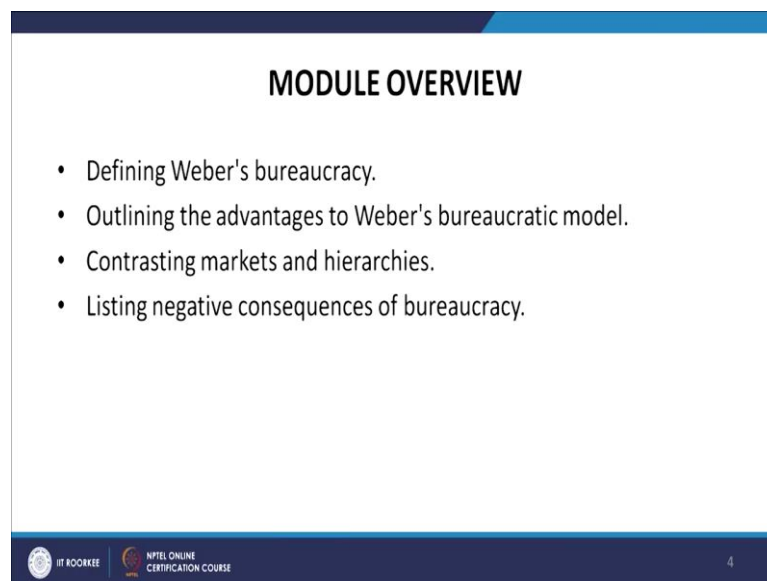


**Organization Theory/Structure and Design**  
**Prof. Zillur Rahman**  
**Department of Management Studies**  
**Indian Institute of Technology, Roorkee**

**Lecture - 27**  
**Bureaucracy - I**

Welcome to module 27 of this course on Organization Theory, Structure and Design. Module 27 and 28 are dedicated to understanding of Bureaucracy.

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A presentation slide titled "MODULE OVERVIEW" with a blue header and footer. The slide lists four bullet points: "Defining Weber's bureaucracy.", "Outlining the advantages to Weber's bureaucratic model.", "Contrasting markets and hierarchies.", and "Listing negative consequences of bureaucracy." The footer contains the IIT Roorkee logo, the text "NPTEL ONLINE CERTIFICATION COURSE", and the number "4".

**MODULE OVERVIEW**

- Defining Weber's bureaucracy.
- Outlining the advantages to Weber's bureaucratic model.
- Contrasting markets and hierarchies.
- Listing negative consequences of bureaucracy.

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So, now let us take a closer look at bureaucracy in this module and we will be defining Weber's bureaucracy, outlining the advantages of Weber's bureaucratic model, contrasting markets and hierarchies and then listing negative consequences of bureaucracy.

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## INTRODUCTION

### IS SMALL REALLY BEAUTIFUL?

- Small is in! It has become the accepted thesis of contemporary management gurus to recommend that organizations create small, adaptive, and autonomous units.
- Decentralization has become *de rigueur*.
- The list of companies that now are organized into smaller, "more manageable" units includes many of the most successful corporations—IBM, 3M, Hewlett-Packard, to name a few.

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To start with, the issue is, is small really beautiful? small is in, it has become the accepted thesis of contemporary management gurus to recommend that organizations create a small, adaptive and autonomous units. Decentralization has become *de rigueur*. The list of companies that now are organized into smaller, more manageable units includes many of the most successful corporations - IBM, 3M, HP, to name a few.

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## INTRODUCTION

### IS SMALL REALLY BEAUTIFUL?



- Heaven help the current manager who argues for the value of centralizing decision making or, worse yet, acts to make his or her organization *more bureaucratic!*



Yet, while it's true that smaller craft are more responsive to shifting currents, better able to navigate in uncertain waters, and less susceptible to catastrophic loss than ocean liners,



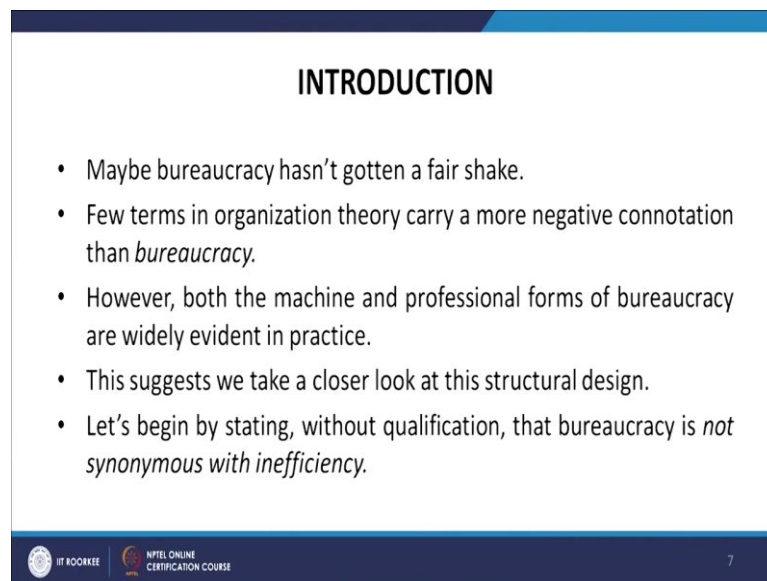
the way to get one thousand passengers around the world in comfort and safety is not necessarily to put them in one hundred schooners.

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CERTIFICATION COURSE 6

Heaven help the current manager who argues for the value of centralizing decision making or, worse yet, acts to make his or her organization more bureaucratic. Yet, while

it is true that, smaller craft are more responsive to shifting currents, better able to navigate in uncertain waters, and less susceptible to catastrophic loss than ocean liners, the way to get one thousand passengers around the world in comfort and safety is not necessarily to put them in one hundred schooners. Maybe bureaucracy has not gotten a fair share; few terms in organization theory carry a more negative connotation than bureaucracy.

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The slide is titled "INTRODUCTION" in bold, black, uppercase letters. Below the title is a bulleted list of five points. The first point says "Maybe bureaucracy hasn't gotten a fair shake." The second point says "Few terms in organization theory carry a more negative connotation than *bureaucracy*." The third point says "However, both the machine and professional forms of bureaucracy are widely evident in practice." The fourth point says "This suggests we take a closer look at this structural design." The fifth point says "Let's begin by stating, without qualification, that bureaucracy is *not synonymous with inefficiency*." At the bottom of the slide, there is a dark blue footer bar containing the IIT Roorkee logo, the text "IIT ROORKEE", the NPTEL logo, the text "NPTEL ONLINE CERTIFICATION COURSE", and the number "7".

### INTRODUCTION

- Maybe bureaucracy hasn't gotten a fair shake.
- Few terms in organization theory carry a more negative connotation than *bureaucracy*.
- However, both the machine and professional forms of bureaucracy are widely evident in practice.
- This suggests we take a closer look at this structural design.
- Let's begin by stating, without qualification, that bureaucracy is *not synonymous with inefficiency*.

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However, both the machine and professional forms of bureaucracy are widely evident in practice. This suggests we take a closer look at this structural design; let us begin by stating, without qualification, that bureaucracy is not synonymous with inefficiency. Mere naming a bureaucratic organization would immediately conjure up for most people a host of attributes that imply inefficiency.

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### INTRODUCTION

- Mere naming a bureaucratic organization would immediately conjure up for most people a host of attributes that imply inefficiency:

1 rigid application of rules

2 buck passing

3 impersonal

4 paper shuffling

5 redundancy of effort

6 a lethargic attitude toward change

7 empire building and the like.

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So, these are the terms that are taken along with bureaucratic organization. One is rigid application of rules, buck passing, impersonal; they do not take interest in the work, paper shuffling, redundancy of efforts, a lethargic attitude towards change and empire building and the like.

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### INTRODUCTION

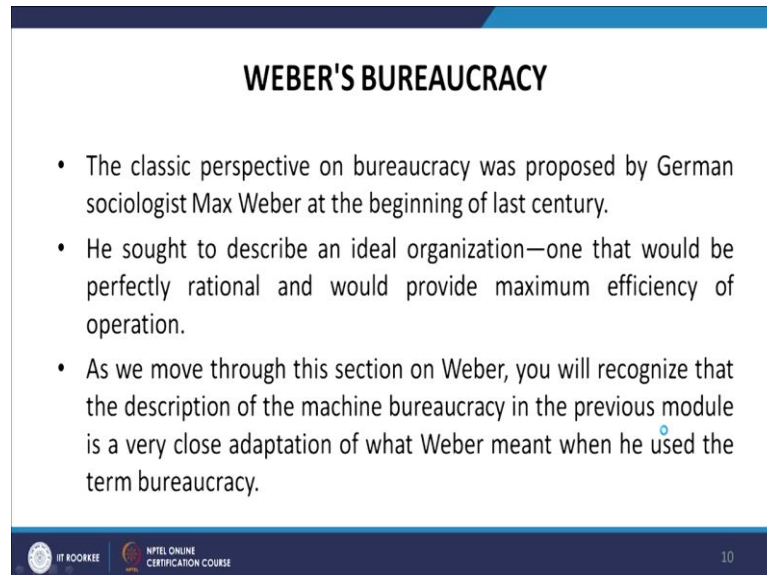
- If this is what you think of when you hear the term bureaucracy, forget these prejudices!
- Bureaucracy is merely a type of structure. It is not, in and of itself, good or bad.
- In some situations, it *is inefficient*. In others, as we saw in the previous modules, it can be highly efficient.

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If this is what you think of when you hear the term bureaucracy, forget these prejudices. Bureaucracy is merely a type of structure. It is not, in and of itself, good or bad. In some

situations, it is inefficient. In others as we saw in the previous module it can be highly efficient.

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**WEBER'S BUREAUCRACY**

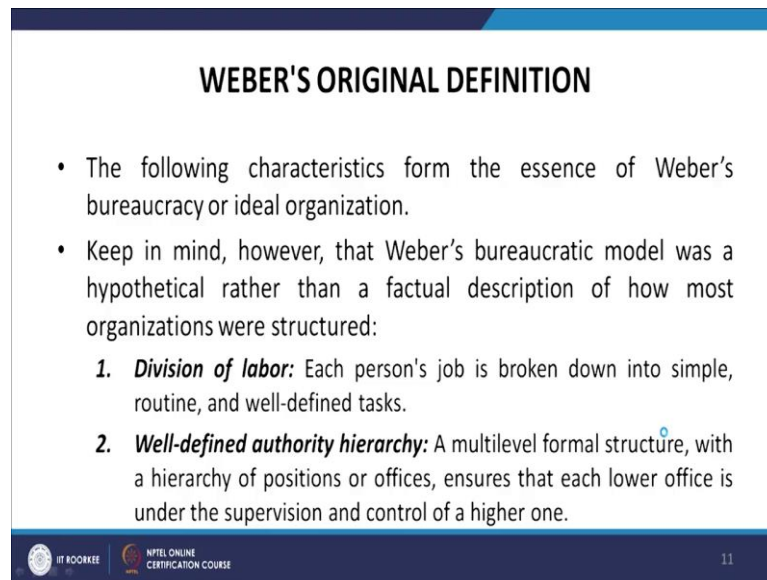
- The classic perspective on bureaucracy was proposed by German sociologist Max Weber at the beginning of last century.
- He sought to describe an ideal organization—one that would be perfectly rational and would provide maximum efficiency of operation.
- As we move through this section on Weber, you will recognize that the description of the machine bureaucracy in the previous module is a very close adaptation of what Weber meant when he used the term bureaucracy.

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Let us look at Weber's bureaucracy. The classic perspective on bureaucracy was proposed by German sociologist, Max Weber, at the beginning of last century. He sought to describe an ideal organization; one that would be perfectly rational or would provide maximum efficiency of operation.

As we move through this section on Weber, you will recognize that the description of a machine bureaucracy in the previous module is a very close adaptation of what Weber meant when he used the term, bureaucracy.

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**WEBER'S ORIGINAL DEFINITION**

- The following characteristics form the essence of Weber's bureaucracy or ideal organization.
- Keep in mind, however, that Weber's bureaucratic model was a hypothetical rather than a factual description of how most organizations were structured:
  1. **Division of labor:** Each person's job is broken down into simple, routine, and well-defined tasks.
  2. **Well-defined authority hierarchy:** A multilevel formal structure, with a hierarchy of positions or offices, ensures that each lower office is under the supervision and control of a higher one.

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Now, we will talk about Weber's original definition. The following characteristics form the essence of Weber's bureaucracy or ideal organization. Keep in mind, however, that Weber's bureaucratic model was a hypothetical rather than a factual description of how most organizations were structured. So, the 1st characteristic is division of labor; each person's job is broken down into simple routine and well-defined tasks.

The 2nd is well defined authority hierarchy; a multi level formal structure, with a hierarchy of positions or offices ensures that each lower office is under the supervision and control of a higher one.

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### WEBER'S ORIGINAL DEFINITION

3. **High formalization:** Dependence on formal rules and procedures to ensure uniformity and to regulate the behavior of job holders.
4. **Impersonal nature:** Sanctions are applied uniformly and impersonally to avoid involvement with individual personalities and personal preferences of members.
5. **Employment decisions based on merit:** Selection and promotion decisions are based on technical qualifications, competence, and performance of the candidates.
6. **Career tracks for employees:** Members are expected to pursue a career in the organization.

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The 3rd is high formalization; dependence on formal rules and procedures to ensure uniformity and to regulate the behavior of job holders. The 4th one is impersonal nature; sanctions are applied uniformly and impersonally to avoid involvement with individual personalities and personal preferences of members.

The 5th is employment decisions based on merit; selections and promotion decisions are based on technical qualification, competence and performance of candidates.

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### WEBER'S ORIGINAL DEFINITION

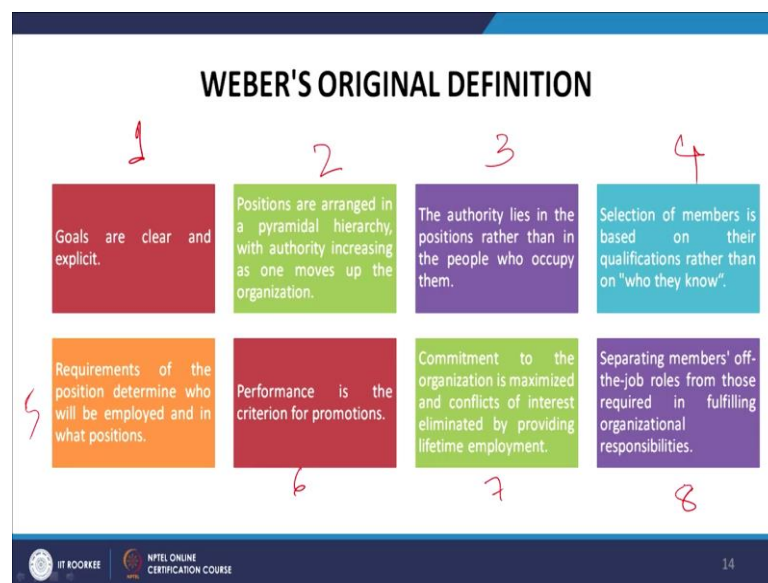
- In return for this career commitment, employees have tenure; that is, they will be retained even if they "burn out" or if their skills become obsolete.
- 7. **Distinct separation of members' organizational and personal lives:** The demands and interests of personal affairs are kept completely separate to prevent them from interfering with the rational impersonal conduct of the organization's activities.
- These characteristics illustrate Weber's "ideal type" of rational and efficient organization.

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The 6th characteristic is career tracks for employees; members are expected to pursue a career in the organization. In return for their career commitment, employees have tenure, that is, they will be retained even if they burn out or if their skills become obsolete. The 7th is distinct separation of members' organizational and personal lives.

The demand and interest of personal affairs are kept completely separate to prevent them from interfering with the rational impersonal conduct of the organization's activities; these characteristics illustrate Weber's ideal type of rational and efficient organization.

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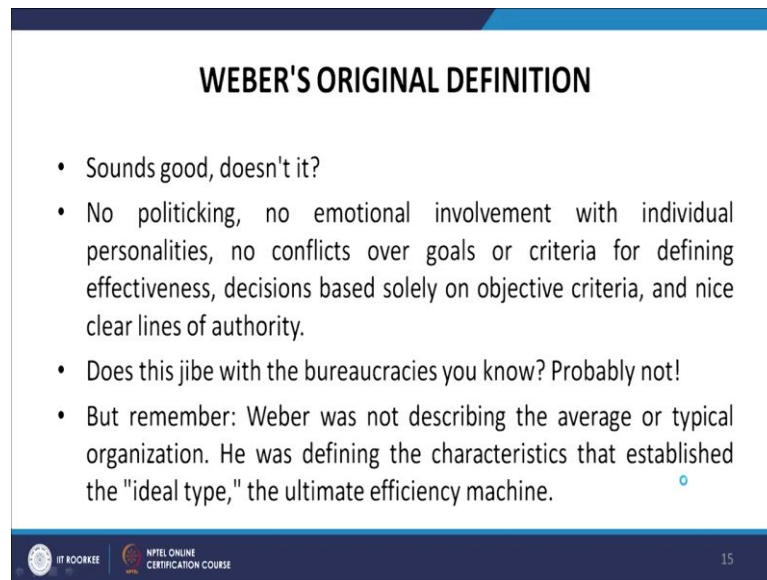


So, the 1st characteristic is, goals are clear and explicit. Then, positions are arranged in a pyramidal hierarchy where authority increases, as one moves up the organization. The 3rd is authority lies in the positions rather than in the people who occupy them. Selection of member is based on their qualifications rather than who they know.

Requirements of the position determine who will be employed and in what position. The performance is the criteria for promotion. Commitment to the organization is maximized and conflicts of interest eliminated by providing lifetime employment and separating members off the job roles from those required in fulfilling organizational responsibilities.



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**WEBER'S ORIGINAL DEFINITION**

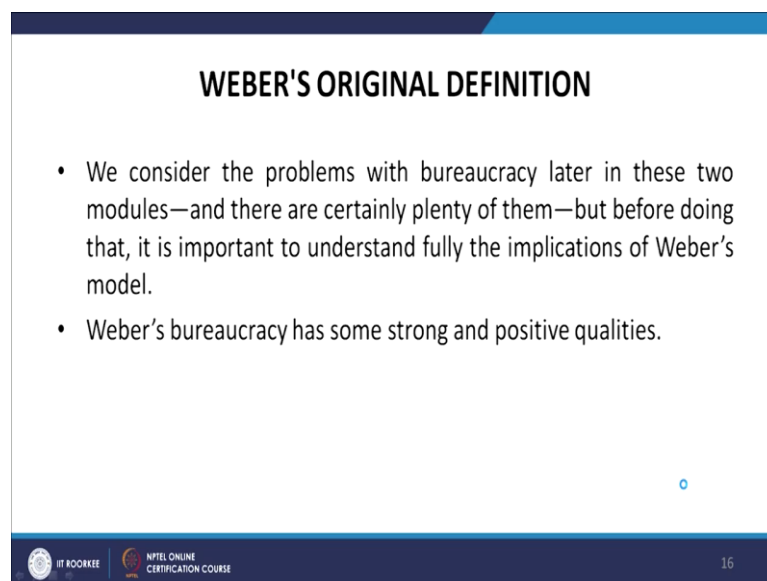
- Sounds good, doesn't it?
- No politicking, no emotional involvement with individual personalities, no conflicts over goals or criteria for defining effectiveness, decisions based solely on objective criteria, and nice clear lines of authority.
- Does this jibe with the bureaucracies you know? Probably not!
- But remember: Weber was not describing the average or typical organization. He was defining the characteristics that established the "ideal type," the ultimate efficiency machine.

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So, it sounds good; does not it? No politicking, no emotional involvement with individual personalities, no conflict over goals or criteria for defining effectiveness, decisions based solely on objective criteria and nice clear lines of authority.

Does this jibe with a bureaucracy you know? Probably not! But remember, Weber was not describing the average or typical organization; he was defining the characteristics that establish the ideal type, the ultimate efficiency machine.

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**WEBER'S ORIGINAL DEFINITION**

- We consider the problems with bureaucracy later in these two modules—and there are certainly plenty of them—but before doing that, it is important to understand fully the implications of Weber's model.
- Weber's bureaucracy has some strong and positive qualities.

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We consider the problems with bureaucracy later in these two modules and there are certainly plenty of them. But before doing that, it is important to understand fully the implications of Weber's model. Weber's bureaucracy has some strong and positive qualities.

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**POSITIVE QUALITIES IN WEBER'S "IDEAL TYPE"**

- Weber's bureaucracy included a number of characteristics that, it can be argued, are highly desirable. Specifically, we can single out:

- 1 The attempt to eliminate the use of irrelevant criteria for choosing employees
- 2 The use of tenure to protect employees against arbitrary authority, changes in skill demands, and declining ability
- 3 The establishment of rules and regulations to increase the likelihood that employees will be treated fairly and to create stability over time
- 4 The creation of a vertical hierarchy to ensure that clear lines of authority exist, that decisions are made, and that accountability over decisions is maintained

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Now, let us look at Weber's bureaucracy including a number of characteristics that it can be argued, are highly desirable; Specifically, we can single out; the 1st is the attempt to eliminate the use of irrelevant criteria for choosing employees. The 2nd is the use of tenure to protect employees against arbitrary authority, changes in skill demands and declining ability.

The 3rd is the establishment of rules and regulations to increase the likelihood that employees will be treated fairly and to create a stability over time. And the 4th is the creation of a vertical hierarchy to ensure that clear lines of authority exist, that decisions are made and that accountability over decisions is maintained. So, the first; the attempt to eliminate the use of irrelevant criteria for choosing employees; Weber's model seeks to purge the organization of favoritism.

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**POSITIVE QUALITIES IN WEBER'S "IDEAL TYPE"**

1. The attempt to eliminate the use of irrelevant criteria for choosing employees
  - Weber's model seeks to purge the organization of favoritism. One major plus of bureaucracy, therefore, is that it sought to bring objectivity to employee selection
    - by reducing nepotism and other forms of favoritism by decision makers, and
    - replacing it with job-competence criteria.

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One major plus of democracy therefore, is that it sought to bring objectivity to employee selection, by reducing nepotism and other forms of favoritism by decision makers and replacing it with job competence criteria.

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**POSITIVE QUALITIES IN WEBER'S "IDEAL TYPE"**

2. The use of tenure to protect employees
  - The idea of giving employees security through tenure is often attacked on the grounds that it makes employees complacent.
  - Why work hard when your job is literally guaranteed?
  - The potential costs of complacency are real, but they must be compared with the benefits that tenure provides.
  - These benefits include commitment to the organization, protections against arbitrary actions of senior management, and inducement to master skills that may have limited marketability.

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The 2<sup>nd</sup>, the use of tenure to protect employees; the idea of giving employee security through tenure is often attacked on the grounds that it makes employees complacent. Why work hard when your job is literally guaranteed? The potential cost of complacency are real, but they must be compared with the benefits that tenure provides. These benefits

include commitment to the organization, protection against arbitrary actions of senior management and inducement of master skills that may have limited marketability.

The second is, the use of tenure to protect employees; by offering employee security and employment, they can pursue those activities and learn those skills that may have little value outside the organization, but that nevertheless are important for the organization's success.

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**POSITIVE QUALITIES IN WEBER'S "IDEAL TYPE"**

2. The use of tenure to protect employees

- By offering employees security in employment, they can pursue those activities and learn those skills that may have little value outside the organization but that, nevertheless, are important for the organization's success.

1. You are much more likely to accept spending a year or more learning the idiosyncrasies of your firm's accounting system

2. if you recognize that the firm is committed to providing a career for you

3. regardless of whether the accounting system changes or there is a significant decline in the company's business.

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So, starting from the left, you are much more likely to accept spending a year or more learning the idiosyncrasies of your firm's accounting system. If you recognize that the firm is committed to providing a career for you and then regardless of whether the accounting system changes or there is a significant decline in the company's business.

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**POSITIVE QUALITIES IN WEBER'S "IDEAL TYPE"**

2. The use of tenure to protect employees

- A glance at the historical management-labor relationship in Japan supports the value of tenure.
- Japanese employees have traditionally been granted permanent employment, regardless of the business cycle.
- In response, Japanese firms have some of the most loyal and productive employees in the world.

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This slide is titled "POSITIVE QUALITIES IN WEBER'S 'IDEAL TYPE'". It features a blue header and footer. The main content is on a white background. It lists the second quality: "The use of tenure to protect employees". Below this, there are three bullet points discussing the historical management-labor relationship in Japan, the tradition of permanent employment, and the resulting loyalty and productivity of Japanese employees. The footer includes logos for IT ROORKEE and NPTEL ONLINE CERTIFICATION COURSE, along with the slide number 21.

A glance at the historical management-labor relationship in Japan supports the value of tenure. Japanese employees have traditionally been granted permanent employment, regardless of the business cycle. In response, Japanese firms have some of the most loyal and productive employees in the world.

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**POSITIVE QUALITIES IN WEBER'S "IDEAL TYPE"**

3. The establishment of rules and regulations

- Rules and regulations may be constraints on what you can and cannot do, but they reduce ambiguity and increase uniformity of actions.
- Without a policy, for instance, how does a manager know when he or she can make a decision?
- Absence of policy, therefore, leaves the manager open to reprimand for any decision made, however trivial.

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This slide is titled "POSITIVE QUALITIES IN WEBER'S 'IDEAL TYPE'". It features a blue header and footer. The main content is on a white background. It lists the third quality: "The establishment of rules and regulations". Below this, there are three bullet points discussing how rules and regulations reduce ambiguity and increase uniformity, the importance of policy for decision-making, and the consequences of lacking a policy. The footer includes logos for IT ROORKEE and NPTEL ONLINE CERTIFICATION COURSE, along with the slide number 22.

The 3rd is the establishment of rules and regulations; rules and regulations may be constraint on what you can and cannot do, but they reduce ambiguity and increase uniformity of actions. Without a policy for instance, how does a manager know when he

or she can make a decision? Absence of policy therefore, leaves the manager open to reprimand for any decisions made; however, trivial.

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3. The establishment of rules and regulations

- Similarly, if I do something wrong, I want to be assured that I am not unduly penalized.
- Bureaucracy's high formalization provides the mechanism with which to facilitate this standardization of discipline practices.

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Similarly, if I do something wrong, I want to be assured that I am not unduly penalised. Bureaucracy's high formalization provides the mechanism with which to facilitate this standardization of discipline practices.

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4. The creation of a vertical hierarchy

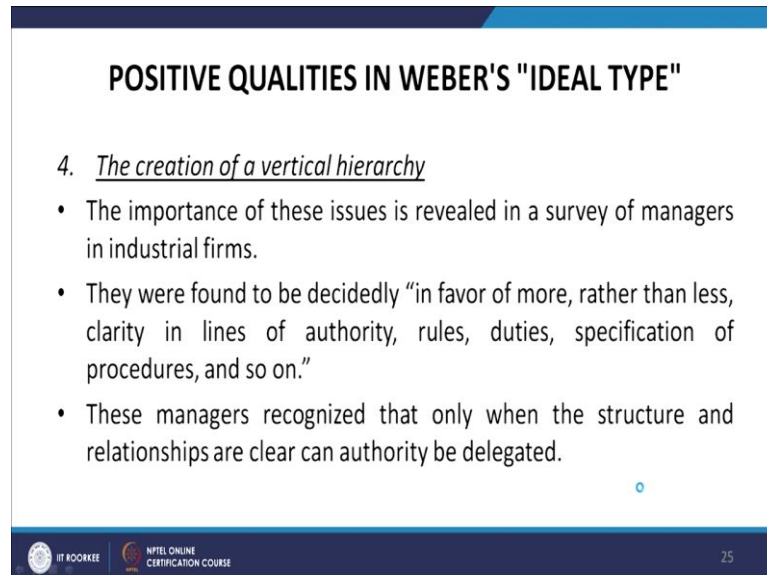
- Finally, while the vertical hierarchy may be seen as a vehicle for "buck passing," its positive qualities are often overlooked.
- It answers such questions as,
  - To whom do I take my problems?
  - How much authority does that manager have?
  - Whom do I have to see to get this decision made?

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The 4th is the creation of a vertical hierarchy. Finally, while the vertical hierarchy may be seen as a vehicle for buck passing, its positive qualities are often overlooked. It

answers such questions as to whom do I take my problems? how much authority does that manager have? whom do I have to see to get this decision made?

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**POSITIVE QUALITIES IN WEBER'S "IDEAL TYPE"**

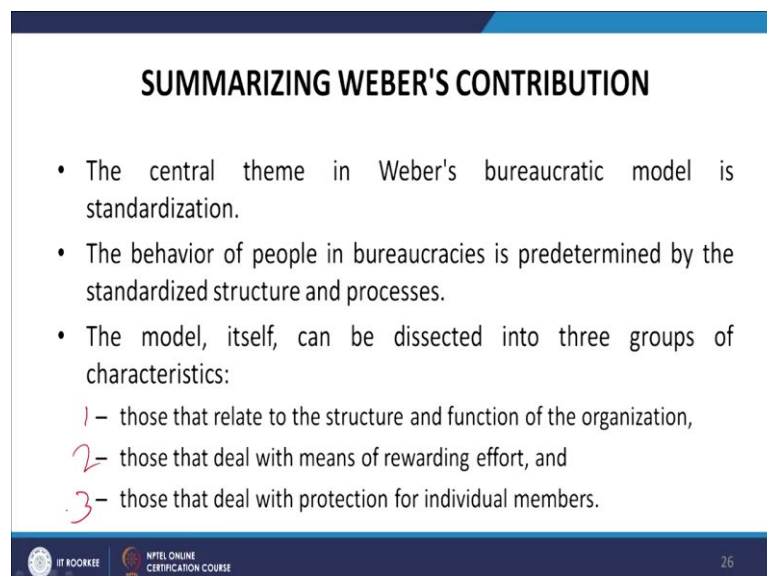
4. The creation of a vertical hierarchy

- The importance of these issues is revealed in a survey of managers in industrial firms.
- They were found to be decidedly “in favor of more, rather than less, clarity in lines of authority, rules, duties, specification of procedures, and so on.”
- These managers recognized that only when the structure and relationships are clear can authority be delegated.

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The importance of these issues is revealed in a survey of managers in industrial firms. They were found to be decidedly “in favor of more, rather than less, clarity in the lines of authority, rules, duties, specification of procedures and so on”. These managers recognize that only when the structure and relationships are clear can authority be delegated.

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**SUMMARIZING WEBER'S CONTRIBUTION**

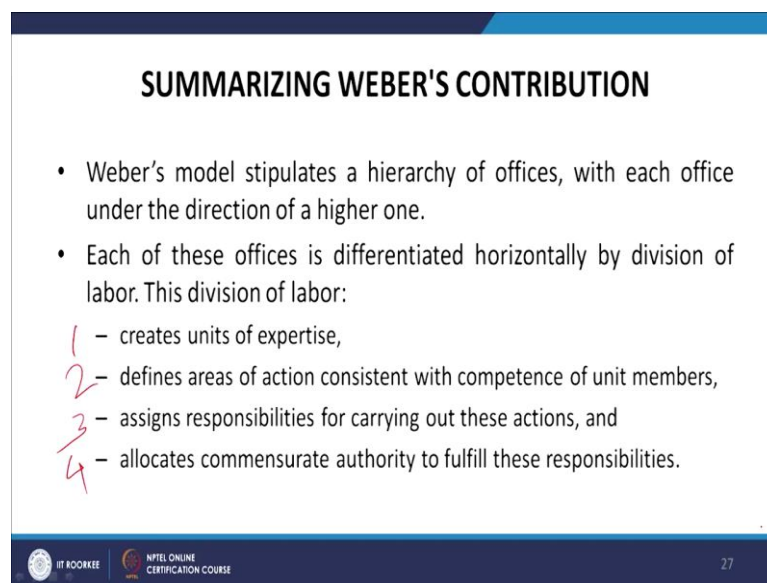
- The central theme in Weber's bureaucratic model is standardization.
- The behavior of people in bureaucracies is predetermined by the standardized structure and processes.
- The model, itself, can be dissected into three groups of characteristics:
  - 1 – those that relate to the structure and function of the organization,
  - 2 – those that deal with means of rewarding effort, and
  - 3 – those that deal with protection for individual members.

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Now, let us summarize Weber's contribution. The central theme in Weber's bureaucratic model is standardization. The behavior of people in bureaucracies is pre determined by the standardized structure and processes. The model itself can be dissected into three groups of characteristics; the 1st is those that relate to the structure and function of the organization.

The 2nd is those that deal with means of rewarding effort and the 3rd is those that deal with protection of individual members.

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**SUMMARIZING WEBER'S CONTRIBUTION**

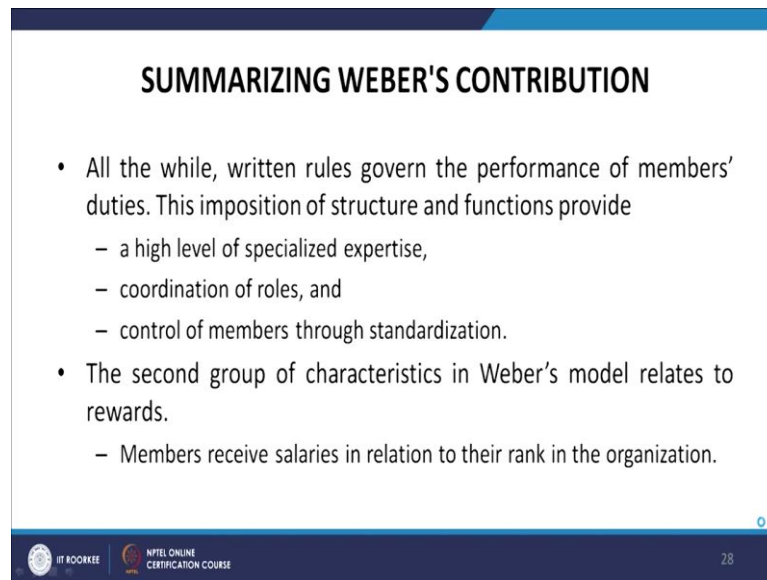
- Weber's model stipulates a hierarchy of offices, with each office under the direction of a higher one.
- Each of these offices is differentiated horizontally by division of labor. This division of labor:
  - 1 – creates units of expertise,
  - 2 – defines areas of action consistent with competence of unit members,
  - 3 – assigns responsibilities for carrying out these actions, and
  - 4 – allocates commensurate authority to fulfill these responsibilities.

IT BOONKEE NPTEL ONLINE CERTIFICATION COURSE 27

Weber's model stipulates a hierarchy of offices with each office under the direction of a higher one. Each of these offices is differentiated horizontally by division of labor. This division of labor creates units of expertise, defines areas of action consistent with competence of unit members, assigns responsibilities for carrying out these actions and allocates the commensurate authority to fulfil these responsibilities.



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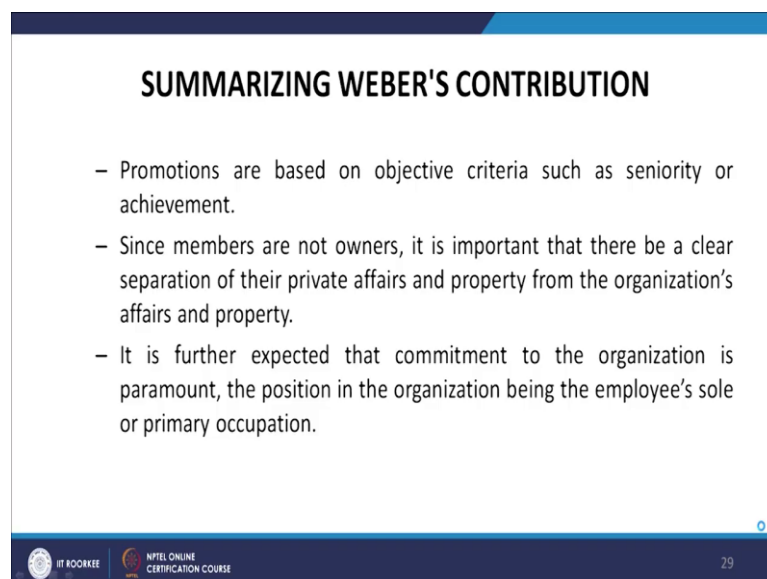
**SUMMARIZING WEBER'S CONTRIBUTION**

- All the while, written rules govern the performance of members' duties. This imposition of structure and functions provide
  - a high level of specialized expertise,
  - coordination of roles, and
  - control of members through standardization.
- The second group of characteristics in Weber's model relates to rewards.
  - Members receive salaries in relation to their rank in the organization.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 28

All the while, written rules govern the performance of members' duties. This imposition of a structure and functions provide, a high level of specialized expertise, coordination of roles and the control of members through a standardization. The second group of characteristics in Weber's model relates to rewards; members receive salaries in relation to their rank in the organization. Promotions are based on objective criteria such as seniority or achievement.

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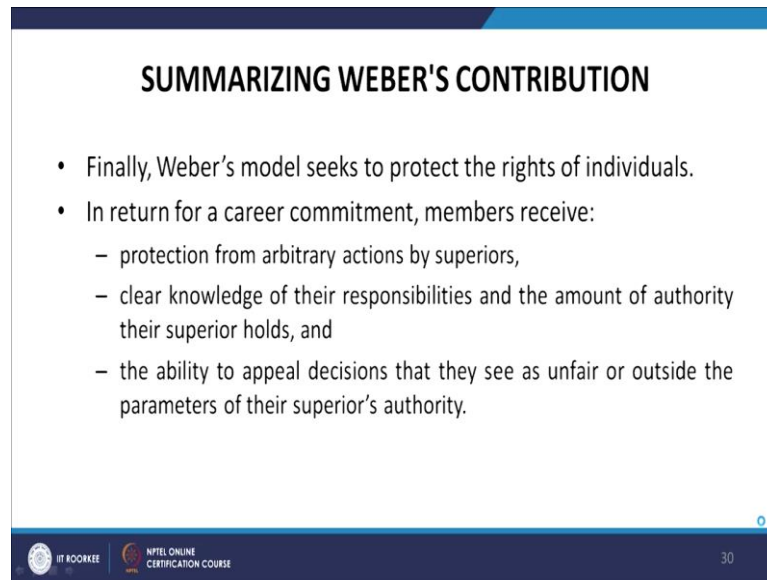
**SUMMARIZING WEBER'S CONTRIBUTION**

- Promotions are based on objective criteria such as seniority or achievement.
- Since members are not owners, it is important that there be a clear separation of their private affairs and property from the organization's affairs and property.
- It is further expected that commitment to the organization is paramount, the position in the organization being the employee's sole or primary occupation.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 29

Since members are not owners, it is important that there be a clear separation of their private affairs and property from the organization's affairs and property. It is further expected that commitment to the organization is paramount, the position in the organization being the employees sole or primary occupation.

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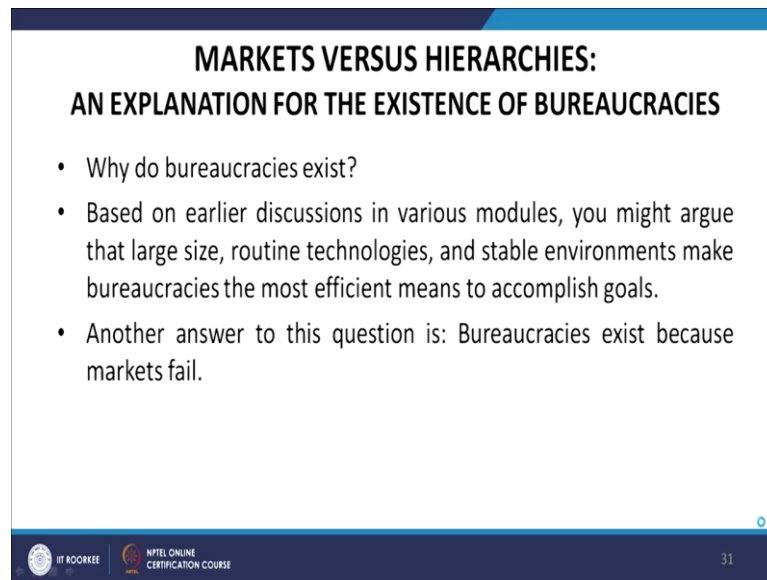
**SUMMARIZING WEBER'S CONTRIBUTION**

- Finally, Weber's model seeks to protect the rights of individuals.
- In return for a career commitment, members receive:
  - protection from arbitrary actions by superiors,
  - clear knowledge of their responsibilities and the amount of authority their superior holds, and
  - the ability to appeal decisions that they see as unfair or outside the parameters of their superior's authority.

IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 30

Finally, Weber's model seeks to protect the rights of individuals. In return for a career commitment, members receive protection from arbitrary actions by superiors, clear knowledge of their responsibilities and the amount of authority their superiors hold and the ability to appeal decisions that they see as unfair or outside the parameters of their superior's authority.

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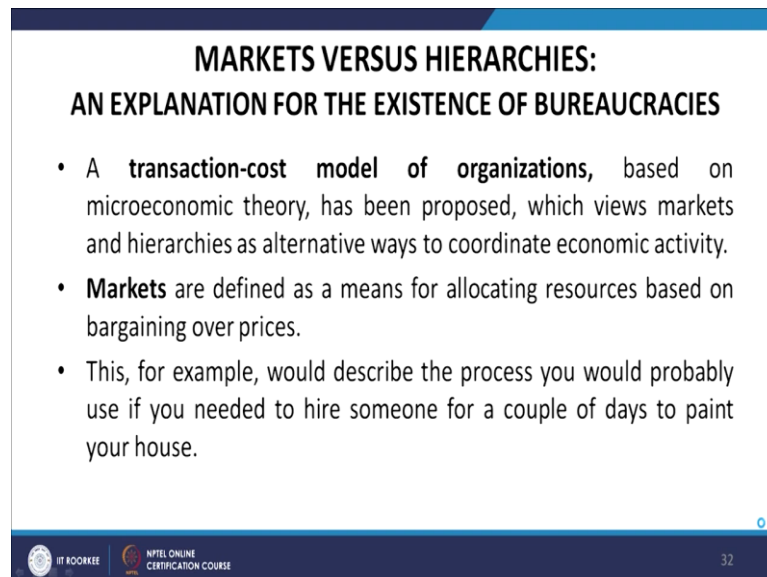
**MARKETS VERSUS HIERARCHIES:**  
**AN EXPLANATION FOR THE EXISTENCE OF BUREAUCRACIES**

- Why do bureaucracies exist?
- Based on earlier discussions in various modules, you might argue that large size, routine technologies, and stable environments make bureaucracies the most efficient means to accomplish goals.
- Another answer to this question is: Bureaucracies exist because markets fail.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 31

Now, let us look at markets versus hierarchies; an explanation for the existence of bureaucracies. Why do bureaucracies exist? Based on earlier discussion in various modules, you might argue that large size, routine technologies and stable environments make bureaucracies the most efficient means to accomplish goals.

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**MARKETS VERSUS HIERARCHIES:**  
**AN EXPLANATION FOR THE EXISTENCE OF BUREAUCRACIES**

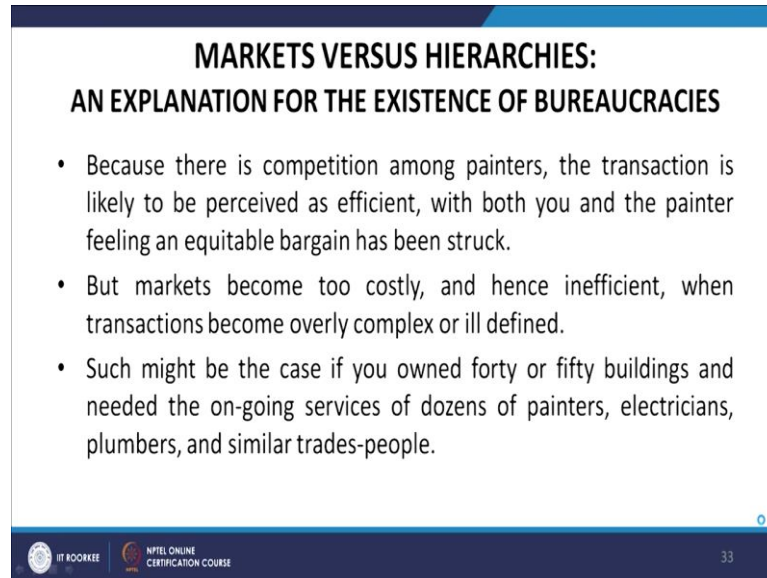
- A **transaction-cost model of organizations**, based on microeconomic theory, has been proposed, which views markets and hierarchies as alternative ways to coordinate economic activity.
- **Markets** are defined as a means for allocating resources based on bargaining over prices.
- This, for example, would describe the process you would probably use if you needed to hire someone for a couple of days to paint your house.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 32

Another answer to the question is bureaucracies exist because markets fail. A transaction-cost model of organizations, based on micro economic theory has been proposed, which views markets and hierarchies as alternative ways to coordinate

economic activity. Markets are defined as means for allocating resources based on bargaining over prices. This, for example, would describe the process you would probably use if you needed to hire someone for a couple of days to paint your house.

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**MARKETS VERSUS HIERARCHIES:  
AN EXPLANATION FOR THE EXISTENCE OF BUREAUCRACIES**

- Because there is competition among painters, the transaction is likely to be perceived as efficient, with both you and the painter feeling an equitable bargain has been struck.
- But markets become too costly, and hence inefficient, when transactions become overly complex or ill defined.
- Such might be the case if you owned forty or fifty buildings and needed the on-going services of dozens of painters, electricians, plumbers, and similar trades-people.

IT ROOKIEE NPTEL ONLINE CERTIFICATION COURSE 33

Because there is competition among painters, the transaction is likely to be perceived as efficient, with both you and the painter feeling an equitable bargain has been struck. But markets become too costly and hence inefficient when transactions become overly complex or ill defined. Such might be the case if you owned forty or fifty buildings and needed the ongoing service of dozens of painters, electricians, plumbers and similar trade people.

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**MARKETS VERSUS HIERARCHIES:**  
**AN EXPLANATION FOR THE EXISTENCE OF BUREAUCRACIES**

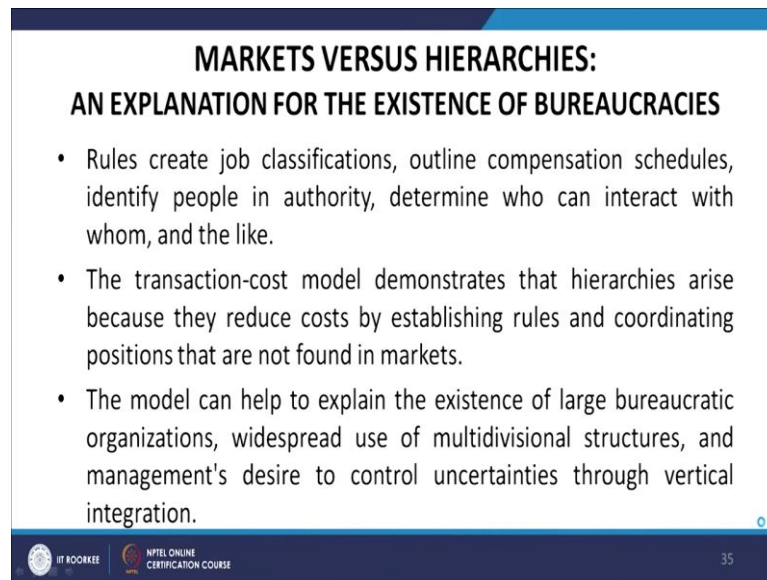
- What if you happen to be a large chemical manufacturer or own a dozen new car dealerships?
- To reduce uncertainty, you'd seek the services of accountants, forecasters and planners, and personnel specialists and would want a sophisticated information system to minimize transaction costs.
- Under high uncertainty, then, **hierarchies** often become more efficient and replace markets by allocating resources through rules and authority relationships.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 34

What if you happen to be large chemical manufacturer or owner of a dozen new car dealerships? To reduce uncertainty, you would seek the services of accountants, forecasters and planners, and personnel specialists and would want a sophisticated information system to minimize transaction cost.

Under high uncertainty, then, hierarchies often become more efficient and replace markets by allocating resources through rules and authority relationships. Rules create jobs classifications, outline compensation schedules, identify people in authority, determine who can interact with whom and the like.

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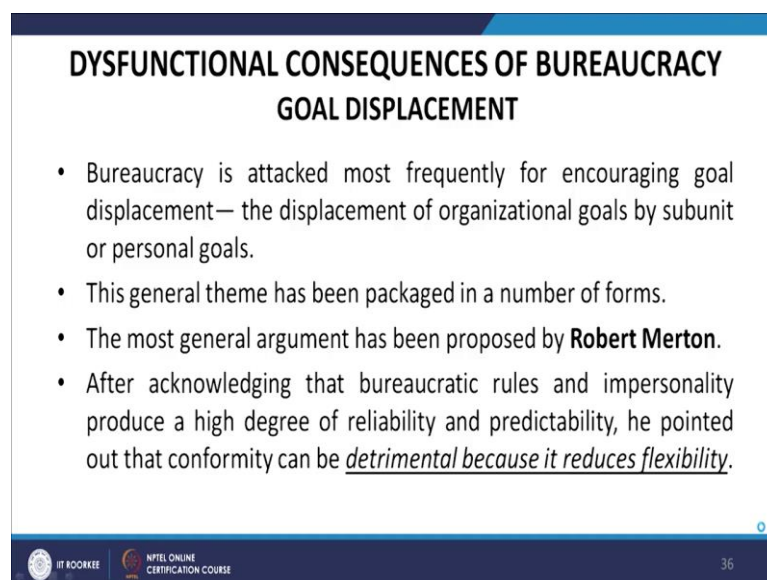
**MARKETS VERSUS HIERARCHIES:**  
**AN EXPLANATION FOR THE EXISTENCE OF BUREAUCRACIES**

- Rules create job classifications, outline compensation schedules, identify people in authority, determine who can interact with whom, and the like.
- The transaction-cost model demonstrates that hierarchies arise because they reduce costs by establishing rules and coordinating positions that are not found in markets.
- The model can help to explain the existence of large bureaucratic organizations, widespread use of multidivisional structures, and management's desire to control uncertainties through vertical integration.

IT Roorkee | NPTEL ONLINE CERTIFICATION COURSE 35

The transaction cost model demonstrates that hierarchies arise because they reduce cost by establishment of rules and coordinating positions that are not found in markets. The model can help to explain the existence of large bureaucratic organizations, widespread use of multidivisional structures and management's desire to control uncertainties through vertical integration.

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**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**GOAL DISPLACEMENT**

- Bureaucracy is attacked most frequently for encouraging goal displacement— the displacement of organizational goals by subunit or personal goals.
- This general theme has been packaged in a number of forms.
- The most general argument has been proposed by **Robert Merton**.
- After acknowledging that bureaucratic rules and impersonality produce a high degree of reliability and predictability, he pointed out that conformity can be detrimental because it reduces flexibility.

IT Roorkee | NPTEL ONLINE CERTIFICATION COURSE 36

Now, let us look at the dysfunctional consequences of bureaucracy and we are talking about goal displacement. Bureaucracy is attacked most frequently for encouraging goal displacement; the displacement of organization goals by subunit or personal goals.

This general theme has been packaged in a number of forms. The most general argument has been proposed by Robert Merton. After acknowledging that bureaucratic rules and impersonality produce a high degree of reliability and predictability, he pointed out that the conformity can be detrimental because it reduces flexibility. Rules and regulations become so emphasized that they take on a symbolic meaning of their own.

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**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**GOAL DISPLACEMENT**

- Rules and regulations become so emphasized that they take on a symbolic meaning of their own.
- The rules become more important than the ends that they were designed to serve, the result being goal displacement and loss of organizational effectiveness.
- Occasionally you will see this phenomenon in large retail clothing stores. Rules about keeping shelves fully stocked and neat, instituted to increase sales, can be followed so compulsively by the sales personnel that customers are ignored.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 37

The rules become more important than the ends that they were designed to serve, the result being goal displacement and loss of organizational effectiveness. Occasionally you will see this phenomenon in large retail clothing stores. Rules about keeping shelves fully stocked and neat, instituted to increase sales can be followed so compulsively by the sales personnel that customers are ignored.

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**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**GOAL DISPLACEMENT**

- Similarly, people in the registrar's office in some colleges:
  - become so enamored of making students follow the rules for adding and dropping courses, that
  - they forget that they are there to help students get the class schedule they want and clear the path to getting their degrees.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 38

Similarly, people in the registrar offices in some colleges become so enamored of making a student follow the rule for adding and dropping courses that; they forget that they are there to help student get the class schedule they want and clear the path to getting their degrees. Philip Selznick also believed, that means could become ends through goal displacement.

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**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**GOAL DISPLACEMENT**

- **Philip Selznick** also believed that means could become ends through goal displacement.
- He emphasized that specialization and differentiation create subunits with different goals. The goals of each separate subunit become primary to the subunit members.
- What happens as a result of the conflict between these subunits is that achievement of subunit goals becomes more important than accomplishment of the organization's goals.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 39

He emphasized that specialization and differentiation create sub units with different goals. The goals of each separate sub unit become primary to the sub unit members.



What happens as a result of the conflict between these sub units is that achievement of a subunit goal becomes more important than accomplishment of the organization's goal.

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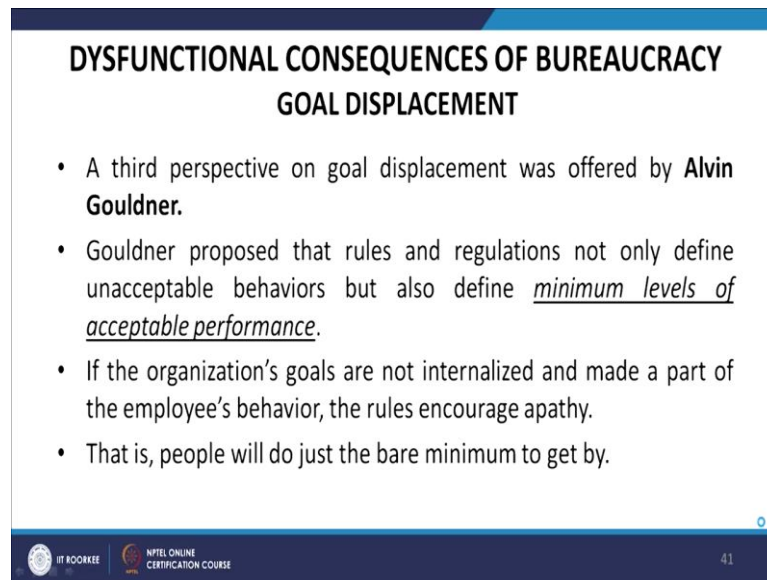
**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**GOAL DISPLACEMENT**

- This was illustrated in one manufacturing firm, where marketing secured a very large and profitable order.
- The sale came with a tight deadline and required production personnel to give the order special handling outside the normal routine.
- Despite the profits that this sale would bring to the company, the production manager balked because the order would disturb his unit's efficiency ratios.
- He succeeded in dragging his feet long enough so that the order was lost to a competitor.

IIT Koorkee NPTEL ONLINE CERTIFICATION COURSE 40

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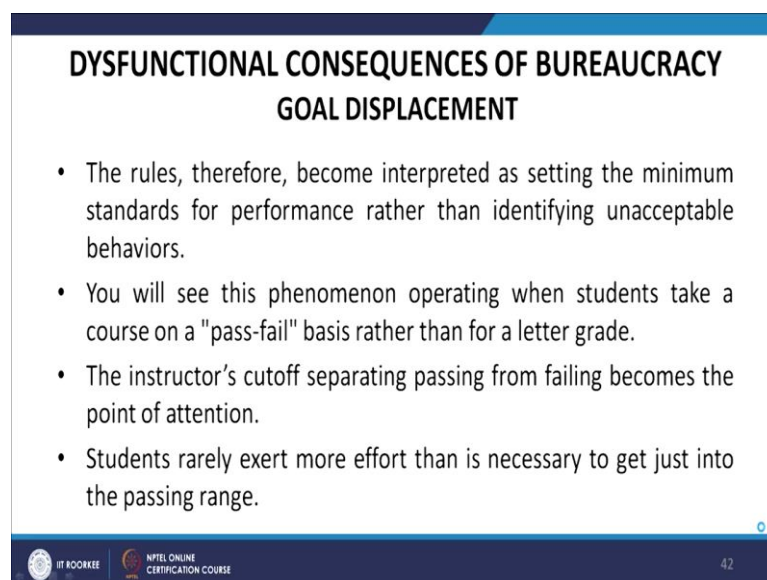
**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**GOAL DISPLACEMENT**

- A third perspective on goal displacement was offered by **Alvin Gouldner**.
- Gouldner proposed that rules and regulations not only define unacceptable behaviors but also define minimum levels of acceptable performance.
- If the organization's goals are not internalized and made a part of the employee's behavior, the rules encourage apathy.
- That is, people will do just the bare minimum to get by.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 41

The third perspective on goal displacement was offered by Alvin Gouldner; Gouldner proposed that rules and regulations not only define unacceptable behavior, but also define minimum levels of acceptable performance. If the organization goals are not internalized and made a part of the employee's behaviour; the rules encourage apathy; that is, people will do just the bare minimum to get by.

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**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**GOAL DISPLACEMENT**

- The rules, therefore, become interpreted as setting the minimum standards for performance rather than identifying unacceptable behaviors.
- You will see this phenomenon operating when students take a course on a "pass-fail" basis rather than for a letter grade.
- The instructor's cutoff separating passing from failing becomes the point of attention.
- Students rarely exert more effort than is necessary to get just into the passing range.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 42

The rules therefore, become interpreted as setting the minimum standards for performance rather than identifying unacceptable behaviour. You will see this

phenomenon operating when students take a course on a pass-fail basis rather than for a letter grade. The instructor's cut off separating passing from failing becomes the point of attention. Students rarely exert more effort than is necessary to get into the passing range.

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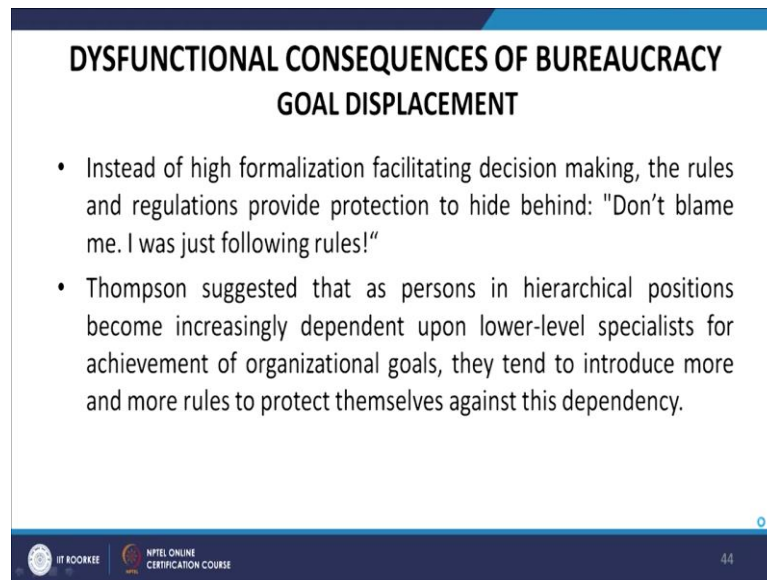
**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**GOAL DISPLACEMENT**

- A final goal-displacement argument has been proposed by **Victor Thompson**.
- Thompson sees the highly formalized bureaucracy as creating insecurities in those in authority that lead to what he has called bureaupathic behavior.
- Decision makers use adherence to rules to protect themselves from making errors.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 43

The final goal displacement argument has been proposed by Victor Thompson; Thompson sees the highly formalized bureaucracy as creating insecurities in those in authority that leads to what he called bureaucratic behavior. Decision makers use adherence to rules to protect themselves from making errors.

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**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**GOAL DISPLACEMENT**

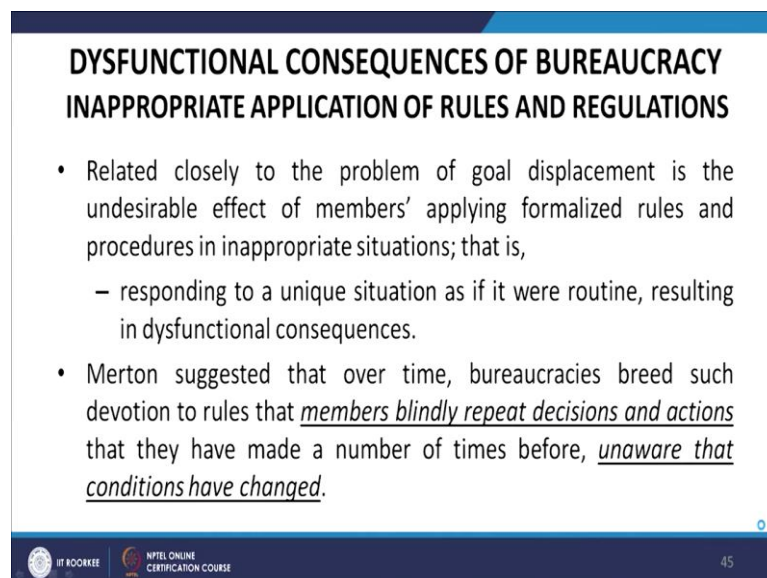
- Instead of high formalization facilitating decision making, the rules and regulations provide protection to hide behind: "Don't blame me. I was just following rules!"
- Thompson suggested that as persons in hierarchical positions become increasingly dependent upon lower-level specialists for achievement of organizational goals, they tend to introduce more and more rules to protect themselves against this dependency.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 44

Instead of high formalization facilitating decision making, the rules and regulations provide protection to hide behind; do not blame me, I was just following rules. Thompson suggested that as persons in hierarchical positions become increasingly dependent upon lower-level specialists for achievement of organization goals, they tend to introduce more and more rules to protect themselves against this dependency.

Another dysfunctional consequence of bureaucracy is inappropriate application of rules and regulations.

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**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**INAPPROPRIATE APPLICATION OF RULES AND REGULATIONS**

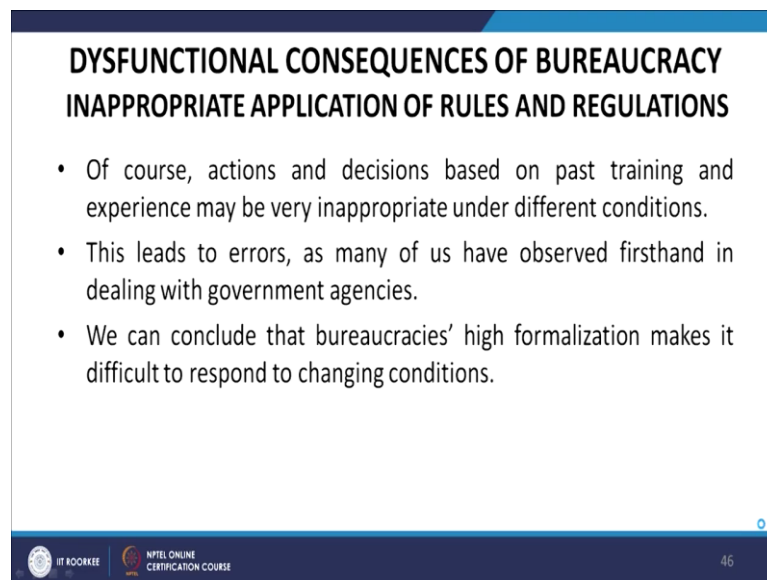
- Related closely to the problem of goal displacement is the undesirable effect of members' applying formalized rules and procedures in inappropriate situations; that is,
  - responding to a unique situation as if it were routine, resulting in dysfunctional consequences.
- Merton suggested that over time, bureaucracies breed such devotion to rules that members blindly repeat decisions and actions that they have made a number of times before, unaware that conditions have changed.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 45

Related closely to the problem of goal displacement is the undesirable effect of members applying formalized rules and procedures in inappropriate situations that is responding to a unique situation, as if it were routine, resulting in dysfunctional consequences.

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**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**INAPPROPRIATE APPLICATION OF RULES AND REGULATIONS**

- Of course, actions and decisions based on past training and experience may be very inappropriate under different conditions.
- This leads to errors, as many of us have observed firsthand in dealing with government agencies.
- We can conclude that bureaucracies' high formalization makes it difficult to respond to changing conditions.

IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 46

Of course, actions and decisions based on past training and experience may be very inappropriate under different conditions. This leads to errors, as many of us have observed firsthand in dealing with government agencies. We can conclude that bureaucracies' high formalization makes it difficult to respond to changing conditions.

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**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**

**EMPLOYEE ALIENATION**

- A major cost of bureaucracy is employee alienation. Members perceive the impersonality of the organization as creating distance between them and their work.
- As a "cog in the wheel," it is frequently difficult to feel committed to the organization.
- High specialization further reinforces one's feeling of being irrelevant—routine activities can be easily learned by others, making employees feel interchangeable and powerless.
- In professional bureaucracies, formalization must be lessened; otherwise the risk of employee alienation is very high.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 47



Another dysfunctional consequence of bureaucracy is employee alienation. A major cost of bureaucracy is employee alienation. Members perceive the impersonality of the organization as creating distances between them and their work. As a cog in the wheel; it is frequently difficult to feel committed to the organization.

High specialization further reinforces one's feeling of being irrelevant; routine activities can be easily learned by others, making employees feel interchangeable and powerless. In professional bureaucracies, formalization must be lessened; otherwise the risk of employee alienation is very high.

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**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**CONCENTRATION OF POWER**

- The concentration of power in senior executives of bureaucracies has been targeted by some.
- Although this criticism is subjective—it depends on whether one considers concentration of power undesirable.
- It is a fact that bureaucracy generates an enormous degree of power in the hands of a very few.
- If you perceive this as undesirable or counter to the values of a democratic society, as some do, you will find this attribute a negative consequence of the bureaucratic form.

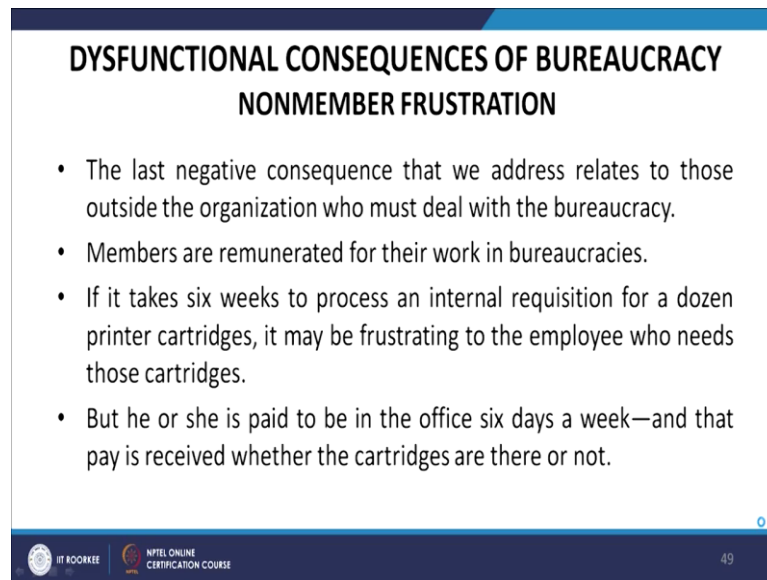
 IIT ROORKEE  NPTEL ONLINE CERTIFICATION COURSE 48

The next dysfunctional consequence of bureaucracy is concentration of power. The concentration of power in senior executives of bureaucracies have been targeted by some. Although this criticism is subjective; it depends on whether one considers concentration of power undesirable.

It is a fact that bureaucracies generate an enormous degree of power in the hands of very few. If you perceive this as undesirable or counter to the values of a democratic society, as some do, you will find this attribute a negative consequence of the bureaucratic form.

The last negative consequence is non member frustration; so, the last negative consequence that we address relates to those outside the organization who must deal with the bureaucracy.

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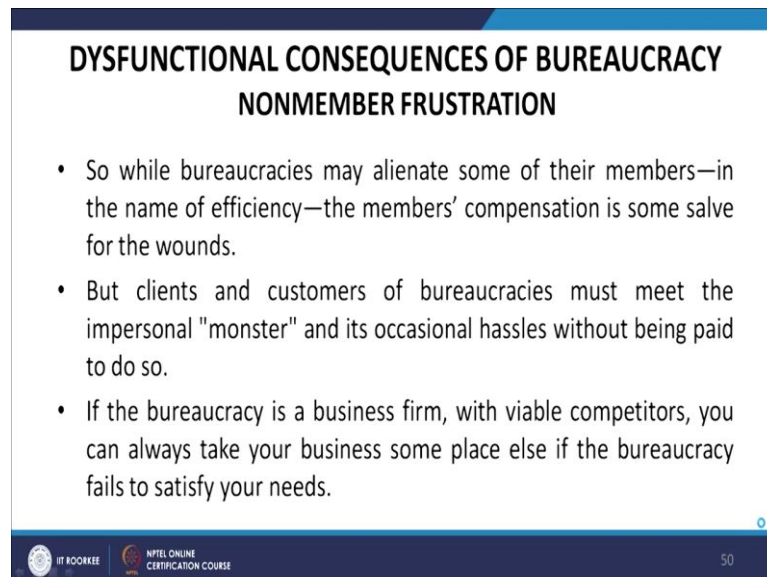
**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**NONMEMBER FRUSTRATION**

- The last negative consequence that we address relates to those outside the organization who must deal with the bureaucracy.
- Members are remunerated for their work in bureaucracies.
- If it takes six weeks to process an internal requisition for a dozen printer cartridges, it may be frustrating to the employee who needs those cartridges.
- But he or she is paid to be in the office six days a week—and that pay is received whether the cartridges are there or not.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 49

Members are paid for their work in bureaucracies. If it takes six weeks to process an internal requisition for a dozen printer cartridges; it will be frustrating to the employees who need those cartridges. But he or she is paid to be in office six days a week and that pay is received whether the cartridges are there or not.

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**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**NONMEMBER FRUSTRATION**

- So while bureaucracies may alienate some of their members—in the name of efficiency—the members' compensation is some salve for the wounds.
- But clients and customers of bureaucracies must meet the impersonal "monster" and its occasional hassles without being paid to do so.
- If the bureaucracy is a business firm, with viable competitors, you can always take your business some place else if the bureaucracy fails to satisfy your needs.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 50

So, while bureaucracies may alienate some of their members in the name of efficiency; the members' compensation is some salve for the wounds. But clients and customers of bureaucracies must meet the impersonal “monster” and its occasional hassles without



being paid to do so. So, while employees are paid for the inefficiency, but the customers; they are not.

If the bureaucracy is a business firm with viable competitors, you can always take your business someplace else if the bureaucracy fails to satisfy your needs. But reality reminds us that in all probability the competitors also use the bureaucratic form. Moreover, is the organization is a government agency or a regulated monopoly such as the electric company, you have little choice.

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**DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY**  
**NONMEMBER FRUSTRATION**

- But reality reminds us that, in all probability, the competitors also use the bureaucratic form.
- Moreover, if the organization is a government agency or a regulated monopoly (such as the electric company), you have little choice.
- When you move and need to have your electricity turned on, you deal with the bureaucracy on its terms.
- Often they will not tell you exactly when they will be at your residence other than to say it will be between 9 a.m. and 5 p.m. on a given day.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 51

When you move and need to have your electricity turned on, you deal with the bureaucracies on its terms. Often they will not tell you exactly when they will be at your residence other than to say that it will be between 9 a.m and 5 p.m on a given day.

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### DYSFUNCTIONAL CONSEQUENCES OF BUREAUCRACY

#### NONMEMBER FRUSTRATION

- So *you* stay home and wait, although they profess that they exist to serve you.
- Every college student who has undergone the rigors of registration and has confronted the school's impersonal and rule-dominated "system" can relate to the frustration that nonmembers feel who must deal regularly with bureaucracies.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 52

So, you stay home and wait, although they profess that they exist to serve you. Every college student who has undergone the rigors of registration and has confronted the school's impersonal and rule-dominated system can relate to the frustrations that non members feel who must deal regularly with bureaucracies.

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### CONCLUSION

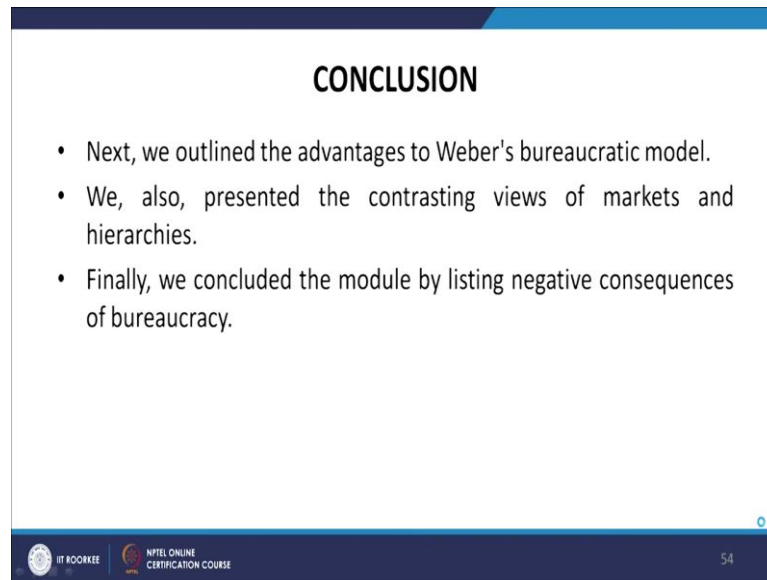
- We started this module by describing what the term bureaucracy mean. It is defined as a type of organizational structure characterized by:
  - division of labor,
  - a well-defined authority hierarchy,
  - high formalization,
  - impersonal relations,
  - employment decisions based on merit,
  - career tracks for employees, and
  - distinct separation of members' organizational and personal lives.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 53

So, in order to conclude this module; we started this module by describing what the term bureaucracy mean. It is defined as a type of organizational structure categorized by, one, division of labor, two, a well-defined authority hierarchy, three is high formalization;

fourth, impersonal relations, fifth, employment decision based on merit, sixth, career track for employees and seventh, distinct separation of members' organizational and personal lives.

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**CONCLUSION**

- Next, we outlined the advantages to Weber's bureaucratic model.
- We, also, presented the contrasting views of markets and hierarchies.
- Finally, we concluded the module by listing negative consequences of bureaucracy.

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Next, we outlined the advantages of Weber's bureaucratic model. We also presented the contrasting views of markets and hierarchies and then finally, we concluded the module by listing negative consequences of bureaucracy.

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And these are the four books from which the material for this module was taken.

Thank you.