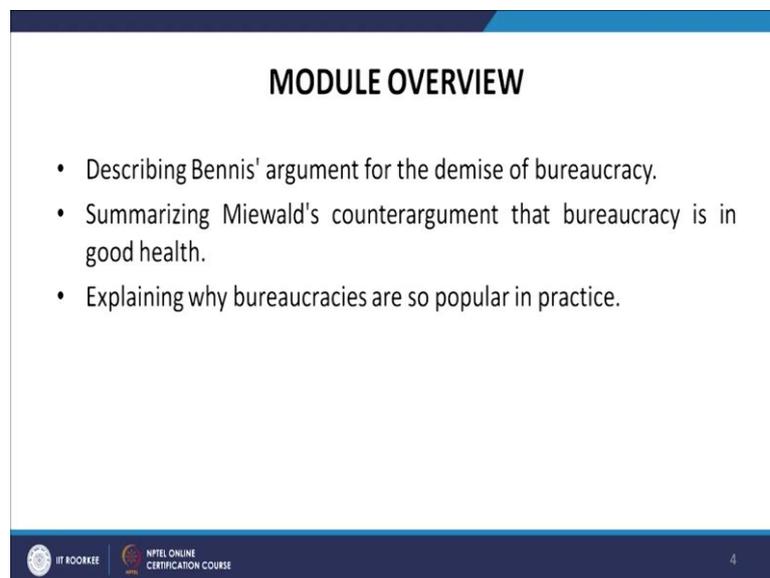


**Organization Theory/Structure and Design**  
**Prof. Zillur Rahman**  
**Department of Management Studies**  
**Indian Institute of Technology, Roorkee**

**Lecture - 28**  
**Bureaucracy - II**

Welcome to module 28 of this course on Organization Theory. And as in module 27, in module 28 we will continue to discuss about Bureaucracy.

(Refer Slide Time: 00:37)



The slide is titled "MODULE OVERVIEW" and contains three bullet points. At the bottom, there are logos for IIT Roorkee and NPTEL Online Certification Course, along with the number 4.

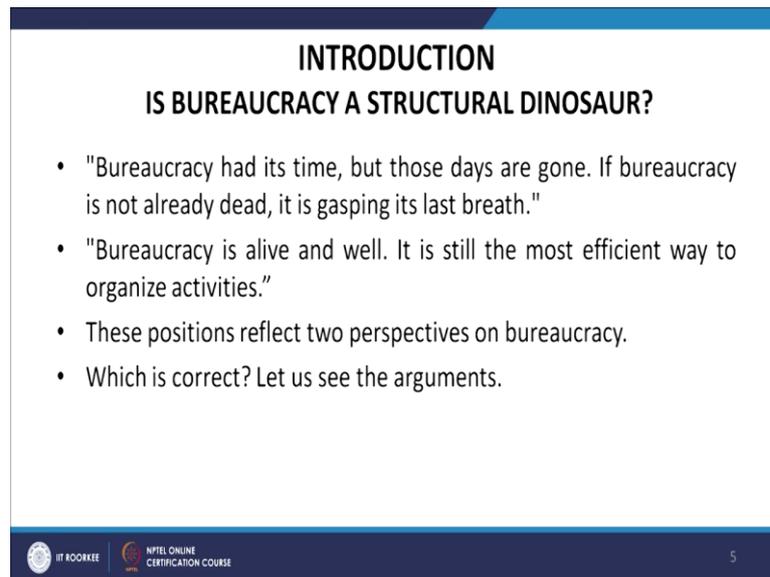
**MODULE OVERVIEW**

- Describing Bennis' argument for the demise of bureaucracy.
- Summarizing Miewald's counterargument that bureaucracy is in good health.
- Explaining why bureaucracies are so popular in practice.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 4

And these are the things that we will cover in this module, describing Bennis's argument for the demise of bureaucracy, summarizing Miewald's counterargument that bureaucracy is in good health, and explaining why bureaucracies are so popular in practice.

(Refer Slide Time: 00:53)



The slide features a dark blue header with the title "INTRODUCTION" in white. Below the header, the main title "IS BUREAUCRACY A STRUCTURAL DINOSAUR?" is centered in bold black text. The body of the slide contains a bulleted list of three points. At the bottom, there is a dark blue footer with logos for IIT ROORKEE and NPTEL ONLINE CERTIFICATION COURSE, and the number 5 on the right.

## INTRODUCTION

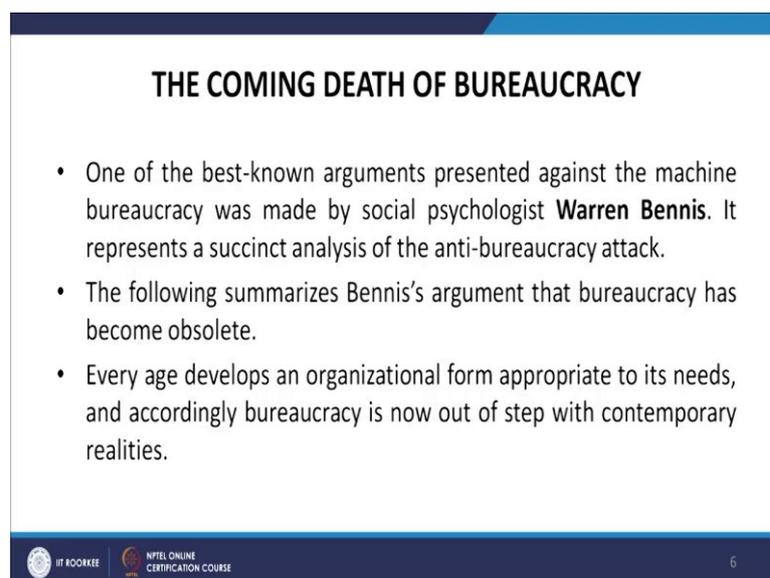
### IS BUREAUCRACY A STRUCTURAL DINOSAUR?

- "Bureaucracy had its time, but those days are gone. If bureaucracy is not already dead, it is gasping its last breath."
- "Bureaucracy is alive and well. It is still the most efficient way to organize activities."
- These positions reflect two perspectives on bureaucracy.
- Which is correct? Let us see the arguments.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 5

So, to start with, is bureaucracy a structural dinosaur? Bureaucracies had its time, but those days are gone. If bureaucracy is not already dead, it is gasping its last breath. Bureaucracy is alive and well. It is still the most efficient way to organize activities. These positions reflect two perspectives on bureaucracies. Which is correct? Let us see the arguments.

(Refer Slide Time: 01:21)



The slide features a dark blue header with the title "THE COMING DEATH OF BUREAUCRACY" in white. Below the header, the main title "THE COMING DEATH OF BUREAUCRACY" is centered in bold black text. The body of the slide contains a bulleted list of three points. At the bottom, there is a dark blue footer with logos for IIT ROORKEE and NPTEL ONLINE CERTIFICATION COURSE, and the number 6 on the right.

## THE COMING DEATH OF BUREAUCRACY

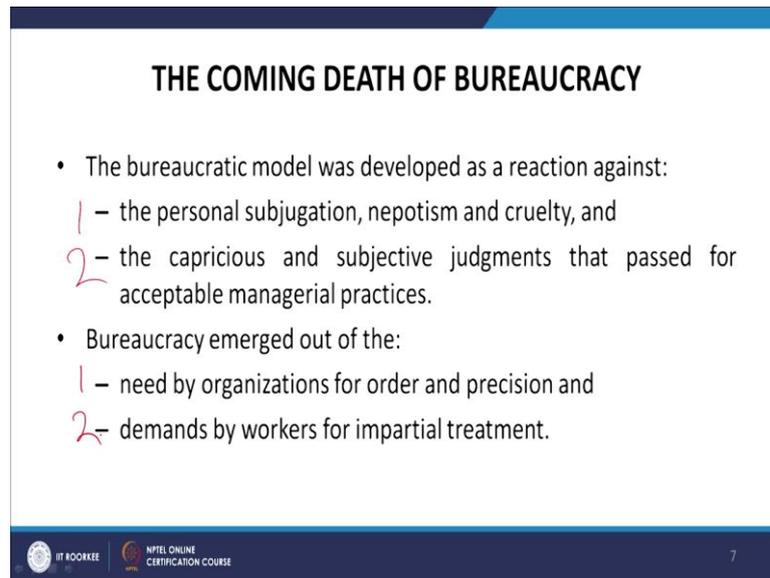
- One of the best-known arguments presented against the machine bureaucracy was made by social psychologist **Warren Bennis**. It represents a succinct analysis of the anti-bureaucracy attack.
- The following summarizes Bennis's argument that bureaucracy has become obsolete.
- Every age develops an organizational form appropriate to its needs, and accordingly bureaucracy is now out of step with contemporary realities.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 6

So, we will start with the argument of the coming death of bureaucracy. One of the best known arguments presented against the machine bureaucracy was made by social

psychologist Warren Bennis. It represents a succinct analysis of the anti-bureaucracy attack. The following summarizes Bennis's argument that bureaucracy has become obsolete. Every age develops an organization form appropriate to its needs, and accordingly bureaucracy is now out of step with contemporary realities.

(Refer Slide Time: 01:54)



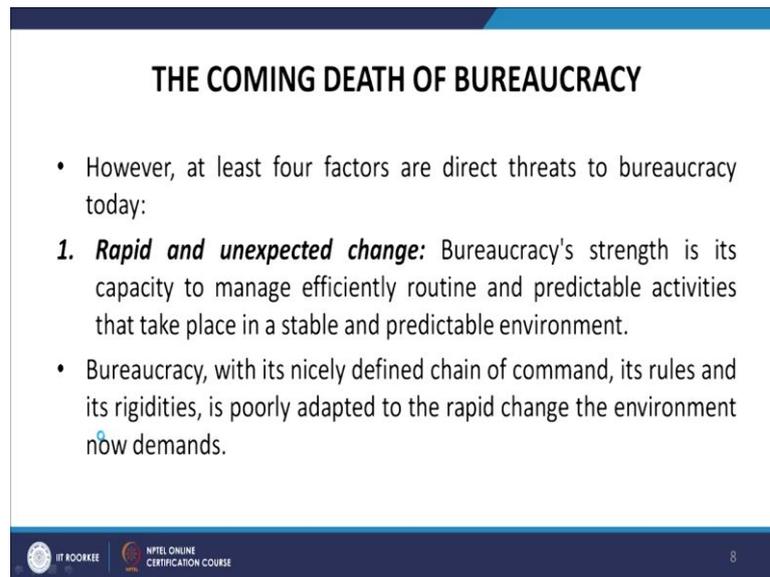
**THE COMING DEATH OF BUREAUCRACY**

- The bureaucratic model was developed as a reaction against:
  - 1 – the personal subjugation, nepotism and cruelty, and
  - 2 – the capricious and subjective judgments that passed for acceptable managerial practices.
- Bureaucracy emerged out of the:
  - 1 – need by organizations for order and precision and
  - 2 – demands by workers for impartial treatment.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE | 7

The bureaucratic model was developed as a reaction against, one, the personal subjugation, nepotism and cruelty, and two, the capricious and subjective judgments that passed for acceptable managerial practices. Bureaucracies emerged out of the need by organizations for order and precision, and demand by workers for impartial treatment.

(Refer Slide Time: 02:19)



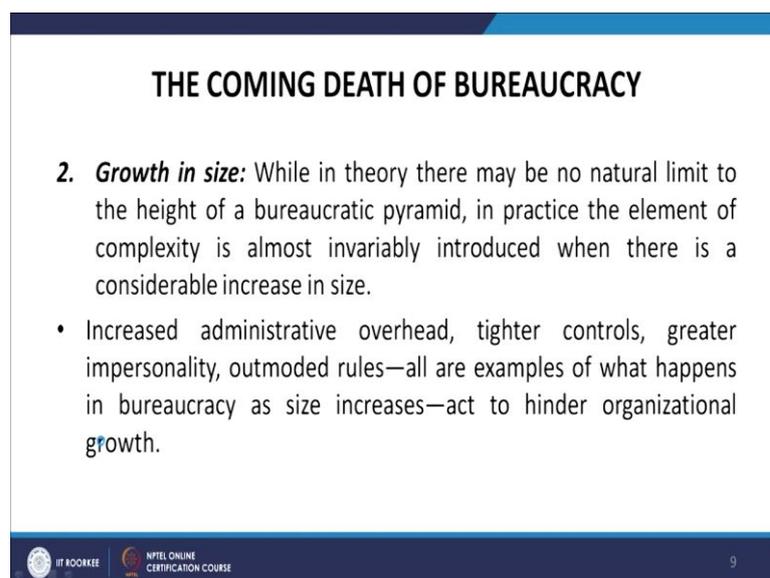
**THE COMING DEATH OF BUREAUCRACY**

- However, at least four factors are direct threats to bureaucracy today:
- 1. **Rapid and unexpected change:** Bureaucracy's strength is its capacity to manage efficiently routine and predictable activities that take place in a stable and predictable environment.
- Bureaucracy, with its nicely defined chain of command, its rules and its rigidities, is poorly adapted to the rapid change the environment now demands.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 8

However, at least four factors are direct threats to bureaucracy today. The 1st is, rapid and unexpected change. Bureaucracy's strength is its capacity to manage efficiently routine and predictable activities that take place in a stable and predictable environment. Bureaucracy, with its nicely defined chain of command, its rules and its rigidity, is poorly adapted to the rapid change the environment now demands.

(Refer Slide Time: 02:54)



**THE COMING DEATH OF BUREAUCRACY**

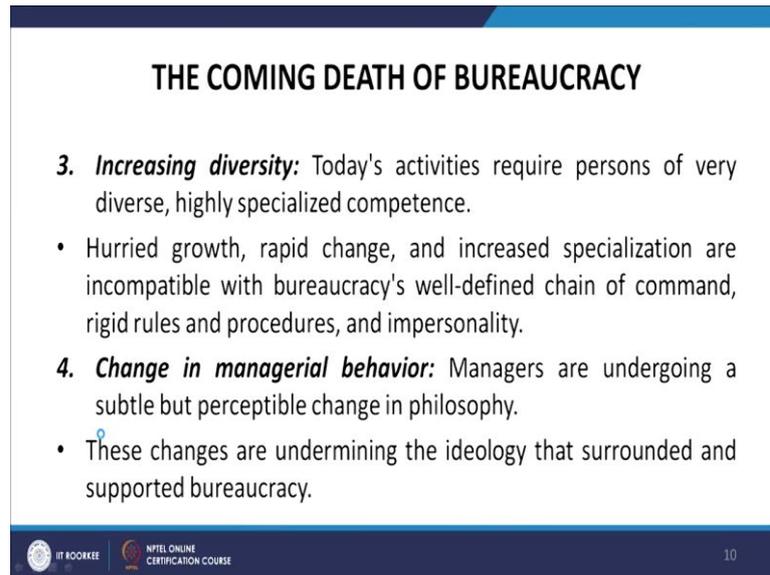
- 2. **Growth in size:** While in theory there may be no natural limit to the height of a bureaucratic pyramid, in practice the element of complexity is almost invariably introduced when there is a considerable increase in size.
- Increased administrative overhead, tighter controls, greater impersonality, outmoded rules—all are examples of what happens in bureaucracy as size increases—act to hinder organizational growth.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 9

The 2nd is growth in size; while in theory there may be no natural limits to the height of bureaucratic pyramid, in practice the elements of complexity is almost invariably

introduced when there is considerable increase in size. Increased administrative overhead, tighter controls, greater impersonality, outmoded rules, all are examples of what happens in bureaucracies as size increases-act to hinder organizational growth. The 3rd is increasing diversity; today's activities require persons of very diverse, highly specialized competence.

(Refer Slide Time: 03:40)



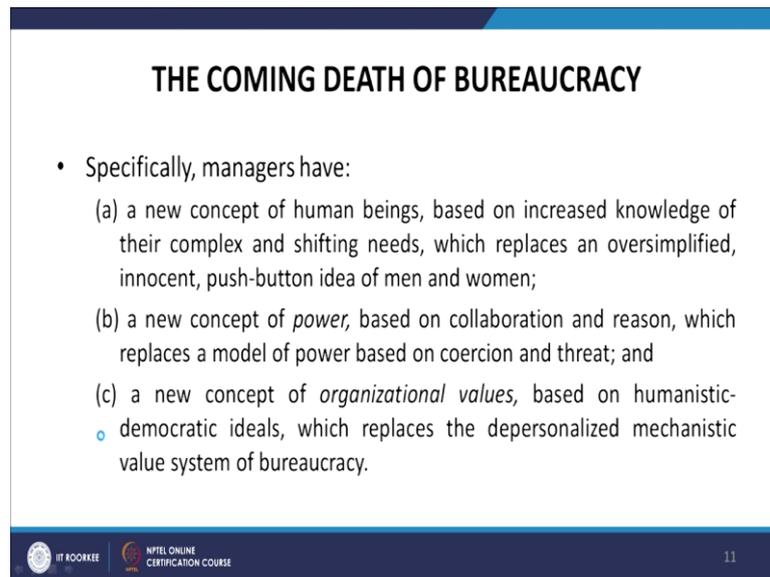
**THE COMING DEATH OF BUREAUCRACY**

- 3. *Increasing diversity:*** Today's activities require persons of very diverse, highly specialized competence.
  - Hurried growth, rapid change, and increased specialization are incompatible with bureaucracy's well-defined chain of command, rigid rules and procedures, and impersonality.
- 4. *Change in managerial behavior:*** Managers are undergoing a subtle but perceptible change in philosophy.
  - These changes are undermining the ideology that surrounded and supported bureaucracy.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 10

Hurried growth, rapid change, and increased specializations are incompatible with bureaucracy's well-defined chain of command, rigid rules and procedures, and impersonality. The 4th is change in managerial behaviour; managers are undergoing a subtle but perceptible change in philosophy. These changes are undermining the ideology that surrounded and supported bureaucracies.

(Refer Slide Time: 04:08)



### THE COMING DEATH OF BUREAUCRACY

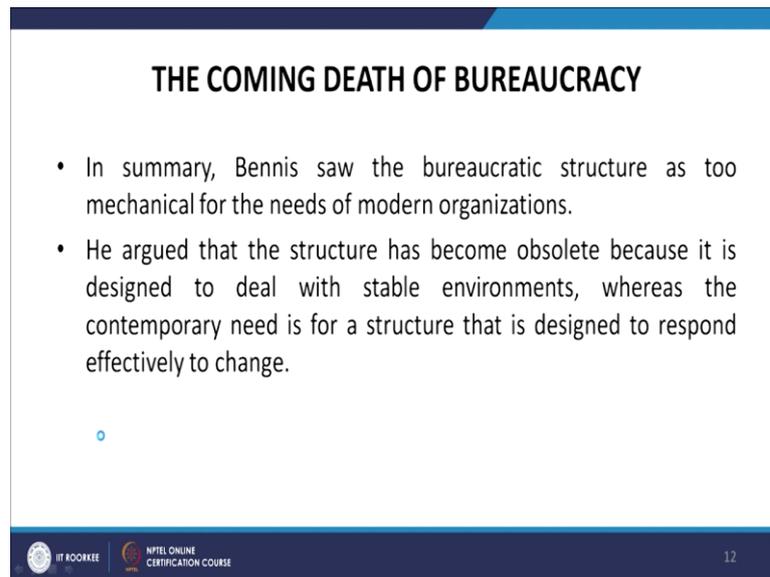
- Specifically, managers have:
  - (a) a new concept of human beings, based on increased knowledge of their complex and shifting needs, which replaces an oversimplified, innocent, push-button idea of men and women;
  - (b) a new concept of *power*, based on collaboration and reason, which replaces a model of power based on coercion and threat; and
  - (c) a new concept of *organizational values*, based on humanistic-
    - o democratic ideals, which replaces the depersonalized mechanistic value system of bureaucracy.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 11

Specifically, managers have, a new concept of human beings, based on increased knowledge of their complex and shifting needs, which replaces an oversimplified innocent, push-button idea of men and women. A new concept of power, based on collaboration and reason which replaces a model of power based on coercion and threats.

And a new concept of organizational values, based on humanistic democratic ideals, which replaces the depersonalized mechanistic value system of bureaucracy. In summary, Bennis saw the bureaucratic structure as too mechanical for the needs of modern organizations.

(Refer Slide Time: 04:59)



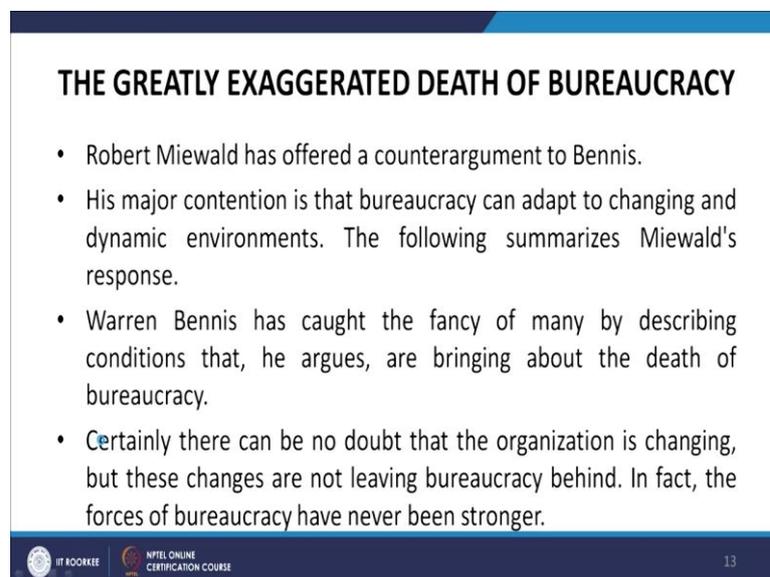
**THE COMING DEATH OF BUREAUCRACY**

- In summary, Bennis saw the bureaucratic structure as too mechanical for the needs of modern organizations.
- He argued that the structure has become obsolete because it is designed to deal with stable environments, whereas the contemporary need is for a structure that is designed to respond effectively to change.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 12

He argued that the structure has become obsolete because it is designed to deal with stable environments, whereas the contemporary need is for a structure that is designed to respond effectively to change.

(Refer Slide Time: 05:09)



**THE GREATLY EXAGGERATED DEATH OF BUREAUCRACY**

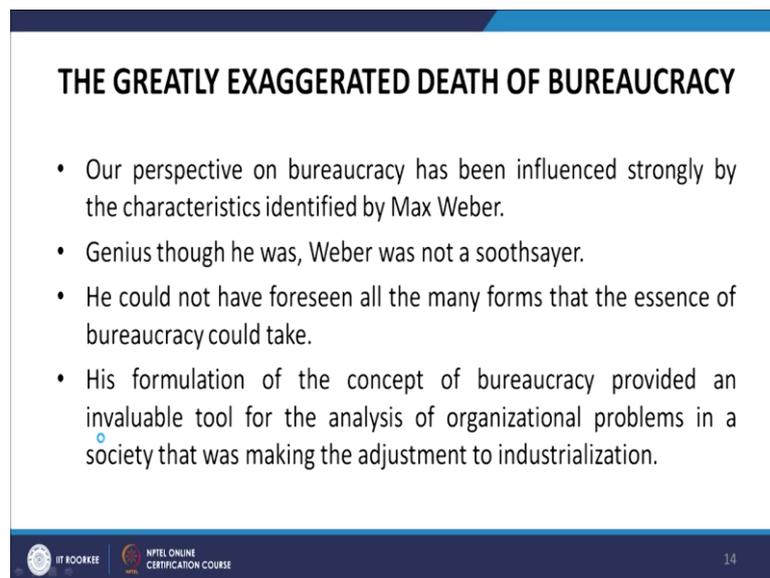
- Robert Miewald has offered a counterargument to Bennis.
- His major contention is that bureaucracy can adapt to changing and dynamic environments. The following summarizes Miewald's response.
- Warren Bennis has caught the fancy of many by describing conditions that, he argues, are bringing about the death of bureaucracy.
- Certainly there can be no doubt that the organization is changing, but these changes are not leaving bureaucracy behind. In fact, the forces of bureaucracy have never been stronger.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 13

Now, we will look at the greatly exaggerated death of bureaucracy. Robert Miewald has offered a counterargument to Bennis. His major contention is that bureaucracy can adapt to changing and dynamic environments. The following summarizes Miewald's response.

Warren Bennis has caught the fancy of many by describing conditions that, he argues, are bringing about the death of bureaucracy. Certainly, there can be no doubt that the organization is changing, but these changes are not leaving bureaucracy behind. In fact, the forces of bureaucracy have never been stronger.

(Refer Slide Time: 05:49)



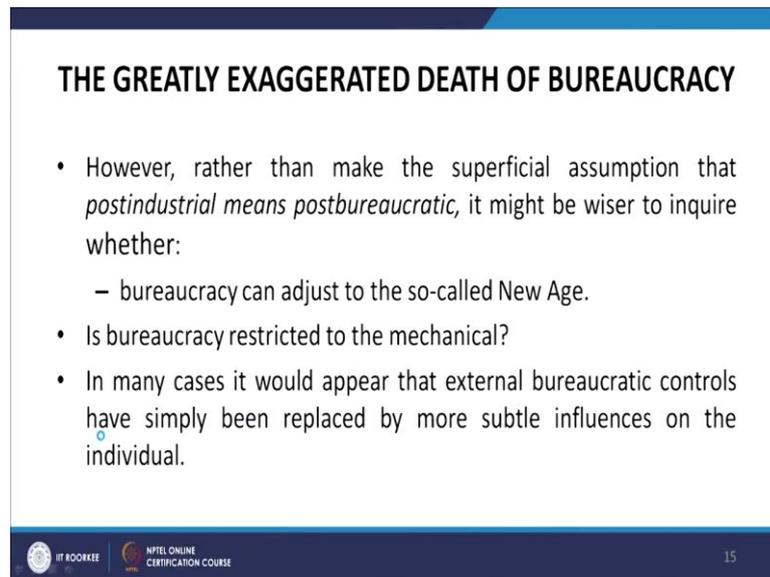
**THE GREATLY EXAGGERATED DEATH OF BUREAUCRACY**

- Our perspective on bureaucracy has been influenced strongly by the characteristics identified by Max Weber.
- Genius though he was, Weber was not a soothsayer.
- He could not have foreseen all the many forms that the essence of bureaucracy could take.
- His formulation of the concept of bureaucracy provided an invaluable tool for the analysis of organizational problems in a society that was making the adjustment to industrialization.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE | 14

Our perspective on bureaucracy has been influenced strongly by the characteristics identified by Max Weber. Genius though he was, Weber was not a soothsayer. He could not have foreseen all the many forms that the essence of bureaucracy could take. His formulation of the concept of bureaucracy provided an invaluable tool for the analysis of organizational problems in a society that was making the adjustment to industrialization.

(Refer Slide Time: 06:36)



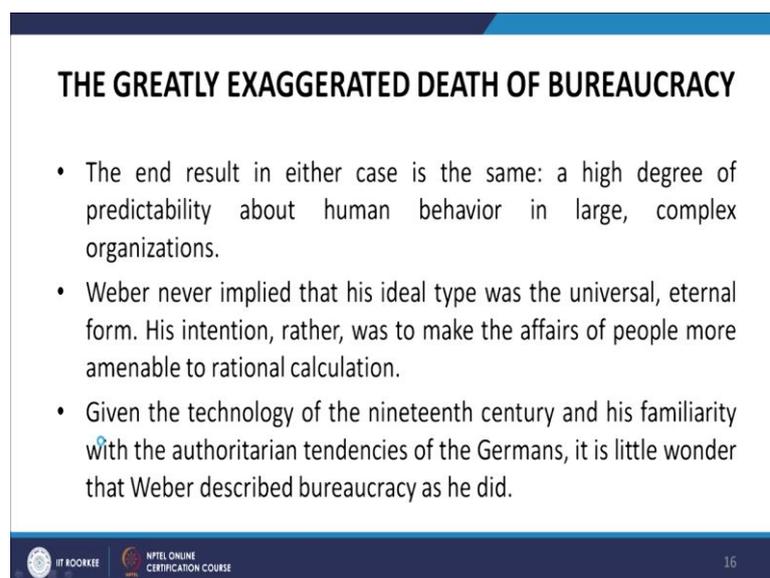
**THE GREATLY EXAGGERATED DEATH OF BUREAUCRACY**

- However, rather than make the superficial assumption that *postindustrial means postbureaucratic*, it might be wiser to inquire whether:
  - bureaucracy can adjust to the so-called New Age.
- Is bureaucracy restricted to the mechanical?
- In many cases it would appear that external bureaucratic controls have simply been replaced by more subtle influences on the individual.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 15

However, rather than make this superficial assumption that post industrial means post bureaucratic, it might be wiser to inquire whether, bureaucracies can adjust to the so called new age. Is bureaucracy restricted to the mechanical? In many cases it would appear that external bureaucratic controls have simply been replaced by more subtle influences on the individual.

(Refer Slide Time: 06:50)



**THE GREATLY EXAGGERATED DEATH OF BUREAUCRACY**

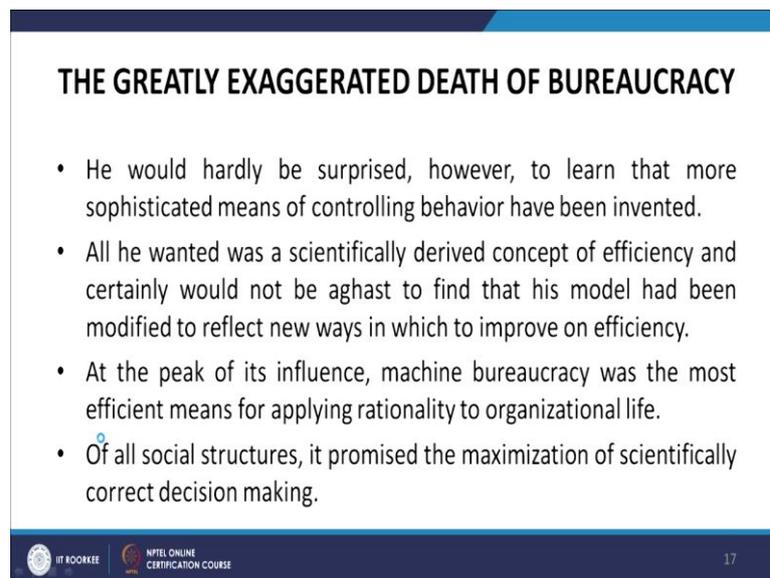
- The end result in either case is the same: a high degree of predictability about human behavior in large, complex organizations.
- Weber never implied that his ideal type was the universal, eternal form. His intention, rather, was to make the affairs of people more amenable to rational calculation.
- Given the technology of the nineteenth century and his familiarity with the authoritarian tendencies of the Germans, it is little wonder that Weber described bureaucracy as he did.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 16

The end result in either case is the same: a high degree of predictability about human behavior in large, complex organizations. Weber never implied that his ideal type was

the universal, eternal form. His intention, rather, was to make the affairs of people more amenable to rational calculations. Given the technology of the nineteenth century and his familiarity with the authoritarian tendencies of the Germans, it is little wonder that Weber described bureaucracy as he did.

(Refer Slide Time: 07:22)



**THE GREATLY EXAGGERATED DEATH OF BUREAUCRACY**

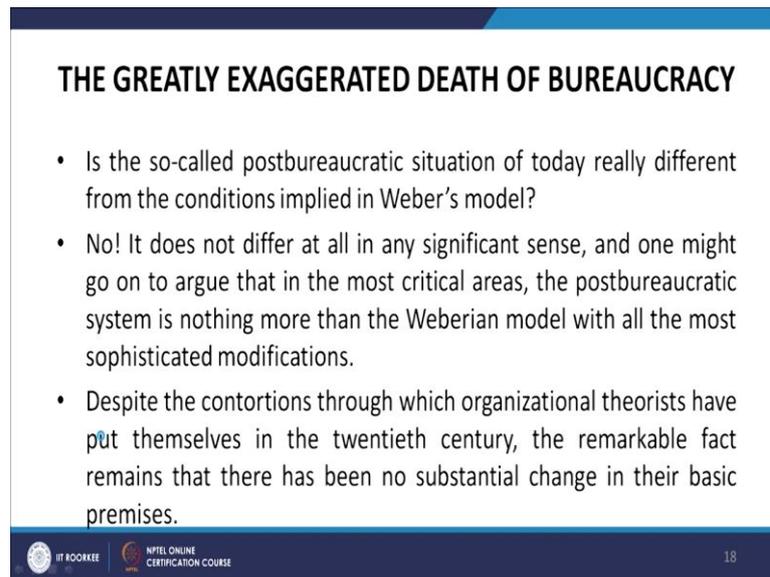
- He would hardly be surprised, however, to learn that more sophisticated means of controlling behavior have been invented.
- All he wanted was a scientifically derived concept of efficiency and certainly would not be aghast to find that his model had been modified to reflect new ways in which to improve on efficiency.
- At the peak of its influence, machine bureaucracy was the most efficient means for applying rationality to organizational life.
- Of all social structures, it promised the maximization of scientifically correct decision making.

IT ROORKEE NITEL ONLINE CERTIFICATION COURSE 17

He would hardly be surprised, however, to learn that more sophisticated means of controlling behaviour have been invented. All he wanted was a scientifically derived concept of efficiency and certainly would not be aghast to find that his model has been modified to reflect new ways in which to improve efficiency.

At the peak of its influence, machine bureaucracy was the most efficient means for applying rationality to organizational life. Of all social structures, it promised the maximization of scientifically correct decision making.

(Refer Slide Time: 08:02)



**THE GREATLY EXAGGERATED DEATH OF BUREAUCRACY**

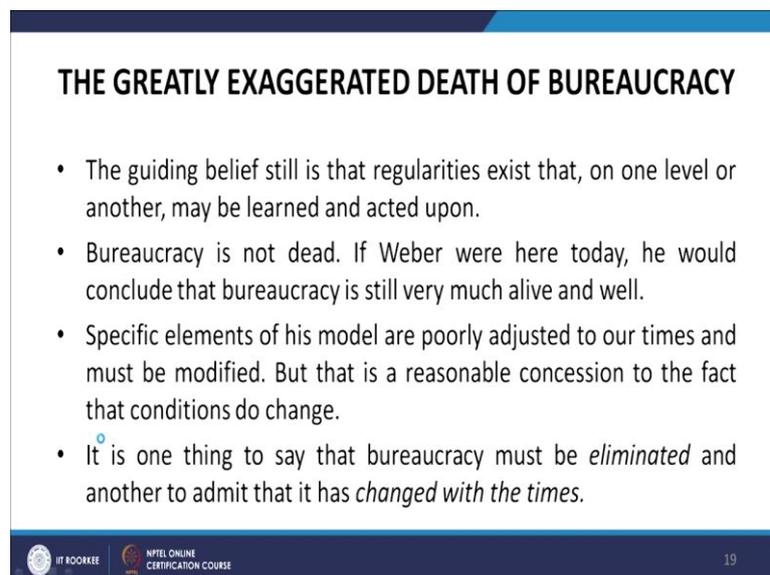
- Is the so-called postbureaucratic situation of today really different from the conditions implied in Weber's model?
- No! It does not differ at all in any significant sense, and one might go on to argue that in the most critical areas, the postbureaucratic system is nothing more than the Weberian model with all the most sophisticated modifications.
- Despite the contortions through which organizational theorists have put themselves in the twentieth century, the remarkable fact remains that there has been no substantial change in their basic premises.

IT ROORKEE NITEL ONLINE CERTIFICATION COURSE 18

Is the so-called post bureaucratic situation of today really different from the conditions implied in Weber's model? No. It does not differ at all in any significant sense, and one might go on to argue that in the most critical areas, the post bureaucratic system is nothing more than the Weberian model with all the most sophisticated modifications.

Despite the contortions through which organization theorists have put themselves in the twentieth century, the remarkable fact remains that there has been no substantial change in their basic premises.

(Refer Slide Time: 08:38)



**THE GREATLY EXAGGERATED DEATH OF BUREAUCRACY**

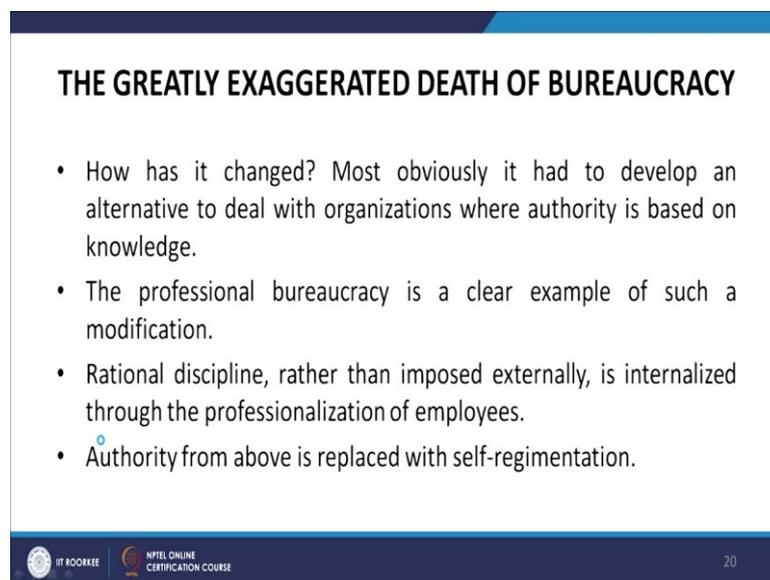
- The guiding belief still is that regularities exist that, on one level or another, may be learned and acted upon.
- Bureaucracy is not dead. If Weber were here today, he would conclude that bureaucracy is still very much alive and well.
- Specific elements of his model are poorly adjusted to our times and must be modified. But that is a reasonable concession to the fact that conditions do change.
- It is one thing to say that bureaucracy must be *eliminated* and another to admit that it has *changed with the times*.

IT ROORKEE NITEL ONLINE CERTIFICATION COURSE 19

The guiding belief still is that regularities exist that, on one level or another, may be learned and acted upon. Bureaucracy is not dead. If Weber were here today, he would conclude that bureaucracy is still very much alive and well. Specific elements of his model are poorly adjusted to our times and must be modified.

But that is a reasonable concession to the fact that the conditions do change. It is one thing to say that bureaucracy must be eliminated and another to admit that it has changed with the times.

(Refer Slide Time: 09:14)



**THE GREATLY EXAGGERATED DEATH OF BUREAUCRACY**

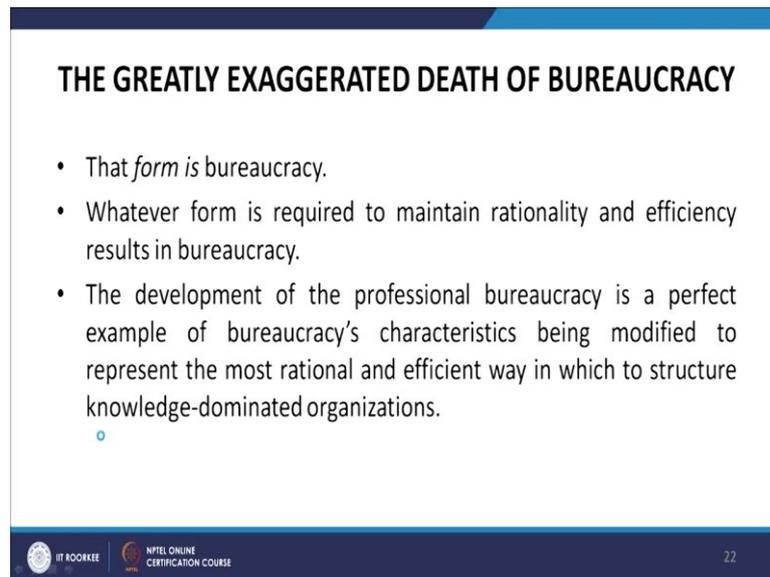
- How has it changed? Most obviously it had to develop an alternative to deal with organizations where authority is based on knowledge.
- The professional bureaucracy is a clear example of such a modification.
- Rational discipline, rather than imposed externally, is internalized through the professionalization of employees.
- Authority from above is replaced with self-regimentation.

IT ROOBBEE NPTEL ONLINE CERTIFICATION COURSE 20

How has it changed? Most obviously, it had to develop an alternative to deal with organizations where authority is based on knowledge. The professional bureaucracy is a clear example of such a modification. Rational discipline, rather than imposed externally, is internalized through the professionalization of employees. Authority from above is replaced by self-regimentation.

This of course, does not result in the end of bureaucracy. One can argue in fact, that the professional bureaucracy has merely substituted the arrogance of high training for the arrogance of high office. In summary, Miewald has argued that Weber never meant bureaucracies' characteristics to endure for eternity.

(Refer Slide Time: 10:09)



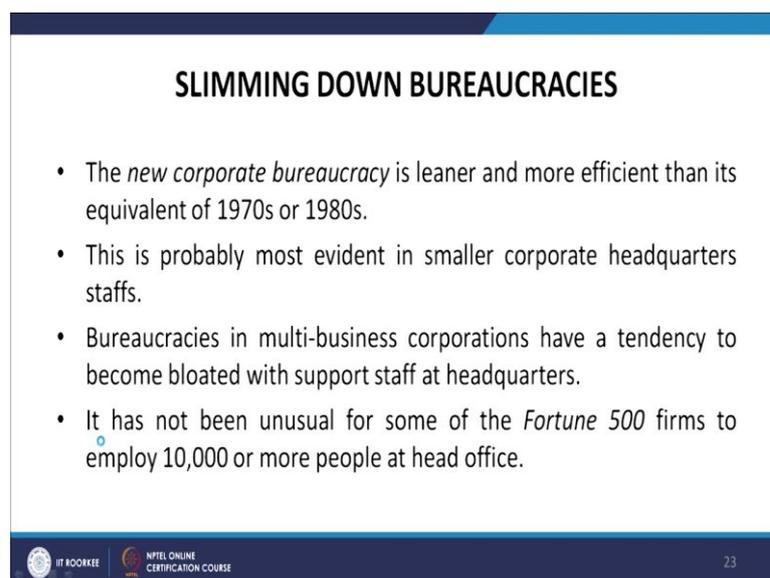
**THE GREATLY EXAGGERATED DEATH OF BUREAUCRACY**

- That *form is* bureaucracy.
- Whatever form is required to maintain rationality and efficiency results in bureaucracy.
- The development of the professional bureaucracy is a perfect example of bureaucracy's characteristics being modified to represent the most rational and efficient way in which to structure knowledge-dominated organizations.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 22

Weber's major objective was to create a rational and efficient form that form is bureaucracy. Whatever form is required to maintain rationality and efficiency results in bureaucracy. The development of the professional bureaucracy is a perfect example of bureaucracy's characteristics being modified to represent the most rational and efficient way in which to structure knowledge-dominated organizations.

(Refer Slide Time: 10:31)



**SLIMMING DOWN BUREAUCRACIES**

- The *new corporate bureaucracy* is leaner and more efficient than its equivalent of 1970s or 1980s.
- This is probably most evident in smaller corporate headquarters staffs.
- Bureaucracies in multi-business corporations have a tendency to become bloated with support staff at headquarters.
- It has not been unusual for some of the *Fortune 500* firms to employ 10,000 or more people at head office.

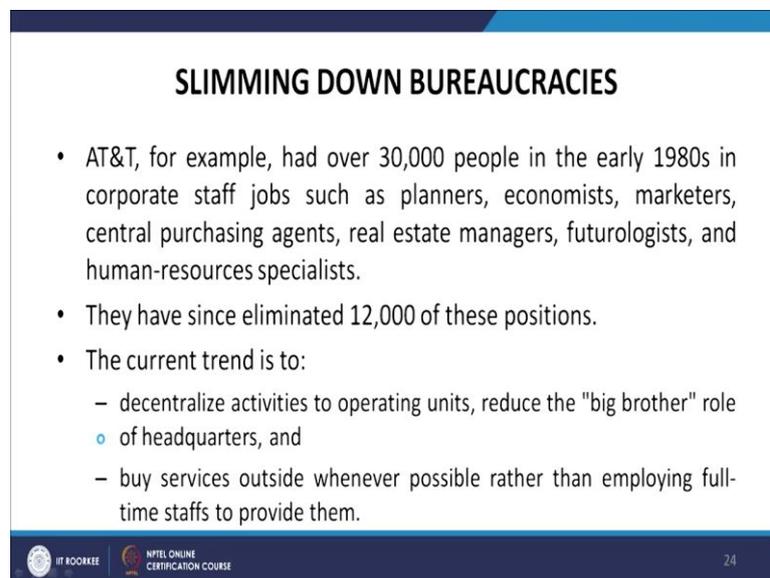
IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 23

Now, how to go about slimming down bureaucracies? The new corporate bureaucracy is leaner and more efficient than its equivalent of 1970s or 1980s. This is probably most

evident in the smaller corporate headquarters staffs. Bureaucracies in multiple business corporations have a tendency to expand in size with support staff at headquarters. It has now been unusual for some of the Fortune 500 firms to employ 10,000 or more people at head office.

AT and T for example, had over 30,000 people in the early 1980s in corporate staff jobs such as planners, economists, marketers, central purchasing agents, real estate managers, futurologists, and human-resource specialists. They have since eliminated 12,000 of these positions.

(Refer Slide Time: 11:25)



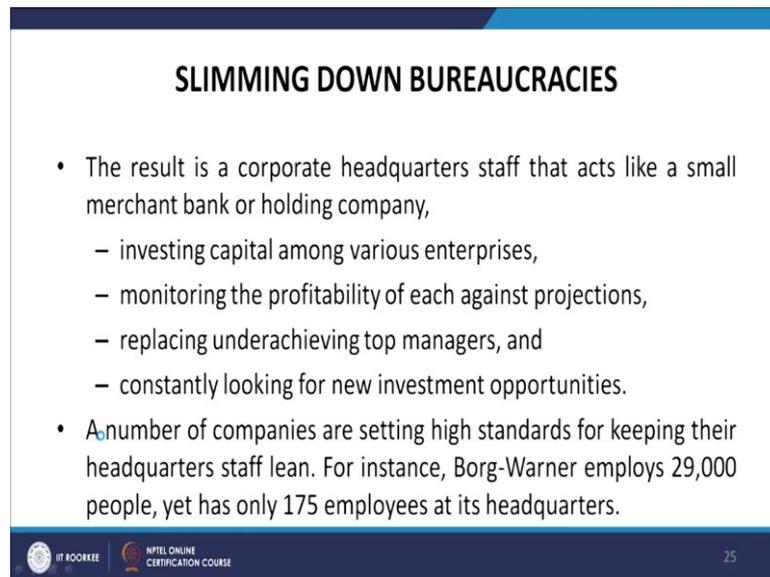
**SLIMMING DOWN BUREAUCRACIES**

- AT&T, for example, had over 30,000 people in the early 1980s in corporate staff jobs such as planners, economists, marketers, central purchasing agents, real estate managers, futurologists, and human-resources specialists.
- They have since eliminated 12,000 of these positions.
- The current trend is to:
  - decentralize activities to operating units, reduce the "big brother" role of headquarters, and
  - buy services outside whenever possible rather than employing full-time staffs to provide them.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE | 24

The current trend is to, decentralize activities to operating units, reduce the big brother role of headquarters, and buy services outside whenever possible rather than employing full time staff to provide them.

(Refer Slide Time: 11:41)



**SLIMMING DOWN BUREAUCRACIES**

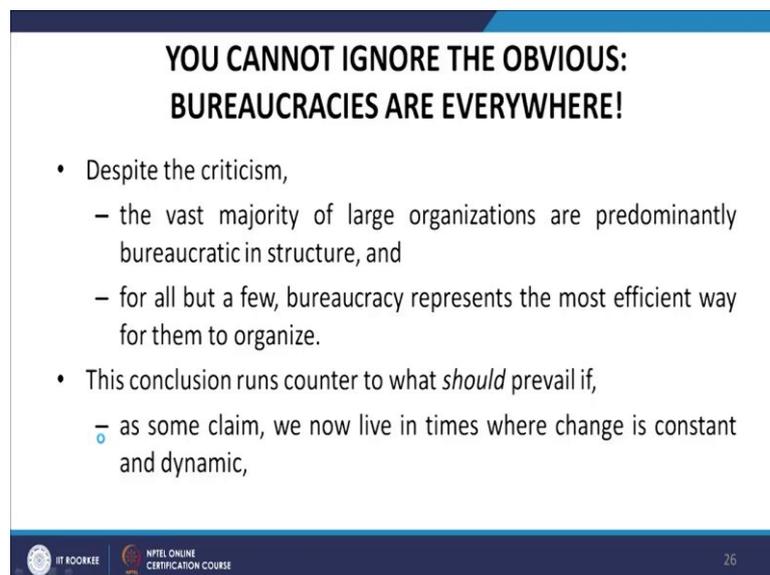
- The result is a corporate headquarters staff that acts like a small merchant bank or holding company,
  - investing capital among various enterprises,
  - monitoring the profitability of each against projections,
  - replacing underachieving top managers, and
  - constantly looking for new investment opportunities.
- A number of companies are setting high standards for keeping their headquarters staff lean. For instance, Borg-Warner employs 29,000 people, yet has only 175 employees at its headquarters.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 25

The result is a corporate headquarters staff that acts like a small merchant bank or holding company, investing capital among various enterprises, monitoring the profitability of each against projections, replacing underachieving top managers and constantly looking for new investment opportunities.

A number of companies are setting high standards for keeping their headquarters staff lean. For instance, Borg-Warner employed 29,000 people, yet has only 175 employees at its headquarters.

(Refer Slide Time: 12:19)



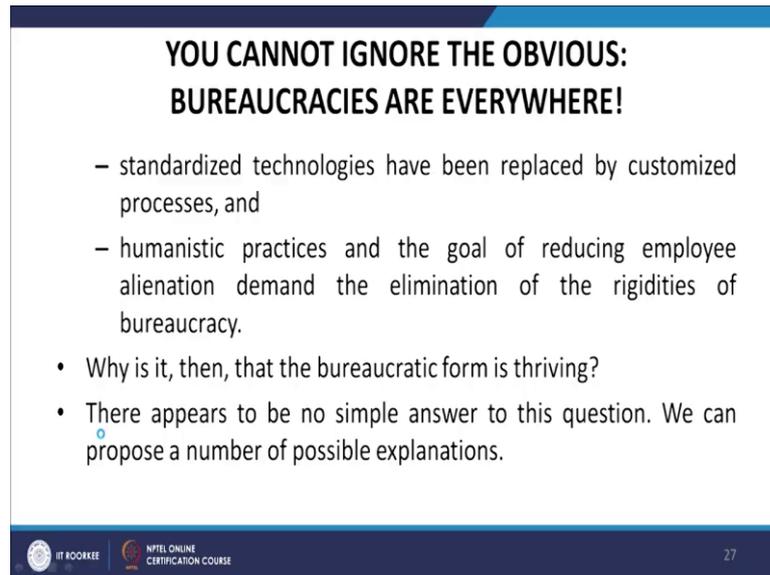
**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

- Despite the criticism,
  - the vast majority of large organizations are predominantly bureaucratic in structure, and
  - for all but a few, bureaucracy represents the most efficient way for them to organize.
- This conclusion runs counter to what *should* prevail if,
  - as some claim, we now live in times where change is constant and dynamic,

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 26

But you cannot ignore the obvious, bureaucracies are everywhere. Despite the criticism, the vast majority of large organizations are predominantly bureaucratic in structure, and for all but a few, bureaucracy represents the most efficient way for them to organize. This conclusion runs counter to what should prevail if, as some claim, we now live in times where change is constant and dynamic.

(Refer Slide Time: 12:52)



**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

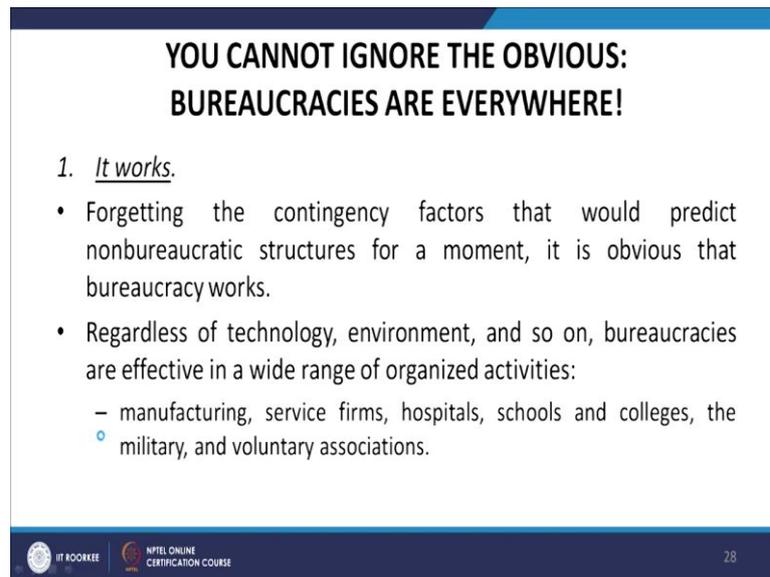
- standardized technologies have been replaced by customized processes, and
- humanistic practices and the goal of reducing employee alienation demand the elimination of the rigidities of bureaucracy.

- Why is it, then, that the bureaucratic form is thriving?
- There appears to be no simple answer to this question. We can propose a number of possible explanations.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 27

Standardized technologies have been replaced by customized processes, and humanistic practices and the goals of reducing employee's alienation demand the elimination of the rigidities of bureaucracy. Why is it, then, that the bureaucratic form is thriving? There appears to be no simple answer to this question we can propose a number of possible explanations.

(Refer Slide Time: 13:10)



**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

1. It works.

- Forgetting the contingency factors that would predict nonbureaucratic structures for a moment, it is obvious that bureaucracy works.
- Regardless of technology, environment, and so on, bureaucracies are effective in a wide range of organized activities:
  - manufacturing, service firms, hospitals, schools and colleges, the military, and voluntary associations.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 28

The 1st explanation for this is it works. Forgetting the contingency factors that would predict non bureaucratic structures for a moment, it is obvious that bureaucracy works. Regardless of technology, environment, and so on, bureaucracies are effective in a wide range of organized activities: manufacturing, service firms, hospitals, schools and colleges, the military, and voluntary associations.

The 2nd is, the large size prevails. Organizations that succeed and survive tend to grow to large size and we know that bureaucracy is efficient with large size. Smaller organizations and their non-bureaucratic structures are more likely to fail. So, over time, small organizations may come and go, but large bureaucracies stay.

(Refer Slide Time: 14:11)

**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

2. Large size prevails.

- Organizations that succeed and survive tend to grow to large size. And we know that bureaucracy is efficient with large size.
- Small organizations and their nonbureaucratic structures are more likely to fail, so over time, small organizations may come and go but large bureaucracies stay.
- It may also be that size is the dominant criterion determining structure and, therefore, that increased size may cause *bureaucracy*.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 29

It may also be that size is the dominant criteria determining structure and, therefore, that increased size may cause bureaucracy.

(Refer Slide Time: 14:17)

**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

3. Natural selection favors bureaucracy.

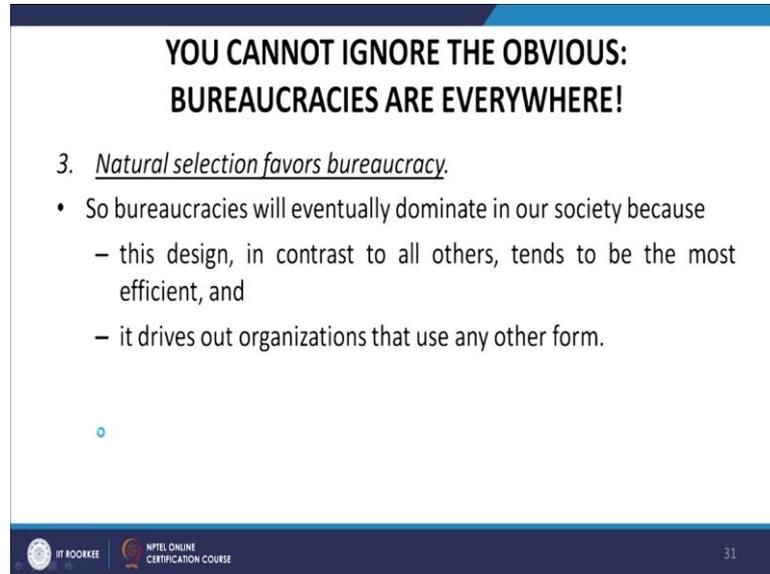
- The natural-selection thesis, which was the basis of the population ecology model discussed in earlier modules, can also be used to explain the rise and proliferation of bureaucracies.
- There are potentially many types of organizations in our society.
- But although they differ, they all retain certain design elements because those elements are inherently more efficient and able to compete more effectively.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 30

The 3rd is, natural selection favors bureaucracy. The natural selection thesis, which was the basis of the population ecology model discussed in earlier modules, can also be used to explain the rise and proliferation of bureaucracies. There are potentially many types of organizations in our society. But although they differ, they also retain certain design

elements because those elements are inherently more efficient and able to compete more effectively.

(Refer Slide Time: 14:48)



**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

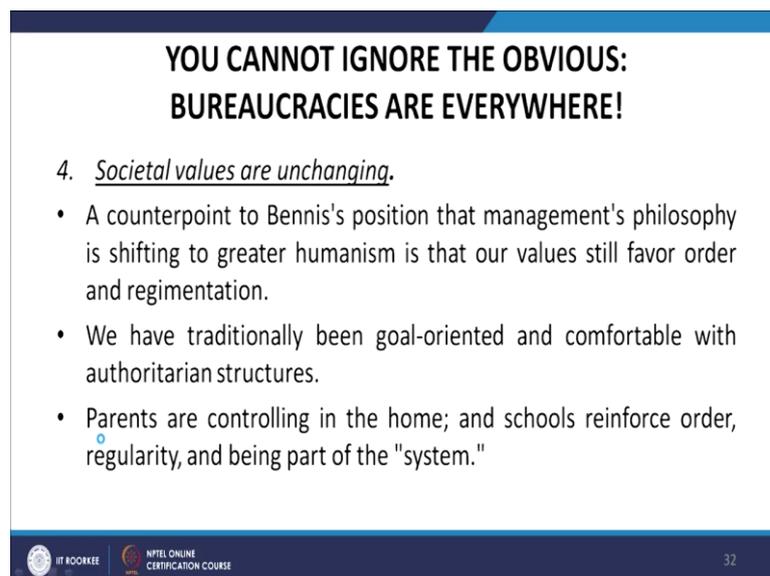
3. Natural selection favors bureaucracy.

- So bureaucracies will eventually dominate in our society because
  - this design, in contrast to all others, tends to be the most efficient, and
  - it drives out organizations that use any other form.

IT ROORKEE NITEL ONLINE CERTIFICATION COURSE 31

So, bureaucracies will eventually dominate in our society because this design in contrast to all others tend to be the most efficient and it drives out organizations that use any other form.

(Refer Slide Time: 15:03)



**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

4. Societal values are unchanging.

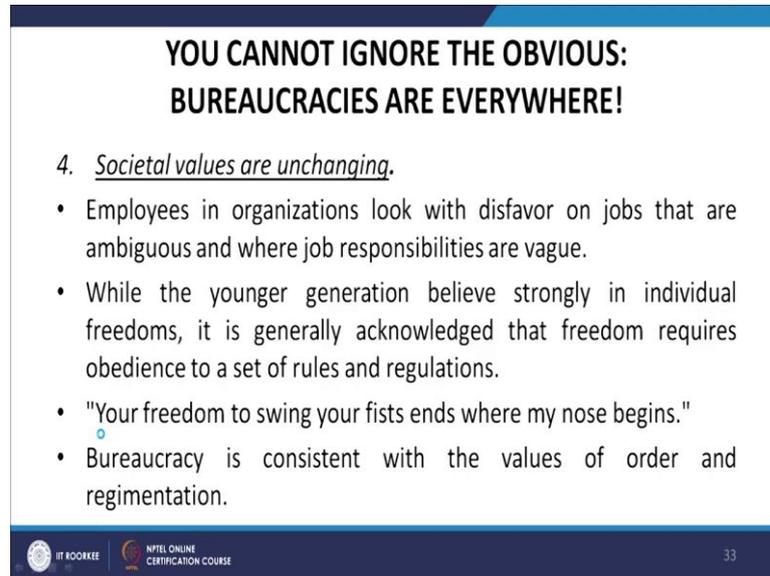
- A counterpoint to Bennis's position that management's philosophy is shifting to greater humanism is that our values still favor order and regimentation.
- We have traditionally been goal-oriented and comfortable with authoritarian structures.
- Parents are controlling in the home; and schools reinforce order, regularity, and being part of the "system."

IT ROORKEE NITEL ONLINE CERTIFICATION COURSE 32

The 4th is, societal values are unchanging. A counterpoint to Bennis's position that management's philosophy is shifting to greater humanism is that our values still favor

order and regimentation. We have traditionally been goal-oriented and comfortable with authoritarian structures. Parents are controlling in the home; and in school reinforce order, regularity, and being part of the system.

(Refer Slide Time: 15:29)



**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

4. *Societal values are unchanging.*

- Employees in organizations look with disfavor on jobs that are ambiguous and where job responsibilities are vague.
- While the younger generation believe strongly in individual freedoms, it is generally acknowledged that freedom requires obedience to a set of rules and regulations.
- "Your freedom to swing your fists ends where my nose begins."
- Bureaucracy is consistent with the values of order and regimentation.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 33

Employees in organizations look with disfavor on jobs that are ambiguous and where job responsibilities are vague. While the younger generation believe strongly in individual freedoms, it is generally acknowledged that freedom requires obedience to a set of rules and regulations. Your freedom to swing your fists ends where my nose begins. Bureaucracy is consistent with the values of order and regimentation.

(Refer Slide Time: 15:59)

**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

5. Environmental turbulence is exaggerated.

- As discussed in earlier modules, environments may not be as dynamic as assumed.
- The media project that "the times, they are changin'."
- A more correct observation might be that
  - changes are no more dynamic now than at any other time in history, and
  - the impact of uncertainties in the environment on the organization are substantially reduced as a result of managerial strategies.

 IIT ROORKEE  NPTEL ONLINE CERTIFICATION COURSE 34

The 5th is, environmental turbulence is exaggerated. As discussed in earlier modules, environment may not be as dynamic as assumed to be. The media project that, the times, they are changing. A more correct observation might be that changes are no more dynamic now than any other time in history and, the impact of uncertainties in the environment on the organization are substantially reduced as a result of managerial strategies.

(Refer Slide Time: 16:31)

**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

6. The professional bureaucracy has emerged.

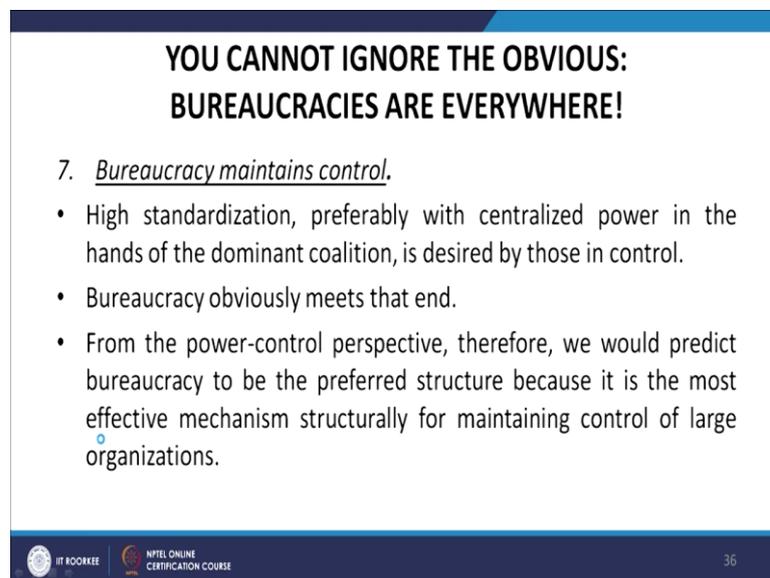
- The professional bureaucracy provides the same degree of standardization and control as does Weber's machine bureaucracy.
- The increased need for technical expertise in organizations and the rapid expansion of knowledge-based industries has been handled neatly by the professional bureaucracy.
- The bureaucratic form has demonstrated the ability to adjust to its greatest threat—the knowledge revolution—by modifying itself.
- The goal of standardization has proven to be achievable by more than one path.

 IIT ROORKEE  NPTEL ONLINE CERTIFICATION COURSE 35

The 6th is, the professional bureaucracy has emerged. The professional bureaucracy provides the same degree of standardization and control as does Weber's machine bureaucracy. The increased need for technical expertise in organizations and the rapid expansion of knowledge-based industries has been handled neatly by the professional bureaucracies.

The bureaucratic form has demonstrated the ability to adjust towards greatest threat, the knowledge revolution by modifying itself. The goal of standardization has proven to be achievable by more than one path.

(Refer Slide Time: 17:10)



**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

7. *Bureaucracy maintains control.*

- High standardization, preferably with centralized power in the hands of the dominant coalition, is desired by those in control.
- Bureaucracy obviously meets that end.
- From the power-control perspective, therefore, we would predict bureaucracy to be the preferred structure because it is the most effective mechanism structurally for maintaining control of large organizations.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 36

The 7th is, the bureaucracy maintains control. High standardization, preferably with centralized power in the hands of the dominant coalition, is desired by those in control. Bureaucracy obviously, meets that end. From the power-control perspective, therefore, we would predict bureaucracy to be preferred structure because it is the most effective mechanism structurally for maintaining control of large organizations.

(Refer Slide Time: 17:48)

**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

7. Bureaucracy maintains control.

- Consistent with this conclusion is the observation that a moderate degree of routineness pervades all organizations.
- Since technology is chosen, it is logical to conclude that those in power would select technologies (and a matching structural form) that would maintain and enhance their control.
- Those elements, when taken together, lead us to the inevitability of bureaucracy.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 37

Consistent with this conclusion is the observation that, a moderate degree of routineness pervades all organizations. Since technology is chosen, it is logical to conclude that those in power would select technologies and a matching structural form that would maintain and enhance their control. Those elements, when taken together, lead us to the inevitability of bureaucracy.

(Refer Slide Time: 18:06)

**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

**Case: Even prisoners seem to like Bureaucracy!**

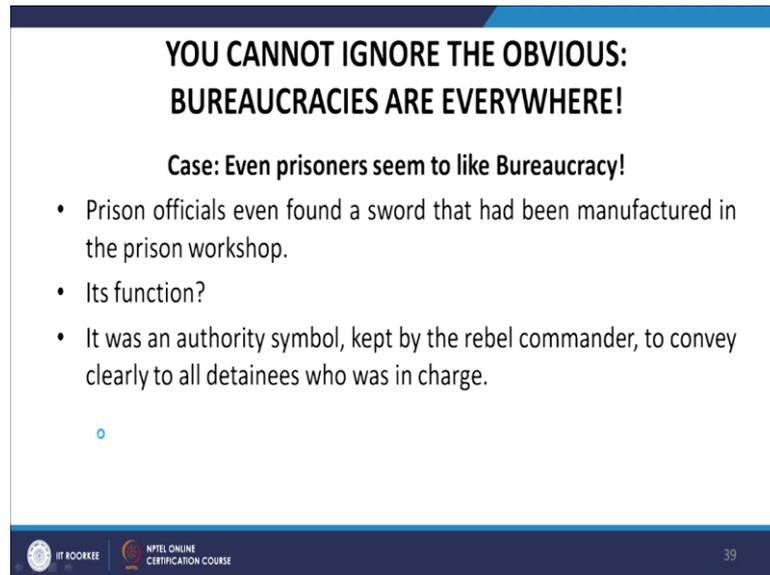
- In December of 1987, Cuban detainees at the Atlanta Federal Prison took control of the penitentiary for ten days.
- When prison officials finally regained control from the prisoners, they were astonished to find that the rebels had set up their own bureaucracy.
- They printed up stationery, circulated interoffice memos among their command posts, and set up a reward system that allocated chits, good for commissary purchases, only to detainees who were sympathetic to the takeover.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 38

Now, let us look at the case, “even prisoners seem to like bureaucracy”. In December 1987, Cuban detainee at the Atlanta Federal Prison took control of the penitentiary for

ten days. When prison officials finally regained control from the prisoners, they were astonished to find that the rebels had set up their own bureaucracy. They printed out a stationary, circulated interoffice memos among their command post, and set up reward systems that allocated chits-good for commissary purchases, only to detainees who were sympathetic to the takeover.

(Refer Slide Time: 18:38)



**YOU CANNOT IGNORE THE OBVIOUS:  
BUREAUCRACIES ARE EVERYWHERE!**

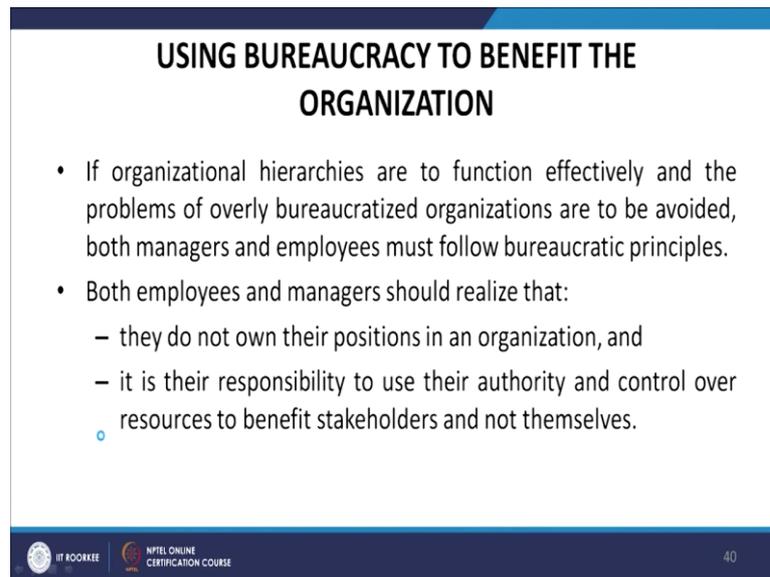
**Case: Even prisoners seem to like Bureaucracy!**

- Prison officials even found a sword that had been manufactured in the prison workshop.
- Its function?
- It was an authority symbol, kept by the rebel commander, to convey clearly to all detainees who was in charge.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 39

Prison officials even found a sword that had been manufactured in the prison workshop. Its function? It was an authority symbol, kept by the rebel commander to convey clearly to all detainees who was in charge. Now, let us look at how to go about using bureaucracy to benefit the organization. If organization hierarchies are to function effectively and the problem of overly bureaucratized organization are to be avoided, both managers and employee must follow bureaucratic principles.

(Refer Slide Time: 19:20)



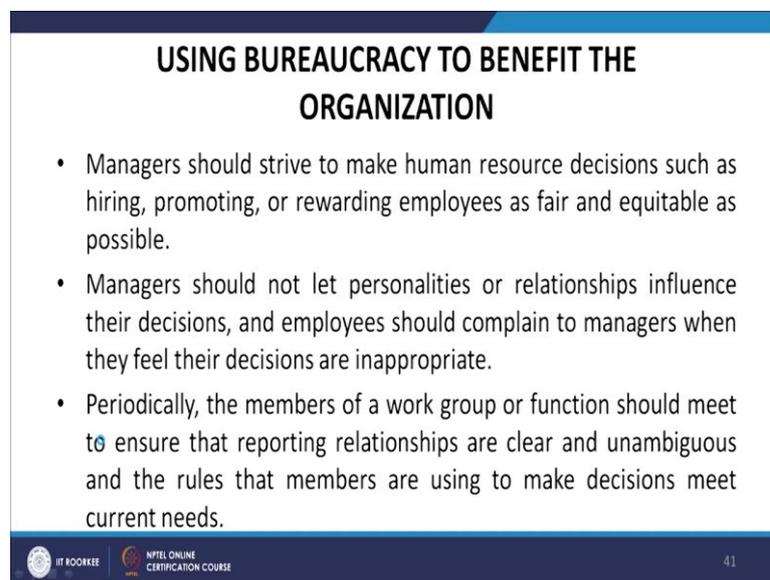
**USING BUREAUCRACY TO BENEFIT THE ORGANIZATION**

- If organizational hierarchies are to function effectively and the problems of overly bureaucratized organizations are to be avoided, both managers and employees must follow bureaucratic principles.
- Both employees and managers should realize that:
  - they do not own their positions in an organization, and
  - it is their responsibility to use their authority and control over resources to benefit stakeholders and not themselves.

IT ROORKEE NPTL ONLINE CERTIFICATION COURSE 40

Both, employees and managers should realize that, they do not own their position in an organization, and it is their responsibility to use their authority and control over resources to benefit stakeholders and not themselves.

(Refer Slide Time: 19:32)



**USING BUREAUCRACY TO BENEFIT THE ORGANIZATION**

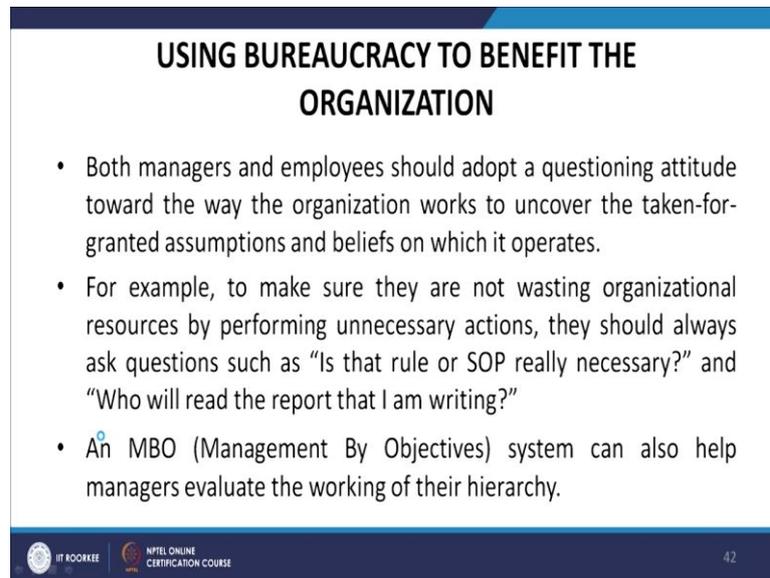
- Managers should strive to make human resource decisions such as hiring, promoting, or rewarding employees as fair and equitable as possible.
- Managers should not let personalities or relationships influence their decisions, and employees should complain to managers when they feel their decisions are inappropriate.
- Periodically, the members of a work group or function should meet to ensure that reporting relationships are clear and unambiguous and the rules that members are using to make decisions meet current needs.

IT ROORKEE NPTL ONLINE CERTIFICATION COURSE 41

Managers should strive to make human resource decisions such as hiring, promoting, or rewarding employees as fair and equitable as possible. Managers should not let personalities or relationships to influence their decisions, and employees should complain to managers when they feel their decisions are inappropriate. Periodically, the

members of a workgroup or function should meet to ensure that reporting relationships are clear and unambiguous and the rules that members are using to make decisions meet the current needs.

(Refer Slide Time: 20:08)



**USING BUREAUCRACY TO BENEFIT THE ORGANIZATION**

- Both managers and employees should adopt a questioning attitude toward the way the organization works to uncover the taken-for-granted assumptions and beliefs on which it operates.
- For example, to make sure they are not wasting organizational resources by performing unnecessary actions, they should always ask questions such as “Is that rule or SOP really necessary?” and “Who will read the report that I am writing?”
- An MBO (Management By Objectives) system can also help managers evaluate the working of their hierarchy.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 42

Both managers and employees should adopt a questioning attitude towards the way the organization works to uncover the taken-for-granted assumptions and beliefs on which it operates. For example, to make sure they are not wasting organizational resources by performing unnecessary actions, they should always ask questions such as, is that rule or SOP really necessary and who will read the report that I am writing?

An MBO, that is, management by objective system can also help managers evaluate the working of their hierarchies. So, what is this MBO, that is, management by objectives? That is an alternative way, to do things.

To provide a framework within which to evaluate subordinate’s behavior and, in particular, to allow managers to monitor progress towards achieving goals, many organizations implement some version of management by objective.

(Refer Slide Time: 21:07)

**MANAGEMENT BY OBJECTIVES: AN ALTERNATE WAY TO DO THINGS**

- To provide a framework within which to evaluate subordinates' behavior and, in particular, to allow managers to monitor progress toward achieving goals, many organizations implement some version of **management by objectives (MBO)**.
- It is a system of evaluating subordinates on their ability to achieve specific organizational goals or performance standards and to meet operating budgets.
- Most organizations make some use of MBO because it is pointless to establish goals and then fail to evaluate whether or not they are being achieved.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 43

It is a system of evaluating subordinates on their ability to achieve specific organization goals or performance standards and to meet operating budgets. Most organizations make some use of MBO because it is pointless to establish goals and then fail to evaluate whether or not they are being achieved.

(Refer Slide Time: 21:29)

**MANAGEMENT BY OBJECTIVES: AN ALTERNATE WAY TO DO THINGS**

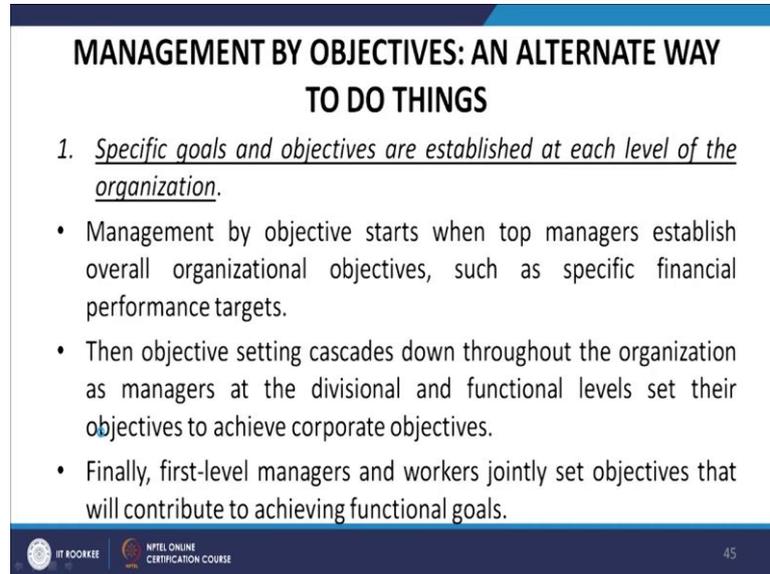
- MBO involves three specific steps:
  1. Specific goals and objectives are established at each level of the organization.
  2. Managers and their subordinates together determine the subordinates' goals.
  3. Managers and their subordinates periodically review the subordinates' progress toward meeting goals.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 44

MBO involves three specific steps. The 1st is specific goals and objectives are established at each level of the organization. The 2nd is managers and their subordinates

together determine the subordinate's goals. And the 3rd is managers and their subordinates periodically review the subordinate's progress towards meeting goals.

(Refer Slide Time: 21:53)



**MANAGEMENT BY OBJECTIVES: AN ALTERNATE WAY TO DO THINGS**

1. Specific goals and objectives are established at each level of the organization.
  - Management by objective starts when top managers establish overall organizational objectives, such as specific financial performance targets.
  - Then objective setting cascades down throughout the organization as managers at the divisional and functional levels set their objectives to achieve corporate objectives.
  - Finally, first-level managers and workers jointly set objectives that will contribute to achieving functional goals.

IT ROORKEE NPTL ONLINE CERTIFICATION COURSE 45

So, we will talk about each of them in detail, these three specific steps. So, the 1st step is specific goals and objectives are established at each level of the organization. So, management by objective starts when top managers establishes overall organizational objectives, such as a specific financial performance targets.

Then objective setting cascades down throughout the organization as managers at the divisional and functional levels set their objectives to achieve corporate objectives. Finally, first-level managers and workers jointly set objectives that will contribute to achieving functional goals.

(Refer Slide Time: 22:33)

**MANAGEMENT BY OBJECTIVES: AN ALTERNATE WAY TO DO THINGS**

2. Managers and their subordinates together determine the subordinates' goals.

- An important characteristic of management by objectives is its participatory nature.
- Managers at every level sit down with the subordinate managers who report directly to them and together they:
  - determine appropriate and feasible goals for the subordinate, and
  - bargain over the budget that the subordinate will need so as to achieve these goals.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE | 46

The 2nd is managers and their subordinates together determine the subordinate's goals. An important characteristic of management by objective is its participatory nature. Managers at every level sit down with the subordinate managers who report directly to them and together they determine appropriate and feasible goals for the subordinates, and bargain over the budget that the subordinate will need so as to achieve these goals. That participation of subordinates in the objective setting process is a way of strengthening their commitment to achieving their goals and meeting their budgets.

(Refer Slide Time: 23:20)

**MANAGEMENT BY OBJECTIVES: AN ALTERNATE WAY TO DO THINGS**

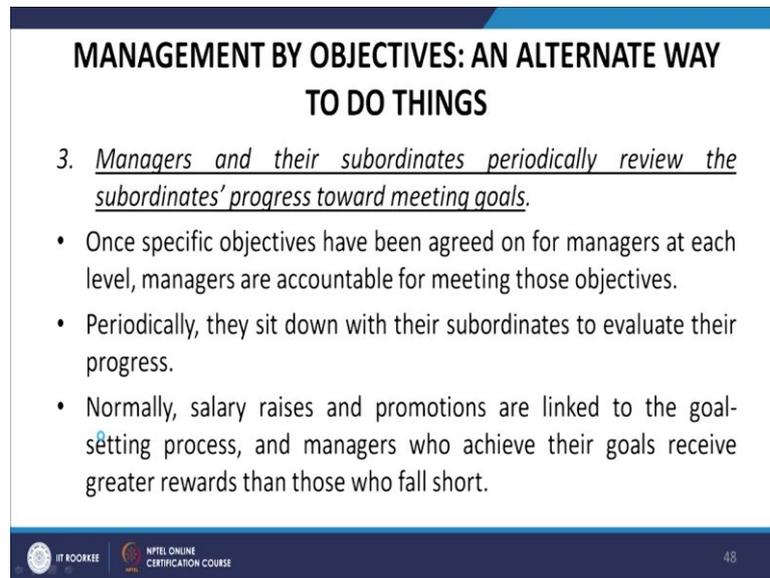
2. Managers and their subordinates together determine the subordinates' goals.

- The participation of subordinates in the objective-setting process is a way of strengthening their commitment to achieving their goals and meeting their budgets.
- Another reason why it is so important for subordinates (both individuals and teams) to participate in goal setting is so they can tell managers what they think they can realistically achieve.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE | 47

Another reason why it is so important for subordinates both individuals and teams to participate in goal setting is so they can tell managers what they think they can realistically achieve.

(Refer Slide Time: 23:25)



**MANAGEMENT BY OBJECTIVES: AN ALTERNATE WAY TO DO THINGS**

3. Managers and their subordinates periodically review the subordinates' progress toward meeting goals.

- Once specific objectives have been agreed on for managers at each level, managers are accountable for meeting those objectives.
- Periodically, they sit down with their subordinates to evaluate their progress.
- Normally, salary raises and promotions are linked to the goal-setting process, and managers who achieve their goals receive greater rewards than those who fall short.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 48

The 3rd characteristic of this is, the manager and their subordinates periodically review the subordinate's progress towards meeting goals. Once specific objectives have been agreed on for managers at each level, managers are accountable for meeting these objectives. Periodically, they sit down with their subordinates to evaluate their progress. Normally, salary raises and promotions are linked to the goal setting process and managers who achieve their goals receive greater rewards than those who fall short.

(Refer Slide Time: 23:59)



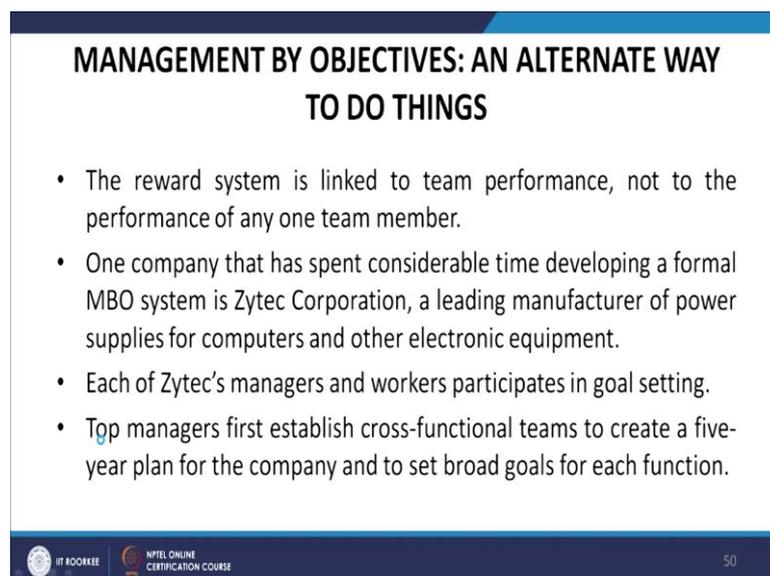
**MANAGEMENT BY OBJECTIVES: AN ALTERNATE WAY TO DO THINGS**

- In the companies that have decentralized responsibility for the production of goods and services to teams, particularly cross-functional teams, management by objectives works somewhat differently.
- Managers ask each team to develop a set of goals and performance targets that the team hopes to achieve—goals consistent with organizational objectives.
- Managers then negotiate with each team to establish its final goals and the budget the team will need to achieve them.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 49

In the companies that have decentralized responsibility for the production of goods and services to teams, particularly cross-functional teams, management by objective works somewhat differently. Managers ask each team to develop a set of goals and performance targets that the team hopes to achieve - goals consistent with organizational objectives. Managers then negotiate with each team to establish its final goals and the budget the team will need to achieve those goals.

(Refer Slide Time: 24:30)



**MANAGEMENT BY OBJECTIVES: AN ALTERNATE WAY TO DO THINGS**

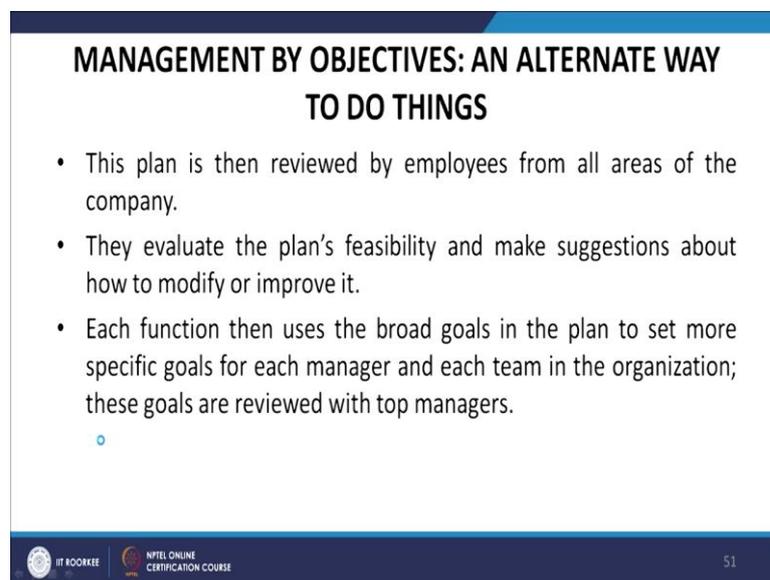
- The reward system is linked to team performance, not to the performance of any one team member.
- One company that has spent considerable time developing a formal MBO system is Zytec Corporation, a leading manufacturer of power supplies for computers and other electronic equipment.
- Each of Zytec's managers and workers participates in goal setting.
- Top managers first establish cross-functional teams to create a five-year plan for the company and to set broad goals for each function.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 50

The reward system is linked to team performance, not to the performance of any one team member. One company that has spent considerable time developing a formal MBO system is Zytec Corporation, a leading manufacturer of power supplies for computers and other electronic equipment. Each of Zytec's managers and workers participates in goal setting.

Top managers first establish cross-functional teams to create a five-year plan for the company and to set broad goals for each function.

(Refer Slide Time: 25:03)



**MANAGEMENT BY OBJECTIVES: AN ALTERNATE WAY TO DO THINGS**

- This plan is then reviewed by employees from all areas of the company.
- They evaluate the plan's feasibility and make suggestions about how to modify or improve it.
- Each function then uses the broad goals in the plan to set more specific goals for each manager and each team in the organization; these goals are reviewed with top managers.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 51

This plan is then reviewed by employees from all areas of the company. They evaluate the plan's feasibility and make suggestions about how to modify or improve it.

Each function then uses the broad goals in the plan to set more specific goals for each manager and each team in the organization; these goals are reviewed with the top managers. The MBO system as at Zytec is organization wide and fully participatory, and performance reviewed from both an annual and a five-year time horizon.

(Refer Slide Time: 25:39)

**MANAGEMENT BY OBJECTIVES: AN ALTERNATE WAY TO DO THINGS**

- The MBO system at Zytec is organization-wide and fully participatory, and performance is reviewed both from an annual and a five-year time horizon.
- Zytec's MBO system has been very effective.
- Not only have organizational costs dropped dramatically, but the company also won the Baldrige Award for quality.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 52

Zytec's MBO system has been very effective. Not only have organization costs dropped dramatically, but the company also won the Baldrige Award for quality.

(Refer Slide Time: 25:51)

**CONCLUSION**

- We started this module by presenting two counter arguments about the prevalence of bureaucratic system in today's world.
  - First, we described Bennis' argument for the demise of bureaucracy.
  - Second, we presented Miewald's counterargument that bureaucracy is in good health.
- We concluded this discussion by describing how the modern corporate bureaucracies have preferred to slim themselves down.
- Next, we explained why bureaucracies are so popular in practice.
- Finally, we discussed how the organizations can use bureaucracy to benefit themselves, for instance by using MBO.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 53

So, to conclude in this module we started this module by presenting two counterarguments about the prevalence of bureaucratic system in today's world. First, we described Bennis's argument for the demise of bureaucracy, then we presented Miewald's counterargument that bureaucracy is in good health.

We concluded this discussion by describing how the modern corporate bureaucracies have preferred to slim themselves down. Next, we explained why bureaucracies are so popular in practice. And finally, we discussed how the organizations can use bureaucracy to benefit themselves for instance by using MBO.

(Refer Slide Time: 26:27)



### REFERENCES

- Robbins, S. P. (1990). *Organization Theory: Structures, Designs, and Applications*. Pearson Education India.
- Jones, G. R. (2013). *Organizational theory, design and change*. Pearson Hall.
- Roberts, J. (2007). *The Modern Firm: Organizational Design for Performance and Growth*. Oxford University Press.
- Colombo, M. G. & Delmastro, M. (2008). *The Economics of Organizational Design: Theoretical Insights and Empirical evidence*. Springer.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 54

And these are the four books used for this module.

Thank you.