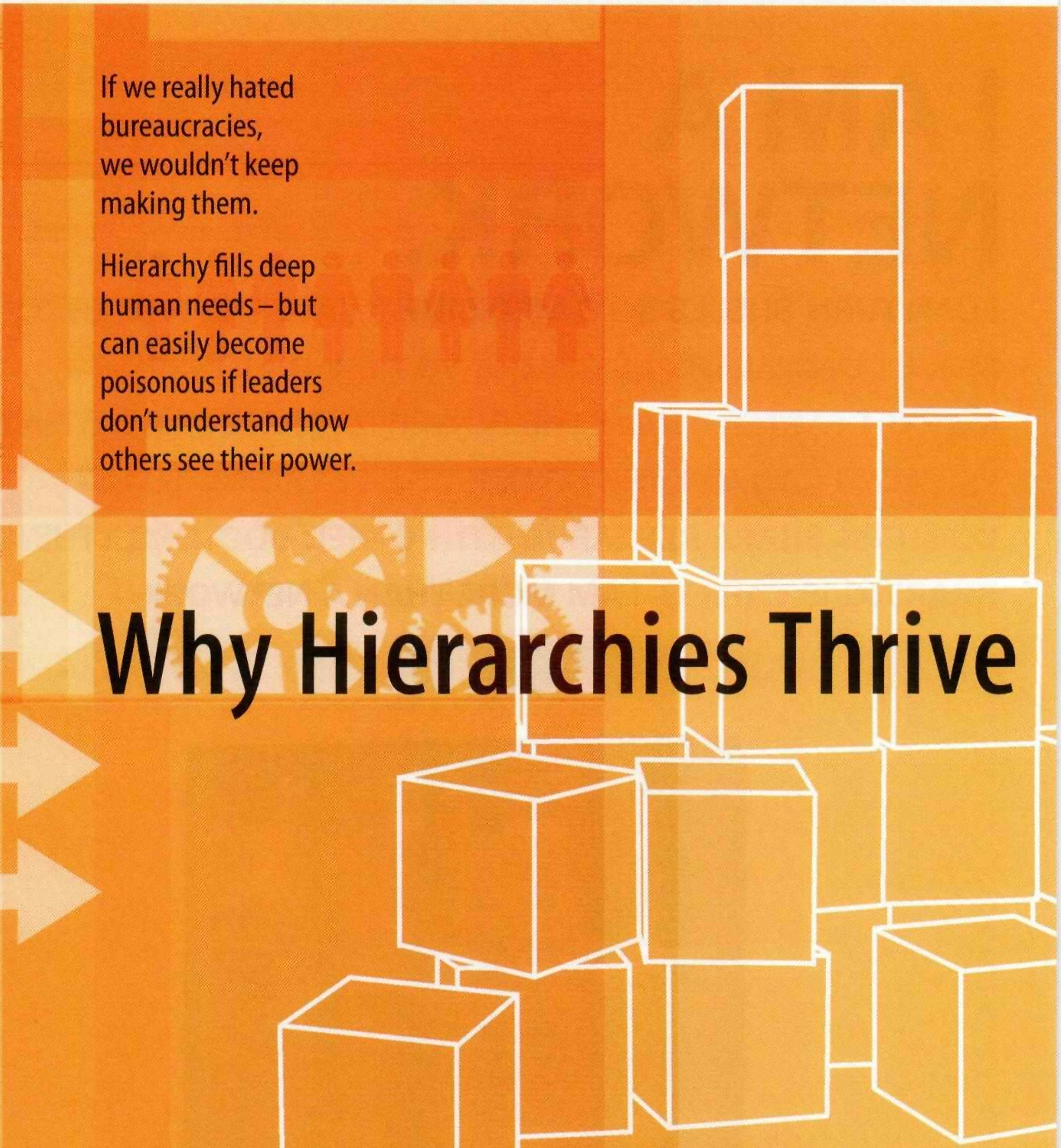
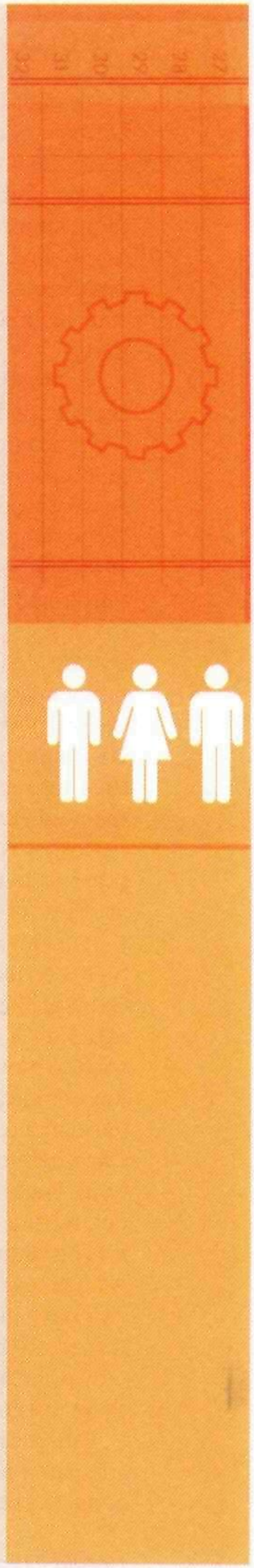
If we really hated bureaucracies, we wouldn't keep making them.

Hierarchy fills deep human needs – but can easily become poisonous if leaders don't understand how others see their power.

Why Hierarchies Thrive





by Harold J. Leavitt

HARDLY ANYONE HAS A GOOD WORD to say about hierarchies. Academics, consultants, and management gurus regularly forecast their imminent replacement by new, egalitarian structures. Back in 1989, Peter Drucker predicted that the businesses of the future would be modeled on a symphony like Mahler's Eighth, where a single conductor leads more than 1,000 musicians and singers without any intermediaries or assistants. A decade later, Gifford Pinchot asserted that hierarchical organizations "based on dominance and submission" would soon be replaced by communities that are more appropriate to our high-tech times and postmodern selves.

Most of us have our own pet horror story about hierarchies. Here's one from a former domestic-policy unit staffer in President Jimmy Carter's administration. One Friday afternoon, word came down that the president absolutely had to have a detailed report about a certain problem by Monday morning. What could be more important? The staff worked the entire weekend, assembling and reviewing data; rechecking numbers; organizing, debating, and rewriting conclusions. One staff member even canceled his 10-year-old's birthday party. They had a deadline to meet – and they met it. Early Monday morning, the bound report was on the president's desk.

Monday came and went without any acknowledgment from the Oval Office. Nothing on Tuesday, either. By Wednesday, the mood of the staff had shifted from excitement and commitment to anxiety, then to anger and cynicism. It turned out, of course, that President Carter hadn't actually *needed* a report on the problem in question. All he had done was remark casually to a few top aides that he would like to see how work on the problem was progressing. That offhand remark had set the telephones ringing down the chain of command. His comment metamorphosed into a suggestion and then into an order, which exploded into a crisis that required everything else to be put on hold.

Now, it is possible to write off that story as just another example of the organizational sloppiness characteristic of governmental bureaucracy. But the truth is that in almost any large organization, the boss's whim, no matter how absurd, becomes law. In the old days at General Electric, the story went, whenever the CEO asked for a cup of coffee, an employee went out and tried to buy Brazil. There's also the story about Henry Kaiser's kitchen garden. Kaiser, the cofounder of Kaiser Permanente, was fond of fresh fruits and vegetables. Once, before leaving on an extended trip, he announced to his staff that he would like to have a vegetable garden waiting for him when he got back. A few days before his return, Kaiser's staff remembered the comment. A huge team of gardeners quickly was summoned. For two days and nights they planted. When Kaiser returned, so the legend goes, he pulled up a perfect, full-grown carrot – quite unaware that it had been planted there just the night before.

This gratification of a leader's every fancy is trivial compared with the multitude of other ways that hierarchies – even when populated by considerate and intelligent people – can be cruel and stupid. They routinely transform loyal and motivated employees into disaffected Dilberts. It's no wonder that we continue to search for more humane and productive alternatives. A veteran senior executive once summed up the problem in very few words. Speaking to one of my MBA classes, he said: "All organizations are prisons. It's just that the food is better in some than in others." The students didn't like that metaphor. They didn't want to think they might be preparing for a career in the slammer.

Yet the intensity with which we struggle against hierarchies only serves to highlight their durability. Even today, just about every large organization remains hierarchical. The organizations of the knowledge economy – whether loosely coupled, networked, or federalized – seem to be no more than modifications of the same basic design. The new flatter, faster organizations certainly reflect some important changes in the way business is done, but the basic blueprint is unchanged. Subordinates continue to report to superiors, much as they historically have done, at GE and IBM. Department heads report to division managers, who report to group VPs and so on. Hierarchy, it seems, may be intrinsic to our natures.

This article is neither a defense of hierarchies nor another attack on them. It is a reality check, a reminder that hierarchy remains the basic structure of most, if not all, large, ongoing human organizations. It is also an examination of why hierarchies persist and even thrive. One partial explanation is that many of those organizational pyramids – despite their reputations – have proven themselves quite capable of change. Indeed, many of the large organizational "dinosaurs" have demonstrated impressive adaptability. More important, though, hierarchies deliver real practical and psychological value. On a fundamental level, they don't just enslave us, they also fulfill our deep needs for order and security. And they get big jobs done.

Of course, hierarchies are terribly flawed. They inevitably foster authoritarianism and its destructive offspring: distrust, dishonesty, territoriality, toadying, and fear. Our ability to work effectively in hierarchies depends in large measure on how we deal with those dangers.

The Dinosaur That Wouldn't Die

One of the most common indictments of hierarchical organizations is that they are outdated – too slow, too unbending for the turbulence of the modern world. And it is indisputable that a number of familiar business names, such as AT&T, GM, and Kmart, have had trouble trying to adapt to their rapidly changing surroundings. Some have even ceased to exist. On the other hand, many of our biggest companies have prospered,

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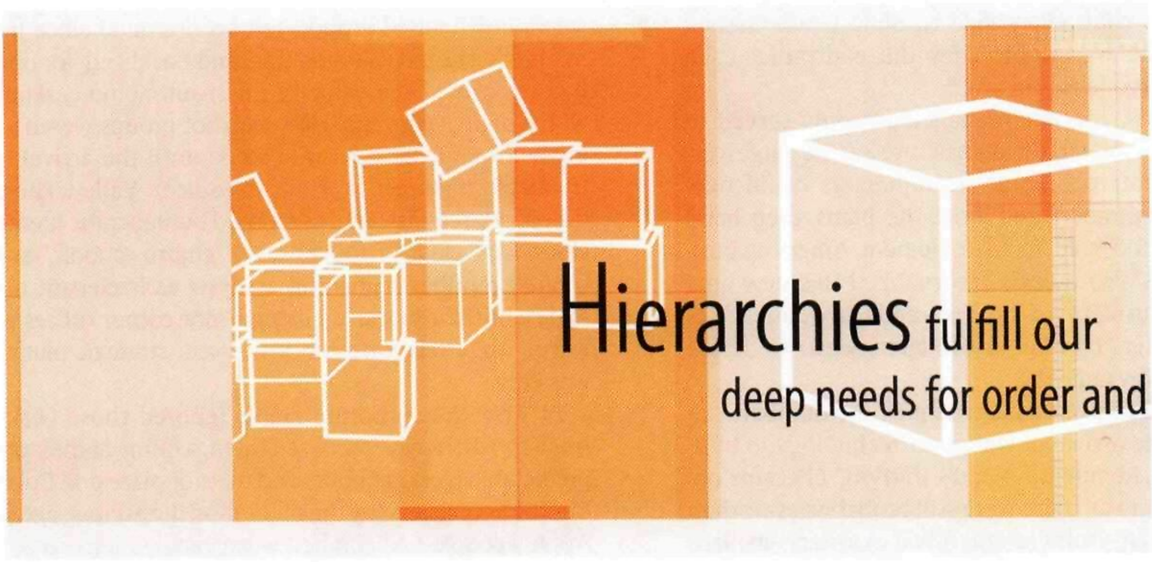
CLIFFORD ALEJANDRO



Hierarchies fulfill our deep needs for order and security.

in large part because they have been flexible and responsive to their changing environments. These organizations – GE, Sony, and IBM come to mind – somehow have managed to incorporate into their hierarchies many of the most radical managerial innovations of the past few decades. They are exceptional performers, of course, but they are not alone.

The business world has experienced at least three major managerial innovations in the past 50 years. Despite their hierarchical structures, many large businesses have been in the forefront of experimenting with and adopting the practices those innovations carried with them. The first of the three waves of change, the human relations movement, began shortly after World War II, when a small group of influential academics envisioned a truly new, people-focused approach to management, one that would point organizations toward employee participation and industrial democracy. Some of the largest U.S. companies were quick to adopt this new philosophy of "the human use of human beings." In the early 1960s, for instance, Standard Oil sent every manager from its Baton Rouge refinery to two full weeks of off-site immersion in that radical new technique, sensitivity training. This was neither a trivial risk nor a trivial investment. In 1956, GE created what it calls the first major corporate business school at Crotonville, New York – three years before the publication of the Ford Foundation's Gordon-Howell report revolutionized business school education in the United States and around the world.

Paradoxically, the human relations thrust initially helped to strengthen, not weaken, hierarchies. HR, though originally intended for all employees, was, in its early years, applied to management much more than to hourly workers, thereby widening the gap between manager and worker. The new HR ideas became popular just as a horde of knowledge workers, educated with the help of the GI Bill, started to invade the corporate world. Knowledge workers couldn't easily be managed by traditional command and control methods, but the HR style fitted them very nicely. Eventually, though, the participative idea did make its way down to America's shop floors, albeit via Japan, which had been an early adopter of the participative ideas advocated by W. Edwards Deming. In the 1970s, big U.S. companies began to react to Japanese manufacturing successes by importing their participative practices, such as teams and quality circles.

The second managerial sea change, analytic management (or management by the numbers), was, if anything, a return to traditional military-style, top-down values. Indeed, a number of influential ex-Pentagon planners were among its leading proponents. The "dinosaurs" adopted this rational, analytic approach even more quickly than they had picked up human relations. One might even say that they led the analytic movement. Its heroes were the unsmiling industrialists of the 1950s and 1960s – Roy Ash of Litton, Harold Geneen of ITT, and, perhaps most of all, Robert McNamara of Ford and the U.S. Department of Defense.

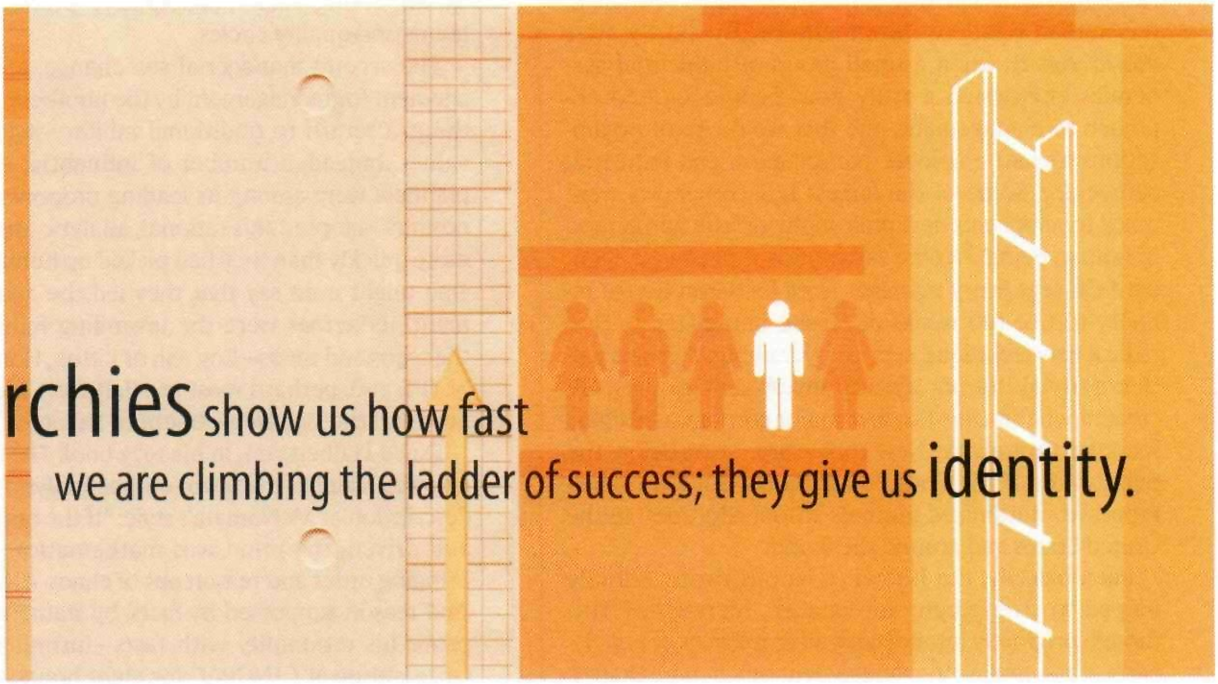
David Halberstam, in his 1973 book *The Best and the Brightest,* catches the flavor of that analytic ideal in this description of McNamara's style: "If the body was tense and driven, the mind was mathematical, analytical, bringing order and reason out of chaos. Always reason. And reason supported by facts, by statistics – he could prove his rationality with facts – intimidates others. Once, sitting at CINCPAC for eight hours, watching as hundreds and hundreds of slides flashed across the screen...he finally said...'Stop the projector. This slide number 869 contradicts slide 11.' Slide 11 was flashed back, and he was right. They did contradict each other....Everyone was in awe."

Predictably, analytic management only served to reinforce the hierarchical structure of the large corporation. Staff people at headquarters could now crunch the numbers and write the plans, then hand them to the foot soldiers to implement. American business schools also quickly internalized this new analytic style, and MBAs of the 1960s and 1970s emerged as avid promoters of what critics later began to deride as "paralysis by analysis."

The popularity of management by the numbers can be tied to the arrival of computer technology in business. In 1951, Remington Rand's UNIVAC I became operational. By 1954, there were still probably fewer than ten computers – multivacuum-tubed monsters – in place in the United States, according to the American Federation of Information Processing Societies. In 1957, my colleague Allen Newell tried to explain to my class of middle managers at Carnegie Tech how and why these new machines would soon do much more than add and subtract. His audience was skeptical: "Send that guy back to his cave," they said. The following year, however, when Allen gave a similar talk, there was standing room only. In just 12 months, it seemed, corporate America had awakened to the potential of this new tool.

The third major management change began in the mid-1970s, with the growing appearance of what Jean Lipman-Blumen and I call hot groups – akin to what others have termed communities of practice. There was, however, nothing new about the idea itself. Dedicated, small, task-focused groups had been around since humans first started collaborating, and Lockheed, for one, had discovered the value of quasi-autonomous skunk works many years ago. However, hot groups weren't a big feature of the industrial scene until the arrival of the brash high-tech start-ups of Silicon Valley. Those task-dedicated little outfits scorned bureaucratic hierarchies, kept clear of touchy-feely "charm schools," and treated number-crunching analysts as irrelevant old fogies. In their world, challenge – not corner offices or warm, fuzzy relationships or five-year strategic plans – was king.

At first, the corporate giants ignored those pesky small fry; then they trivialized them, scoffing at their unpredictable working hours and diets of pizza and Coke. But the youngsters (by the mid-1980s, the average age of Apple's people had climbed worrisomely high – to 26!) were fast, daring, ingenious, and totally task oriented. Although old hierarchies decried their undisciplined behavior, they couldn't afford to disregard the upstarts for very long. After all, they were initiating the whole Information Age. Their "children's crusade" (an epithet lobbed at them like a hand grenade) forced large hierarchies to put speed and innovation at the top of their wish lists, even above traditional grails like orderliness and productivity. A number of the big players were also quick to catch this new wave, experimenting with their own small, self-isolating groups. IBM, for example, sent a gang off to Florida to develop its first PC. Gradually, others followed suit.



Hierarchies show us how fast we are climbing the ladder of success; they give us identity.

Corporate America has, by and large, successfully adopted most of the features of these three changes, but one cannot conclude that they have *integrated* them. In giant human hierarchies, the new does not often push out the old, at least not for a long time. The three approaches were simply piled–often not very coherently–onto whatever was already in place. Yet, like many odd combinations, the unlikely mix of organizational practices has proven to be both popular and surprisingly nourishing for the companies concerned. Large hierarchical companies are incorporating little hot groups, while expanding hot groups, like Apple and Yahoo!, have become more hierarchical. The big ones want some of the speed and agility of the little outfits, and the little ones–as they grow–have to capture some of the grownups' stability and large-project capabilities.

A Benevolent Tyranny

Hierarchy, of course, is not just an organizational construct. It is a phenomenon intrinsic to the complexity of the natural world. Indeed, all biological organisms are made up of systems–circulatory, skeletal, and respiratory–which themselves comprise many subsystems. Our mental processes are also often hierarchical, especially when we perform complicated tasks. Putting together your child's new bicycle is a hierarchical undertaking. Subassemblies–of pedals, handlebar, seat–must join together into larger assemblies, until, with luck, the whole bike finally emerges.

But hierarchy is more than nature's way of helping us to process complexity. Powerful psychological forces come into play. Hierarchies provide clear markers that let us know how far and fast we are climbing the ladder of success: Clerks can become department heads, corporals can move up to sergeants, and parish priests can rise to bishops. Often those markers are symbolic, such as corner offices, enriched titles like assistant vice president, or employee of the month. Why do such seemingly trivial measures so often succeed? Perhaps because we want to be evaluated, and hierarchies offer us report cards in the respectable form of performance appraisals, salary increases, promotions, bonuses, and stock options. We may grouse about unfair evaluations and meager raises, but most of us seem to want to see our grades.

Hierarchies give us more than these somewhat questionable measures of our worth; they give us an identity. Just think of how it feels to be out of a job for an extended period. Loss of income is not the only problem. Self-esteem is involved: one's role in society, one's very identity. When someone is jobless in an individualistic, high-achieving culture like ours, it takes a strong ego to maintain a sense of self-worth. Only the very young and the very old are permitted the luxury of respectable joblessness. And for the very old, it is still important *to have been* a division manager at DuPont, or a foreman at the local bakery, or a colonel in the Marine Corps.

Of course, there are many people who thrive outside hierarchical organizations–artists, for instance, entrepreneurs, homemakers, and freelance professionals–but most of us who work inside hierarchies take comfort from them. Like our families, communities, and religions, they help us define ourselves. They provide identity, a flag to fly. Write down–quickly, off the top of your head–three short answers to the question: "Who are you?" At least one of your answers will have something to do with your role in a hierarchy.

Hierarchies add structure and regularity to our lives. They give us routines, duties, and responsibilities. We may not realize that we need such things until we lose them. One friend of mine, after he retired, took to keeping goats. "Why?" I asked him. "Because goats have to be milked regularly," he replied. "That gives me a reason to wake up every morning." Without required routines, we might find ourselves afloat in a sea of anomie.

For all these reasons, hierarchies can be very effective at providing some of the psychic nourishment we all need. Of course, many are even more effective at draining that nourishment from our minds and souls. Too often, we come to depend on these structures as a kind of protective parent guarding us against the dangers of the outside world. Snuggled close to Daddy Hierarchy, our personhood is affirmed and our existential angst allayed–as long as we do as Daddy asks. Unfortunately, that sense of safety is illusory. What becomes of us when our seemingly indestructible guardian is destroyed, as on September 11, 2001? Or suppose we had been employed at Enron or Arthur Andersen? When hierarchy fails us, we realize that what we trusted in was often no more than a projection of our own needs.

The Dangers of Authority

In one of his turn-of-the-century colonial tales, "Her Majesty's Servants," Rudyard Kipling captures the tension at the heart of any hierarchy. In that story, he describes an enormous pageant staged by the Viceroy of India to impress a visiting Amir from Afghanistan. Thousands of troops, 30 marching bands, and countless draft animals have been assembled to participate in the great spectacle. Kipling recounts an exchange between "an old, grizzled, longhaired Central Asian chief," one of the Amir's entourage, and a native officer. "Now," he said, "in what manner was this wonderful thing done?" And the officer answered, "There was an order, and they obeyed...Mule, horse, elephant, or bullock, he obeys his driver, and the driver his sergeant, and the sergeant his lieutenant, and the lieutenant his captain, and the captain his major, and the major his colonel, and the colonel his brigadier commanding three regiments, and the brigadier the general, who obeys the Viceroy, who is the servant of the Empress. Thus it is done."

"Would it were so in Afghanistan," said the chief, "for there we obey only our own wills." Yet, as Kipling was surely aware, the grizzled old Afghan chief was not being entirely candid. He would not have been willing to sacrifice his autonomy and freedom for all the military discipline in the world. And in that respect, the Afghan's creed is actually very close to the American creed of individualism – a philosophy, in fact, that presents a perennial organizational challenge for American businesspeople. It's also worth noting here that although the hierarchical British tried again and again, they never succeeded in controlling nonhierarchical Afghanistan. No one ever has.

Contemporary organizations may not be as regimented as the British Raj, but they *are* hierarchical, and authority is hierarchy's inseparable handmaiden. Even the most modern of managers must inevitably exercise some degree of authority some of the time. For deeply individualistic Americans, it's hard to blend ingrained egalitarian values with constant mindfulness of who the boss is. For leaders, it's just as hard to maintain their individual authenticity while working inside a hierarchy, no matter how modern and benevolent it may be.

Hierarchies' authoritarianism shows up in all kinds of ways, perhaps most obviously in communication, as the story about President Carter's staffers suggests. In multilevel organizations, messages get distorted as they travel up and down the ladder of command. It is not just a matter of noise or random error. Self-interest and self-protection drop in, and relevant information drops out, as messages make stops along that vertical route. Sensitive leaders – aware of how difficult it can be for their people to speak truth to power – take steps to make speaking the truth as painless as possible. I was impressed, some years ago, by a counterintuitive method devised by a manager at Intel. Every quarter, he threw a big dinner – not for the group that had been most successful, but for "the failure of the month." The celebration honored the group that had made a valiant effort that just didn't pan out. Failures, that manager wanted his people to know, were an inevitable accompaniment of risk taking. They should be talked about openly, not hidden, papered over, or blamed on others.

The phenomenon of authoritarianism makes it impossible for any manager to be "just one of the guys," even with his own group, much less with people higher up the hierarchy. Instead, every manager carefully has to deduce from informal signals the "proper" way to behave with this person or that. Where does power lie? Who's parking next to whom in the parking lot? Who's the first to speak after the CEO in meetings? An executive can pay a high price for missing such hierarchical cues. It is one of the costs that the denizens of hierarchies must pay for the rewards they receive – and a debilitating cost it can be. Pressure to remain constantly on the qui vive to avoid inadvertently stepping on the wrong toes – rather than focusing on doing good work – has caused more than one manager eventually to ask, "Is this really the way I want to spend my life?"

Consider Mike, a rookie middle manager at a large technical firm. He attended a workshop some colleagues and I were teaching. He had enthusiastically grabbed on to the not-very-hierarchical participative concepts we had presented about empowerment, shared leadership, and teamwork. Some months later, I happened to run into Mike. He was furious. "You guys really screwed me over," he nearly shouted. "You sold me all this stuff about giving people more responsibility, more elbow room. You told me not to sit on top of every petty detail, not to micromanage, and the whole thing just blew up in my face. The problem wasn't with my people. They were great. The problem was upstairs, with the executive committee. When I met with them, they quizzed me, like they always do, about every detail in my unit. And this time I didn't know the damn details! I looked like an idiot! Why didn't you warn me about that?"

We should have done more than just warn Mike. In our eagerness to teach the human and productive advantages of participative management, we had ignored a basic lesson: Authority clings to the manager's role as skin clings to the body. Managers in hierarchies have no choice but to stay constantly alert to that reality. Successful executives know almost intuitively how to be both engaging and authoritative. They know that authority is the immutable baseline, the sine qua non of organizational life. They stay alert – automatically and continuously – to the relevant subtexts of their surroundings. Almost unconsciously they ask themselves: "Am I, right now, in the presence of my superiors, my peers, or my subordinates? Have I calibrated my words, posture, and tone of voice accordingly?" Such hierarchy-attuned behavior is probably as unconscious and as nuanced as the countless fine adjustments any of us makes each day – and, for better or worse, just as necessary for survival.

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Hierarchical organizations seduce us with psychological rewards like feelings of power and status. What's more, multilevel hierarchies remain the best available mechanism for doing complex work. It is unrealistic to expect that we will do away with them in the foreseeable future. It seems more sensible to accept the reality that hierarchies are here to stay and work hard to reduce their highly noxious byproducts, while making them more habitable for humans and more productive as well.

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