

Post bureaucracy and decentralisation in intensive competition management essay



**ASSIGN
BUSTER**

Organisational structure is critical to a company's effectiveness of performance, and organisational structure varies according to companies' unique contexts. Since 1980s, a growing literature has argued that " the age of bureaucracy has ended or is ending", and there is a " fundamental move beyond bureaucracy" (Heckscher, 1998, p. 2). We are moving from bureaucracy to post-bureaucracy.

Generally speaking, post-bureaucracy includes subcontracting, decentralisation, flexible organisational boundaries, the boundaryless corporation and networking (Ackroyd, 1991). Since decentralisation is a very important part of post-bureaucracy, I will explain it separately. There are many factors that drive organisational structure from bureaucracy to post-bureaucracy, such as fast technological change, intensive competition, rapidly changing product markets and customer demands, and the requirement of flexibility. Cost reduction is also an important factor to trigger this trend. However, this trend also generates some concerns and criticism. For subcontracting, there may be insufficient supply of suitable workers; inconsistency of workflow may lead to inflexible which is against the flexible feature of post-bureaucracy; it will also enlarge the pay difference between core workers and periphery workers; there may be also lower level of products or services provided; and it can result in inefficiency of teamwork. Temporary workers tend to move between companies according to the pay and benefit levels. Because of this high flow of workforce, companies may resist to train employees. It will also be more difficult for unions and government to regulate such decentralised forms.

In this paper, I will first talk about the definition of post-bureaucracy and decentralisation; then I will explain the reasons why companies are fascinated about post-bureaucracy and decentralisation; and finally, I will discuss and evaluate concerns and criticism of such trend and their validity.

Main Body

What is Post-Bureaucracy and Decentralisation?

Generally speaking, post-bureaucratic organisational structure is about moving away from bureaucratic organisational structure and it is about decentralisation, corporation and networking. Post-bureaucracy blurs the boundaries between companies and countries, and post-bureaucracy encourage interorganisational relationships which include strategic alliance, joint venture, outsourcing/ subcontracting, unilateral agreement and network organisation (Buchanan and Huczynski, 2004, p. 557-560). Post-bureaucratic organisational structure stresses spontaneity, empowerment, participation, decentralisation, flexibility, downsized and delayered, and team work between the organisation and its environment (Ackroyd, 2002; Maravelias, 2003). The autonomy existing in post-bureaucratic structure is much more than it is in bureaucratic structure. According to Heckscher and Donnellon (1994), in order to successfully build post-bureaucratic structure, there must be some trust because through this structure, there will be many knowledge and information sharing, interaction and corporation. Unlike bureaucratic model which is about directing participants, post-bureaucratic structure requires persuading participants (Heckscher and Donnellon, 1994). One of the most obvious features of post-bureaucracy is subcontracting which means using agent temporary workers to complete specific tasks that used

to be conducted by companies' direct workers (Rees and Fielder, 1992).

Post-bureaucracy means decentralised on many aspects of organisation; however, it does not mean that there is no domination at all (Josserand et al, 2006). No matter how decentralised an organisation is, it still requires some degree of control and hierarchies to make sure the company is on the right direction.

Decentralisation means that companies give the power of decision-making to lower levels of groups (Schermerhorn et al, 1994). The lower levels of groups do not necessarily mean management groups; it can be any sub-units within the company. With the delegation, such groups can enjoy a degree of autonomy or independence (Mullins, 2005, p. 1053). Decentralisation usually associated with fewer hierarchies, wider span of control and free flow of ideas (Mullins, 2005). Mullins also mentioned that there are many advantages of decentralisation, such as increased employees' motivation, quick responsiveness to local changes and improved support services.

Why are Post-Bureaucracy and Decentralisation fascinated?

Companies are fascinated and apply more about post-bureaucracy and decentralisation because they have many advantages which contribute to the effectiveness of companies' performance. There are many factors encourage companies to move from bureaucracy to post-bureaucracy.

First, the fast change of technology requires companies to cooperate and works together (Mayle, 2006). This is especially important for high-technology, innovation industries and telecommunication companies because technological change is more obvious in those industries. No matter

how many highly skilled expertises a company has, there are always some technologies it cannot develop by itself or get access to. However, through corporation and networking, companies can share the latest information and technology-based knowledge. The wide variety of information allows people to conduct their jobs more effectively (Guetzkow, 1965). This is similar with DeGeus's idea of "organizational learning" which means organizations learn from each other and improve during the process of corporation (see Schneier, 1994). DeGeus argued that through organizational learning, it helps companies to better adopt and facilitate to dynamic change and then make improvement. Corporation and networking can also help companies to gain competitive advantages (Porter, 1996). This is true because each company has its own technological strength. If companies can share their own strength with others, there will be mutual benefits. If companies cannot follow the new technological change, they may either produce with higher cost or have lower productivity.

Second, global and intensive competition requires companies to move towards post-bureaucracy, such as subcontracting and outsourcing. Because of the intensive competition, companies need to reduce production costs or improve productivity in order to stay in business and gain competitive advantages. The main reason that companies are using agencies is the requirement of reducing labour cost (Ward et al, 2001). There are a wide variety of outsourcing, such as technology services outsourcing (software, telecommunications et al) and business process outsourcing (accounting, logistics et al) (Offshoring Times, 2009). Companies can also outsource HR functions to reduce labour cost. For example, BP Amoco outsourced its

human resource function to a US-based company-Exult; and Exult helped BP with almost all HR functions, such as training, employee relations and recruitment; and for the first year of their contracting, BP successfully cut its cost from US\$350 million to \$250 million (Pickard, 2000).

The third reason is the rapidly changing product market and customer demands force companies to cooperate with each other. Because of the rapid changing environment, companies need to adjust their production quickly and effectively. For example, Apple shares some internal information with its partners, such as software developers, sub-system supplies and dealers, and they work together to help Apple predict sales and adjust its production according to the prediction (Bahrami, 1992). Because of globalisation, business can be operated all over the world instead of limiting within a single country or a local area. It is costly and hard to start a new business in another area because regulation may be not the same as it is in home country, and customer preference may be different as well. However, if companies can adopt the strategy of joint venture, boundaries will not be a problem. Companies can also make good use of each other's resources. For example, there was a joint venture between West European companies and companies in the ex-Soviet block. One party provided investment and experts, and the other provided labour and entry to the markets (Buchanan and Huczynski, 2004, p558). In this way, they shared their production factors as well as getting access to markets.

For network and partnerships, such as strategic alliance, there are many advantages, such as more access to resources and diversity of perspectives (Sturtevant and Lange, 1996). Strategic alliance can help companies to share <https://assignbuster.com/post-bureaucracy-and-decentralisation-in-intensive-competition-management-essay/>

resources and work efficiently. For example, in 1991, IBM, Apple and Motorola conducted a project (PowerPC) together; during the project, IBM provided “ their RISC microprocessor technology to Motorola”; and then Motorola produced “ high-speed PowerPC chips for both Apple and IBM” (Bertrand, 1992 as cited in Sengupta et al, 1998, p27). Greater flexibility, risks-sharing and options-generating can be achieved through partnerships (Evans, 1982). Partnerships can also help companies to respond quickly to unexpected change and adjust to it more efficiently (Hart, 1937).

Some argued that companies use subcontracting and outsourcing in order to weaken trade unions’ bargaining power (as cited in Wallis, 2000, p730).

Trade unions generally focus their attention on a unionised direct workforce. Therefore, companies can take advantage of this feature and undermine trade unions’ bargaining power. According to Prowse and Turner (1996), during the 1984-5 strike on coal industry, NCB introduced subcontracting on some coal-site tasks in order to fragment workforce and undermine organised labour force power in coal industry.

Through subcontracting and outsourcing, pressure from hard, dangerous or boring tasks can be decreased. For some highly repeated low-skilled tasks, such as switching buttons, the turnover rate is high; because this kind of tasks requires almost no knowledge about the company, so it is a good idea to use agency workers to reduce employees’ pressure. This is also the case for some dangerous and unhealthy jobs. For example, for some strong-noisy jobs, no matter how good the protection device is, it is still bad for workers’ hearing if it lasts for a long time. It is humanity to use different people for short times. This is even the case in hospitals. In the accident and <https://assignbuster.com/post-bureaucracy-and-decentralisation-in-intensive-competition-management-essay/>

emergency department, staff's pressure is high because working in this department requires speed, efficiency and it often associated with some bloody occasion (Purcell et al, 2004). If hospitals can outsource some jobs to professional agencies, jobs can be completed as well as reducing employees' pressure.

There are other reasons that attract companies to use subcontracting and outsourcing. Subcontracting give employers chances to get access to specialist skills unavailable within the company (Holmes, 1986). For example, according to RJB Mining representatives, through subcontractors, they can get “ workers with specialist skills to undertake discontinuous tasks” (Wallis et al, 2000, p. 729). For hi-tech industries, it is sometimes hard to find highly-skilled workers within local areas. For example, ICTUK, a company which provided computer service to client companies, found that it was hard to find employees with skills they needed; so, ICTUK used Indian agency that provided required employees from India to UK (Purcell et al, 2004, p712). Because tasks are different at different time, if the company keeps all skilled workers as direct workers, it will be costly. By using subcontractors, company can get needed workers as well as saving money. Another reason companies prefer to subcontractors is that it will be cheaper through outsourcing. Since they are temporary workers, the rate of pay is usually lower than direct workers; and companies do not need to provide some benefits to workers from contracting companies, such as holiday pay (Rees and Fielder, 1992). By using subcontracting, companies can also avoid investment in the latest machines and tools, which can save companies lot money (Lorenz, 1998). In addition to that, workers from contracting

companies can conduct tasks more quickly than companies' direct workers because they tend to focus on specific areas and require little or no training on needed skills (Wallis et al, 2000). It is also believed that using subcontracting can help companies to avoid morale problems on laying off regular employees (Kalleberg, 2003).

Problems and Concerns about Decentralisation and Post-Bureaucracy

Although there are many advantages of post-bureaucracy and decentralisation, there are still concerns and problems; they are inefficiency of the supply of skilled workers, hard for contractors to recruit and keep employees, imbalanced treatment between core workers and periphery workers, less control of temporary workers and their work, hard for government and unions to regulate, not good for teamwork within companies, and training programs constraint. Criticism of post-bureaucracy happened mostly in subcontracting. For subcontracting, concerns and problems mainly come from three aspects-the supply of labour (contractors), the demand of labour (client companies) and the government and unions.

It is argued that the contractor sometimes experience insufficient supply of skilled/suitable labour which can cause problems (MacKenzie, 2000).

Mackenzie mentioned that the insufficient supply of skilled/suitable labour cause problems to both contractors and client companies. For contractors, if they do not have the skilled workers to satisfy other companies' need, they will have bad reputation, and their business will endanger and encounter close down. For companies which want to use agencies, if they cannot find the suitable workers they want, and hard to recruit direct workers, they will

<https://assignbuster.com/post-bureaucracy-and-decentralisation-in-intensive-competition-management-essay/>

either complete these tasks with bad quality or not complete these tasks at all. The other problem faced by contractors is that it is hard for them to retain employees from different levels. Temporary workers are quite fluid, and sometimes contractors are not able to provide people required by client companies; people who work as temporary workers tend to move to contractors who provide the best pay rates (MacKenzie, 2000, p. 715). It is not possible for contractors to offer the highest pay rate all the time, so it is difficult for them to keep skilled workers at different times. This is especially true when the product market is competitive. Purcell argued that within competitive market, specialist skilled workers are usually in high demand; and they often chose to work for contractors who offer “ the highest bidder or achieve employment flexibility that fits in with their preferences rather than the employers” (Purcell, et al, 2004, p. 713). Because of the feature of highly fluid labour force, contractors tend to restraint and avoid training programs (MacKenzie, 2000, p. 718). Through BT’s case, he argued that BT’s loss of qualified workers discourage BT to train its employees because BT was afraid that workers might leave the company after training. BT’s reaction is reasonable. Just imagine, if BT keeps training all its employees with whatever the latest market requires, BT will of course get qualified skilled workers. But, because workers tend to move towards best pay and benefits’ provision, finally, BT may end up with loss of qualified workers, and at the same time, it may increase its competitors’ competitive advantage because competitors get the qualified workers that BT have trained.

It is believed that the client companies also take risks during subcontracting. The most obvious one is that they cannot always get the employees they

want. If companies rely on subcontractors as traditions, once there is insufficient supply of skilled workers, companies may feel hard to recruit qualified workers (MacKenzie, 2000, p. 716). For employees who get the required skills do not mean that they will complete the tasks correctly and effectively. Therefore, even if companies get skilled workers, there is also the possibility that they may interrupt the workflow or project (Roque, 2009). Based on Roque's own experience, subcontract workers sometimes make decisions without asking client companies which may cause problems because they do not know the companies very well; subcontractors may also miss their deadlines or break their contracts. If the outsourced tasks are part of the whole project, ineffectively completing of those tasks can affect the project as a whole. What's more, if managers in client companies do not know how to effectively use subcontract workers, there will be also risks of completing tasks ineffectively (Lyytinen and Ropponen, 2000). It is also complained that using temporary workers can lead to less effective teamwork (Purcell et al, 2004, p. 715). They argued that since temporary workers are from outside of the company, they know little about the company's culture and doing things differently from direct workers. Because there is no direct control or less control from client companies, the quality of products and services provided by subcontract workers is not guaranteed. During research conducted in hospitals, Purcell et al found that temporary agency staff can cause problems on " quality control and continuity of patient care" which add more pressure on regular staff in hospitals (2004, p. 718). If a company does not have any experience on decentralisation, decentralisation may not be helpful. For example, after applying

decentralisation, there will be small groups of workers; and those small
<https://assignbuster.com/post-bureaucracy-and-decentralisation-in-intensive-competition-management-essay/>

groups may feel aimless or they may work towards wrong directions (Bahrami, 1992, p. 37).

For government and unions, it is hard to regulate and intervene. According to Lorenz (1998), the agreements between contractors and client companies are never in written form except for the order form. Lorenz also argued that because of these incomplete contracts, they cannot use courts to resolve disputes; they can only solve disputes, misunderstandings and ambiguities through discussion until they agree with each other. Then, it will be harder for government to intervene in disputes happened between those two parties. The triangular relationships in employment are especially hard to handle (Deakin, 2001). Governments are trying to regulate subcontracts, and there is extra subcontract administration cost added to governments' ordinary costs (Howell, n. d.). In addition, it is argued that through decentralization, some macroeconomic policies are harder to implement and finally decrease stability (Prud'homme, 1994). For unions, it is easier for them to organise stable direct workers; and the emergence of temporary work agencies give unions new challenges to organise and regulate this kind of labour force because most of those temporary worker are not stable, and they move between companies, even between industries (Heery, 2004). In addition to that, ' many skilled workers have left unions and become self-employed open shop workers or employees of specialty subcontractors' (as cited in Perng et al, 2005, p. 1). In this way, union membership will decline, and unions' bargaining powers will be weakened.

It is possible that decentralisation costs companies more. Because of the centralised structure, companies can allocate and distribute resources more
<https://assignbuster.com/post-bureaucracy-and-decentralisation-in-intensive-competition-management-essay/>

centralised and effectively. According to Lyons and Bailey (1993), through decentralisation, cost advantages, such as economies of scale, may be diminished.

One advantage of subcontracting is that it can foster work flexibility. However, this is not always the case. Based on MacKenzie's study about telecommunication industry, because workloads were different at different times, number of temporary workers required was different as well (2000). Using subcontractors supposed to be flexible, but contractors were not satisfied by the inconsistency of workflows. Therefore, in order to achieve agreements, client companies tried to make forecasts about workloads and tried to stay with that. According to Atkinson and Meager (as cited in MacKenzie, 2000), the effort of trying to manipulate workloads was contravene the flexible feature of contracting.

It is argued that pay and benefits for core workers within companies and periphery workers in contractor firms are not equal. According to Atkinson and Gregory (as cited in Wallis et al, 2000), Workers who stay in the company permanently are core workers, and they enjoy great pay and benefit packages, and they usually do not need to worry about unemployment; however, for the periphery workers (subcontracting workers, temporary workers, part-time workers and self-employed workers), their jobs are insecure. It is also argued that the pay rate on the same kind of job is different for core workers and periphery workers (Mangum et al, 1985; Kalleberg, 2003). It is unfair treatment. According to Callaghan and Hartmann, because of subcontracting, there is a "two-tiered system of employment", which means that core workers have "good pay, benefits, <https://assignbuster.com/post-bureaucracy-and-decentralisation-in-intensive-competition-management-essay/>

opportunities for training and job security”; while peripheral workers have “lower wages, no benefits, worked in low-skilled jobs with few training opportunities, and face significant job instability and insecurity” (see Smith, 1997, p. 328). However, temporary workers are not always in worse conditions compare with core workers. Purcell et al (2004) stated that for some professional agencies, such as nurses, the hourly pay rate for temporary nurses was even higher than the NHS-employed average nurses. No matter whose pay rate is higher, generally speaking, there are imbalanced treatment on pay and benefits between core workers and peripheral workers.

Conclusion

Post-bureaucracy encourages subcontracting, decentralisation, corporation and network. Companies with post-bureaucratic structure usually have loose management style, wider span of control and fewer hierarchies. Therefore, there will be greater autonomy within company which motivate employees to take responsibilities and contribute more to the company.

Decentralisation is part of post-bureaucracy, and it is about giving more power to lower levels of work units. Small units can thus respond quickly to instant changes.

Post-bureaucracy and decentralisation attract organisations because of both outside and inside incentives. It is generally about either reducing production costs, improving productivity or get resources, knowledge, information and technologies that are not available within one company. Through subcontracting, companies can get different levels of skilled employees that are not available within companies. In this way, companies can adjust

<https://assignbuster.com/post-bureaucracy-and-decentralisation-in-intensive-competition-management-essay/>

number of workers used according to market change and periodical workload. Companies can also avoid bad reputation of dismissing employees all the time. Through subcontracting, labour cost can also be decreased because temporary workers' pay rate tends to be lower than direct workers. Contract workers usually complete tasks quickly because they are focus on specific areas and require little or no training. Through network and partnership, companies can get wider range of resources and information. Companies can also contribute its own strength to the same project in order to get the best result. Through partnership, companies can share risks on unknown or new areas and get a wide range of perspectives from experts. By learning from each other, companies can always follow the fast changing technology, product market and customer demand.

Although there are so many fantastic advantages that attract organisations to move to post-bureaucracy, there are also concerns and problem associated with it, and most of the problems focus on subcontracting. The insufficient supply of skilled/suitable workers from contractors is a big problem for both contractors and client companies. Because of the insufficient supply, contractors may lose clients and get bad reputation; while for client companies, without these required workers, tasks cannot be completed. This insufficient supply mainly due to that temporary workers tend to move towards best pay and benefit provision. This phenomenon may also lead to companies' restrain training programs. Through subcontracting, there is a danger that products/services may be provided in poor quality because of the limited control by client companies. In addition, many people complained about the imbalanced treatment between core workers and

periphery workers. Generally speaking, on the aspects of pay rate, benefit package, training provision and job security, periphery workers are in worse condition compared with situation for core workers. What's more, segmentation of workforce is also hard for government and unions to organise and regulate.

According to the concerns and problems mentioned above, post-bureaucracy still has a long way to improve. Solutions can be provided based on the problems. Government and unions can make special rules for those labour; companies can keep several contractors instead of one in order to get needed workers all the time; client companies and contractors can try to balance core workers' and temporary workers' pay and benefit package together; and client companies can assign certain people from own companies to supervise subcontracting workers' work, and make sure they are in good quality.