

Market bureaucracies and clans by william g. ouchi

[Finance](#), [Market](#)



Lack of standard management can cause problems in business when using this control system because employees may take advantage, or shrug responsibility without guidelines. This control system is advantageous to business and management because it can also encourage employees to take initiative and increase knowledge and skills. After this conclusion Couch describes the market failure framework. In some circumstances no contractual market relationship is feasible.

He shows this in table 1 where he describes the unman factors: bounded rationality and opportunism as main factors and the environmental factors: uncertainty/complexity and the problem with small numbers at transactions. He argues that bureaucracies can fail when the ambiguity of performance evaluation becomes significantly greater than that which brings about market failure. When tasks become unique the bureaucratic mechanism will fail. This is in my opinion the most negative aspect of the bureaucracy mechanism. It is inflexible and works only in economically weaker regions.

Also Couch mentions, that he Clan mediation succeeds by minimizing goal incongruence and tolerating high levels of ambiguity in performance evaluation. He names the Clan as obverse of the market relation. It achieves efficiency under the opposite conditions: high performance ambiguity and low opportunism due to solidarity and teamwork. There is one aspect, which Couch isn't considering. In my opinion the Clan mediation is mostly established in countries where opportunism is already very low in case of the tradition there.

Obviously the Clan system will lower opportunism, but maybe it is hat low because of the where this system is mostly established. Summarizing Couch determines, that bureaucratic mechanism of surveillance and control have increased, but the for example the transactional cost in the United states increased in the past 10 years. So I am asking myself if the bureaucratic surveillance is the most effective strategy under present social conditions. I also don 't think Clans could be implemented well in the United States. So in my opinion a solution should be searched to lower the transaction cost of organizations.