

Gaining Competitive Advantage by Streamlining Bureaucracy: A Lesson for Developing Countries

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More and more of the developing countries are seeking membership in the World Trade Organization. One of the consequences of WTO membership is the necessity of competing with the "best-in-class" companies in the international marketplace. Unfortunately, many developing countries are plagued by archaic bureaucracies, which constitute a major impediment to competitiveness, at a time when it is crucial for developing countries to create a vibrant private sector in order to assimilate the large numbers of new entrants into the workforce. This paper attempts to identify the causes of bureaucracy and the ways by which organizations can de-bureaucratize. Although intense competition is by far the best prescription for de-bureaucratizing, other strategies must also be pursued simultaneously. The economies that will prosper in the future are the ones that will be able to re-invent themselves periodically, something that bureaucratic societies find difficult to do.

INTRODUCTION

As the world evolves into a global economic village, more and more of the developing countries are seeking membership in the World Trade Organization (WTO). Even countries that currently rely on oil and natural gas revenues are diversifying their economy in anticipation of the day when those non-replenishable resources are depleted. One of the consequences of WTO membership and the integration into the "global economic village," which WTO membership makes possible, is the reality that companies of the developing nations will, perforce, have to compete successfully with some of the most efficient enterprises in the world. Many of the developing countries are also experiencing the largest population growth rates. Hence, developing countries have no choice but to create a vibrant private sector, since it is this sector that must absorb the young people entering the workforce. Reliance on the public sector to absorb new entrants into the workforce is no longer practical because typically the public sector in these countries is already saturated.

Clearly, developing nations wishing to compete effectively in the global marketplace should understand and exploit what Porter (1990) calls the national "diamond," which consists of the following facets:

1. Firm strategy, structure and rivalry
2. Factor conditions (factors of production are the inputs necessary to compete in a given

industry).

3. Demand conditions.

4. Related and supporting conditions (clusters of interconnected firms, suppliers, related industries, and specialized institutions in particular fields that are present in particular locations).

It is interesting to note, however, that Porter fails to mention bureaucracy directly as an obstacle to productivity, which is the key to competitiveness not only among firms, but also among nations. At best one can imply that it is implicitly subsumed under the first facet of his "diamond" theory - i.e., firm strategy, structure, and rivalry. Since one of the major impediments to efficiency happens to be bureaucracy, which inhibits the efficient deployment and utilization of economic inputs, appreciating the need to de-bureaucratize, understanding the causes of bureaucracy, and ascertaining the means to de-bureaucratize is vital, if developing countries are to prosper in the face of intense international competition. Toward those ends, the authors investigate causes of bureaucracy, ways of de-bureaucratizing, and the results of debureaucratization in the remainder of the article.

HISTORICAL PERSPECTIVE

When Weber (1947) developed the theory of bureaucracy as an ideal organizational form, he could not have anticipated the many dysfunctions that would arise over time as attempts were made to implement his ideas; if for no other reason than many aspects of Weber's model reflected organizational circumstances of the early twentieth century. Indeed, by the 1940's scholars were already providing significant insights into the theory of bureaucracy (Merton, 1940; Selznick, 1943 & 1948). By the 1950's and 1960's, the many unintended and undesirable consequences of bureaucracy became the focus of criticism in academic literature (Gouldner, 1954; Blau, 1966).

By the 1960's and 1970's, researchers recognized that bureaucracy needed to be treated as a continuum. In other words, to what degree are organizations bureaucratized? The Aston studies went so far as to distinguish three types of bureaucracies - full bureaucracy, workflow bureaucracies, and personnel bureaucracies (Pugh & Hickson, 1976; Pugh & Hinings, 1976; Pugh & Payne, 1977). Mintzberg (1983) went on to make another important distinction between machine bureaucracy and professional bureaucracy. More recently, scholars have looked at bureaucracies as learning organizations (Weick & Westly, 1996), analyzed them from the perspective of power and organizational politics (Pfeffer, 1992), and suggested how to make bureaucracies more responsive (Adler, 1999).

REASONS TO DE-BUREAUCRATIZE

Burns & Stalker (1961) observed some time ago that firms organized along bureaucratic lines and pursuing innovative business strategies usually do poorly because they are quite rigid, and respond slowly to change. On the other hand, the firms that were devoid of bureaucratic impediments, known as adhocracies (Mintzberg, 1983) or organic institutions (Burns & Stalker, 1961), frequently succeeded in their pursuit of innovative business strategies, since they were flexible, fluid and responsive.

As a result of unprecedented technological change that created the "Information Age" and the concomitant knowledge based economies, what is urgently required are nimble organizations pursuing innovative business strategies. In like manner, worldwide telecommunications has produced a global consumer whose preferences shift more frequently than ever before. This too contributes to the increasing rate of change in the marketplace. Being able to compete against the best multinationals and transnationals requires the ability to adapt quickly to dynamic, even turbulent, economic environments; something bureaucratic organizations cannot do.

While bureaucratic tendencies plague organizations in every country, industrialized societies, in response to aggressive international competition, have learned how to streamline their private sector while at the same time downsizing the regulatory arm of government. The problem, however, is more acute in developing nations because by-and-large they are still saddled with a very large public sector characterized by antiquated bureaucracies. Yet, creating a rapidly expanding and diversified economy in developing nations, even those with significant oil and natural gas revenues, often requires considerable direct foreign investment; and multinational and transnational firms are very reluctant to invest in a country with excessive bureaucratic obstacles.

Furthermore, bureaucratic societies also limit investment opportunities for their own citizens as well, thereby encouraging them to invest abroad. The result is a further reduction of the capital available for domestic economic expansion. In a nutshell, it is usually the dearth of competition that is largely responsible for bureaucratic tendencies in the private sector. However, unnecessary control by government ministries also decreases the efficiency of firms in a competitive environment. Clearly, unreasonable controls imposed on monopolies and oligopolies by governmental bureaucracies exacerbate the situation even further. Thus, it is necessary to minimize governmental controls by de-bureaucratizing the government ministries first. Otherwise, there is no way of eliminating the plethora of bureaucratic practices that are imposed on the private sector by government agencies.

HANDMAIDENS OF BUREAUCRACY AND THE LAW OF UNINTENDED CONSEQUENCES

The tendency of planned economies to exercise control: The preponderance of developing countries remain "planned economies," characterized by state directed industries - many of them monopolies or oligopolies. Planned economies, however, have a strong tendency to exercise control over practically every aspect of the organizations under their purview. Consequently, they impose on these organizations excessive regulations and reporting requirements that consume precious resources, force the firms to hire more employees, deflect the companies from their principal goals, slow everything down and lead to unanticipated consequences. Two examples are in order. First, preventing governmental units from carrying unspent funds from one fiscal year to the next encourages managers to spend money unwisely at the end of the fiscal year, lest next year's budget be reduced by the unspent amount. In like manner, line-item budgeting imposed on government agencies by regulatory bodies also constrains much-needed managerial discretion. Second, since bureaucratic hurdles make it very difficult to get essential work done, bribing government officials becomes commonplace, and the resulting corruption undermines the public's confidence in their government and their economy.

Often, an ancillary goal of planned economies is to use the government sector, which exercises the aforementioned control, as an instrumentality for reducing unemployment. This leads to a vicious cycle - the more regulators, the more bureaucratic hurdles that enterprises must confront. Furthermore, since so many unnecessary persons are hired, salaries are low out of necessity. This results in two undesirable consequences: (1) Attracting the best people becomes difficult; and (2) many people just sit around much of the day without real work to do. Logically then, reducing the size of government ministries by transferring some government employees to the private sector should mitigate the problem somewhat.

Parkinson's Law and Bureaucracy: C. Northcote Parkinson (1957) observed during World War II that "work expands to fill the time allotted for its completion." Every time some of his civilian employees in the British Admiralty were drafted into the armed services, the remaining ones accomplished the mission just as well. Parkinson eventually realized that this was so because of the natural tendency to build empires. Prestige and compensation of administrators in bureaucratic organizations are determined, in part, on the basis of how many subordinates they employ and the size of their budgets. Therefore, they are motivated to hire more employees than they absolutely need and to increase their budget by the largest amount they can.

These observations eventually led Parkinson to conclude that: "The number of subordinates increases at a fixed rate regardless of the amount of work produced." When this occurs, the "law of diminishing marginal returns" comes into play. In other words, the marginal product of an additional employee eventually will be less than the marginal product of the previous employee; but the marginal cost of the additional employee will be the same or greater. When the marginal cost of an employee exceeds the marginal product of that employee, then the firm would be better off without that employee.

In all likelihood, the truculent turf wars that are constantly fought in bureaucracies, especially during periods of budgetary decline, are about size of the respective empires and not about business necessity. Since most workers will not just stand around for a variety of reasons, they invent activities to keep busy - in other words, occupational hobbies. Hence, the remaining employees reporting to Parkinson had little choice but to abandon the occupational hobbies and focus on activities that were essential to the mission. The exogenous impetus for efficiency in the private sector - that is, the need to make a profit or go out of business - is missing in the public sector, thereby making government agencies among the most inflexible of organizations (Katz & Kahn, 1978).

Mischief caused by cheap labor: When labor is relatively inexpensive vis-à-vis capital, it is substituted for capital, and vice versa. Consequently, in organizations in developing countries with abundant natural resources such as oil and gas, the bureaucratic solution to practically any operations problem is hiring more low-paid expatriates. The Gulf States, with the availability of cheap labor in the Indian subcontinent and the Philippines, constitute an excellent example.

Several unintended consequences result from such a strategy. First is the tendency to devote insufficient attention up front to designing more efficient systems, to improving processes and procedures, and to providing more training to current employees. Second, inexpensive expatriate labor discourages the local population from working and developing the necessary skills and the requisite work ethic. It is not appreciated in this part of the world that for every purchased expatriate mind, there is a wasted local mind. Under these circumstances, the situation is aggravated by the legal requirement of "local sponsorship," whereby business enterprises in a country must be registered in the name of a citizen of that country. Third, availability of inexpensive labor has a chilling effect so far as introducing "state-of-the-art" technology is concerned. The essential issue is how productive the labor is and not how cheap it is. And "state-of-the-art" technology plays a large role when it comes to labor productivity.

Goal displacement and bureaucracy: Students of bureaucracy have observed that the displacement of goals by the means of their attainment is a common occurrence in bureaucracies and contributes to inefficiency almost as much as Parkinson's law. In a dynamic and fluid environment, goals and objectives that once made sense but have become obsolete are frequently superseded by more appropriate goals and objectives. Yet, the means by which the replaced goals have been attained have become institutionalized and occupy the time of organizational members, when they should have been discarded as well. To wit, when organizational members in a bureaucratic organization are asked: "Why do you do something this way?" They frequently answer: "We have always done it this way." The preoccupation in bureaucracies is with form not substance, or with the means, not end goals (Katz and Kahn, 1978).

Consequently, bureaucratic organizations are characterized by rigid rules and regulations for practically anything, as anyone who has dealt with bureaucracies can attest. Since lower-level employees in bureaucratic organizations lack the authority to make exceptions, any unanticipated situation, and there are many, requires top-level

intervention. Furthermore, employees in bureaucratic organizations are judged on the basis of adherence to rules and regulations, thereby further discouraging exceptions no matter how logical and/or how important to the efficient and effective operation of the organization. To protect themselves, bureaucrats invent an array of forms that have to be filled out in a precise manner by customers or clients and require that letters and or memoranda be written to justify every decision or action. In organizational vernacular this kind of behavior is referred to as c.y.a. or cover your a--.

DIVISION OF LABOR, SPECIALIZATION OF TASK, AND BUREAUCRACY

Clearly, the application of Adam Smith's principle of "division of labor and specialization of task" has played a large part in the ability of industrialized societies to produce a veritable cornucopia of goods and services at affordable prices. This principle, however, may have been taken to extremes. There are now specialists for the narrowest tasks and a surfeit of staff departments, resulting in excess employment and substantial inefficiencies due to the coordination problems and "red tape" associated with so many folks making demands of all sorts. In addition, the boredom and monotony that result from excessive division of labor and specialization of task frequently create serious motivational problems for the kind of employees who thrive on interesting and challenging work (Dunham and Pierce, 1989). One management scholar observes that: "Over the past several decades, fully 10 times as many white collar jobs have been added to the workforce of industrial firms as line jobs." This phenomenon has been referred to as "white collar bloat." This individual goes on to say: "The important point is that once a new function is established, it is rarely disbanded; its original premise is rarely considered" (Davis, 1991).

Of course, most people employed in jobs that are marginal or unrelated to the principal mission of the organization are not about to offer them up in the interest of organizational efficiency. In fact, they will not even admit that their jobs can be eliminated without much harm to the organization. On the contrary, they will in all likelihood try to demonstrate to everyone just how indispensable their jobs really are by inventing unnecessary processes and procedures, all involving many needless forms for others to fill out. In like manner, these folks schedule meetings that consume a great deal of valuable time and accomplish very little in return. Many of these meetings take the form of briefings. Once vested interests in make-work activities are created, it behooves job occupants to corrupt best business practices in the interest of job security.

A special case of "feather-bedding" is to be found in developing countries. Since the indigenous workforce frequently lacks ideal qualifications but needs to be employed anyway, expatriate consultants are hired as well to make certain that the job gets done properly. Needless to say, this twinning arrangement not only escalates labor costs, but forces everything to go through unnecessary channels, with obvious ramifications with respect to efficiency.

CURES THAT ARE WORSE THAN THE DISEASE

The typical bureaucratic response to an employee indiscretion is to put in place a system that makes it next to impossible to commit that offense again, without weighing the cost of the impropriety to the organization versus the cost and benefit of the control system. Many of these proscriptions, in turn, create their own oversight bureaucracy, which prevents the kind of discretion so vital to the efficient management of scarce resources by requiring permission from multiple sources for minor matters, and filling out a form or completing a report for everything. A good example of a cure that has become worse than the disease is Civil Service because it has made it so difficult to discipline or remove Civil Service members for rule infractions and poor performance.

Furthermore, some developing economies have established national policies that require replacing expatriate workers with nationals on a predetermined time schedule. However, once a national is hired, the government bureaucracy makes it next to impossible to terminate the employee. Consequently, employers are reluctant to hire nationals, since they cannot replace them in case they turn out to be ineffective or trouble makers. Clearly, the bureaucratic practice is counterproductive vis-à-vis national policy.

THE BUREAUCRATIC MINDSET

Unfortunately, the bureaucratic mindset is contagious, and the principal transmission mechanism is the reward system through which bureaucratic behavior is reinforced by the entire gamut of rewards, while efficiency and innovation are conditioned out of employees through the full panoply of sanctions, with role modeling (new employees emulating veteran employees), professional continuing education courses (focusing on extant ways of doing things), and inertia completing the bureaucratization process.

Another unintended and undesirable consequence of the bureaucratic mindset is an inward orientation rather than an outward orientation. In other words, in a bureaucratic organization the needs of the employee come first, not those of the customer. If the customer's problem does not fit into the employee's job description, the customer gets the royal run-around. In all fairness to bureaucracies, they handle routine matters reasonably well. They have a most difficult time processing anything that is even slightly out of the ordinary. In order to do so, the atypical situation must be taken to high-level officials. Put another way, the employee is always right instead of the customer. Clearly, in a highly competitive business, such an attitude will drive away customers very quickly and endanger the survival of the firm.

BOUNDED DISCRETION

Simon's concept of "bounded rationality" (1957) shed considerable light on why managerial decisions do not necessarily conform to the predictions of the rational economic model. Whereas Simon focused on imperfect information as the primary reason why managers "satisfice" rather than optimize, he ignored the fact that typically the devil is in the implementation. Hence, in addition to "bounded rationality," there exists an equally important impediment to organizational efficiency that we call "bounded discretion," which limits the implementation of sound management decisions. Bounded discretion is caused by the sum total of all the bureaupathologies, which deflect energy and effort from those activities that really matter. Bureaupathologies reduce managerial degrees of freedom and shrink the tradeoff space. In other words, managerial discretion is severely restricted by the organizational arteriosclerosis that bureaucracy induces in organizations that it infects.

SALIENCY OF SOCIAL TECHNOLOGY

It is common when thinking of technology to overlook what is referred to as "social or management technology." Whereas physical technology is the realm of the scientists in their Research & Development laboratories, management technology relates to the organizational patterns, financing alternatives, management systems, processes and procedures that hold an institution together and permit it to function efficiently or otherwise. For example, Japanese management technology quickly converts worldwide innovation into high-quality industrial and consumer goods at competitive prices, and delivers them to the marketplace on a timely basis. It is this ability that gives the Japanese the illusion of being more innovative on the physical technology frontier than they actually are, and is largely responsible for the "Japanese Economic Miracle." It is this "leading edge" management technology that makes it possible to exploit physical technology (Muczyk, 1990). In fact, it was largely the Japanese management challenge that compelled U.S. firms to become efficient or file for bankruptcy.

The opposite of "leading-edge" management technology, however, is bureaucracy. Short of exposing every organization and economic activity to the rigors of intense competition, is there anything that can be done to make bureaucratic organizations less so? The short answer is that the best cure for bureaupathologies is spirited competition and lots of it. Nothing comes in as a close second. However, if firms in developing countries do not become efficient by the time WTO membership introduces intense competition, then numerous companies will go out of business. In the meantime, some steps can be taken to increase organizational efficiency, providing the "managerial will" is there (Muczyk, 1998, Summer).

ONE-STOP SHOPPING AS AN INTERIM SOLUTION

Firms wishing to do business in most developing countries must go through a myriad of agencies and procedures. Clearly, such a prospect discourages not only foreign direct investment, but indigenous entrepreneurship as well. Until such time as the economy can be de-bureaucratized, developing nations can follow Dubai's example and create one-stop shopping centers, whereby a foreign company or a local entrepreneur can take its needs to one location, turn them over to a person who has complete mastery of the local bureaucracy, pay a reasonable fee, wait a short time, and return to pick up all the needed authorization.

At least one of Dubai's neighbors adopted the idea. However, the bureaucratic inertia resulted in duplicating the form but not the substance. Even though a one-stop shopping office was established, clients must still get their own permission from many of the government ministries. The net effect was to create one more layer of bureaucracy - the one-stop shopping office.

RE-ENGINEERING ORGANIZATIONS

"Re-engineering" means excising those activities that are unrelated or marginally related to the central mission (occupational hobbies), removing redundancies, and creating or refining processes through which mission relevant goals and objectives are attained in an efficient and effective manner. Re-engineering requires evaluating the value chain and eliminating or reducing components that either add no value or very little, while retaining and even enhancing those that contribute considerable value. A critical element of re-engineering is reducing cycle times. For example, many retail businesses in developing countries have introduced computers at the point-of-sale, and receipts are printed out by these computers. Yet, the sales clerk still fills out by hand the same information on forms that predate the computer and are no longer needed. This phenomenon is by no means restricted to the retailing sector.

Downsizing, on the other hand, may or may not be synonymous with re-engineering; depending on whether or not the aforementioned issues were considered before manpower reductions were made (Muczyk, 1997).

In other words, re-engineering should be guided by "Occam's Razor" principle, which states that the best theory is the simplest one that adequately explains the issue in question. That is, the best procedure, system or practice is the one with the minimum steps to get the job done in a satisfactory manner. Interestingly enough, Frederick Winslow Taylor, the father of "scientific management," applied this principle with respect to obtaining the "one best way" to perform a given task. Critical to all re-engineering efforts are the elements discussed below.

Often persons responsible for re-engineering organizations begin by asking the wrong question first, i.e., "how can we simplify this procedure?" The correct question to ask first is: "Do we absolutely need this procedure at all?"

An excellent first-step to answering the questions mentioned above is activity-based costing (ABC)- a systematic method for assigning costs to business activities. First, a reasonable number of business activities needs to be defined, and all the costs associated with each activity need to be assigned to the appropriate activity. Once this much has been accomplished, the activities with their associated costs can be allocated to products, processes, customers or vendors. Next, activities need to be assigned priority on the basis of cost, with the most expensive activity receiving top priority for scrutiny with respect to redundancy, relevancy, and criticality. Last, whenever appropriate, the unnecessary or marginal activities are eliminated.

Another worthwhile approach involves benchmarking the most efficient and effective organizations (best-in-class). This is a particularly productive way of gauging the appropriate size of headquarters staff, but could be applied to rightsizing practically any functional area.

Part-and-parcel of re-engineering is tradeoff analysis. In a competitive environment, we must frequently decide what it is that we will give up in return for getting or keeping something; and whether the exchange is worthwhile with respect to the most important goals of the organization. The decision sciences, including modeling and simulation, have evolved to the point where defining the tradeoff space and making informed choices within it can now be done with greater confidence; and we are obliged to use state-of-the-art methodology to assist with difficult decisions. In short, it is through tradeoff analysis and cost-benefit analysis that we begin building value chains. While we cannot become obsessed with efficiency at the expense of effectiveness in a variety of risk environments, whenever practicable we must insist that all technology, processes and procedures still "buy" their way into the organization in terms of reducing the total cost of doing business. There is merit in creating mechanisms for scanning the environment in the interest of identifying best practices before imposing what may turn out to be premature procrustean solutions.

IDENTIFYING WHAT IS IMPORTANT

Re-engineering should begin with the identification of what is important, because if you don't know where you are going, any road will take you there. To assist us in this vital undertaking, we need to heed the counsel of a brilliant mathematician, economist and sociologist, Vilfredo Pareto, who observed some time ago that many phenomena are distributed in accordance with the 80:20 rule; a discovery as significant as Gauss's normal distribution. The 80:20 rule applies to sales, profits, problems, management activities, organizational goals, etc. Frequently, 80 percent of sales come from 20 percent of the customers; 80 percent of the profits from 20 percent of the product line, 80 percent of the

problems from 20 percent of the employees, and so forth. Unfortunately, many, if not most organizations, devote 80 percent of their time, effort, and money to the 80 percent that does not matter very much instead of the 20 percent that makes most of the difference (Kreitner, 1995).

In the inventory management sphere, Pareto's 80:20 rule is known as "ABC analysis." Since typically about 20 percent of the items account for 80 percent of the cost or activity (and 5 percent of the inventory is often responsible for half of the cost or activity), these items receive special attention. The remaining 80 percent are handled in a routine manner (Muczyk, 1997).

With respect to planning, the 20 percent of the most important goals are called "breakout" goals. It is the attainment of "breakout" goals that provides the quantum leap to the next plateau of an organization's vision. Pareto's 80:20 rule is also instructive for Ministries that have oversight responsibilities for certain private sector industries. The decision rule may go something like this: Manage the most important 20 percent of activities, track the next 30 percent, and forget the rest. In other words, pay careful attention to what is most important and focus on results, not the means for obtaining the results.

CONTINUALLY IMPROVING AND REFINING SPECIFIC MANAGEMENT PRACTICES AND PROCEDURES

It has been estimated that 30 percent of private sector workers' time is wasted because of work scheduling problems alone. The situation is probably exacerbated in the public sector because vigilance with respect to best practices is a survival imperative in a competitive environment, whereas efficiency is an option in the absence of competition. Consequently, preserving best business practices in their original form is a continuous challenge that requires unrelenting management attention. After all, how can employees take their jobs seriously when they observe on a daily basis management's indifference to inefficiency? The Japanese call this process "Kaizen," which means improving the overall system by constantly improving details (Muczyk and Hastings, 1985). In order to clarify shared tasks between departments, organizations should consider such aides as: the responsibility chart; process management and cross-functional teams. Important ideas frequently lead to significant consequences. We can initiate the chain reaction by sending key employees to quality, focused training and educational programs for cutting-edge ideas and best business practices (Davis, 1991).

RETHINKING THE ROLE AND SIZE OF STAFF DEPARTMENTS

The purpose of staff departments is to serve line departments, not the other way around. F. Kenneth Iverson, president and CEO of Nucor Corp., the most successful steel firm in the United States, takes the following position vis-à-vis staff departments: "We keep our

people at our plants where the day-to-day decisions are made. There is no need for a large support staff." (Muczyk and Hastings, 1985) Benchmarking "best-in-class" private sector corporations, such as Nucor, and emulating their best practices is a constructive way of improving efficiency and effectiveness.

Managers should abandon the habit of using staff departments as their eyes and ears. Once staff personnel become perceived by other organizational members as the "Organizational Gestapo," they will no longer be viewed as a valuable source of help, thereby negating their most important potential contribution, which is advice, counsel and assistance. Equally important, the organization will not need as many staff personnel if they are not used as an integral part of the organizational control system. Some private sector organizations require staff departments to charge internal users directly for the services they receive. Under this arrangement, a staff department is expected to recover its own operating costs by billing other organizational units for services rendered. Since staff departments must live within their budgets, they must downsize if their services are not used enough. Such a scheme works even better if organizational units possess the option to purchase services on the open market, if they receive better value (Davis, 1991).

DE-LAYERING HIERARCHIES

Bureaucratic organizations subscribe to the classical management principle of narrow span of control, which states that managers above the first level of supervision should restrict themselves to four-to-eight subordinates (lower-level managers). Such a span of management forces a tall organizational structure with many layers of management. The importance of position in the bureaucratic structure exacerbates the tendency to build organizations with unnecessary levels of management (Muczyk & Hastings, 1985).

At well-run organizations, such as Nucor, there are only five levels of workers - president, seven vice presidents, department managers, supervisors and workers. While tall organizational structures afford more promotional opportunities and more time available to each subordinate from the superior, the price to be paid for these positive features is excessive, not the least of which are the cost associated with unnecessary managers, distortion of information and the slow response to change. Furthermore, reducing management layers by broadening the span of control forces decision making down to the lowest levels that possess the expertise to make them, thereby empowering the workforce. After all, it is through empowerment that many employees become enthusiastic stakeholders in the organization's mission and goals, and it is the same empowerment that makes effective implementation possible.

EMPLOYING NETWORK ORGANIZATIONS

Wherever practical, functions currently performed by government agencies should be privatized or outsourced to the private sector, since the private sector is usually more efficient. Moreover, as has already been discussed, downsizing government ministries in developing nations should reduce bureaucratic impediments. Toward that end, the concept of network organizations should be employed. Network organizations differ from previous organizational structures in the following ways:

- Network organizations define their core competence and contract the remaining functions. That is, they use the combined assets of several firms located at various points along the value chain.
- Network organizations place greater reliance on market mechanisms than administrative processes to regulate resource flows. These are not, however, "at arm's length" relationships. The interdependence, in fact, resembles the Japanese "keiretsu."
- Network organizations expect a proactive role among participants that enhances the final product or service rather than just fulfilling a contract to the letter. Those members of the network that are reluctant to go the extra mile lose their position (Miles & Snow, 1992).

REWARDING WHAT IS IMPORTANT

Working hard and smart is not part of the human condition. The path of least resistance is. However, most employees will concentrate on those activities and outcomes that are measured and rewarded. If an organization is serious about reducing bureaucracy, it must measure the important activities and outcomes, and reward in a significant way those individuals who perform them well. The best way to preserve the status quo is to measure everything, as is frequently done by bureaucratic organizations, and to reward all outcomes and activities the same. Clearly, Pareto's 80:20 rule is a very useful guide in this respect (Muczyk, 1988).

CONCLUSION

In the absence of competition, organizations, private and public, will become bloated, inefficient bureaucracies. In the presence of vigorous competition, organizations either slim down in a hurry and at the same time adopt the best global business practices, or go out of business. Hence, whenever possible, it is recommended that activities currently performed by government organizations be exposed to the rigors of the marketplace through privatization or outsourcing. At the same time, public policy should encourage maximum competition in the private sector. Also, without competition, introducing technology will not improve efficiency because the impetus to reduce superfluous employees is missing. Hence, the technology will merely duplicate what the workers have done all along, since they are still there and in need of keeping busy. In those instances where the preferred solution is not available, recommendations have been

presented for streamlining organizations in the interest of efficiency, without sacrificing effectiveness. Both strategies need to be pursued aggressively to do the job properly.

We are living in a world when technological change is occurring at a faster pace than ever before, and the rate of change is increasing. Hence, once intense competition emerges, redundant production and clerical workers are replaced first by technology. But in subsequent rounds, more advanced technology is substituted for middle managers and staff professionals. Competition gives firms little choice if they wish to survive. In other words, those economies that will prosper in the future are the ones that will be able to re-invent themselves periodically through a process that Schumpeter called "creative destruction." This re-invention, however, requires foreign direct investment as well as investment by nationals, and de-bureaucratization facilitates both. Only time will tell whether or not the political will and the leadership tenacity exist to implement these policies.

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