecting one's operations.

An office manager would probably balk less about a threatened cutback in copying machine usage than about a reduction in typing staff. An advertising department head would probably worry less about losing his lettering artist than his illustrator. Criticality is difficult to define because what is critical depends on people's beliefs about what is critical. Such beliefs may or may not be based on experience and knowledge and may or may not be agreed upon by all. Scarcity, for instance, may itself affect conceptions of criticality. When slack resources drop off, cutbacks have to be made—those "hard decisions," as congressmen and resplendent administrators like to call them. Managers then find themselves scrapping projects they once held dear.

The third condition that we believe affects the use of power is uncertainty: When individuals do not agree about what the organization should do or how to do it, power and other social processes will affect decisions. The reason for this is simply that, if there are no clear-cut criteria available for resolving conflicts of interest, then the only means for resolution is some form of social process, including power, status, social ties, or some arbitrary process like flipping a coin or drawing straws. Under conditions of uncertainty, the powerful manager can argue his case on any grounds and usually win it. Since there is no real consensus, other contestants are not likely to develop counter arguments or amass sufficient opposition. Moreover, because of his power and their need for access to the resources he controls, they are more likely to defer to his arguments.

Although the evidence is slight, we have found that power will influence the allocations of scarce and critical resources. In the analysis of power in the university, for instance, one of the most critical resources needed by departments is the general budget. First granted by the state legislature, the general budget is later allocated to individual departments by the university administration in response to requests from the department heads. Our analysis of the factors that contribute to a department getting more or less of this budget indicated that subunit power was the major predictor, overriding such factors as student demand for courses, national reputations of departments, or even the size of a department's faculty. Moreover, other research has shown that when the general budget has been cut back or held below previous uninflated levels, leading to monies becoming more scarce, budget allocations mirror departmental powers even more closely.

Student enrollment and faculty size, of course, do themselves relate to budget allocations, as we would expect since they determine a department's need for resources, or at least offer visible testimony of needs. But departments are not always able to get what they need by the mere fact of needing them. In one analysis it was found that high-power departments were able to obtain budget without regard to their teaching loads and, in some cases, actually in inverse relation to their teaching loads. In contrast, low-power departments could get increases in budget only when they could justify the increases by a recent growth in teaching load, and then only when it was far in excess of norms for other departments.

General budget is only one form of resource that is allocated to departments. There are others such as special grants for student fellowships or faculty research. These are critical to departments because they affect the ability to attract other resources, such as outstanding faculty or students. We examined how power influenced the allocations of four resources department heads had described as critical and scarce.

When the four resources were arrayed from the most to the least critical and scarce, we found that departmental power best predicted the allocations of the most critical and scarce resources. In other words, the analysis of how power influences organizational allocations leads to this conclusion: Those subunits most likely to survive in times of strife are those that are more critical to the organization. Their importance to the organization gives them power to influence resource allocations that enhance their own survival.

How External Environment Impacts Executive Selection

Power not only influences the survival of key groups in an organization, it also influences the selection of individuals to key leadership positions, and by such a process further aligns the organization with its environmental context.

We can illustrate this with a recent study of the selection and tenure of chief administrators in 57 hospitals in Illinois. We assumed that since the critical problems facing the organization would enhance the power of certain groups at the expense of others, then the leaders to emerge should be those most relevant to the context of the hospitals. To assess this we asked each chief administrator about his professional background and how long he had been in office. The replies were then related to the hospitals' funding, ownership, and competitive conditions for patients and staff.

One aspect of a hospital's context is the source of its budget. Some hospitals, for instance, are run much like other businesses. They sell bed space, patient care, and treatment services. They charge fees sufficient both to cover their costs and to provide capital for expansion. The main source of both their operating and capital funds is patient billings. Increasingly, patient billings are paid for, not by patients, but by private insurance companies. Insurers like Blue Cross dominate and represent a potent interest group outside a hospital's control but critical to its income. The insurance companies, in order to limit their own costs, attempt to hold down the fees allowable to hospitals, which they do effectively from their positions on state rate boards. The squeeze on hospitals that results from fees increasing slowly while costs climb rapidly more and more demands the talents of cost accountants or people trained in the technical expertise of hospital administration.

By contrast, other hospitals operate more like social service institutions, either as government healthcare units (Bellevue Hospital in New York City and Cook County Hospital in Chicago, for example) or as charitable institutions. These hospitals obtain a large proportion of their operating and capital funds, not from privately insured patients, but from government subsidies or private donations. Such institutions rather than requiring the talents of a technically efficient administrator are likely to require the savvy of someone who is well integrated into the social and political power structure of the community.

Not surprisingly, the characteristics of administrators predictably reflect the funding context of the hospitals with which they are associated. Those hospitals with larger proportions of their budget obtained from private insurance companies were most likely to have administrators with backgrounds in accounting and least likely to have administrators whose professions were business or medicine. In contrast, those hospitals with larger proportions of their budget derived from private donations and local governments were most likely to have administrators with business or professional backgrounds and least likely to have accountants. The same held for formal training in hospital management. Professional hospital administrators could easily be found in hospitals drawing their incomes from private insurance and rarely in hospitals dependent on donations or legislative appropriations.

As with the selection of administrators, the context of organizations has also been found to affect the removal of executives. The environment, as a source of organizational problems, can make it more or less difficult for executives to demonstrate their value to the organization. In the hospitals we studied, long-term administrators came from hospitals with few problems. They enjoyed amicable and stable relations with their local business and social communities and suffered little competition for funding and staff. The small city hospital director who attended civic and Elks meetings while running the only hospital within a 100-mile radius, for example, had little difficulty holding on to his job. Turnover was highest in hospitals with the most problems, a phennomenon similar to that observed in a study of industrial organizations in which turnover was highest among executives in industries with competitive environments and unstable market conditions. The interesting thing is that instability characterized the industries rather than the individual firms in them. The troublesome conditions in the individual firms were attributed, or rather misattributed, to the executives themselves.

It takes more than problems, however, to terminate a manager's leadership. The problems themselves must be relevant and critical. This is clear from the way in which an administrator's tenure is affected by the status of the hospital's operating budget. Naively we might assume that all administrators would need to show a surplus. Not necessarly so. Again, we must distinguish between those hospitals that depend on private donations for funds and those that do not. Whether an endowed budget shows a surplus or deficit is less important than the hospital's relations with benefactors. On the other hand, with a budget dependent on patient billing, a surplus is almost essential; monies for new equipment or expansion must be drawn from it, and without them quality care becomes more difficult and patients scarcer. An administrator's tenure reflected just these considerations. For those hospitals dependent upon private donations, the length of an administrator's term depended not at all on the status of the operating budget but was fairly predictable from the hospital's relations with the business community. On the other hand, in hospitals dependent on the operating budget for capital financing, the greater the deficit the shorter was the tenure of the hospital's principal administrators.

Changing Contingencies and Eroding Power Bases

The critical contingencies facing the organization may change. When they do, it is reasonable to expect that the power of individuals and subgroups will change in turn. At times the shift can be swift and shattering, as it was recently for powerholders in New York City. A few years ago it was believed that David Rockefeller was one of the ten most powerful people in the city, as tallied by *New York* magazine, which annually sniffs out power for the delectation of its readers. But that was before it was revealed that the city was in financial trouble, before Rockefeller's Chase Manhattan Bank lost some of its own financial luster, and before brother Nelson lost some of his political influence in Washington. Obviously David Rockefeller was no longer as well positioned to help bail the city out. Another loser was an attorney with considerable personal connections to the political and religious leaders of the city. His talents were no longer in much demand. The persons with more influence were the bankers and union pension fund executors who fed money to the city; community leaders who represent blacks and Spanish-Americans, in contrast, witnessed the erosion of their power bases.

One implication of the idea that power shifts with changes in organizational environments is that the dominant coalition will tend to be that group that is most appropriate for the organization's environment, as also will the leaders of an organization. One can observe this historically in the top executives of industrial firms in the United States. Up until the early 1950s, many top corporations were headed by former production line managers or engineers who gained prominence because of their abilities to cope with the problems of production. Their success, however, only spelled their demise. As production became routinized and mechanized, the problem of most firms became one of selling all those goods they so efficiently produced. Marketing executives were more frequently found in corporate boardrooms. Success outdid itself again, for keeping markets and production steady and stable requires the kind of control that can only come from acquiring competitors and suppliers or the invention of more and more appealing products—ventures that typically require enormous amounts of capital. During the 1960s, financial executives assumed the seats of power. And they, too, will give way to others. Edging over the horizon are legal experts, as regulation and antitrust suits are becoming more and more frequent in the 1970s, suits that had their beginnings in the success of the expansion generated by prior executives. The more distant future, which is likely to be dominated by multinational corporations, may see former secretaries of state and their minions increasingly serving as corporate figureheads.

The Nonadaptive Consequences of Adaptation

From what we have said thus far about power aligning the organization with its own realities, an intelligent person might react with a resounding ho-hum, for it all seems too obvious: Those with the ability to get the job done are given the job to do.

However, there are two aspects of power that make it more useful for understanding organizations and their effectiveness. First, the "job" to be done has a way of expanding itself until it becomes less and less clear what the job is. Napoleon began by doing a job for France in the war with Austria and ended up Emperor, convincing many that only he could keep the peace. Hitler began by promising an end to Germany's troubling postwar depression and ended up convincing more people than is comfortable to remember that he was destined to be the savior of the world. In short, power is a capacity for influence that extends far beyond the original bases that created it. Second, power tends to take on institutionalized forms that enable it to endure well beyond its usefulness to an organization.

There is an important contradiction in what we have observed about organizational power. On the one hand we have said that power derives from the contingencies facing an organization and that when those contingencies change so do the bases for power. On the other hand we have asserted that subunits will tend to use their power to influence organizational decisions in their own favor, particularly when their own survival is threatened by the scarcity of critical resources. The first statement implies that an organization will tend to be aligned with its environment since power will tend to bring to key positions those with capabilities relevant to the context. The second implies that those in power will not give up their positions so easily; they will pursue policies that guarantee their continued domination. In short, change and stability operate through the same mechanism, and, as a result, the organization will never be completely in phase with its environment or its needs.

The study of hospital administrators illustrates how leadership can be out of phase with reality. We argued that privately funded hospitals needed trained technical administrators more so than did hospitals funded by donations. The need as we perceived it was matched in most hospitals, but by no means in all. Some organizations did not conform with our predictions. These deviations imply that some administrators were able to maintain their positions independent of their suitability for those positions. By dividing administrators into those with long and short terms of office, one finds that the characteristics of longer-termed administrators were virtually unrelated to the hospital's context. The shorter-termed chiefs on the other hand had characteristics more appropriate for the hospital's problems. For a hospital to have a recently appointed head implies that the previous administrator had been unable to endure by institutionalizing himself.

One obvious feature of hospitals that allowed some administrators to enjoy a long tenure was a hospital's ownership. Administrators were less entrenched when their hospitals were affiliated with and dependent upon larger organizations, such as governments or churches. Private hospitals offered more secure positions for administrators. Like private corporations, they tend to have more diffused ownership, leaving the administrator unopposed as he institutionalizes his reign. Thus he endures, sometimes at the expense of the performance of the organization. Other research has demonstrated that corporations with diffuse ownership have poorer earnings than those in which the control of the manager is checked by a dominant shareholder. Firms that overload their boardrooms with more insiders than are appropriate for their context have also been found to be less profitable.

A word of caution is required about our judgment of "appropriateness." When we argue some capabilities are more appropriate for one context than another, we do so from the perspective of an outsider and on the basis of reasonable assumptions as to the problems the organization will face and the capabilities they will need. The fact that we have been able to predict the distribution of influence and the characteristics of leaders suggests that our reasoning is not incorrect. However, we do not think that all organizations follow the same pattern. The fact that we have not been able to predict outcomes with 100 percent accuracy indicates they do not.

Mistaking Critical Contingencies

One thing that allows subunits to retain their power is their ability to name their functions as critical to the organization when they may not be. Consider again our discussion of power in the university. One might wonder why the most critical tasks were defined as graduate education and scholarly research, the effect of which was to lend power to those who brought in grants and contracts. Why not something else? The reason is that the more powerful departments argued for those criteria and won their case, partly because they were more powerful.

In another analysis of this university, we found that all departments advocate self-serving criteria for budget allocation. Thus a department with large undergraduate enrollments argued that enrollments should determine budget allocations, a department with a strong national reputation saw prestige as the most reasonable basis for distributing funds, and so on. We further found that advocating such self-serving criteria actually benefited a department's budget allotments but, also, it paid off more for departments that were already powerful.

Organizational needs are consistent with a current distribution of power also because of a human tendency to categorize problems in familiar ways. An accountant sees problems with organizational performance as cost accountancy problems or inventory flow problems. A sales manager sees them as problems with markets, promotional strategies, or just unaggressive salespeople. But what is the truth? Since it does not automatically announce itself, it is likely that those with prior credibility, or those with power, will be favored as the enlightened. This bias, while not intentionally self-serving, further concentrates power among those who already possess it, independent of changes in the organization's context.

Institutionalizing Power

A third reason for expecting organizational contingencies to be defined in familiar ways is that the current holders of power can structure the organization in ways that institutionalize themselves. By institutionalization we mean the establishment of relatively permanent structures and policies that favor the influence of a particular subunit. While in power, a dominant coalition has the ability to institute constitutions, rules, procedures, and information systems that limit the potential power of others while continuing their own.

The key to institutionalizing power always is to create a device that legitimates one's own authority and diminishes the legitimacy of others. When the "Divine Right of Kings" was envisioned centuries ago it was to provide an unquestionable foundation for the supremacy of royal authority. There is generally a need to root the exercise of authority in some higher power. Modern leaders are no less affected by this need. Richard Nixon, with the aid of John Dean, reified the concept of executive privilege, which meant in effect that what the President wished not to be discussed need not be discussed.

In its simpler form, institutionalization is achieved by designating positions or roles for organizational activities. The creation of a new post legitimizes a function and forces organization members to orient to it. By designating how this new post relates to older, more established posts, moreover, one can structure an organization to enhance the importance of the function in the organization. Equally, one can diminish the importance of traditional functions. This is what happened in the end with the insurance company we mentioned that was having trouble with its coding department. As the situation unfolded, the claims director continued to feel dissatisfied about the dependency of his functions on the coding manager. Thus he instituted a reorganization that resulted in two coding departments. In so doing, of course, he placed activities that affected his department under his direct control, presumably to make the operation more effective. Similarly, consumer-product firms enhance the power of marketing by setting up a coordinating role to interface production and marketing functions and then appoint a marketing manager to fill the role.

The structures created by dominant powers sooner or later become fixed and unquestioned features of the organization. Eventually, this can be devastating. It is said that the battle of Jena in 1806 was lost by Frederick the Great, who died in 1786. Though the great Prussian leader had no direct hand in the disaster, his imprint on the army was so thorough, so embedded in its skeletal underpinnings, that the organization was inappropriate for others to lead in different times.

Another important source of institutionalized power lies in the ability to structure information systems. Setting up committees to investigate particular organizational issues and having them report only to particular individuals or groups, facilitates their awareness of problems by members of those groups while limiting the awareness of problems by the members of other groups. Obviously, those who have information are in a better position to interpret the problems of an organization, regardless of how realistically they may, in fact, do so.

Still another way to institutionalize power is to distribute rewards and resources. The dominant group may quiet competing interest groups with small favors and rewards. The credit for this artful form of cooptation belongs to Louis XIV. To avoid usurpation of his power by the nobles of France and the Fronde that had so troubled his father's reign, he built the palace at Versailles to occupy them with hunting and gossip. Awed, the courtiers basked in the reflected glories of the "Sun King" and the overwhelming setting he had created for his court.

At this point, we have not systematically studied the institutionalization of power. But we suspect it is an important condition that mediates between the environment of the organization and the capabilities of the organization for dealing with that environment. The more institutionalized power is within an organization, the more likely an organization will be out of phase with the realities it faces. President Richard Nixon's structuring of his White

House is one of the better documented illustrations. If we go back to newspaper and magazine descriptions of how he organized his office from the beginning in 1968, most of what occurred subsequently follows almost as an afterthought. Decisions flowed through virtually only the small White House staff; rewards, small presidential favors of recognition, and perquisites were distributed by this staff to the loyal; and information from the outside world—the press, Congress, the people on the streets—was filtered by the staff and passed along only if initialed "bh." Thus it was not surprising that when Nixon met war protestors in the early dawn, the only thing he could think to talk about was the latest football game, so insulated had he become from their grief and anger.

One of the more interesting implications of institutionalized power is that executive turnover among the executives who have structured the organization is likely to be a rare event that occurs only under the most pressing crisis. If a dominant coalition is able to structure the organization and interpret the meaning of ambiguous events like declining sales and profits or lawsuits, then the "real" problems to emerge will easily be incorporated into traditional molds of thinking and acting. If opposition is designed out of the organization, the interpretations will go unquestioned. Conditions will remain stable until a crisis develops, so overwhelming and visible that even the most adroit rhetorician would be silenced.

Implications for the Management of Power in Organizations

While we could derive numerous implications from this discussion of power, our selection would have to depend largely on whether one wanted to increase one's power, decrease the power of others, or merely maintain one's position. More important, the real implications depend on the particulars of an organizational situation. To understand power in an organization one must begin by looking outside it—into the environment—for those groups that mediate the organization's outcomes but are not themselves within its control.

Instead of ending with homilies, we will end with a reversal of where we began. Power, rather than being the dirty business it is often made out to be, is probably one of the few mechanisms for reality testing in organizations. And the cleaner forms of power, the institutional forms, rather than having the virtues they are often credited with, can lead the organization to become out of touch. The real trick to managing power in organizations is to ensure somehow that leaders cannot be unaware of the realities of their environments and cannot avoid changing to deal with those realities. That, however, would be like designing the "self-liquidating organization," an unlikely event since anyone capable of designing such an instrument would be obviously in control of the liquidations.

Management would do well to devote more attention to determining the critical contingencies of their environments. For if you conclude, as we do, that the environment sets most of the structure influencing organizational outcomes and problems, and that power derives from the organization's activities that deal with those contingencies, then it is the environment that needs managing, not power. The first step is to construct an accurate model of the environment, a process that is quite difficult for most organizations. We have recently started a project to aid administrators in systematically understanding their environments. From this experience, we have learned that the most critical blockage to perceiving an organization's reality accurately is a failure to incorporate those with the relevant expertise into the process. Most organizations have the requisite experts on hand but they are positioned so that they can be comfortably ignored.

One conclusion you can, and probably should, derive from our discussion is that power—because of the way it develops and the way it is used—will always result in the organization suboptimizing its performance. However, to this grim absolute, we add a comforting caveat: If any criteria other than power were the basis for determining an organization's decisions, the results would be even worse.

Selected Bibliography

The literature on power is at once both voluminous and frequently empty of content. Some is philosophical musing about the concept of power, while other writing contains popularized palliatives for acquiring and exercising influence. Machiavelli's *The Prince*, if read carefully, remains the single best prescriptive treatment of power and its use. Most social scientists have approached power descriptively, attempting to understand how it is acquired, how it is used, and what its effects are. Mayer Zald's edited collection *Power in Organizations* (Vanderbilt University Press, 1970) is one of the more useful sets of thoughts about power from a sociological perspective, while James Tedeschi's edited book, *The Social Influence Processes* (Aldine-Atherton, 1972) represents the social psychological approach to understanding power and influence. The strategic contingencies's approach, with its emphasis on the importance of uncertainty for understanding power in organizations, is described by David Hickson and his colleagues in "A Strategic Contingencies Theory of Intraorganizational Power" (*Administrative Science Quarterly*, December 1971, pp. 216-229).

Unfortunately, while many have written about power theoretically, there have been few empirical examinations of power and its use. Most of the work has taken the form of case studies. Michel Crozier's *The Bureaucratic Phenomenon* (University of Chicago Press, 1964) is important because it describes a group's source of power as control over critical activities and illustrates how power is not strictly derived from hierarchical position. J. Victor Baldridge's *Power and Conflict in the University* (John Wiley & Sons, 1971) and Andrew Pettigrew's study of computer purchase decisions in one English firm (*Politics of Organizational Decision-Making*, Tavistock, 1973) both present insights into the acquisition and use of power in specific instances. Our work has been more empirical and comparative, testing more explicitly the ideas presented in this article. The study of university decision making is reported in articles in the June 1974, pp. 135-151, and December 1974, pp. 453-473, issues of the *Administrative Science Quarterly*, the insurance firm study in J. G. Hunt and L. L. Larson's collection, *Leadership Frontiers* (Kent State University Press, 1975), and the study of hospital administrator succession will appear in 1977 in the *Academy of Management Journal.*