

# TOWARDS A FLEXIBLE STATE

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It is now more than 20 years since Bernard Schaffer published his celebrated article, 'The Deadlock in Development Administration'. His main object of attack was the body of thought that went under that name. In his view development administration had rightly argued the distinctiveness of the administration problem in the Third World: the coexistence of extensive needs, growing demands for state output after independence, a low level of administrative and executive capacity within the state, and a range of severe obstacles in the way of the new developmental orientation and service delivery. What they had got wrong was their view of the nature of administration. The panaceas of central planning, public service training, technical assistance for public administration, and community development were each flawed or inadequate to the problems in hand. He was particularly vigorous against community development — which in spite of its grass roots practices, he saw as top down romanticism, a political rather than an administrative movement, and one which often encouraged local conflicts rather than healing them.

What also comes over forcibly is Schaffer's attack on the bureaucratic bequest of colonialism. This was only one style of administration among many. Its roots lay in 19th century metropolitan public service reform. Its advantages were its stability, its continuity, the lack of arbitrariness in its procedures for allocation, and the space it allowed for the expert. Its weakness lay in the difficulty it had in coping with uncertainty, with non-routine functions, and diffuse and unstandardized situations. These were the very features that characterized post colonial societies.

Executive officers — of whom there were anyhow too few — were faced with making critical decisions, rather than applying standardized rules. Like the machine as a whole they could handle repetition but not innovation, and it was innovation that was required. None of development administration's panaceas addressed this problem. The very concept of central planning was a product of the bureaucratic model itself. Technical training would merely prepare better bureaucrats. Community development was a political mobilization against it. The fundamental structural problem of development administration remained untouched — the bureaucratic model itself. This was the deadlock.

In this, as in his other work, Schaffer's strength was as a critical theorist. He was a deconstructor, a post

structuralist before his time. His writings are full of attacks on rationalist plans for administrative re-organizations, devised on the basis of abstract principles by people outside the machinery of government. For him the model of bureaucratic rationalism was doubly inappropriate for developing countries, first because of its bureaucratic structure, and secondly because of its rationalism. In matters of administration says Schaffer (after Simon), statements of principle are 'essentially useless'. He is not a son of the Enlightenment.

Rather, in his approach to administration — if not in his politics — he was a Burkean. In reforming the machinery of government, 'the work should be conservative'. It should be carried out by officials who know the system and what can be done. 'Good work is what is effective and, therefore, what is acceptable'. Those who are successful will be something between a diplomat and an anthropologist of departmental rituals. There should be no search for precision. Even the transfer of experience from case to case is problematic. Worthwhile work will not rely on metaphor — either for its questions or its answers — but rather will take the problems as they come.

The above are taken from one of his early papers on *The Theory and Practice of Government*, but their tenor reflects what was to remain his basic approach. He favoured signposts and lists of possibilities, things to look out for, rather than universals. Such lists should be drawn from particular histories and systems. They should be part of a continuous adjustment to administrative systems not discontinuous reform.

The distinct contribution he made in his development writings was in the lists he suggested. Here is one such, drawn from a paper on *The Meanings of Development Administration*:

- 1 Designing organizational structures which, unlike administrative or centrally dominated departmental or secretarial forms, emphasize field, project, executive, specialist or area elements.
- 2 New ways of organizing for representation, participation or conflict.
- 3 Alternative public service career structures to give greater expression to the prestige of the field and the project.
- 4 Alternative forms of district organization and of organizing the relations between market towns and rural areas.

- 5 Alternatives to hierarchical and pyramidal organizational structures.
- 6 New forms of consultancy process.
- 7 Inherent rather than extrinsic, occasional or devised forms of control or evaluation.
- 8 Ways of employing destabilizing and anti-institutionalized processes.
- 9 The implications of seeing administrative action and especially the relations between administrative organizations and clients as inherently an educational and training process.

Embedded here are already those administrative issues on which Schaffer directed his spotlight: the relation between the executives of the state and the citizen; the consequent importance of the front line state workers, relative to the centre; the importance of anti-hierarchical structures; questions of administrative information systems, of accounting and the audit; of accountability and democracy; of innovation; and of what would now be called 'the wage relation', the terms of contract and career structure of those employed by the state.

In all of these he brought a sharp shift from the traditional liberal theory of government, with its clear division between the legislative and the executive, between policy and implementation, and thus between politics and administration. For Schaffer administration was part of politics, just as politics necessarily implies administration. 'Politics is decision making in an organizational context and through organization'. Representative democracy was only one form of accountability. Conflicts can be resolved in places other than parliaments. In line with his warning against liberal rationalism, he urged that we should start always from where we are, with what we have in hand, and not from some abstract model of where we would like to be. 'The study of organization is not at all the Leninist question of what is to be done, but the more complicated and less certain question of what can be done'. It was a warning as much to the World Bank or the Chicago School as to successful revolutionaries. It reflects what we might call his Burkean Fabianism.

Schaffer's problematics are still relevant and too little heeded. The main structures of government and of the national and international aid agencies are still hierarchical and pyramidal. The field officer lacks the prestige of the bureaucrat. The philosophy and practice of consultancy, and of much administrative training, remains much as it was. Above all, there is the same enduring tension between form and function for a developmental bureaucracy. On the one hand it has its formalized routines and inflexible structures. On the other it is required to undertake entrepreneurial tasks,

in an unpredictable environment, with resources that are dwarfed by the needs of its citizens. In this sense there is still a deadlock in development administration.

On the other hand the past decade has witnessed a wave of rationalistically inspired 'destabilizing and anti-institutionalization processes'. The rationality in question is that of neo-liberalism. If Schaffer invokes Burke, the neo-liberals cite Smith and the utilitarians. But their Smithian roots are those of the Wealth of Nations rather than the Moral Sentiments, and their utilitarianism that of Spencer rather than Mill. Their preferred forms have been those of the market — dismantling the state, sub-contracting its functions, introducing competition, charging for services, opening up state labour to the discipline (and incentives) of the market. Their preferred agents have been private capital and the private person. The drive for individualism has been methodical as well as methodological. In the First, Second and Third Worlds, the principles of association have been on the defensive and the state under siege.

The limitations are already evident from the practice of privatization and the forward march of the market into the interior of the state. Adequate contractual know-how, quality control, asset depreciation, wage cutting, health and safety practices, the loss of socially oriented services to those that prevailing distributions of income command on the market, the fragmentation of services, the redistribution of costs to the user — all these have been issues of the liberalized public administration of the 1980s. Many of these — and more — have been problems for bureaucratic states themselves. It is in principle possible to devise regulatory and contractual arrangements which limit the problems. But practice is not determined by theory alone. There is a politics as well as an economics to privatization and the market, and that politics has ensured that the use of the market as the lodestar and administrative instrument of public services has had for the most part a regressive impact on both users and workers. The problems that gave rise to the state in the first place are reappearing. What we have learnt is that it is hard enough to enforce regulations when there is public control. It is that much harder when the barriers of property stand in between.

The terms of the debate in the last decade have been between an old state and a new market. Schaffer's alternative public path — of lists, and adjustments and pragmatic diplomacy — has been swamped by the onslaught on the state itself. What is needed is a new model for public administration, one that can match the Weberian model as a point of reference. Much public administration literature has been concerned with showing that this state or that did not conform to Weber. But it was still Weber who was invoked, and still Weberianism which informs so many constitutions

and practises in the Third World. It is the weaknesses of that model which have been equated with the weaknesses of the state. There need be no such equation. The neo-liberal reforms have already provoked public practices which suggest a new model. The task is to formalize it.

## NEW CORPORATE MODELS

One starting point is to consider the changes taking place in corporations. The traditional model of the large multi-divisional corporation was developed in the 80 years between 1850 and 1930. It started on the railroads, spread to process industries such as steel and chemicals, and was extended to complex assembly, notably by Alfred Sloan of General Motors. These were the years of bureaucratic development in Britain and Germany (on the Prussian model) and of scientific management in the organization of work in factory and office. Like Weberian bureaucracies Sloanism had a strong vertical hierarchy, employed standard procedures and systems, and was based on clear cut functional specialization. Like Taylorism, it made a sharp division between conception and execution, with corporate planning like production planning placed in the hands of specialists. It relied on pay and prospects as incentives, paid the rate for the job not for the person, and sought — through job design — to match the principle of interchangeable parts with interchangeable workers. Though it would grieve Sloan to hear it, Sloan's organizational paradigm has come to be called Fordist, as representing the adequate form for the mass production age.

Corporate bureaucracy has its outstanding historian in Alfred Chandler. His key point — and it is one that is brought out well in a recent book by Michael Best — is that this model hinges on a particular information system. Seeking economies of throughput the large US corporations developed statistical procedures that allowed them to co-ordinate production, inventory control and working capital with detailed forecasts of short term demand. Their cost accounting techniques also allowed them to decentralize operational responsibility at the same time as maintaining centralized planning and service functions. Chandler sees these accounting and intelligence techniques as more significant than Taylorism in the workplace, and 'one of America's most useful exports in an age when so many nations are seeking the material benefits of a mass production, mass distribution economy' (Chandler 1968: 277).

Chandler wrote this in the late 1960s and a decade later in *The Visible Hand*, he could still argue that the modern enterprise was only an extension, if a more sophisticated one, of the old model. Indeed he saw it spreading as electronic technology allowed mass

production techniques to be applied in many older industries — airlines, communications, motion pictures, man made fibres, paper and glass (Chandler 1977, Chapter 14). It was the bureaucratic organization which allowed the potential economies of scale of mass production systems to be realized. Like Emma Rothschild, he backed Sloan against Ford for prime place in the gallery of innovators.

By the time *The Visible Hand* was published, Fordism was already in trouble. UK and US mass producers found themselves vulnerable to the macro instability of the 1970s, they faced widespread labour resistance, and competition from Japan, Italy and Germany in world markets. Some of this competition came from rival Fordists — like Fiat and Volkswagen — but much from enterprises that appeared to follow different organizational principles. These principles echoed academic work that for some years had pointed to the limits of Sloanism, particularly in an age of unpredictability and one in which a premium was being put on innovation. Taken up in Business Schools and by management consultants, the practices have been consolidated into a new model, which stands much of Sloanism on its head.

In the accompanying chart I have laid out the main contrasts between the old and the new. First, there has been a move from closed to open systems. A closed system is like a machine which operates with little interplay with its environment. Between Sloan's bureaucratic fortress and its surroundings lies a deep moat. Suppliers are kept at arm's length. Consumers are passive. Competitors are not to be trusted. Vulnerable as they are to uncertainty (because of the costs of surplus capacity) Sloanist firms have developed ways of adapting their environment rather than becoming adaptive to it (these methods have varied from instalment credit, to standard cost accounting, backward integration, and support for Keynesian macro regimes).

Open systems operate in continuous interchange with their environment. They are adaptive as much as adapting. Organizationally this has meant close collaboration with suppliers, consumers and competitors. Each is seen as a source of innovation from which the initial firm itself can benefit. Hence Bosch requires its sub-contractors to work for others as well as itself, Xerox encourages its employers to seek other jobs, keeping links with Xerox through a retainer. Japanese electronics companies choose suppliers on the basis of their capacity for innovation and collaborative working rather than on low cost tendering. For management the task is not merely internal regulation, but the management of the firm's inter relations with its environment, scanning for changes, responding strategically or in the words of the socio-technical systems theorists, managing the boundaries.

## Contrasting Models of Corporate Organization

<b>Mechanistic</b>	<b>Organic</b>
<b>Closed system:</b> adapting internally oriented passive consumers arms length suppliers competitive	<b>Open system:</b> adaptive interplay of internal/external user centred close, long term supplier relations collaborative networks
<b>Planning:</b> pre-planning concentrated at centre detailed targets imposed by centre	<b>Strategy:</b> feedback from action participative process adjustable range of target within constraints consensus
<b>Organization:</b> multi-layered pyramid vertical flow of information and command unitary segmented organization departmental specialization role culture organograms/job descriptions centralization of operating responsibility/rules and manuals management role: planning, organization command, co-ordination, control, organization as instrument	<b>Network:</b> flat hierarchies horizontal connectedness, through project teams, task forces, matrix methods decomposed system functional redundancy/duplication task culture clusters/project goals workplace autonomy management role: boundary management system adjustment, enabling, supporting, educating, monitoring organization as learning
<b>Labour:</b> labour as cost incentives through pay strict hierarchies rate for the job high turnover Taylorized: fragmented, de-skilled, division of mental and manual work	<b>Staff:</b> labour as asset incentives through quality of work less inequality incremental pay lower turnover multi skilling — 'requisite variety'/group working

Secondly, there has been a change of view with respect to the relation of planning and operations. The traditional view was Taylorist: the planners setting the course, deciding the targets, and specifying the manner of execution. This was the outlook of Ford (as it was of Lenin). It is still strong today in the form of detailed programming, management by objectives, or PPBS techniques. It is the view from above, the architect's plan, assuming a clear sight of the terrain of action, and a measure of stability. Saul Steinberg, the head of the conglomerate Leasco, used to fix targets jointly with each manager. If they were met their salaries were raised 50 per cent, if they fell short they were fired.

The alternative view applies to situations where these conditions do not hold, where there is neither good information nor stability. Targets then become frail guides. The necessary knowledge will come through action — in this sense implementation might even be

seen to precede planning — and much will be held by those directly involved in the action, the operators rather than the planners. Faced with such ambiguity, uncertainty and bounded knowledge, an organization can only start with a general direction, an approach. It will clarify a field of possible action within certain constraints, and will determine its course through this field in response to the experience of action and the unfolding of events. In assessing the progress of an R & D project a typical Japanese firm will first see how its technology has developed, how the final markets have changed, how the competitors are doing, whether the research team is in good order, and only then will it check on expenditure against budget. We can speak of a strategy rather than a plan, a view from ground level over the next ridge rather than a clear photograph from the air. Both the making of the strategy and the process of feedback from its pursuit in practice cannot be left to specialist planners. For the operators must understand

the strategy as an approach rather than a set of rules, and will themselves need to contribute to it. Each operative needs to carry a planner's pencil in his or her knapsack.

The process is one instance of a third, broader contrast between the old and new, the structure of the organization itself. The old system was planned by specialists who laid out a clearly defined set of specialized roles, each complementary to the other. This is the world of organograms and detailed job descriptions. There was a clear division between head and hand, and few lateral relations between operators and departments. Co-ordination and control was a specialist and centralized responsibility. The movement of information and orders was vertical rather than horizontal. The layers of authority — 17 in the case of Ford — made for a steep pyramid.

For Herb Simon the key problem in any organization was incomplete information, or as he put it 'bounded rationality'. Organizational hierarchy, departmental and job divisions, plans, rulebooks, and standard procedures all helped deal with decision making under uncertainty. They were a system for organizing and economizing on information. Computerized information systems strengthened the capacity of these traditional forms — allowing the size of organizations to expand.

Japanese firms have taken a radically different view on organizational structure. For them a Taylorized system is an inadequate way of organizing information in an open system and a turbulent environment. This is how the point is put by Konosuke Matsuchita:

'We have passed the Taylor stage. We are aware that business has become terribly complex. Survival is very uncertain in an environment filled with risk, the unexpected, and competition . . . We know that the intelligence of a few technocrats — even very bright ones — has become totally inadequate to face these challenges. Only the intellects of all employees can permit a company to live with the ups and downs and the requirements of the new environment . . . We will win and you will lose. For you are not able to rid your minds of the obsolete Taylorisms we never had.' (Manufacturing Engineering 1988).

On the shop floor this means pushing specialist production tasks like statistical production control, maintenance, quality control, and even scheduling down to the operators on the shop floor. It means multi-skilling the workforce. In Hewlett Packard the shift is reflected in the fact that in some of their factories no one is now classed as an operative, even though production is not fully automated. Specialists are available — but to assist and advise. As a result one of the first consequences of the Japanization of a factory

is to remove many computers from the shop floor, since they are processing information which should never rise above shop floor level. The same principle applies to plants and divisions. Layers of middle management have been stripped out as an organization is decomposed into its front line operating units.

The problem of such decomposition is co-ordination between the separated units. Previously this was done by management — they were the conductors of the corporate orchestra. The emphasis now is on strong horizontal linkages — 'connectedness' as it is called in the organizational literature. Temporary project teams are one way of doing this — and one mark of the new form of organization. There are various forms of internal networking — including the co-operative development of strategy. Another approach is to limit the need for co-ordination by developing a range of specialisms within a single operating unit — a parallel to the multi-skilling of the workforce. One term used is the development of 'functional redundancy', that is to say that each person or unit has more functional capacities than can be used at any one time, thus adding to their self sufficiency and therefore flexibility.

Gareth Morgan has suggested the term 'holographic' to describe the new form of organization where each part contains the capacity to act as the whole. Like the brain itself, each part is both specialized and generalized, and can switch specialism when the need arises. Another image we could use would be that of a 'fractal' organization, invoking the principles of fractal geometry in which structures are repeated on finer and finer scales, there is self similarity, pattern within pattern, so that each part contains within it the form of the whole, and itself has parts which also take this form.

Specialization is not abandoned, it is internalized. This marks a break from the old organizational model. Boundaries are now less sharp — each unit, if you like, becomes a more open system. The boxes of an organogram need to become mobile like an amoeba. Job descriptions should guide but not confine. The emphasis shifts from role to task — and the culture with it.

A further consequence of the re-arrangement of specialization is that there is scope for internal pluralism. Units like individuals may work more or less well. Innovation tends to thrive on diversity. The new corporations now encourage overlap, work on similar projects, and the breaking down of departments into units doing the same thing. In the traditional organization this would be called duplication. In the market economy it is known as competition. Some firms indeed have taken to internal tendering between teams for particular tasks.

In these situations the task of senior management is to judge. But it is of course much more than that. For while it still exercises the final control function, its work now is as much that of the gardener as the mechanic: establishing the organizational culture, and climate, putting the systems in place, managing the boundaries, supporting the staff. This is epitomized by one of the industrialists on a recent IDS study seminar who, on his return, devolved all operating responsibility on his deputy, and allocated half his day to working as an internal consultant, and the other half to training the workforce.

One way of looking at many of these practices is to say that the new forms of organization are centred round learning. This is the fourth point of contrast. The traditional organization was instrumental. It was set up to carry out certain tasks, and that was that. The image was that of the machine — and it was an image that was carried over to describe different types of organization which grew alongside the Fordist firm: the political machine, the machinery of government, your application is somewhere in the machine. The very word organization comes from the Greek for instrument.

The modern conception is quite different. Once uncertainty and imperfect knowledge are introduced then the machine image becomes inadequate, as it does if an organization is expected to adapt to and learn from its environment and its own functioning. It was Ford himself who said that there could be no positive knowledge without negative knowledge. Hence an organizational culture must be such as to encourage its members to take (reasonable) risks, must not penalize failure, but be ready to learn from them. This sounds more like an old proverb than a new principle, but its significance can be judged from the Japanese attitude to machine break down. Instrumental maintenance seeks to mend the machine. The Japanese go a step further and ask why the breakdown occurred, and how the machine could be improved so that it does not break down again.

There is also the question of how people learn. The American management writer Tom Peters puts great emphasis on learning from action, rather than requiring too much detail before starting. It is the contrast again between planning and strategy. It affects training too. Training itself is a limiting word — it is what is done to dogs, the teaching of tricks or good habits. The French word 'formation' is more appropriate, for it implies a sense of development. Like suppliers, workers are to be assessed by their capacity to learn, and to work creatively in the world of uncertainty. Similarly we can ask of an organization whether its members are learning from being in it, or — as is commonly the case — unlearning.

The fifth and final point follows directly from the fourth. It is that labour comes in from the cold. Seen no longer as an interchangeable part, as a Taylorized extension of the machine, it comes to be seen as the key asset for a firm. Xerox have recognized this by trying to construct sets of accounts which have labour as the asset, and machinery as part of circulating capital. This is also the case of football clubs, whose competitiveness centres on their team of players. For firms in general, it is the staff who embody the requisite variety of skills. It is they who learn, who determine quality and who innovate.

This has implications for the regime of labour. Taylor placed central emphasis on the recruitment of labour. A post-Taylorist would put greater weight on subsequent development. Matsuchita's aim in this field is 'to develop extraordinary qualities in ordinary people'.<sup>1</sup> Poor organizations often achieve the opposite. One side of a labour centred policy is a high percentage of spending on staff development. It is a good index of the new form of organization. Another side is a concern to lower the labour turnover. Hence the growth of a range of corporate welfare benefits from pensions, to mortgage support, and various social facilities.

There has been a long history of empirical work on the negative effects (from the viewpoint of capital as well as labour) of the Taylor system. Workers respond differently if they identify with what they are producing, if they are given security, if they have some stake in a firm, if they have scope and are recognized for work done well. What would seem little more than a trivial commonplace, are the tips of the iceberg of major research, and are still contradicted by much traditional organization. Those firms that depend on innovation and creativity — from electronics firms and software houses to design studios and the cultural industries — are those which have been amongst the most innovative in organization and labour policies.

To sum up, we can trace a move from a mechanical to an organic model of the corporation. This is the terminology of two of the pioneers of research in this area, Burns and Stalker. Others have called the new form 'brainlike', or 'integrative'. Then there is 'holographic' and 'fractal', or post rational, post Fordist or post Modern. The terms are less important than the substance.

I have described the substance in one way. I could have drawn the contrasts under the five classical headings of one of the fathers of Scientific Management, Henri Fayol, for whom management involved: planning, organization, command, co-ordination and control. But these themselves reflect the mechanistic way of looking at the problem, although all are still issues for the organic firm. Where the new forms have emerged most clearly — Japan, in the industrial consortia of the

Third Italy, in the networks of Baden Württemberg or among the Scandinavian majors, the results are not a corporate version of say a professional association or university. There are still many of the features of the old systems: targets, management information systems allowing continuous monitoring and control, rates for the job, even Fordist pockets within the wider organization. But the main structures of the organization have changed, as have their points of focus, and the nature of their internal and external relations. Their success and their spread now justifies us calling them a new model.

## FROM MECHANICAL TO ORGANIC ADMINISTRATION

I have discussed only one aspect of corporate administration, the material structures and processes of the administration itself. There are other readings: the labour process perspective and the structure of administration from the viewpoint of labour control; an industrial structure perspective linking size and administrative structure to market position and the degree of monopoly power; or the so-called contingency perspective, relating type of administration to the productive technology and the nature of the product. All these are important — not least because organizational literature tends to neglect the fact that all corporate administration takes place within the discipline of capital accumulation. The requirements of accumulation are the politics which suffice corporate administration. The new methods are not neutral from the point of view of labour, or the wider community. Yet it is because of the discipline of market competition that corporations have been driven to organizational innovation, and our interest in the new practices is because of their potential relevance for administration in the public economy. Just as public administration in the past has drawn heavily from the traditional forms of corporate administration — Weber, Taylor and Fayol were contemporaries with similar approaches — so we may ask what value if any is there in the new corporate administration for the public sphere.

The first point to make is that — whatever their similarities — corporate and public administration must be kept clearly distinct. The reason is that they operate on two quite different principles: the first allocates goods and money via the market, the second by a mixture of levies and bounties. Defined in this way the state lacks output prices, its management accounting therefore faces quantitative handicaps, its services are not subject to the discipline of the final market, nor therefore is its labour. Indeed, in the Weberian model, the labour contract is the converse of the private market; jobs are guaranteed, appointment and promotion takes place on the basis of input rather than output (qualifications rather than performance), and

there is a declared separation of the public and private sides of labour.

With the market removed, resources and accountability come in other ways, the one through tax, the other through elected politicians. The economic circuit and the political process — which were united in the market — become separated structures in the public sphere.

For a public Weberian bureaucracy, structured on a mechanical model, the consequences were as follows. First it was even more closed as a system than the Sloanist corporation. As private capital, the latter was forced to relate to the environment: the final market, the money market, and the product market. The grid of value was laid over it daily. It might try and mould the environment to its internal needs — but this meant active strategy. The public bureaucracy was more insulated, being dependent for its discipline on the much blunter instrument of the periodic vote and the instructions of politicians. Since neither the voters nor the politicians had a choice of bureaucracy, public administrators were further protected from external pressures to change in ways which conflicted with the interest and logic of the closed system. The same was true of armies for whom war alone acted as a decisive discipline for restructuring. We would expect bureaucracies, resourced from a forced levy, to be more producer dominated than a market bureaucracy.

One reflection of this is the greater weakness of the users. The Weberian analysis looks at how state officials secure control over citizens, sometimes choosing goals that justify control, sometimes justifying control by the goals. As Theo Mars points out, people are either handed out free goods, or treated as criminals to be coerced, or drawn into corrupt inter-relations. 'Programmes came to focus on those who are in the weakest and most vulnerable position, easily dealt with because they have no alternative'. (Mars 1988: p 5). The terms and content of the service, and what Mars calls 'the bureaucratic contact situation' itself are moulded to the needs of the bureaucracy rather than vice versa.

The tendency towards centralization in a mechanical organization was further strengthened in public bureaucracies by the modes of accounting and accountability. The principles of accountability ran — in the British case — through Parliament to Ministers, to senior civil servants and downwards. Ministers were responsible to Parliament for the actions of even junior members of their departmental staff. This was the origin of the Ministerial Department, and the suspicion of quangos and boards in British constitutional history. It provided an incentive for centralization, since responsibility required oversight and the power of confirmation.

At the same time the accounting systems which had allowed the early American corporations to decentralize to quasi independent divisions, were not available to public bureaucracies. Public accounting could measure inputs in money values, but not outputs. Consequently there has been a bias towards control by inputs — acknowledged as an inadequate measure of performance, and hence unsatisfactory as a means permitting the decentralization of operating responsibility.

Finally the insulation from the market, the specialization of function, and the terms of the labour contract, encouraged a conservatism of performance and little incentive for innovation or restructuring.

Many of these characteristics have been associated with the state as against the market. My argument is that they are, at root, features of the mechanical model of organization. When this model takes the form of a private corporation, the market serves to modify the features. It creates openings in the closed system, it permits some decentralization, and creates a force for a measure of innovation and restructuring. However the market has its own limitations and though the state accentuates the weaknesses of the mechanical model, it avoids many of the limitations of the market. We thus return to this issue of whether there are forms of public administration which, without recourse to the market and its limits, can move beyond the mechanical model, and provide the basis for a flexible state?

I want to start with what is implied by thinking of the state as an open system. It would mean that public administration would become more interactive, more responsive to its environment. The walls of the state fortress would be dismantled and the moat filled in. A prime focus would be the relations between the state and the citizens it is meant to serve. This was the call of Schaffer as it is of Mars, and it is of fundamental significance.

What does it mean in practice? To begin with in developmental as in some service functions it means helping people to help themselves. It means conceiving of the state-citizen relationship as an educational and animating one, rather than one of service delivery.

Where the service is most effectively provided by the state, there are many ways of making it responsive to users. Popular planning is one way. The provision of choice another. The strengthening of user groups is a third. The latter have been of growing economic importance in developed countries, both in monitoring and pressing on performance, and in the determination of the long term strategy of particular industries — food, transport, chemicals, education, health. Some public industries have now introduced consumer

contracts with payments to customers for poor performance. Others publicize performance targets, and their rate of achievement. The techniques for monitoring use and testing out potential use has been little used by public services, but features of modern retailing — EPOS, plastic cards, consumer surveys — are beginning to be adopted by public bodies with surprising results. Plastic and intelligent cards in particular — now widely used for commercial purposes in the developing world — offer much scope for service provision and redistribution.

An open system attaches importance to the feed-back from associated external partners — in this case users. A strong user presence, resources for research, public information, rights of appeal, formal legal protection and regulatory codes, independently financed user consultation committees are all necessary features of the new public economy. It is sometimes suggested that they are a luxury for developing countries — a symptom of affluence and the consumer society. My point is that they are as important as internal accounting systems for they provide a new form of control, a source of innovation, and a means of redressing the balance towards users in the public sphere.

There is the further question of how the public production system itself can be organized so that it can respond to users, and perform efficiently. One requirement is a new public accounting. The tradition of public sector auditing has been cost based and narrow. It is concerned with effectiveness (are the best methods for meeting a need being used); efficiency (is the chosen method being operated properly) and economy, (are supplies being purchased at least cost). In the UK, the Audit Commission studies of particular services, and the Rayner scrutinies of central government units and departments, lay their main emphasis on good technical practice and narrow economy. The production bias in the UK is so pronounced that there are no publicly given volume figures for the system of cash limits. The overriding question is how spending relates to targets, not how far targets are being met.

This needs to change. Output and performance figures are required in much greater detail. There need to be capacity utilization figures, costs per unit of output, as well as fixed asset and labour asset accounting. 'Accounting shapes the realm of the visible' and it is important that outputs as well as costs are made visible.

Additionally there need to be more qualitative assessments of performance. Those coming from the users side are one source. They can be supplemented by regular public hearings, and enquiries.

There is also scope for performance audits, where the auditors' task is as much advisory as disciplinary, (I witnessed such a system working effectively within a large Cypriot construction firm, which employed foreign consultants primarily as auditors rather than front line technicians).

To such measures of performance should be added a capacity for flexible response. One type of market response is bankruptcy and takeover. In a pluralist state, closure would be less common. Rather the less successful managers can be moved, and their tasks taken over by the more successful, who should in turn have trained up others to take over. This is the Matsuchita method, where each year, instead of firing, 5 per cent of staff rotate between divisions according to performance.

Another type of response is needed for the demand for variety, or services/advice geared to particular needs. This often requires cooperation with users and knowledge of particular localities. It is aided by operational decentralization and 'functional redundancy'. Over the past ten years throughout Western Europe there has been a wave of decentralization in local government. Some has been merely locational, but increasingly it is administrative, financial and political. Neighbourhood offices, cost centre budgeting, one stop centres have all become common in the pursuit of closer user relations and rapidity and specificity of response. Here is a good example of the fractal state, each part taking a similar form to the organization as a whole, with their own solicitors, accountants and administrators. The centre provides specialist advice and servicing, and there has been a considerable increase in inter-neighbourhood contact (including measures of specialization).

An alternative form of decentralization has been through contract. Some authorities have transformed all their services into semi-autonomous corporations — Direct Service Organizations, which bid for the work not only of their own council but other public authorities. This is a step towards the market model, and is taken a step further when the contractor is a private firm or voluntary organization. There are cases — and countries — where this could be justified on many counts, but the principal administrative objection to it is the need to link strategy and implementation closely together, to have senior management working in support of the operating units, and to maintain a perspective that does not divorce the individual unit from the interest of the organization as a whole.

The above are all examples of organizational flexibility. There is also a question of technical flexibility. Just as firms have developed smaller, flexible plants, so public

services have experimented with small units — in power generation for example — which do not require so great an initial capital outlay, and which have developed other ways of managing peak demand than expanding capacity.

An open organization needs to be decomposed into relatively independent sub units. But it also needs composition — practises to ensure its wholeness, and, in the public sector, to ensure its accountability. The first part of composition I have already touched on — public management information systems which record output and performance characteristics as well as costs, and have the means to assess qualitatively as well as quantitatively. A second part is 'formation' the establishment of a common culture, as well as the necessary techniques for performance. In so many cases this takes priority over all else — over new accounting procedures, or changes in organizational structure. For without a common outlook — the perspective of an open system not a closed one, of orientation to the user, and to other litanies of modern corporations — quality, feedback, continuous improvement — without these the other changes will have only limited effect.

A third medium of composition is the strategic planning process itself. It is one of the principles of the new type of organization that those involved with production not only share a common culture, but a strategic perspective. It is important that each sub unit not only thinks about the strategy for their unit but for the organization as a whole. One of the mistakes in decentralization is to have functional distinctions according to layers of decentralization. For example, it is often argued that local government should deal with planning of their own activities within the locality, regional government likewise, leaving national government to make the national plans. This has traces of Taylorism. For the local is also national, and it is the composition of many local experiences and perspectives which will give a richer strategy/plan than one devised by people separated off from the diversity of experiences. The same applies within an organization. Planning should clarify constraints and determine directions, and it should involve both those within the organization and the users affected by it. This is not a call for populism. There is a skill in strategy, which has to be learnt, and in which some will specialize. But it is a skill which should be important in all 'formation' since it provides the unitary perspective for particular tasks.

How does all this leave accountability? First it should be said that the liberal theory of accountability has been in part responsible for the neglect of a wider responsiveness. With stronger user control, and more open and more detailed measures of performance, there is already the promise of a major step forward in

substantive accountability. A second step would be to increase user and worker representation in the supervisory boards and committees of decentralized services. But as with higher level politicians, representatives would be helped by 'formation' in the fields for which they are responsible. For if administrators are in part politicians — through their influence on decision making — so are politicians or elected representatives in part administrators. They too need to understand the service they oversee organically rather than as a machine.

One implication of this is that a new form of administration needs a new party and a new public. Administration cannot be separated from either. It was Weber who observed that the power of American urban politicians was dependent on a weakly developed public opinion. Any innovative, democratic administration needs an active public with which to interrelate. Greater user power is not enough — for the state shapes demand as well as responding to it. Land use planning affects the demand for transport. Security of public transport, its scheduling and network, affects the demand for transport modes. Supply is not independent of demand. There are strategic issues which require political decisions. In contemporary liberal democracy the machinery of government, of representation and the popular press focuses on relations of power (coercion), allocation, and the details of political and bureaucratic conduct. It is not geared to strategy or the 'productive' potential of the public or the state. Political parties — the political machines of the 20th century — are structured round the circulation of power. Production, and knowledge of production is left to the economy regulated by a distanced bureaucracy. Thus what is learnt within political parties is the art of committees, resolutions, and the forming of majorities. Little is learnt about the issues of day to day production which should be the subject of elected power.

The result of the above is that states have been less effective as productive than as allocative and coercive instruments. Yet it is the productive potential which is important for development, and it is long term strategy and innovation which is now so central to production. This is why economic democracy has become such an urgent issue. Until now the connection between the economy and democracy has been through the liberal model of representation. This has produced the oft noted contrast between an elective politics and dictatorship at the workplace. One response has been to transport liberal democracy into the workplace by electing management (as in the former Yugoslavia). But though an advance this still seems to me to be treating the workplace as a closed system, and restricting the idea of democracy to electoral forms. As in the political arena, votes are necessary but not sufficient.

In any new democratization of production — one that draws in ideas of strategy, and purpose and innovation — the whole process of popular planning will be central, so will greater user power, extended workplace democracy, economic newspapers, production parliaments, and educational programmes in the skills of planning. The point is not to create hard structures where detailed targets are bargained over and imposed. That is the mechanical model of planning. Rather the point is the creation of a democratic economic culture, where error is welcomed and ideas encouraged. It is an open ended process, which guides micro detail as well as macro strategy.

There is finally the question of 'the wage relation', that is to say the terms and conditions of labour in the state. The Weberian system has rendered many states a prison for their employees, one which they cannot afford to leave. In small countries with a restricted hierarchy or scope for promotion, civil servants often find themselves in their thirties with limited prospects for further advancement, a narrow job description, difficulties of transfer, yet the prison door kept fast by job security and the state pension. In industry ministries, officials tend to be confined to the office (even in extension services), they are discouraged from international travel, their scope for initiative is minimal, their work culture encourages routine. When structural changes are suggested, how often is it that staff unions become the major objectors? They control the status quo which can exact a rent from the future.

Privatization and sub contracting removes both job security and rigidity but, as we have seen, in the context of the new model it has drawbacks beyond the cutting of wages. The new administration has to eliminate fear. The forms of incentive and discipline are no longer merely the wage and the sack. Weberian tenure and promotion procedures depended on the avoidance of mistakes — hence the bureaucratic aversion to risk. What is now important is self-development, learning, organizational culture, identification with the job, and its results. If an organization has to sack someone it has appointed then it has failed. And if the fear of the sack becomes central to a workforce then a common creativity will not be possible. There is much to be said for what might be called the Swedish bargain: security for flexibility. A project culture rather than a role culture depends on flexibility — as too does learning.

Public administrations also have an interest in their employees working outside the office, with those they serve, with others who serve, in contexts which will allow them to see their own work in a different light. Sabbaticals, part-time contracts, placements, exchanges, courses, retainers — would all be part of the

portfolio job, as against the exclusive job which was such a feature of Weber's model. The core organization would remain just that — a core of security.

Thirdly, class divisions within state employment need to be dissolved, and the range of the hierarchy lowered. There should be no break in the line say between nurse and doctor, or between executive and professional. There will of course be examinations and qualifications to be obtained — just as there are within nursing — but the grading system should be continuous. Similarly marks of distinction should be reduced. The Japanese electronics firm NEC does not take on suppliers in the US if it finds separate cafeterias or washrooms for managers and staff. A similar principle should hold within the state.

I have discussed a number of key difficulties faced by public as against private mechanical forms of administration: their closure, the insulation from users, their monopoly, their lack of market prices for accounting for outputs, the administrative implications of the particular kind of political accountability (representative democracy), and the terms of the labour contract. The market alternative seeks to address these problems by transforming public into private administration. My argument is different. It is that by considering the corporate alternatives to private bureaucracies, we can restructure public administration so that it can more effectively, and democratically, carry out its productive and developmental tasks. The points I made with respect to private post-Taylorian administration apply equally to the state: opening up the system, moving from planning to strategy, flattening the hierarchies and increasing horizontal connectedness, decentralizing, pluralizing, multi-

skilling, group working, and seeing the organization as institution for learning. But I have wanted to show that they too should not be transferred mechanically to the different production processes and levy-bounty system of the state.

## NEW FORMS AND DEVELOPMENT

There is a particular relevance of the new models for development administration. Much of the work required is non standardized. The environment has much less stability than in developed countries. Many services depend for their effectiveness on close interrelations between the fieldworker and the citizen or the extension officer and the firm. There is a fragmented culture, modernity contending with tradition on the one hand, and with the post modernisms of the international media on the other. This is not a world for linear equations or the metaphors of mechanics. Yet it is on these metaphors that state administrations are based.

I have been concerned with an alternative, 'organic' metaphor. It is not by chance that it highlights so many items that Schaffer argued were key to effective development administration. What Schaffer did not do — because of his Simonian sense of organizational ignorance, and his post modern aversion to models and reason — was to see that his approach has the substance of a new model. It has been the purpose of this article to make the connection. In the study and practice of development the shadow of Weber is still with us. The neo-liberal alternative casts its own shade. What Schaffer pointed to — and what I have tried to sketch out — is the outline of a third way.

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