Incentive Systems: A Theory of Organizations
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Incentive Systems:

A Theory of Organizations

Organizations distribute incentives to individuals in order to induce them to contribute activity. Aspects of organizational behavior and change are explained by exploring the differing consequences of different incentive systems. Three types of organizations are distinguished on the basis of three kinds of incentives: material, solidary, and purposive. Hypotheses are presented about the characteristic behavior of these types, and the correspondence between the types and certain actual organizations is shown.

Changes in organizational activities and purposes are predicted by assuming that the executive's function is to perpetuate his group, and by assuming that he alters incentives to adapt to changes in the supplies of incentive-yielding resources. Co-operation, conflict, and other relationships among organizations are explained in terms of competition for autonomy and resources. It is suggested that gradual changes of personal motives within a society have predictable consequences for the character of organizations.

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THE internal activity of organizations affects their purposes and the tactics they employ to attain those purposes. Organizational purposes and tactics, in turn, have clear influences upon social, economic, and political processes. This paper will suggest that

much of the internal and external activity of organizations may be explained by understanding their incentive systems.

All viable organizations must provide tangible or intangible incentives to individuals in exchange for contributions of individual activity to the organizations. Analysis of the several kinds of incentive systems can provide not only a way to classify much existing data about organizations, but also the rudiments of a predictive theory of organizational behavior. Moreover, the analysis may be applied to all formal organizations—political interest groups, corporations, trade unions, universities, and political parties, for example—as well as to administrative agencies, to which it has already been fruitfully applied.[1]

Classification of incentive systems makes it possible to distinguish analytically significant types of organizations. Analysis of incentive systems also provides at least partial explanations of such varied phenomena as differences in group purposes and tactics, organizational cohesion, proclivities to expand, the likelihood of group survival, styles of leadership, and long-term trends in the activities of clusters of organizations.

The basic hypothesis of this paper is that the incentive system may be regarded as the principal variable affecting organizational behavior. A secondary hypothesis is that the incentive system is altered (largely by the organization's executive) in response to changes in the apparent motives of contributors, or potential contributors, to the organization. These motives may change both collectively and individually. Collectively, the number of contributors (or potential contributors) seeking certain values

[1]Chester Barnard, who first systematically developed the incentive analysis, defines a formal organization as a "system of consciously co-ordinated activities or forces of two or more persons" (*The Functions of the Executive* [Cambridge: Harvard University Press, 1938], p. 73). For Barnard's general analysis, upon which this paper is based, see especially his chapter xi, "The Economy of Incentives." Further theoretical development and illustrations are provided by Herbert A. Simon, *Administrative Behavior* (2nd ed.; New York, 1959), ch. vi; Edward C. Banfield, *Political Influence* (Glencoe, 1961) and *Government Project* (Glencoe, 1949), ch. xv; James Q. Wilson, *Negro Politics: The Search for Leadership* (Glencoe, 1960); and Peter B. Clark, "The Chicago Big Businessman as a Civic Leader" (unpublished Ph.D. dissertation, University of Chicago, 1959), ch. v.

may come to outweigh the number seeking other values. The rewards of membership in the organization must then be altered to correspond to the motives of new members or a potential clientele that it is deemed desirable to attract and hold. Individually, members may gradually change their motives for a variety of reasons. Some of these changes may be due to environmental factors—for example, changes in the level of economic activity, the distribution of resources, or the pattern of moral attitudes. Other changes in motives may represent a significant alteration in the level of expectations. The motives for organizational membership may change as notions as to what is possible are modified. Finally, motives may change as the organization itself changes its character from a formative stage (in which substantive goals may be of crucial importance) to a later stage (in which the rewards of membership come to be independent of substantive goals). At first, members may derive satisfaction from coming together for the purpose of achieving a stated end; later, they may derive equal or greater satisfaction from simply maintaining an organization that provides them with office, prestige, power, sociability, income, or a sense of identity.

If these hypotheses are valid, the analysis of incentive systems makes it possible to relate environmental trends, personality factors, patterns of expectation, and organizational history to the behavior of organizations and perhaps to bridge the gap between the study of individual behavior and the study of organizational behavior. In this study, the fundamental unit will be the organization as such and its principal attribute will be its incentive system. In this way it is hoped that a theory of organizations can be developed without reducing organizations to personality, small-group behavior, communications patterns, or isolated decision-making units. The point of view of this paper is that the most important thing to know about an organization is that it *is* an organization and that it seeks to persist.[2]

This paper is divided into five sections. In the first, the nature

[2] Cf. Philip Selznick, *TVA and the Grass Roots* (Berkeley and Los Angeles, 1949), p. 79: "All formal organizations are moulded by forces tangential to their rationally ordered structures and stated goals." The same point is the theme of David L. Sills, *The Volunteers* (Glencoe, 1957).

and principal types of incentive systems are discussed and related to the function of the executive and the role of the leader. In the second, three types of organizations are described and propositions offered regarding their characteristic behavior. In the third, changes in organization behavior are related to environmental changes. In the fourth, the relationships among organizations are discussed in terms of the competition for autonomy and resources. Finally, some important changes in personal motives in American life affecting organizational behavior are suggested.

INCENTIVE SYSTEMS

The basic premises of the paper may be expressed by quoting from Chester Barnard:

The contributions of personal efforts which constitute the energies of organizations are yielded by individuals because of incentives. The egotistical motives of self-preservation and self-gratification are dominating forces; on the whole, organizations can exist only when consistent with the satisfaction of these motives, unless, alternatively, they can change these motives. The individual is always the basic strategic factor in organizations. Regardless of his history or his obligations he must be induced to cooperate, or there can be no cooperation.[3]

Additional premises include the following:

1. Incentives are by definition scarce. Unless a commodity, a status, or an activity is relatively rare, it provides no inducement to anyone. A business firm has only a finite amount of money which it may offer to contributors of effort in the form of salaries and wages; a university can create only so many full professorships before watering the currency of their prestige value; there can be only so many committee heads in a women's club before a committee chairmanship ceases to be desired.

Tangible and intangible resources are not distributed equally throughout the population and a given incentive may have more effect upon some people than others. A small increment in wealth can rarely induce a multimillionaire to contribute time and

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[3]Barnard, *op. cit.*, p. 139. The desire to achieve an abstract social good may, of course, be subsumed under the "egotistical motive of self-gratification." The point is that the organization must satisfy some aspect of the *contributor's* motives—whatever those motives may be.

effort to an organization. Social status, prestige, and respect are similarly unequally distributed. Membership in a given organization may represent "upward mobility" to one person, while it may imply degradation to another of higher social status. Incentives have a diminishing marginal utility.

2. An organization's incentive output must not exceed its available incentive resources.[4] Continued, excessive payments of wages and salaries can drive a business firm to bankruptcy. Similarly, a social club whose members cease to provide each other with the incentives of sociability approaches disintegration. A net outflow of incentive resources will produce decreases in organizational size or levels of activity, or both, and will ultimately produce either an alteration in the incentive system or organizational collapse.

3. It is the function of the executive to maintain his organization. He does this by attempting to obtain a net surplus of incentives and by distributing incentives to elicit contributions of activity.[5] It is important to distinguish the executive func-

[4]See Simon, op. cit., ch. iv and p. 181. As Simon notes, the output of incentives may exceed the input, at least for a short period of time. There is no "law of the conservation of energy" at work in organizations in any strict sense. This is because the very existence of the organization itself is a source of incentives of a kind; dying organizations still hold some members out of a sense of duty or in hopes of an improvement in its fortunes. Some people will act out of even slim hopes for future rewards.

[5]"Executive work is not that of the organization but the specialized work of maintaining the organization in operation" (Barnard, op. cit., p. 215; italics in the original). "In all sorts of organizations the affording of adequate incentives becomes the most definitely emphasized task of their existence. It is probably in this aspect of executive work that failure is most pronounced, though the causes may be due either to inadequate understanding or to the breakdown of the effectiveness of the organization" (ibid., p. 139). Executives will, of course, attempt to create conditions under which contributions of activity become habitual, where contributors rarely assess the benefits of the incentives they receive against the opportunity costs of incentives they forego by not joining alternative organizations. When such conditions are created, the organization need provide to contributors only a small net balance of satisfaction over dissatisfactions. It is not intended to suggest that all contributors to all organizations are constantly and consciously assessing the benefits (incentives) against the costs of their contributions, but conscious weighing occurs often enough that the problem of organizational maintenance represents the most salient fact of organizational life for the executive. It is important to note that many incentives are not consciously produced and distributed by anyone. The location of a factory in Florida may be an incentive to a sun-seeking worker, although the decision to locate

tion from what will here be called the leadership function, which is that of creating, clarifying, and promulgating substantive goals.[6] While both functions are occasionally performed by the same individual, it will be shown later that the demands of the two functions may conflict. Distributing incentives in order to maintain the organization is by no means always the same task as setting substantive purposes for the organization to pursue.

The executive has a strong personal interest in maintaining his organization. Generally, the minimal expectation of group members is that the executive will not allow his group to decline or collapse. The executive's reputation, and in some cases his livelihood and material success, depends upon successful fulfillment of this minimal function. And as many writers have observed, both executives and other contributors come to believe that their organizations must persist if they are to achieve their substantive purposes. Whatever else he may be able to do with or for his group, the executive must perpetuate it.

4. It is possible to distinguish one incentive system from another. For the purposes of this paper, incentives will be placed in three broad categories: material, solidary, and purposive.

a) Material incentives: These are tangible rewards; that is, rewards that have a monetary value or can easily be translated into ones that have. These include money in the form of wages and salaries, the tangible benefits of a taxpayers' association to its members, the improvement in property values for a neighborhood redevelopment association or the increase in wages and other tangible "fringe" benefits obtained by a labor union.

b) Solidary incentives: Solidary rewards are basically intangible; that is, the reward has no monetary value and cannot easily be translated into one that has. These inducements vary widely. They derive in the main from the act of associating and include such rewards as socializing, congeniality, the sense of group membership and identification, the status resulting from membership,

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the plant in Florida may not have been made with this inducement in mind. (An executive, of course, may be plural. The actual executive of many voluntary associations is not the layman president but the professional executive secretary.)

[6]Philip Selznick, *Leadership in Administration* (Evanston, 1957), develops a somewhat similar view of leadership. See pp. 25–28, and chs. iii, iv.

fun and conviviality, the maintenance of social distinctions, and so on. Their common characteristic is that they tend to be independent of the precise ends of the association. Groups held together in general by solidary incentives are relatively flexible about the stated goals of the group. The group may raise funds to fight a disease, support a hospital, meliorate the lot of the indigent, conduct a fashion show, listen to after-dinner speakers, maintain a club house, and the like. Of course, in practice no group is utterly indifferent to its ends; if it were, it could not sustain itself in competing for members with other groups. There are many ways to obtain solidary benefits, and some purpose must generally be offered to persuade people to obtain these benefits from one group rather than another. What is stressed here is only the analytic nature of the incentives and their logical separability from ends. The practical consequences of this kind of incentive system will be discussed later.

c) Purposive incentives: Purposive, like solidary, incentives are intangible, but they derive in the main from the stated ends of the association rather than from the simple act of associating.[7] These inducements are to be found in the suprapersonal goals of the organization: the demand for the enactment of certain laws or the adoption of certain practices (which do *not* benefit the members in any direct or tangible way), such as elimination of corruption or inefficiency from public service, beautification

[7] The notion of organizational purpose is a confusing one in almost all the literature on the subject. Barnard (*op. cit.,* pp. 86–89), Simon (*op. cit.,* pp. 4, 63, 132, 246), and James G. March and Herbert A. Simon (*Organizations* [New York, 1958], p. 201) assume that all organizations have a purpose or goal. What they mean by purpose is never very clear. In one sense, of course, almost all human activity is purposive in that some goal can be found toward which the activity is at least presumptively directed. Depending on one's point of view, a shoe factory may have as its "purpose" making money for stockholders, distributing wages and salaries to employees, providing shoes for customers, or enhancing the power and prestige of its officers. When used in this paper the word *purposes* refers to explicitly stated substantive goals, which are suprapersonal (i.e., they will not benefit members directly and tangibly) and which have nonmembers as their objects. By contrast, when we refer to a business making money for its members (which some might call its "purpose"), we shall call that process the *activity* of the organization. *Activity* is used broadly to refer to whatever an organization does from the point of view of the observer; *purpose* is used narrowly to refer to goals of a suprapersonal, extraorganizational character stated by the organization itself. It will be noted that *purposes* are heavily future-oriented.

of the community, dissemination of information about politics or city life, and so forth. Unlike solidary incentives, purposive incentives are inseparable from the ends being sought. (It is true that some people will belong to *any* organization that seeks to reform or improve *any* aspect of community life; to them the very act of protest may be more important than the specific object of the protest, but in most cases, there is a reasonable relationship between end and incentive for most contributors.) The end system is deeply implicated in the incentive system of the association. The members are brought together to seek some change in the status quo, not simply to enjoy one another's presence. The latter may be rewarding, but it is insufficient in itself to maintain the group. These purposive inducements must be carefully distinguished from solidary ones. If organizational purposes constitute the primary incentive, then low prestige, unpleasant working conditions, and other material and solidary disadvantages will be outweighed—in the mind of the contributor—by the "good" ends which the organization may eventually achieve.[8]

A particular organization may appeal to many motives. No business firm, for instance, relies exclusively upon material benefits. Pleasant working conditions, camaraderie with fellow workers, a sense that the firm is producing good and valued products, and many other incentives are offered to satisfy the variety of motives that help to maintain participation in the enterprise. Furthermore, organizations vary in internal complexity, and in the more complex hierarchical organizations quite different kinds of incentives may be used at different levels. In corporations, the incentives offered to the highest ranking executives are different in kind as well as in degree from those provided to members of the labor force. An incentive analysis is incomplete

[8]It is also important to distinguish between the incentive provided by loyalty to an organization (as a concrete entity) and the incentive provided by belief in the organization's purposes. The former (which is often consciously fostered) is here regarded as a solidary incentive. Loyalty to an organization's *purposes* is certainly analytically distinct from loyalty to the actual organization. In many cases it is also concretely distinguishable as when, for example, people choose to leave an organization which they believe is no longer fulfilling its ostensible purposes.

if it fails to take account of differing incentive systems within a given organization.[9]

Nonetheless, many organizations may be distinguished by the incentives upon which they *principally* rely. Patterns of expectations develop for example, that a business firm should pay money wages, a university should appeal to students by providing education of a certain character, a social club should provide amiable companions, or that a political or social protest organization should seek to attain purposes that some people at least regard as important. While a business probably will provide supplementary incentives besides money, few would work for it if no money at all were paid. Few would remain in the social club if meetings consisted entirely of discussions of foreign policy. They might not even remain if they were paid small amounts to do so.[10]

TYPES OF ORGANIZATIONS

On the basis of the foregoing premises, hypotheses can be presented about the internal and external behavior of three types

[9]The question arises as to whether these distinctions are purely analytical or whether they correspond to concrete organizations. The differentiation of incentive systems is primarily analytical and its value will depend on the extent to which it is useful in specifying and explaining organizational behavior even if no one organization embodies a single incentive system. Therefore, an important aspect of incentive analysis will involve delineating the relationships between analytically distinct incentives within a single organization. This will be developed in later publications. There are many examples of organizations, however, which rely primarily on a single incentive system—certain businesses, voluntary associations, and the like—and thus the analytical distinctions correspond to at least some concrete cases. This paper, then, is largely an exposition of an analytical framework applied to relatively simple concrete cases. The cases of organizations with mixed incentive systems—such as armies, churches, government agencies, newspapers, certain labor unions, and organizations undergoing internal conflict—will be treated elsewhere.

This paper views individuals in organizations from the point of view of the executive. The other side of the equation—the organization as seen by contributors—is only sketchily treated. For a discussion of differences among contributors, see Barnard, *op. cit.*, pp. 74–77, and Simon, *op. cit.*, ch. vi.

[10]These points reinforce the common-sense observation that organizations are not always what they seem to be. A foreign policy discussion group may in fact fulfill the function of providing social interaction or entertainment. This may easily be detected if the latter ceases, but the foreign policy discussion is earnestly continued. Membership, it could be predicted, would fall.

of organizations, each of which relies primarily upon one of the three basic categories of incentives.

Utilitarian Organizations

Organizations which rely largely upon material incentives include many business firms, most "bread and butter" trade unions, most business and trade associations, taxpayers' groups, and the traditional political party machines. These will be called *utilitarian* organizations. They seek material rewards for their members (and perhaps for others as well). There is a fairly precise understanding of the possible benefits and a reasonably exact means of determining the extent to which the goal is attained. There is, to borrow a phrase, a "cost-accounting" system. The costs of supporting the organization can be measured against some rough standard: reduction of taxes, achievement of a higher wage rate, obtaining the redevelopment project with some enhancement of property values, payment of a high dividend, improvement in retail sales, and so forth.

In practice, of course, there is often considerable difficulty in determining individual benefits. If this were not the case, the executives of such organizations would have greater difficulty than they do in maintaining their own positions. As it is, they can point to threats that were averted, progress toward an unrealized goal, and indirect benefits that supposedly accrue to members. In great part bureaucracy thrives on uncertainty. But although uncertainty is never absent, it is less extensive in purely utilitarian organizations than in other types. Executives here are under greater pressure to "produce," even though they can avert some of the pressure by pointing to deferred or indirect pay-offs.

In such groups, the executive's first concern will be to obtain the material resources that will provide incentives. Business officials single-mindedly devoted to the pursuit of money incomes for their firms; labor union executives concerned with obtaining wage increases, pension plans, paid vacations; executives of most taxpayers' associations; and the "boss" of the political machine interested in obtaining patronage are all examples of the preoccupation with material incentives.

The fundamental conflicts within organizations that rely heavily

upon material incentives will center around questions of the distribution of the incentives. How are the benefits to be distributed? Who is to receive how much salary? Which business firms will benefit the most from the association's campaign to reduce taxes? Which ward bosses will receive the highest-paying patronage jobs? Internal strife arises in the form of rather sharply defined conflicts of material interest. Given these executive preoccupations, the organization will act vis-à-vis the outside world mostly when opportunities are perceived to increase the input of material resources or when the loss of such resources is believed to be threatened. Their actions contrast with the external and political activities of organizations that rely upon other incentives, as will be seen.

The utilitarian organization and its executive pay relatively little attention to the substantive goals implied by its activities. Suprapersonal purposes will rarely be discussed, except at the most publicized of ceremonial occasions, for such purposes have little bearing upon the day-to-day problems of operating or maintaining such groups.[11] Members are employed to do whatever the organization requests them to do within the limits of propriety; individuals become contributors expecting that the organization will satisfy their *material* motives. They will rarely question or reflect upon the value of the organization's activity,[12] nor will they expect the organization to take account of their personal views about desirable purposes.

In some cases, however, utilitarian organizations announce

[11]Under conditions of high public exposure, of course, utilitarian organizations will undertake ritualistic expressions of purpose, for it is expected that organizations must justify themselves in terms of some goals other than mere perpetuation or expansion. No organization can admit that its "purpose" is merely the gratification of its contributors' private motives. However, in materially induced organizations such ceremonial expressions of purpose are intended largely for external consumption and will have much less effect upon organizational behavior than in the other types of groups to be discussed.

[12]In an article which implicitly employs an incentive analysis, Robert Heilbroner reaffirms this point. "The people who make [machine] politics their occupation do not tend to thrive on ideas and ideals, and the Tammany clubs—indeed, machine clubs everywhere—tend to become pleasant fraternities where 'the boys' can sit around and play poker, gossip, get away from their wives, and relax" (De Sapio: The Smile on the Face of the Tiger, *Harpers,* 209 [1954], 30).

general purposes which purport to be different from the motives of the members. For example, a businessmen's association may describe its purpose as that of "improving the life of the city" or "promoting community planning." In most cases, such rhetoric is a socially acceptable cover for a desire to improve property values, reduce taxes, or stabilize markets. (In some cases, this rhetoric becomes the principal source of inducements for members and, thus, the organization ceases to be utilitarian and must instead be considered either solidary or purposive. This is most often true when the organization fails to meet the material motives of the members and thus must endeavor to alter its incentive system in order to survive.) The significant point here is that in utilitarian organizations *stated* purposes are not important incentives and have relatively little impact upon incentives. Achievements of concrete material results will be more important than any announced general or intangible goals, and members will be relatively indifferent to what kind of activity (making soap, selling shoes, trading commodities) produces the desired flow of rewards.

Such organizations will thus be highly flexible about their activities. Activities may change without disrupting member participation as long as material incentives continue to be available. Businesses may shift to production of totally different products; labor unions may alter their demands from wage increases to fringe benefits; and political machines are not only facile in shifting their allegiances on policy positions but in some cases are able to deliver organization workers and blocs of votes to the opposite party—provided the material reward is adequate.

Such organizations will also be tactically flexible to the extent that tactical shifts do not interfere with their income of incentive resources. This is a function of both the fact that the rewards are relatively unambiguous and the fact that ends tend to be divisible and can be expressed in terms of more or less. They have no rationale other than their material value. Within certain broad ranges, means are selected which are best suited to the attainment of the ends at minimal cost. Strategists can be rational in an economic sense, concerned only with goal attainment and efficiency (the ratio between benefits and costs).

Internal conflicts, which in other types of organizations limit flexibility, have a minimal effect in utilitarian groups. Conflicts of interest between members can often be successfully *bargained* out, for material benefits are readily divisible and the propriety of compromising dollar benefits is widely accepted.[13]

Solidary Organizations

Organizations which rely heavily upon solidary incentives include many, if not most, service-oriented voluntary associations, colleges and universities (which employ solidary incentives to attract students, and also faculty members to a great extent), social clubs, certain political reform groups, and many others.[14] In groups such as a women's luncheon club, the underlying incentives for continued participation appear to be sociability and "fun." In other organizations—among the trustees and directors of universities, hospitals, and welfare organizations, for example—the personal prestige which membership provides is often a strong incentive. Board members not only contribute prestige to such boards, but their own prestige is enhanced through association with other high-status community figures and with the institutions themselves.

As in utilitarian organizations, the executive's first concern will be to obtain incentive resources, but here his effort will manifest itself in quite different forms, for the resources are different and obtaining them poses different problems. He must obtain not dollars or other material income but additional organizational prestige, publicity, or good fellowship. These incentives imply continued executive efforts to recruit members of high status and frequent occasions for public speeches and awards to heighten members' sense of the organization's importance and to reward

[13]For the same reasons, co-operation among groups relying upon material incentives may be somewhat more likely than among the other two types of organizations. However, all groups which use the same incentives will compete for the same pool of scarce resources and all, of course, will struggle to grow in order to obtain and distribute both material and nonmaterial incentives.

[14]The use of the term "solidary" here should not be confused with the use found in Max Weber, *The Theory of Social and Economic Organization,* trans. A. M. Henderson and Talcott Parsons (Glencoe, 1947), pp. 136–143. Weber refers to two kinds of "solidary social relationships"—pure, self-serving associations (*Zweckverein*) and absolute or ideological associations *(Gesinnungsverein).*

individuals for exceptional service. They also imply frequent rotation of officers in order to distribute widely the perquisites of prestige.[15]

Solidary groups will act externally mostly in situations in which they perceive opportunities to improve their public image. They will undertake—and indeed seek out—worthy projects of a sort which will be widely recognized as good works. Such activity results in enhanced incentives, for a good public image attracts prestigious people who, in turn, reinforce the incentive for others to contribute.

Organizations that rely heavily upon solidary incentives will devote more conscious attention to purposes than will the utilitarian type. This is because publicly acceptable purposes are crucial in producing the desired image. A welfare voluntary association, for example, is much more interested in stating its goals than is a manufacturing firm. Although there are many goals that could provide the desired solidary rewards for the members of the organization, these goals usually possess certain important general characteristics. First and foremost, they must be noncontroversial, since solidary benefits are weakened by any risk that the goal of the association might divide the membership or impair its prestige. The goal ideally will be related to some "cause" (the distribution of benefactions) but never to an "issue" (the conflict of ends), since such organizations seek to avoid conflict with other associations as well as to avoid it internally. Serving on a women's auxiliary to the hospital board, raising funds with a ball or fashion show for some unobjectionable cause, and promoting a symphony orchestra or an art institute are all typical solidary activities.

In addition, the goal ideally implies some principle which allows membership to be restricted. Women's welfare groups are particularly illustrative. They are ranked, at least within general categories and sometimes with marked precision, by the women

[15]This probably accounts for the fact that in most universities academic offices such as departmental chairman and dean, where solidary considerations (prestige and honor) are uppermost, are rotated more frequently than are positions in the central administration such as registrar and admissions director, where material incentives (income) may be primary.

themselves in terms of their prestige and social standing.[16] This ranking is often institutionalized by linking the groups to organizations or causes which are themselves stratified socially. University and hospital boards of trustees will usually have women's auxiliaries, with the social standing of the women roughly equivalent to the wealth of the male trustees. Separate social rankings seem to exist for each major religion. This reflects both the church-connected basis of many of these associations (hospitals and charities usually have a religious affiliation) and what may be a tripartite status hierarchy in the United States.[17] The principle of exclusion is sometimes related to the purpose of the group: thus, only persons holding the doctoral degree may become professors, only Presbyterians may be on the Presbyterian hospital board, and so forth.

In some cases, however, the activity of the organization requires a broader membership base, at least from time to time. The Red Cross and the Community Chest are examples of solidary groups with unrestricted or open membership. This presents certain problems. By becoming a mass association with a large membership, the possibility of providing valued solidary rewards often declines. This is usually met by creating two levels of membership: one, composed, for example, of upper-middle-class women, forms the cadre of the association; the other, composed of lower-status women who serve as neighborhood canvassers to solicit funds and who perform seasonal tasks, comprises the floating membership.

Solidary organizations cannot alter their activities as freely as utilitarian groups,[18] partly because of their greater concern

[16]Joan Moore, "Stability and Instability in the Metropolitan Upper Class" (unpublished Ph.D. dissertation, University of Chicago, 1959), gives an analysis of the welfare associations found among Chicago upper-class women and a detailed discussion of two of them. Note also E. Digby Baltzell, *Philadelphia Gentlemen* (Glencoe, 1958).

[17]See Will Herberg, *Protestant, Catholic, Jew* (rev. ed.; New York, 1960), esp. pp. 27–45.

[18]Contrast Selznick (*Leadership in Administration,* p. 16), who says "a university has more such leeway [to develop in response to social forces] than most businesses, because its goal are less clearly defined and it can give more free play to internal forces and historical adaptation." It is here suggested that the stated purposes of universities tend to constrict their behavior more than the stated purposes of business

with purposes (although purposes are derivative, not primary, incentives). To the extent that contributors are *interested* in the goals implied by their activities, executives will be constrained to adjust organizational activities to suit contributors' interests and demands. If contributors disagree among themselves about them, stated purposes will be moderated to a lowest common denominator acceptable to all. In utilitarian groups, contributors' behavior may be altered to correspond to altered organizational activities, but in solidary groups, activities will often be altered to correspond to the wishes of present and prospective contributors. The price of organizational maintenance may be changes in goals. This necessity to adapt activities to the membership partly accounts for the vagueness and ambiguity of the publicly stated goals of most voluntary associations (including the two major American political parties). It also helps to account for rapid shifts in the interests and activities of voluntary associations and for the fact that ostensible purposes often change in the face of internal conflicts.

More significantly, perhaps, solidary incentives will affect organizational structure and personnel practices so that solidary organizations will be much less flexible tactically than utilitarian groups. First, external actions intended primarily to increase prestige, stature, or "public image" are by no means identical with actions intended to achieve goals. For example, an organizational preoccupation with publicity may prevent secret action because secret activity is deemed to provide negative benefits to members of most solidary groups. Yet secret activity at times may be the most effective means to employ if goal attainment were the primary objective.

Second, the frequent rotation of officers in such organizations reduces continuity of service and prevents the development of

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firms constrain theirs. University goals may be less *clearly* defined than businesses', but they are certainly more widely known and they certainly establish constricting expectations on the part of their contributors. Few employees of a shoe firm would object if some of the firm's resources were allocated to education, but universities could not easily be converted to the production of shoes. It would seem that the flexibility of business activities (and stated purposes) is limited mainly by sunk capital and established markets, and relatively little by the expectations of the people who work for businesses.

experienced elites. The need to recruit contributors of high status, or socially acceptable contributors, or those who are friendly, may well limit an organization's external impact. In another case, a hospital board of directors composed entirely of "society" people is not well-equipped to solve problems involving Negroes, nor is it well-equipped to influence Negroes, even though a problem involving Negroes may be the outstanding issue facing the hospital. Finally, to paraphrase Chester Barnard, groups which rely upon solidary incentives must gladly tolerate foolish behavior, for the toleration—perhaps the adulation—of foolish behavior is the incentive that must be provided to maintain the contributions of its perpetrators.[19]

The means selected by solidary groups must be appropriate to the class and status of the members and to their style of life. Class and status distinctions define possible incentives to an important degree. Middle-class, college-educated young adults can be brought into politics, if at all, only on the basis of a political style that involves the use of house parties, block clubs, democratic processes, sophisticated public relations, contact with voters on the basis of issues, and a "clean" atmosphere. Political machine members, on the other hand, typically prefer "clubhouse" politics with women and outsiders excluded, contacts with voters on the basis of personal friendship and favors, a minimum of publicity, and allegiance to a single leader charged with the responsibility for getting jobs. Upper-class hospital auxiliaries find it appropriate to raise funds through charity balls at which socially prominent families are present; middle-class PTA groups consider it proper to raise money with cake sales, rummage sales, and so forth; lower-income church groups may prefer to raise funds with bingo games and lotteries. The goals may vary widely but the means must not impair the members' self-conceptions nor lower the standing of the organization in the eyes of the non-member audience with a comparable style of life.

The basic internal tensions in this kind of group will occur over the distribution of personal prestige and organizational status and over the admittance of new members, who, while useful

[19]Barnard, *op. cit.*, p. 221, n. 2.

in pursuit of the organization's stated purposes, are nonetheless regarded as personally or socially unacceptable to the existing membership. Such tensions can be very severe, and will be generally more severe than the tensions which typically arise in organizations relying upon material rewards. Status differentials apparently call into play some of the more basic emotions. And, while such tensions are not unknown in utilitarian organizations, they can there be assuaged by material compensations. A corporate official who fails to be promoted to a vice presidency may nevertheless be given a raise. But in voluntary associations, alternative incentives are rarely available. A personal slight may easily develop into an organizational conflict.

Purposive Organizations

Some groups rely almost exclusively upon their stated purposes as incentives to attract and hold contributors. The intrinsic worth or dignity of the ends themselves are regarded by members as justifying effort. Such a group is sometimes called an ideological organization. Many reform and social-protest groups provide the best illustrations—especially in the early stages of their existence. The communist parties represent approximations of a pure type. In contrast, local chapters of the NAACP are often difficult to distinguish from solidary groups.

As in other types, the central incentive predicts the executive's basic preoccupations: to create and state organizational purposes in such a way as to maintain contributions of effort. Purposes become the basic instrument of unity; but at the same time they become the basic source of potential cleavage. Conflicts over purpose—in purpose-oriented groups—will produce the most heated internal disputes. External actions will be efforts to achieve stated goals or to appear to be doing so.

Incentives are typically derived from organization goals that imply change. Thus, purposive groups tend to be oriented toward issues rather than toward causes. The continual problem of purposive organizations is to select ends that divide the association from other groups in the community without at the same time dividing the association's members from one another. Where there is a clear and deep line of cleavage separating the group's members from other persons in the commmunity it is easier to

find such issues. Thus, the NAACP can find a relatively large number of ends which tend to unite most Negroes against most whites. Ends can also be chosen so that they cannot be opposed without exposing oneself to moral censure or clear public disapproval. Such, for example, are the ends of the Crime Commissions, which seek better police protection. Sometimes, as in political-reform groups, the ends unite the members against an opponent because the members are separated from the opponents by clear lines of class and status. Machine politicians of Italian descent can be opposed by upper-middle-class Anglo-Saxon Protestants with little danger, in the usual case, that the reformers will have mixed feelings about or disagree over the propriety of such reforms.

The important aspect of most purposive organizations, however, is that they usually experience great difficulty in denoting their ends with any degree of specificity. Usually, such associations have general ends ("honesty in government," "separation of church and state," "civic planning," "better schools") which cannot be reduced to concrete proposals without serious risk of alienating some significant part of the membership. As a result, purposive organizations are frequently immobilized in the course of a real issue.

A less common problem afflicts those few purposive organizations which can specify their concrete ends. The ability to do so is typically a function of an extremist ideology or a basic cleavage in society which results in the alienation of some articulate minority. In this case, flexibility as to goals is reduced by the moral or sacrosanct quality with which they become imbued. Purposes can be made specific at the outset because of the extreme or alienated position of the initial members (as, for example, with urban socialists, agrarian radicals, or religious cultists) who often join in reaction against some organizational alternative. Changes of stated purposes then either drive members out or cleave the group into fragments. The loss of members from communist or socialist parties with every shift in party line indicates that many members regard these shifts as changes in purposes and not merely as tactical maneuvers.[20]

[20]Simon, *op. cit.*, p. 118.

Thus goals can be inflexible for one of two reasons. In the case of most purposive organizations (which are typically not central to the lives of their members), goals are general and irreducible. Attempts to make them more specific threaten to divide the group. In the case of other, less common purposive groups (in which the organization, for a variety of reasons *is* central to the lives of the members), goals tend to be specific but inflexible because of their sacrosanct quality.

Tactical flexibility may be developed if members can be made aware of the crucial distinction between purposes and tactics. Success in this task will depend partly upon the size of the group and its elite, upon training and inculcation, and upon disciplinary control (which may depend largely upon negative inducements—punishments). Selznick has explained the factors which made tactical flexibility possible in the Russian Communist Party.[21]

Considerable attention will also be devoted to producing among members a sense of accomplishment—often spurious— which is essential in maintaining the force of the incentives. Executives can seldom point to significant steps taken toward achieving some explicit end, simply because in most cases the end cannot be made explicit. Thus, executives of purposive organizations frequently tend to stress the "service" functions of the association: disseminating information through newsletters and a speaker's bureau, conducting research, mounting public relations campaigns on behalf of some general theme in which the group is interested, and the like. Service activities become a substitute for goal seeking. Rhetoric about "moral victories" may often replace actual achievements. If tactical flexibility is not possible, moral victories will have to replace actual accomplishments.

Failure to attain goals is a frequent source of intraorganizational conflict. Members and leaders, seeking explanations for failure, often fall to accusing one another.[22] Further, the goals of purposive organizations, particularly at the most general level, tend to be endowed with a moral or ideal rationale. Failure

[21]Selznick, *Leadership in Administration*, pp. 45 ff., and *The Organizational Weapon* (Glencoe, 1960), ch. i.

[22]Cf. March and Simon, *op. cit.*, p. 119.

to realize ideals (as opposed to the simply utilitarian ends of the business firm) or disputes over the choice of ideals aggravates intra-associational conflict and produces a sense of frustration. This process is moderated in great part by the fact that most purposive associations have ends which are not held to be vital by most members. In cases where they are seen as vital, conflict is intensified. Thus, the NAACP is more likely to have internal disorder than the Citizens of Greater Chicago (which seeks only better government through reform legislation).[23]

Purposive as well as utilitarian and solidary organizations include both membership organizations and contributor organizations. *Membership* associations depend on numerous small contributions for finances, the votes of rank-and-file members for selecting officers, and the mobilization of volunteer workers for group ends. These groups include the American Jewish Congress, the NAACP, the Independent Voters of Illinois, and others. Intra-associational conflict is proportionally higher among these groups than among those which are based on contributors. *Contributor* associations receive donations from interested but not participating individuals, from business firms, or from other organizations. The work of the group is concentrated heavily in the hands of a paid staff with relatively little lay participation. Officers are chosen by a self-perpetuating board of directors with no popular contests. Examples of contributor-based groups would include the Chicago Crime Commission, the Anti-Defamation League of B'nai B'rith, and the Urban League. Contributor-oriented organizations tend to display fewer signs of internal conflict but also to be less likely to set explicit goals. A staff with a budget is typically more cautious than a volunteer officer with no tangible stake.

ORGANIZATIONAL CHANGE

If the behavior of organizations is closely related to their incentive systems, the dynamics of organizational change may be predicted by knowing the circumstances under which incentive systems change. It is here hypothesized that executives modify incentive systems in response to changes in organizational environ-

[23]Wilson, *op. cit.*, chs. vi, ix.

ments and in response to resulting changes in contributors' motives. The basic proposition is that incentive systems are modified in such a way as to bring supplies of available incentives into balance with demands for incentives.

For example, the executives of a manufacturing firm whose sales are declining will attempt to find and distribute something in addition to money to maintain the activity of employees. They may attempt to substitute prestige for money and award impressive-sounding titles to key employees; they may improve working conditions; or they may attempt to appeal to the workers' loyalties to the firm and its traditions. Or a one-product firm may seek to diversify its operations in order to protect its supply of incentives against environmental change.

Executives continually make slight shifts in incentives in order to meet from limited supplies the demands for incentives. The most frequent changes will be shifts from material to solidary inducements, and vice versa. Under most circumstances, executives will avoid heavy reliance upon purposes as incentives, for these generally produce less stable and less flexible organizations. It is difficult to maintain consistent efforts, for, to be effective, purposes must be popularized and made widely known to contributors. But this very popularization makes failures to achieve purposes more obvious to contributors, which in turn produces restlessness and dissatisfaction. (The failures of religious organizations to achieve their purposes may go undetected, for some purposes are to be achieved either in an afterlife or at a distant millennium.)[24]

Political reform groups, initially created to achieve major reorganizations of local governments, provide illustrations of these dynamics. As contributors discover that reform is painfully slow or impossible, executives attempt to redirect their attention to lesser ends—poll watching or neighborhood conservation—and simultaneously try to increase the importance of friendships, sociability, and organizational status as incentives. But as attention to the original purposes dwindles, contributors who had been induced by the reform goals leave the groups. If

[24]See the description of the problems of a Negro religious sect in Essein Essein-Udom, *Black Nationalism* (Ph.D. dissertation, University of Chicago, 1960).

the groups persist at all, they do so at lower levels of activity and prestige.[25]

Moreover, fewer people are willing to accept organizational purposes as a primary incentive than are willing to accept material or solidary inducements. (At least this appears to be the case in contemporary America.) Hence, it is difficult to hold large numbers of people in purposive groups, especially if the groups require large contributions of activity.

Finally, maintaining a purposive group—at any given level of activity—requires that the executive must direct the processes of obtaining and distributing incentives, but in purposive organizations, the executive himself must *provide* many of the incentives through constant efforts to clarify purposes and to exhort efforts to achieve them. It may be easier for him simply to obtain money or to generate solidary incentives.[26]

However, under three conditions, usually temporary, in which alternative incentives are not available, purposes will be principally relied upon.

1. Groups that produce or obtain few material or solidary incentives will be forced to rely mainly upon purposes; for example, voluntary associations composed of very poor or low-status members.

2. During their *formative stages,* most groups will rely heavily upon purposes as incentives. Newly formed groups have few resources. Embryonic political clubs or parties usually possess only hopes; beginning voluntary associations merely have goals; even infant corporations may lack capital. After they become well-established, however, most organizations turn away from principal reliance upon purposes, for they can generate alternative incentives that are more reliable and more economical. Thus, the decay of purpose and fervor in maturing organizations reveals more than mere "bureaucratization," as it is sometimes called;

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[25]A description of this process in a Chicago reform group is presented in Clark, *op. cit.,* ch. v.

[26]These points suggest that organizational executives of exceptional energy to a large extent rely upon purposes to elicit activity. Conversely, when a group finds itself with an executive lacking energy, the group's apparent purposiveness may also decline.

it is partly the result of conscious or unconscious shifts from purposes to more economical incentives.[27]

3. Organizations will rely upon purposes during crises. In terms of incentive analysis, a crisis is an interruption in the expected, normal flow of incentives (e.g., the effects of an economic depression or a sudden injury to organizational prestige) or a sudden demand for additional contributions of effort, or both. Crises, of course, may be caused by changes either internal or external to the organizations. When such crises occur, executives are compelled to resort to appeals to shared and perhaps lofty ends. Labor unions unable to obtain wage increases for their members (or unions in which workers are apathetic and nonparticipative because their material expectations are being met) may postulate new purposes of a political or public-serving sort to maintain activity. Business associations that cannot obtain the material benefits businessmen want from governments may turn to rhetorical protests which are in some way related to what members believe to be the associations' purposes.[28]

Earlier, the executive function was distinguished from the leadership function. When executives turn to purposes as incentives they are "leading"; this is what is meant by "leadership behavior." It may now be seen that to the extent that an executive relies upon purposes to maintain his organization, he must also fulfill the function of leadership.

The analysis suggests that leadership (the use of purposes as

[27]Russia's postrevolutionary history may illustrate these dynamics. It is also useful to compare the relatively mature contemporary USSR with the young, highly purposive, and extremist Communist China. This process has also been described in the case of Negro political organizations. See Wilson, op. cit., chs. ii, iii, iv; and Wilson, Two Negro Politicians: An Interpretation, Midwest Journal of Political Science, 4 (1960), 346–369.

[28]The National Association of Manufacturers may provide an example. The increasingly "ideological" nature of the NAM's statements may be not only a cause but also a consequence of its political ineffectiveness. A staff member of a business association recently told an interviewer that "the NAM has a tremendous staff. It is a gigantic bureaucratic organization that is completely staff run. Their [staff members'] principal concern is to keep their members happy and to give to them what they want to hear. If they can say in seventeen ways that Walter Reuther is a Communist —so much the better." The extremist statements made by "losing" organizations may result much more from conscious efforts to maintain organizations than from psychological frustrations.

incentives) will occur most frequently in groups composed of poor or low-status members, in newly created organizations, and in organizations facing internal or external crises.[29] Leadership will arise less frequently in utilitarian organizations that possess adequate supplies of incentives. In such groups, executives and would-be leaders will conflict, for leaders' attempts to introduce or change purposes will merely disturb the incentive system. In solidary groups conflicts between executives and potential leaders may also arise, because being a leader is often an incentive.

These propositions help to explain fluctuations in leadership. At some times executives will devote attention to purposes; at other times they will concentrate upon obtaining and distributing material and solidary incentives. These fluctuations will be responses to changes in the supplies of available incentives and to the demands for them. It seems likely that when the active minorities or elites of organizations select new officers, they consciously or unconsciously select men with a greater or lesser concern for substantive purposes, according to how the elites see the organizations' maintenance needs.[30]

Nothing has yet been said about the internal "distribution of power" as a factor affecting organizational behavior. Incentive analysis concentrates attention upon the executive as the focal point of internal power efforts to affect organizational purposes and behavior. From the executive's point of view, the potential power of any contributor depends upon the effect that contributor's presence or absence may have upon the survival of

[29]Selznick (*Leadership in Administration*, pp. 107 ff.) suggests that leadership is required when "critical" rather than "routine" organizational decisions are needed. It is here suggested that, broadly speaking, "critical" decisions are impelled by declines in incentive stocks or increases in needs for contributions.

[30]Leadership, of course, may also arise by "accident," as when a man with great energy or strong personal proclivities toward substantive purposes is unknowingly selected to be the executive. Some men are more interested in achieving substantive purposes than they are in maintaining their organizations. Such tendencies toward leadership may be very useful at times, but the analysis suggests that they may also be injurious to organizational maintenance. Voluntary association staffs, therefore, devote much time to "training" their lay officers to understand the importance and tactics of organizational survival.

the organization.[31] Major contributors need not overtly threaten to withdraw; prudent executives will anticipate their desires. (Such implicit or explicit threats will be called acts of power.)

If internal power is based upon a contributor's effect upon organizational survival, it is clear that power may be based upon a wide range of tangible and intangible resources and that the distribution of power will vary according to the type of incentive system upon which the organization relies. The most powerful man in the voluntary utilitarian association (e.g., taxpayers' association) will probably be the biggest contributor of money; but in the social club the most powerful person may be the most popular. In certain other solidary groups, the most powerful may be the most prestigious. The capacity of a trade union to withdraw all organized employees may produce more power vis-à-vis a business enterprise than the combined effect of many corporate officers and stockholders.

These points imply that an individual will have power over a wide range of different organizations *only* when that individual possesses a wide range of incentive resources. That is, the possessor of material wealth will possess little power over solidary or purposive organizations unless he also possesses the resources for other incentives, e.g., prestige, amiability, lofty moral purposes, and others.

This treatment of power also sheds light upon some of the crisis conditions which can impel executives to act as leaders. A contributor's threat to withdraw may threaten a decline in incentive resources (on balance, a contributor may *produce* more incentives for the organization to distribute to others than he receives from it). The executive's response to this threat will partly depend upon his assessment of the contributor's importance to the continuity of the group. If he judges him unimportant, the executive may ignore his request and allow him to withdraw.

But the executive's response will also depend upon the kind of demand the contributor makes. All contributor demands—

[31]Cf. Barnard, *op. cit.*, p. 250, heading 3. The contributor's actual power also depends upon the executive's assessment of the likelihood that the contributor will in fact withdraw. Is the contributor bluffing? Is the issue crucial to him?

all power acts—are demands for changes in the distribution of incentives. The contributor may seek more material benefits, or solidary perquisites, or—most significantly in terms of leadership behavior—he may demand either an increase in the importance of purposes or a substantive change in purposes.

In the last case, a successful act of power will (by definition) stimulate increased leadership behavior. The executive may respond with leadership behavior, however, even if the power act is unsuccessful, for, although he may choose to ignore the demands, the crisis produced by the contributor's withdrawal will often impel increased exhortations about purposes in order to compensate for the lost resources. In sum, then, acts of power tend to stimulate leadership behavior.

As is evident, the method of incentive analysis is related in several important respects to certain theories of social stratification. Social stratification is perhaps the dominant single concept in contemporary American sociology and the central organizing variable for much social analysis. A theory of organization must, at some point, refer to this dimension of society. The relationship between incentives and power has been suggested. This mode of thought could be extended by noting the similarity between the three principal types of incentives (and also the three major types of organizations) and the three major dimensions of social stratification. Following Weber, society can be viewed in terms of the unequal distribution of wealth, prestige, and power, which are the basis for distinctions of class, status, and party.[32] They correspond roughly to the distinctions made here between material, solidary, and purposive incentives (and organizations). Elites of wealth, prestige, and power may be found organized in groups which reflect the social value which the members possess to inordinate degree. Much of the difficulty in analyses of "elites" or "power structures" in the past has come from a failure to face squarely the problem of demonstrating that the

[32]Max Weber, *Essays in Sociology*, trans. H. Gerth and C. Wright Mills (London, 1948), pp. 180 ff. The parallel between Weber's scheme and the present one is, of course, not exact. For example, purposive organizations are not analogous to "party" except in the very general sense that all purposive groups necessarily are concerned with altering the distribution of power in society in order to achieve their goals.

disproportionate possession of one value (for example, wealth) leads inevitably to the disproportionate possession of another (for example, power). Whether one value can be exchanged for another at a favorable rate in any given situation is a question about which little is known. The extent to which utilitarian, solidary, and purposive organizations tend (at least in America) to be empirically as well as analytically distinct suggests that wealth, prestige, and power—while related—tend to function separately and that, as a result, few organizations can easily combine the three values (or three incentive systems).

ORGANIZATIONAL COMPETITION

The importance of incentive systems also becomes evident in the relationships among organizations. Organizations that share certain attributes (issues, markets, members, resources) tend to compete with one another. This competition usually centers on conflicting claims for scarce incentives. Each organization seeks to assert and maintain its autonomy or distinctive competence in order that it may lay unchallenged claim to a stock of potential incentives. This competition ranges from business competition through union jurisdictional conflicts to the struggle between civic associations. Just as businesses compete for scarce potential incentives (contracts, orders, market shares, and so on), which can be converted into actual incentives, so solidary organizations compete for causes, recognition, stature, and so forth, which can be translated into sociability and prestige, and purposive organizations compete for issues which can be translated into associational goals.

The nature of this competition varies with the kind of organization involved. Competition over tangible stakes tends to be more impersonal; it is somewhat easier to maintain a pattern of relationships with other organizations when the object of the struggle (a contract, for example) is distinct from the person or group acquiring it. When the stakes are intangible, the competition is often more personal and more intensely felt. It is difficult to maintain genial relationships when the stakes are either endowed with a moral or sacrosanct quality (as with some pur-

poses) or are an attribute of personality and reputation (as with prestige, status, honor, conviviality, and so forth).

Organizations seek to maintain themselves. Few disband willingly, as neither executives nor members are eager to end an activity that rewards them. To maintain themselves, these organizations must not allow other groups to capture the stock of potential incentives. In doing so, organizations modify their character continually. The most obvious modification is by altering the stated goals of the organization. Ends are modified when previous ends have been achieved, when those ends cease to be an abundant source of rewards, or when another organization captures previous ends. Thus, Jewish community-relations agencies, created to defend Jews against organized anti-Semitism, now seek to attain general civil rights goals on behalf of other minority groups (particularly Negroes). Some Jewish "defense" goals have been attained; those that remain cannot provide the large existing organizations with a sufficient supply of incentives; as a result, new ends must be selected.

This commonly observed aspect of organizational activity has been called the displacement of goals.[33] Ends originally stipulated for the group—which, indeed, formed the reason for creating the association—are displaced by other, and sometimes contradictory, ends which result from the need to maintain the organization, the bureaucratization of the organization, or changes in the environment of the organization.[34] If the principal goal is attained, then (as in the case of the National Foundation for Infantile Paralysis) other ends are substituted to extend the life of the group. This is an *intended* displacement of goals. Equally important is the *unintended* displacement of goals. A civic association may exist to achieve some stated objective, but because of the nature of the issue, the inhibiting role of other factors,

[33]Cf. Philip Selznick, An Approach to the Theory of Bureaucracy, *American Sociological Review*, 8 (1943), 49; Robert Merton, *Social Theory and Social Structure* (Glencoe, 1949), pp. 220–221.

[34]Cf. Sheldon L. Messinger, Organizational Transformation: A Study of a Declining Social Movement, *American Sociological Review*, 20 (1955), 3–10; David L. Sills, *The Volunteers* (Glencoe, 1959), pp. 62–77; and Herbert Garfinkel, *When Negroes March* (Glencoe, 1959), pp. 17, 170, 174.

or the large resources required to wield influence, the association may only provide a legitimacy for more powerful actors who actually create the issue and determine the terms of its resolution. Urban renewal and neighborhood conservation in Chicago, for example, was formally the object of a neighborhood association of very active members. The impetus for and terms of the actual renewal project came from a group of large institutions (business and university). The neighborhood association, with only a few exceptions, functioned to gain consent for the program, give it grass-roots legitimacy, and act as a lightning rod to attract and divert opposition. (To obtain this co-operation, of course, the more powerful group had to make some concessions to some of the substantive ends of the association.)[35] In large American cities, it may well be that this function is the most significant one performed by most civic associations.[36]

The proliferation of associations and the division of labor in society has meant that there is almost no way for an organization to preserve itself by simply seeking ends for which there are no other advocates. Thus, the maintenance of organizational autonomy is a critical problem. By *autonomy* we refer to the extent to which an organization possesses a distinctive area of competence, a clearly demarcated clientele or membership, and undisputed jurisdiction over a function, service, goal, issue, or cause. Organizations seek to make their environments stable and certain and to remove threats to their identities.[37] Autonomy gives an organization a reasonably stable claim to resources and thus places it in a more favorable position from which to compete for those resources. *Resources* include issues and causes as well as money, time, effort, and names. The intensity of the competition for these can be viewed as a function of the scarcity of resources and the autonomy of the association. Competition increases as resources become more scarce and as the autonomy or jurisdiction of two or more organizations becomes less clear.

Various organizations can be compared on the basis of the

[35]This is brought out in Peter H. Rossi and Robert Dentler, *The Politics of Urban Renewal* (Glencoe, forthcoming).

[36]Cf. Banfield, *Political Influence*, and Clark, *op. cit.*

[37]Cf. Earl Latham, "The Group Basis of Politics: Notes Toward a Theory," in Heinz Eulau *et al.*, *Reader in Political Behavior* (Glencoe, 1956), p. 236.

extent to which they compete. This comparison could be displayed in a fourfold table as shown below. In cell I, would be found groups which are clearly autonomous and for which resources are relatively abundant. Solidary groups drawing upon upper-class women and firmly identified with a specific cause (the auxiliary board of a hospital) are relatively noncompetitive because resources and autonomy are both fairly high. Business or utilitarian associations, formed to pursue a clearly stated material end and deriving support from large corporations with a stake in that goal, are also relatively noncompetitive. In cell II are Negro civic associations (for example, the NAACP and the

Table 1. Relationships among organizations.

	High resources	Low resources
High autonomy	I	II
Low autonomy	III	IV

Urban League), which operate on the scantiest resources. Budgets are generally very small and the funds available from the community meager (although conceivably not as meager as the budgets would suggest). But the functions of these two organizations are relatively clear and distinct. The scarcity of resources is partially offset by the small number of the groups and their relatively high autonomy. Each of the two major associations has a virtual monopoly over its special services—protest, legislative activity, and legal defense in one case; research, counseling, public relations, and community organization in the other. Thus, competition exists but it is not usually severe. These Negro groups can be compared to the Jewish community-relations associations in cell III. Here the resources are much more abundant—there are many affluent businesses and individuals on whom to draw for funds.[38] Such organizations, however, are also more numerous, and their individual autonomy is relatively low. The four

[38]Fund raising in Jewish groups is treated in Norman Miller, "The Jewish Leadership of Lakeport," in A. Gouldner, *Studies in Leadership* (New York, 1950), pp. 195 ff.

major Jewish "defense" associations have overlapping jurisdictions, share essentially the same issues, and compete for resources from a clientele that is only roughly differentiated by class and national origin. The rivalries of these groups are notorious and have been a theme of self-analysis.[39] In cell IV might be found embryonic organizations, lacking in both resources and autonomy. Such groups rarely survive without an "angel" (to provide a large stock of resources) or an unusual cause (to provide a degree of autonomy).

Maintaining a distinctive identity, character, or autonomy is not easy. Ends sought may divide the membership. But even more generally, the *kind* of association that is desired is often a matter of dispute. There develop tensions between those who derive primarily solidary rewards from the groups and those who derive purposive rewards. For example, the NAACP is divided on occasion not only by conflicts of purpose, but by the question of the nature of the association itself. For many middle-class Negroes, the NAACP is a social group which provides solidary benefits, and this is reflected in the concern many of these members have for avoiding unnecessary conflict, adopting a moderate tone, and bargaining with whites rather than protesting to them. Other members shun solidary rewards and are satisfied only with purposive rewards. This implies an opposite strategy.

The Negro leader who seeks to emphasize the solidary aspects of the association is in conflict *(a)* with members who seek purposive rewards but also *(b)* with whites for whom the very essence of the association is one of protest, radicalism, and aggressiveness. Leaders become trapped in tension-producing conflicts between their interests and the interests of others, as well as between their definition of the nature of the association and the definition imposed upon them by outsiders with whom they must deal and who sometimes refuse to recognize NAACP officers as moderate men and insist on dealing with them as if they were radicals.

Preserving the identity of the association is important for utilitarian groups also. They avoid including members whose presence might suggest that the group was bent on reform and

[39] See Robert MacIver, *Report on the Jewish Community Relations Agencies* (New York, 1951), together with the rejoinders issued by various affiliated associations.

who might thus deter the contributions of others. Thus, some associations exclude Negroes simply in order to prove that they are not idealistic reformers seeking controversial ends—i.e., that they are not purposive.[40]

Responses to problems of interorganizational competition are varied. Much of this competition remains chronic, but some modifications of structure and function occur under certain circumstances. Such changes include *(a)* the creation of new agencies, *(b)* the allocation of functions, and *(c)* mergers. New agencies are created by existing associations when these parent groups are threatened with a loss of their tax-exempt status or when issues are divisive of their memberships. Both purposive and utilitarian associations habitually create *ad hoc* or "front" agencies to seek goals felt to be generally within the competence of the parent group but contrary to the character of that group. Thus, a community-relations association whose maintenance requires it to proceed through bargaining and persuasion cannot engage in a militant protest campaign against public authorities. In this case, the staff of the agency will help to create an *ad hoc* group which will protest and in which the more militant members of the parent group can participate. Or new groups are created to settle jurisdictional disputes. When several Jewish agencies all offered services in the field of employment discrimination, the solution was to create a new agency, supported by the original groups, which provided the service for all on a common basis.

The allocation of functions is repeatedly attempted in order to clarify and render certain the autonomy of competing organizations. Allocating functions is typically easier when the competing agencies seek solidary rather than purposive incentives. Welfare services seem, in their nature, to be more divisible than civic issues. Jewish philanthropic agencies have found it easier to associate for the end of allocating functions (i.e., defining jurisdictions) and funds (i.e., bargaining over resources) in such collectivities as the Federation of Jewish Philanthropies than have Jewish reform groups which (at least in larger cities) resist incorporation into such bodies as the National Community Relations

[40]Cf. Clark, *op. cit.*, ch. v. Most utilitarian organizations consciously seek to exclude members who have expectations of purposive rewards.

Advisory Council. Issues are more difficult to allocate than causes, and hence purposive associations experience more problems in defining their autonomy than solidary groups.[41]

Mergers are rare and usually the result of external forces which compel this outcome. When two hospitals in Chicago merged for economic reasons, the solidary associations which were clustered around each were required to merge as well. This created difficulties, because one solidary group was small, distinctly upper-class, and based on social-register families, while the other was larger, more heterogeneous, and drew from middle-class sources.[42] The special identity of each was jeopardized, and hence (particularly for the more exclusive one) the value of the solidary rewards was threatened.

Many organizations, of course, co-operate rather than compete. The conditions under which co-operation can occur are obviously of great importance. These conditions can be described in general, but they seem to vary in detail from society to society. The fact that logically comparable incentives sometimes produce dissimilar activity suggests the importance of cultural differences in incentive systems.

Co-operation implies agreement by two or more organizations on a set of rules that will govern their behavior vis-à-vis one another in such a way that the autonomy of each is respected, an allocation of potential incentives is agreed upon, and the rewards of observing the rules are held to be greater than the rewards of breaking them. Clearly, certain kinds of organizations are more likely to co-operate than others. Co-operation is most likely among utilitarian organizations and least likely among purposive groups. The same factors which facilitate co-operation within utilitarian organizations promote such co-operation between these organizations. The stakes are impersonal and tangible, the incentives are divisible, the pay-offs are unambiguous, and announced organizational purposes are both of minor

[41]Cf. Ray Johns, *The Co-operative Process among National Social Agencies* (New York, 1946). He notes (p. 199) that co-operation is also related to formal structure. Agencies with a "federated" structure are more likely to co-operate than similar agencies with a "unitary" structure.

[42]Cf. Moore, *op. cit.*, chs. v, vi, vii.

importance and of little moral significance. Further, co-operation is more likely when the organizations involved are few in number and uncertainty can thereby be reduced. The consequences of the actions of each organization can be assessed with some precision, the number of decisions that must be made to evolve a co-operative formula are relatively few, and coalitions can easily be formed in order to punish those who violate the rules of co-operation.

The contrary of any of these conditions will generally make co-operation more difficult. In the case of many purposive organizations, the stakes are intangible and often personal, the incentives are indivisible, the pay-offs frequently ambiguous or uncertain, and organizational purposes are of crucial importance and often endowed with a moral rationale. Further, since purposive incentives are both intangible and infinite (the range of conceivable purposes, even within a given area, is as large as the range of conceivable ideas), it is difficult, if not impossible, to "control the market" sufficiently to prevent new organizations from arising or schisms occurring in such a way that co-operative agreements can ever be stabilized. A high degree of uncertainty will always prevail.

Historical and cultural factors can alter these forces in significant ways. Some purposive organizations can co-operate in part, it seems, because their goals and autonomy have become traditional to the extent that real challenges are unlikely. Although rivals are possible, the organization has a sense of security and self-confidence born of a long history and a recognized competence. Secure purposive organizations are more likely to co-operate than insecure ones.[43] Co-operation between purposive groups will also be facilitated if members are made aware of the distinction between tactics and purposes. If such a distinction can be made convincing, then (as with some communist parties) members will agree to co-operation for purely tactical reasons. If it cannot be made plausible, co-operation is more difficult. Co-op-

[43]See James Wilson, "Negro Civic Leaders," paper read before the annual meeting of the American Political Science Association, September, 1960, New York City, on the consequences of growing security for co-operation between Negro and white organizations on race relations.

eration with another group is unlikely if it implies accepting the other group's purposes. After all, differences in purposes distinguish the two groups and justify their separate existence.

On the other hand, some factors can reduce the likelihood of co-operation between utilitarian groups. Similar market situations in Europe and America, for example, produce strikingly different competitive responses. There appears to be much more co-operation (cartelization, market sharing, administered pricing, and so forth) in European business than in American. These differences can apparently be accounted for only on the basis of differences in motive and varying assessments of the rewards of risk taking. When men place widely differing values on risk, they will respond differently to co-operative arrangements to eliminate risk. There will be less co-operation among utilitarian organizations when the rewards of risk taking are felt to be high. As the next section implies, there may in America be a decline in the value placed on risk and uncertainty, and hence a shift in the nature of the incentive systems in utilitarian organizations.

MOTIVATIONAL CHANGE

Over time, changes in the economy in moral beliefs, and in other attitudes produce corresponding changes in personal motives. The distribution of motives throughout the society defines the potential contributors to various organizations. As motives change, so will organizations. Some organizations will grow or decline spontaneously as the particular incentives they offer become relatively more or less appealing; other organizations will make changes consciously. Incentive analysis permits some inferences about the dynamics of such long-term changes.[44]

[44] If an organization persists, it may be asked, is this because a favorable balance of incentives happens to be available to it, or is it because of the executive's skill in obtaining and distributing incentives? The only answer is that the theory calls attention to these difficult questions. The questions can probably be answered adequately only through careful gathering of data. Further, the test of organizational survival is probably too coarse a measure of executive skills. Subtle but significant differences among organizations may be ignored if one is preoccupied only with mere survival. We stress that we are concerned with the consequences of different methods of maintenance, not with maintenance simply.

The decline of political party machines illustrates one case. The monetary incentives that held machines together lost force as party workers became increasingly able to earn more money at jobs which were widely regarded as more respectable than party patronage positions and occasional corrupt rewards. Simultaneously, the sources of the machines' money were reduced by new laws controlling financial contributions, the rise of civil service, and the growing moral disapproval implemented by the spotlight of journalistic and academic publicity.[45] Machines found themselves increasingly composed of smaller numbers of less competent party workers. Some machines disappeared. The character of other party organizations changed. Some are being staffed by amateurs who are impelled by the enjoyment of politics or by the good purposes which they impute to, and seek to impose upon, the political parties they serve.[46]

Large business corporations provide a second illustration of such long-term shifts. It is widely recognized that the officials of the largest corporations are now salaried managers rather than owner proprietors. Moreover, the income tax structure drastically decreases the dollar value of salaries at the higher income levels, and businessmen have been severely criticized for placing material gains above other considerations. These changes, coupled with what appears to be a generally increasing interest in a social status not measured entirely by dollars, have importantly reduced the significance of material incentives in the largest corporations.[47]

[45]And, of course, the machines also declined as the incentives machine workers could offer became progressively less valuable to *voters*. The incentives of personal services and welfare no longer elicited contributions of votes for the machine as prosperity increased, governments provided bureaucratized welfare, and immigrants became more familiar with the society.

[46]Cf. Heilbroner, *op. cit.*, on Tammany's decline and the influx of amateurs. See Francis Carney, *The Rise of the California Democratic Clubs* (New York, 1958), and James Q. Wilson, *Intellectuals as Politicians* (Glencoe, forthcoming) on the development of California political clubs induced partly by sociability. These trends suggest that local party organizations will provide less continuity of effort in the future, that traditional, routine local party chores will go unattended, and that unless substantial agreement develops about party purposes the parties will become increasingly fragmented.

[47]Among the best analyses of what appear to be trends away from corporate "economic man" are Robert Gordon, *Business Leadership in the Large Corporation* (Washington, 1945), and Theodore Levitt, *The Twilight of the Profit Motive* (Washington, 1955).

The executives of many large firms have responded to these trends more flexibly than political bosses by placing increasing reliance upon a wide range of solidary incentives, and occasionally upon certain social purposes as incentives. Corporation officials are strongly motivated by personal prestige and by the prestige of the firm. The size of the firm, rather than its net profit, becomes the index of prestige. The corporate drive to expand produces not only more material incentives but more prestige. Corporations are also increasingly engaging in community civic affairs through contributions of money and considerable executive time. In the last few decades, the executives of some corporations have spoken more frequently about "business' community responsibilities" and about the generalized social purposes that business helps to achieve. These activities are not solely directed as public relations to consumers and governments. Some of them, it may be suggested, are intended for internal influence. The community-serving activities of corporations are intended in part as incentives supplementary and complementary to salary and wages. It seems reasonable to predict a continuation and expansion of this form of corporate activity.

The motivational trends considered here seem to be reducing the importance of material, and perhaps of purposive, inducements. At the same time, solidary incentives are apparently increasing in importance. This suggests gradual movement toward a society in which factors such as social status, sociability, and "fun" control the character of organizations, while organized efforts to achieve either substantive purposes or wealth for its own sake diminish.