

## A 79 CENT BARGAIN

*College professors are well known for their eccentricities and absent-mindedness. Like most people, we are creatures of habit and our actions are, to a degree, predictable. One such habitual activity relates to our fascination with books and places where they are sold. Hence, it could have been predicted that shortly after my arrival on the campus of a major northwest university, some mystical force would soon draw me to a nearby bookstore. Once arrived, there was a somewhat more explainable force, which drew my attention to the display table marked "Bargain Books-Close Out Prices." So it was that my professional interest in books and my more mundane interest in economy led to my purchase of a book by William G. Scott titled, "Human Relations in Management"<sup>\*</sup> for the truly bargain price of 79 cents. The word "bargain," of course, describes a rather specific relationship between value received and price paid. In this particular case, the price paid was an exceptionally poor indicator of value received as the book was found to contain discussions of many fascinating topics-enough at least, to fill the pages of this monthly letter for some time to come; and one of which is contained herein.*

There exists a delightful love song whose message revolves around the theme that, "To know him, is to love him." Unfortunately, the same theme would not hold true with regard to the agribusiness industry's knowledge of the governmental bureaucracy. Yet to know a bureaucracy and understand how it evolves, grows, and performs its tasks should, at least,

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<sup>\*</sup> Richard D. Irwin, Inc., Homewood, Illinois, Fourth Printing, 1966.

dispel some of the fears, misconceptions, and numerous stereotypes associated with the word "bureaucracy." This paper is designed to provide such knowledge and understanding. It discusses bureaucracies in the abstract sense that their existence, development, and persistence are considered apart from specific examples. It is also abstract in that the reader is not given a guided tour through the internal operation of a particular bureaucracy.

## A Bureaucracy's Raison D'Être

Over the years, and especially since the birth of Phase: I-IV, my contacts with the agribusiness community have fostered the expected amount of confusion and disgust with the so-called governmental bureaucracy. Yet, what is a bureaucracy? Where and why did it evolve? Why does it remain? To the agribusiness industry, "the bureaucracy" means price and wage constraints, safety regulations, environmental controls and an endless list of other governances, each designed to confuse, tax, or otherwise irritate the independent businessmen.

In the mind of the average agribusiness manager, therefore, the bureaucracy's "raison d'être" is wholly suspect. The twelfth chapter of Scott's book directs itself to such suspicions and attempts to answer many very obvious questions. If you are one of the many who feel abused by the bureaucracy, you will likely find Scott's ideas interesting. My objective is neither to defend nor promote the bureaucracy. I merely wish to "explain its existence" and answer some of those questions in the mind of the common entrepreneur. While I draw heavily from Scott's book for theoretical support, the bulk of the monologue is my own.

## **What Is a Bureaucracy?**

The term "bureaucracy" can be taken to apply to all sizes and types of organizations. Hence, it should be noted that the trend toward large, centralized institutions is just as evident in business, labor, and nonprofit associations as it is in government. Thus, the bureaucracy, in its broadest sense, has become a part of organized activities in almost every facet of life in our society. Still the word "bureaucracy" is so emotionally charged that it conjures for us an image of a gigantic, almost parasitic, governmental organization operating with monumental inefficiencies and composed of people who conduct themselves as lazy, narrow-minded functionaries. In truth, a bureaucracy can hardly be so stereotyped. Bureaucracies can generally be found to contain only two elementary and common characteristics. First, each operates on a set of rules (organizational form), which prescribe and govern functional relationships. Second, each also operates on a set of rules, which prescribe and govern the behavioral patterns and desirable attributes of the bureaucrats they employ.

The study of bureaucracies by sociologists, political scientists, and students of business administration has resulted in two different views of the organizational form. The first view is of a bureaucracy as an administrative tool. In this regard, the organization is seen as a mechanism for the achievement of goals. From this viewpoint, the bureaucracy is the epitome of rationality and work specialization. The second and more recent view is of the bureaucracy as an instrument of power and influence. This view, of course, is more concerned with the process and implications of bureaucratization and somewhat less concerned with the static design of the organization itself.

## **Why Do Bureaucracies Develop?**

To be sure, many businessmen believe that existing governmental bureaucracies (national, state, and local) provide little or no useful function and contribute little to the

economic performance of their business enterprises. Others will admit that some worthwhile services are rendered but assert that the net effect may be nominal or even negative. A brief discussion of the patterns of bureaucratic development will hopefully shed some light on the validity of these assertions.

A brief historical analysis shows that, without exception, an economic community must attain a certain degree of maturity before bureaucracies emerge and begin to have a significant impact on the life patterns and economic welfare of those people in the community.

Maturity, in an economic sense, is attained when the following features become evident: 1) Differentiation takes place along functional lines. For example, an industry reaches a point where many functions, such as security, quality control, environmental consciousness, etc., are not only differentiated, but sometimes totally separated from the basic economic activity of the firm. 2) The economic community must be in a position to provide the resources for support of those organizations from which it expects to receive the differentiated services. 3) An industry that is most susceptible to bureaucratization is one, which is highly complex, exhibiting considerable interdependence among its parts and with its surrounding community. It should be noted that the first and third features are highly descriptive of the agribusiness industry. Its ability to provide support for bureaucratic organizations is, of course, subject to question.

## **The Bureaucracy Test**

It has been shown that bureaucracies operate on sets of rules and develop within a specified group of conditions. Yet, not all organizations so developed and operated become bureaucracies. Few agribusiness managers, for example, would consider their own trade association to be a bureaucracy and yet it likely evolved and is operated on a basis very similar to several governmental agencies. At what point does an organization

become a bureaucracy? Scott argues that the extent of bureaucratic development can be ascertained and suggests the following relationships are indicative of bureaucratization:

- 1) A high degree of differentiation—a complete division of labor towards the ultimate in specialization.
- 2) Centralized control and supervision—the more complex the problems of control, subordination, communication, etc., the more bureaucratic the organization becomes.
- 3) The degree of qualification for office—to what degree has the requirements for employment in specific tasks been determined according to objective standards?
- 4) Degree of objectivity—how much pride do employees of the organization derive from recognition of their technical competence by fellow bureaucrats?
- 5) Precision and continuity—employees adhere closely to precedents and routines essential to the preservation of the organizations own complex administrative machinery.
- 6) Information release—a bureaucratic organization of a high degree restricts information to a greater extent through employees withholding that information of a special character from the public it's supposed to serve.

### **Why Do Bureaucracies Persist?**

Paramount to the concerns of agribusiness managers is not how a bureaucracy evolved, but rather a better understanding of how and why they continue to operate. It does not take a great deal of insight to find that most governmental organizations are in search of two somewhat illusive characteristics, i.e., security and stability. A desire for each is understandable and, in some cases, admirable insofar as each may enhance the

organization's ability to serve its public more effectively and efficiently.

All too often, however, organization size is understood to be analogous to security. As the organization becomes larger, it also becomes more bureaucratic. This judgment is sometimes held to be a self-evident truth. Yet, it is interesting to speculate as to the possible reasons for this relationship:

- 1) A large organization presents greater opportunities for the "vesting of interests" than does a smaller one.
- 2) Large organizations tend to support each other; e.g., society is less tolerant over the collapse of a large organization.
- 3) Large organizations are diversified such that the discontinuation of one of its activities does not jeopardize the continued need for others.
- 4) Larger organizations devote a greater proportion of their total resources to the maintenance of internal operations, thereby exerting more control over its own continuity and ultimate survival.

Stop for a brief moment now and consider how many of those organizations with which your firm and industry are in contact portray the characteristics discussed above. How many governmental agencies would seem to conform to the discussion? So far, I have shown that an organization's desire for security results in the persistent search for growth in size. In its desire for stability, other noticeable operational characteristics can be delineated. The following are but a few:

- 1) Because vested interests develop so readily within large organizations, the perpetuation of operating rules, procedures, and behavioral patterns, even if unwarranted, is made more convenient.
- 2) Society acts to preserve (even protect) the large organization because it cannot

cope with the consequences should the organization be lost.

- 3) Through a multiplication of activities and functions, the bureaucracy assures itself of at least some degree of long-term stability; e.g., threatened with the loss of a function, resources can be redirected to other organization activities without loss of budget, personnel, etc.
- 4) By retaining command over considerable resources, the large organization can take those steps necessary to insure its own integrity over time; e.g., through its control of resources, it can exercise more power and influence in society than can the small organization.

### **What Can Be Done About Bureaucracies?**

The perfect bureaucratic organization does not exist. Even if it did, it probably would not survive for long. Were it not for human-caused deviations from the rigid prescriptions of bureaucracy, the organization would surely become immobilized. In the final analysis, people make the organization, not vice versa. Your dissatisfaction with the actions of multiple governmental agencies are actually directed against the actions of people (not as individuals, but as bureaucrats). It stands to reason, therefore, that the most effective means of dealing with a bureaucracy is to somehow have an impact on the actions of the people employed by it. Trade groups, industry-wide efforts, and an enhanced level of political involvement should become the vehicles through which the impact is delivered. In my opinion, there are at least three impact areas in which some modification of bureaucracies can be secured. The three areas are discussed briefly below:

- 1) Employee Recruitment and Training—based on the theme that people are the single most important element of a bureaucracy, it would seem logical that a shift in current recruitment and training practices would eventually affect

employee behavior (and hence organizational actions). Current policy suggests recruitment and training program designed to assure the organization of employees equipped with sufficient technical information to complete their specialized tasks efficiently. Carried to the extreme, however, highly skilled and specialized employees may, under conditions of rapid change, prove to be more of a liability than an asset. Skilled specialists, when threatened, sometimes have a tendency towards entrenchment and protectionism. Hence, technically obsolescent functions are not discarded, but instead are retained (and perhaps hidden) as an expensive overhead cost.

Another facet of the employee selection process relates to the established habit of bureaucracies selecting their employees from special segments of society, while all but ignoring minorities and/or those whom the bureaucracy is designed to serve. As experience has shown, this policy is dangerous in a democratic sense. It is also harmful to an industry in that its future may be subjected to the judgments and actions of groups of people whose standards and goals are not representative of the industry they're serving.

An alternative to selective recruitment is a policy referred to as "saturative." Through saturative recruitment, the bureaucracy draws its employees from a wider social or industry cross section. It does not reduce the qualification standards, but rather offers competitive opportunities to more people from many different layers of social or industry structure.

- 2) Organizational Structure—because of the emphasis a bureaucracy places on structural maintenance established operational procedures become somehow "sanctified" in the mind of the employee. His ability to separate means from ends is soon impaired. Procedures (means)

become ends in the minds of the organization's clientele. By "throwing his weight around" the employee would have the clientele believe that he speaks for and represents the character of the organization which employs him. This is ridiculously self-defeating as ultimately the organization relies on client support for its existence.

- 3) Subordinate Power Groups—a classical characteristic of a bureaucracy is its tendency to create subordinate groups. A mature bureaucracy is somewhat human in its inherent urge towards procreation. The offspring arise first as committees, councils, or other forms of informal groups. Over time, the offspring is nurtured by the parent bureaucracy through the allocation of budgets and personnel. As the offspring approaches adolescence, it may even attempt to break away from the parent organization. Many groups fail in this attempt and return as permanent subordinate organizations. These subordinate groups can then develop as power centers by virtue of their position within the parent bureaucracy. Other subordinate groups, as a result of their involvement in an ever-broadening subject matter area, act so as to enhance substantially the power of the parent agency. If this group continues its ability to draw or focus political power, it is not long before those members of the offspring group are able to make decisions regarding the purpose and direction of the entire bureaucratic organization.

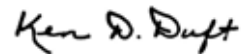
As long as top management retains the right of review and control of the subordinate groups, this phenomenon will not likely occur. A situation of this type is more probable when top management actually abdicates control or becomes so distant from the offspring group and its activities that policy implementation and performance appraisal become impossible.

## Summary

This paper was not meant to be a fan letter for the "Friends of Bureaucracies Club." Nor was it meant to be an emotion-charged attack on the existence of all governmental agencies. Its objective was to develop, in the abstract, improved readership understanding of what a bureaucracy is, why we have them, how they operate, and what can be done to change (and improve) their activities.

In regard to this last objective, the concluding section suggests that bureaucratic organizations are most responsive to policies directed at their employees. It is proposed that: 1) a more saturative form of employee recruitment be used, 2) a less-structured set of operational procedures be followed, and 3) the retention of management's right of review over subordinate groups will have a beneficial impact on bureaucrat performance and bureaucracy action.

Sincerely,



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