

**GENERATING NEEDED
MODERNIZATION FUNDS
STREAMLINING THE BUREAUCRACY
—NOT OUTSOURCING
AND PRIVATIZING—
IS THE BEST SOLUTION**

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The Department of Defense (DoD) budget, in real dollars, has decreased for a dozen years or so, and will likely continue to do so. Since all the funds necessary for warfighting asset modernization will not come from Congress, DoD must free up existing funds for reallocation to its modernization program. So far, much reliance has been placed on privatization and outsourcing as ways of releasing large sums of money. But it is highly unlikely that these instrumentalities are up to the task, and other sources must shoulder a large part of the load. Although eliminating duplication of mission and roles is briefly addressed, most of the effort is now devoted to streamlining bureaucracy because it, as an inordinate proportion of the DoD budget, is the dark alley in which the gold watch is lost.

As long as the Soviet Empire threatened our way of life, and China attempted to subvert third-world nations with communist ideology, elected officials had little difficulty passing large defense budgets. Neutralizing the military threat posed by the Soviet Union and China (effectiveness) was the central issue, whereas cost of the necessary weapons (efficiency) was secondary.

With the Soviet Union fragmented, China looking inward, and a national consensus to balance the federal budget formed, defense appropriations must now compete with salient domestic problems as they have not done for half a century. At the same time the defense establishment is feeling the budget squeeze, many of the existing weapons systems are reaching the end of their projected useful life.

WHERE FOLKS ARE LOOKING FOR THE GOLD WATCH

In order to pay for a new generation of weapon systems, elected officials and defense department leaders are looking to efficiencies produced by outsourcing and privatization as partial, but significant, sources of asset modernization funds (Muczyk, 1997). Pentagon estimates range between \$14 and \$30 billion (Weinberger and Schweizer, 1997). This strategy is a bit reminiscent of a drunk searching for a gold watch (lost in a dark alley) in the kitchen, because that is where the light is turned on. The huge sums that are needed for the next generation of high-tech weapon systems simply are not to be found in the privatization and outsourcing alternatives—the lighted kitchen, if you will.

Efficiencies are obtained by exposing an economic activity to the rigors of the marketplace created by intense competition which, in conjunction with the profit motive, is the *sine qua non* of efficiency. If the consolidation in the defense sector continues, at best the military will be faced with doing business with oligopolies, if not outright monopolies. And private oligopolists or monopolists are no better than public ones.

Once a monopolist attracts business from the government by low-balling, and

the organic capability of the government is dismembered, then the sole supplier can exact the monopolistic thereafter. The situation is exacerbated by the fact that the Department of Defense (DoD) no longer buys anything in the large quantities that were typical of purchases during the Cold War, thereby losing much of its leverage over contractors (Wayne, 1998).

Another reason for expecting smaller savings relates to the bureaucratic quagmire imposed on private sector companies doing business with DoD, acquisition reform to date notwithstanding. Some corporations, probably the more efficient, actually refuse DoD business rather than put up with all the bureaucratic hurdles.

Much of the potential savings can only come from reductions in manpower. But job preservation is frequently the paramount consideration as far as elected officials are concerned when it comes to base realignment and closure, as well as privatization and outsourcing. Therefore, the negotiated settlements associated with privatization and outsourcing efforts do not reduce payrolls enough to make that much of a difference. Current resistance by elected officials to further base closings and realignment is a case in point. That is not to say that impressive examples of efficiencies are unavailable, especially of the anecdotal variety; but the jury is still

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out on the overall economic impact of the privatization and outsourcing initiatives (Jones, 1997).

A variant of the job preservation strategy by elected officials takes the form of statutory restrictions and regulatory impediments. Public Law 10 United States Code 2466 (which establishes the 60:40 depot maintenance split) and OMB circular A76 (which mandates public and private competitions) are excellent examples. The 1996 “Report of the Defense Science Board Task Force on Outsourcing and Privatization” identifies all of the important ones (Defense Science Board, 1996).

Lastly, the penchant for managing just about everything contractors and subcontractors do negates whatever savings might occur from private sector initiatives by precluding the reduction of the DoD infrastructure.

WHERE THE GOLD WATCH IS ACTUALLY LOST

The gold watch (large sums of money) happens to be lost in “mission and roles” and in the “Byzantine bureaucracy” that consumes such a high proportion of scarce resources—the dark alley, so to speak. Of course it is easier to look where the light is, but the easy strategy is not going to produce the desired results.

The discussion of “missions and roles” shall be left to others. Suffice it to say at this juncture that bureaucratic mind-sets developed during the Cold War continue to drive defense policies and weapon acquisition strategies. The latest Quadrennial Defense Review (QDR) proposes a smaller version of the same kind of military that existed during the Cold War—

with its emphasis on traditional big-ticket items such as combat planes, aircraft carriers, main battle tanks, and a long, impressive logistics chain. Responding to “asymmetric” threats with new technologies and an appropriately realigned but smaller configuration of forces emphasizing joint war fighting capability is still receiving more lip service than anything else.

However, it is unlikely that this country, in the absence of a major military threat like the Soviet Union, will continue to fund the kind of redundancy that currently exists in the armed forces, and that may have been

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appropriate when the Soviet Union and China posed real threats to U.S. interests. (For example, not only does the Navy have an air force and an army [the Marines], the Navy’s army has its own air force as well. Incidentally, the Army has its air force [and a large one at that, when helicopters are included] and navy [Corps of Engineers] too.) I do, however, intend to discuss federal bureaucracy at some length.

FORCES THAT LEAD TO BUREAUCRACY

The equivalent on the bureaucratic front to the elimination of duplication in mission and roles, in a nutshell, is the cessation of all activities not central or absolutely essential to the mission of defending this nation (rather than privatizing or outsourcing them). Simply put, if the activity is not critical to the mission, just

don't do it. Historically, war-fighting strength to support, or tooth-to-tail ratio, was roughly 50:50. Currently, it is estimated that about 30 percent of the defense budget is devoted to war-fighting (tooth) whereas approximately 70 percent of it is devoted to support functions (tail). Gansler (1998), Under Secretary of Defense for Acquisition and Technology, estimates the "tail" to be around 65 percent. Even though we factor in the reality that some of the "tail" is really the "jawbone" that anchors the "teeth," the tooth-to-tail ratio is still out of kilter (McInerney and Weiss, 1997).

PARKINSON'S LAW AND BUREAUCRACY

C. Northcote Parkinson (1957) observed during World War II that work expands to fill the time allotted for its completion. Every time some of his civilian employees in the British Admiralty Office were drafted into the armed services, the remaining ones accomplished the mission just as well. Parkinson eventually realized that this was so because of

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the natural tendency to build empires. Prestige and compensation of administrators in bureaucratic organizations are determined, in part, on the basis of how many subordinates

they employ and the size of their budgets. Therefore, they are motivated to hire more employees than they absolutely need and to increase their budget by the largest amount they can. These observations also

led Parkinson to conclude that: "The number of subordinates increases at a fixed rate regardless of the amount of work produced" (Weinberger and Schweitzer, 1997).

In all likelihood, the truculent turf wars that are constantly fought in bureaucracies, especially during periods of budgetary decline, are about size of the respective empires and not mission essentiality. Since most workers will not just stand around for a variety of reasons, they invent activities to keep busy—in other words, occupational hobbies. Hence, the remaining employees reporting to Parkinson had no choice but to abandon the occupational hobbies and focus on activities that were essential to the mission. The exogenous impetus for efficiency in the private sector—that is, the need to make a profit or go out of business—is missing in government bureaucracies (Katz and Kahn, 1978).

GOAL DISPLACEMENT AND BUREAUCRACY

Students of bureaucracy have observed that the displacement of goals by the means of their attainment is a common occurrence in bureaucracies, and contributes to inefficiency almost as much as Parkinson's law. In a dynamic and fluid environment, goals and objectives that once made sense but have become obsolete are frequently superseded by more appropriate goals and objectives. Yet, the means by which the replaced goals have been attained have become institutionalized and occupy the time of organizational members, when they should have been discarded as well. To wit, when organizational members in a bureaucratic organization are asked: "Why do you do something this way?" They frequently answer:

“We have always done it this way.” The preoccupation in bureaucracies is with form not substance, or with the means, not end goals (Katz and Kahn, 1978).

It is estimated that the Pentagon spends \$8.50 to process a paycheck, when the private-sector performs the same task for \$1.00. In 1993, the Pentagon spent \$1 billion to process \$3.5 billion in travel expenses. The Defense Logistics Agency has reduced its wholesale medical inventory by 60 percent—\$380 million—since 1992 by using commercial distribution methods rather than DoD warehouses to distribute medical supplies. This was only possible because many DoD employees had been engaged in numerous superfluous tasks and activities (McInerney and Weiss, 1997; Muczyk, 1997).

DIVISION OF LABOR AND SPECIALIZATION OF TASK AND BUREAUCRACY

Clearly, the application of Adam Smith’s principle of “division of labor and specialization of task” has played a large part in the ability of industrialized societies to produce a veritable cornucopia of goods and services at affordable prices. This principle, however, may have been taken to extremes. There are now specialists for the narrowest tasks and a surfeit of staff departments, resulting in excess employment and substantial inefficiencies due to the coordination problems and “red tape” associated with so many folks making demands of all sorts. In addition, the boredom and monotony that result from excessive division of labor and specialization of task frequently create serious motivational problems for the kind of employees who thrive on interesting and challenging work (Dunham and Pierce, 1989).

One management scholar observes that in U.S. organizations, “Over the past several decades, fully 10 times as many white collar jobs have been added to the workforce as line jobs.” This phenomenon has been referred to as “white collar bloat.” This individual goes on to say: “The important point is that once a new function is established, it is rarely disbanded; its original premise is rarely considered” (Davis, 1991).

Practically every executive in DoD has an executive officer, a secretary, and one or more clerks. Indubitably, much of their time and effort are devoted to bureaucratic requirements that can be eliminated

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without causing any damage, thereby either reducing the force structure or assigning these persons to essential tasks.

For example, whereas the number of Army divisions has been reduced from 18 to 10, active fighter wings from 24 to 13, and ballistic-missile subs from 34 to 14, and uniformed personnel from 2.1 million to fewer than 1.5 million, there has been a simultaneous 25 percent increase in the Pentagon’s senior civilian leadership. Stated another way, the U.S. force structure and budget have declined by about a third from their peak levels; the infrastructure, however, has declined about 18 percent. It is also interesting to note that after the impressive reductions, the military is asking for dozens of additional flag officers. Clearly, much work remains to be done to bring infrastructure in line with

combat capability (McInerney and Weiss, 1997; Muczyk, 1997).

Of course, most people employed in jobs that are marginal or unrelated to the principal mission of the organization are not about to offer up them up in the interest of organizational efficiency. In fact, they will not even admit that their jobs can

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be eliminated without much harm to the organization. On the contrary, they will in all likelihood try to demonstrate to everyone just

how indispensable their jobs really are by inventing unnecessary processes and procedures, all involving many needless forms for others to fill out. In like manner, these folks schedule meetings that consume a great deal of valuable time and accomplish very little in return. Many of these meetings take the form of briefings. There must be a veritable army of federal bureaucrats responsible for nothing but briefings created on Power Point. In fact, if the next war is to be fought with Power Point and forms, the United States will be invincible. Once vested interests in make-work activities are created, it behooves job occupants to corrupt best business practices in the interest of job security.

CURES THAT ARE WORSE THAN THE DISEASE

The typical bureaucratic response to an employee indiscretion is to put in place a system that makes it next to impossible to commit that offense again, without weighing the cost of the impropriety to the organization versus the cost and benefit of the control system. The best business

practice, as far as who signs travel forms is concerned, is one signature—that of the employee doing the traveling. Certainly, the travel forms are audited, and the occasional culprit appropriately disciplined. Yet, such a system is far less expensive than involving two or three individuals in the approval process without any material harm accruing to the organization. When several violations are observed by high ranking officials, everyone receives training, even though there is no systemic problem. Obviously, the cumulative cost of all such excessive safeguards amounts to a fortune.

Another example of a cure that turned out worse than the disease is the concept of “different color” money. In other words, specific accounts can only be used for designated purposes, lest money intended for one purpose be used for another purpose, regardless of how critical it might be. Certainly, some “fencing” of funds is desirable—such as a proscription against the use of capital funds for operating purposes—but many such restrictions create their own oversight bureaucracy, which prevents the kind of discretion so vital to the efficient management of scarce resources. In like manner, preventing organizational units from carrying unspent funds from one fiscal year to the next makes it difficult to spend money wisely, and leads to unintended and undesirable consequences at the end of the fiscal year.

THE BUREAUCRATIC MIND-SET

Unfortunately, the bureaucratic mind-set is contagious, and the principal transmission mechanism is the reward system through which bureaucratic behavior is reinforced by the entire gamut of rewards, while efficiency and innovation are

conditioned out of employees through the full panoply of sanctions, with role modeling (new employees emulating veteran employees), professional continuing education courses (focusing on extant ways of doing things), and inertia completing the bureaucratization process. Civil Service and labor unions add to the futility of bureaucratic reforms since, much like academic tenure, they are cures that have become much worse than the diseases they were intended to combat.

BOUNDED DISCRETION

Simon's concept of "bounded rationality" (1957) shed considerable light on why managerial decisions do not necessarily conform to the predictions of the rational economic model. Whereas Simon focused on imperfect information as the primary reason why managers "satisfice" rather than optimize, he ignored the fact that typically the devil is in the implementation. Hence, in addition to "bounded rationality," there exists an equally important impediment to organizational efficiency that I call "bounded discretion," which limits the implementation of sound management decisions. Bounded discretion is caused by the sum total of all the bureaupathologies, which deflect energy and effort from those activities that really matter. Bureaupathologies reduce managerial degrees of freedom and shrink the tradeoff space. In other words, managerial discretion is severely restricted by the organizational arteriosclerosis that bureaucracy induces in organizations that it infects. It would not be much of a hyperbole to suggest that the system is choking on its own bureaucracy. I shall employ the mallard paradox to bring home the point.

When one observes the feet of a swimming duck, they are paddling frenetically, but the body of the duck is not moving very far. When a casual observer walks through a bureaucracy, he or she may at times observe employees working feverishly. Yet, not much progress appears to be made at the end of the week, the month, or the year. How do we explain this paradox? Well, the observer is watching the organizational feet.

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That is, all the folks who have "rice bowls" that are either unrelated or marginally related to the mission of the organization assign urgent tasks to everyone. In this manner, they demonstrate that they are earning their keep. Since these assignments are occupational hobbies and by-and-large are inconsequential vis-à-vis the mission (the body of the duck), the organization winds up making very little real progress.

WORLD WAR II EXPERIENCE WITH BUREAUCRACIES

The history of this country has been quite consistent with regard to maintaining peacetime military presence. Once armed conflict ended, the United States demobilized, and consequently was unprepared for the next war. Unlike other wars, however, World War II was followed by the Cold War, which turned out to be the functional equivalent of a shooting war so far as defense expenditures and the size of the force structure were concerned. In light of this history, World War II also caught the United States unprepared.

Therefore, we had to ramp up for war on two fronts at breakneck speed. Since we lacked the time in many instances to create

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large bureaucracies in a systematic fashion, perforce small jury-rigged organizations were fashioned to do the job. Fortunately, it was the lean organizations that produced the most impressive results,

with “Lend-Lease” serving as perhaps the best example. That is to say, the World War II experience buttresses the position of the “minimalist bureaucracy” school of thought (Gropman, 1997).

SALIENCY OF SOCIAL TECHNOLOGY

It is common when thinking of technology to overlook what is referred to as “social or management technology.” Whereas physical technology is the realm of Thomas Edison and his laboratory, management technology relates to the organizational patterns, financing alternatives, and management systems, processes, and procedures that hold an institution together and permit it to function efficiently or otherwise. While most informed individuals acknowledge and applaud the latest revolution in military affairs, the need to create a concomitant revolution in management affairs draws sparse applause.

For example, Japanese management technology quickly converts worldwide

innovation into high-quality industrial and consumer goods at competitive prices and delivers them to the marketplace on a timely basis. It is this ability that gives the Japanese the illusion of being more innovative on the physical technology frontier than they actually are, and is largely responsible for the “Japanese Economic Miracle.” It is this “leading edge” management technology that makes it possible to exploit physical technology (Muczyk, 1990).

In fact, it was largely the Japanese management challenge that compelled U.S. firms to become efficient or file for bankruptcy. The opposite of “leading-edge” management technology, however, is bureaucracy. Short of exposing activities currently performed by government bureaucracies to the rigors of intense competition, is there anything that can be done to make bureaucratic organizations less so? The short answer is that the best cure for bureaupathologies is spirited competition and lots of it. Nothing comes in as a close second. Yet, in the absence of competition, some steps can be taken to make organizations more efficient, if the “managerial will” exists.

RE-ENGINEERING ORGANIZATIONS

The word “re-engineering” happens to be in vogue, as we well know. Re-engineering means excising those activities that are either unrelated or marginally related to the central mission (occupational hobbies), removing redundancies, and creating or refining processes through which mission relevant goals and objectives are attained in an efficient and effective manner. Re-engineering requires evaluating

the value chain and eliminating or reducing components that either add no value or very little, whereas retaining and even enhancing those that add considerable value. Downsizing, on the other hand, may or may not be synonymous with re-engineering; depending on whether or not the aforementioned issues were considered before manpower reductions were made (Muczyk, 1997). Critical to all re-engineering efforts are the elements discussed below.

A good place to begin re-engineering efforts is activity-based costing (ABC)—a systematic method for assigning costs to business activities. First, a reasonable number of business activities needs to be defined, and all the costs associated with each activity need to be assigned to the appropriate activity. Once this much has been accomplished, the activities with their associated costs can be allocated to products, processes, customers, or vendors. Next, activities need to be assigned priority on the basis of cost, with the most expensive activity receiving top priority for scrutiny with respect to redundancy, relevancy, and criticality. Last, whenever appropriate, the unnecessary or marginal activities are eliminated.

Another worthwhile approach involves benchmarking efficient and effective organizations. This is a particularly productive way of gauging the appropriate size of headquarters staffs, but could be applied to rightsizing practically any functional area.

Part-and-parcel of re-engineering is tradeoff analysis. Since the day and age when nothing was too good for defense is long gone, we must now frequently decide what it is that we will give up in return for getting or keeping something; and whether

the exchange is worthwhile with respect to the central mission of the organization. The decision sciences, including modeling and simulation, have evolved to the point where defining the tradeoff space and making informed choices within it can now be made with greater confidence; and we are obliged to use state-of-the-art methodology to assist us with difficult decisions.

In short, it is through tradeoff analysis and cost-benefit analysis that we begin building value chains. While we cannot become obsessed with efficiency at the expense of effectiveness in a variety of risk environments, whenever practicable we must insist that all technology, processes, and procedures still “buy” their way into the organization in terms of reducing the total cost of doing business. The argument that not everything can be precisely quantified should not be accepted as an excuse for forgoing rigorous tradeoff analysis wherever applicable.

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Individuals who are serious about re-engineering should avoid prematurely imposing procrustean solutions and methodology. There is merit, especially during the nascent stage of any movement, in letting 100,000 flowers bloom, then replanting only the most beautiful. To make this happen, mechanisms need to be created for collecting and promoting successful prototypes.

IDENTIFY WHAT IS IMPORTANT

Re-engineering should begin with the identification of what is important. To paraphrase the Cheshire Cat in *Alice In Wonderland*: “If you do not know where you are going, any road will take you there.” To assist us in this vital undertak-

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ing, we need to heed the counsel of a brilliant mathematician, economist, and sociologist, Vilfredo Pareto, who observed some time ago that many phe-

nomena are distributed in accordance with the 80:20 rule; a discovery as significant as Gauss’s normal curve. The 80:20 rule applies to sales, profits, problems, management activities, organizational goals, etc. Frequently, 80 percent of sales come from 20 percent of the customers; 80 percent of the profits from 20 percent of the product line, 80 percent of the problems from 20 percent of the employees, and so forth. Unfortunately, many, if not most organizations, devote 80 percent of their time, effort, and money to the 80 percent that does not matter very much instead of the 20 percent that makes most of the difference (Kreitner, 1995).

In the inventory management sphere, Pareto’s 80:20 rule is known as “ABC analysis.” Since typically about 20 percent of the items account for 80 percent of the cost or activity (and 5 percent of the inventory is often responsible for half of the cost or activity), these items receive special attention. The remaining 80 percent are handled in a routine manner (Muczyk, 1997).

With respect to planning, the 20 percent of the most important goals are called “breakout” goals. It is the attainment of “breakout” goals that provides the quantum leap to the next plateau of an organization’s vision.

Pareto’s 80:20 rule is also instructive with respect to which contractor activities need to be managed. The decision rule may go something like this: Manage the most important 20 percent, track the next 30 percent, and forget the rest. In other words, focus on the results, not the means. That is to say, institute meaningful rewards for those contractors who deliver a product or service on time, on budget, and within specifications, and impose significant sanctions for those that do not (Fox, 1997).

CONTINUALLY IMPROVE AND REFINE SPECIFIC MANAGEMENT PRACTICES AND PROCEDURES

It has been estimated that 30 percent of private sector workers’ time gets wasted because of work scheduling problems alone. The situation is probably exacerbated in the public sector because vigilance with respect to best practices is a survival imperative in a competitive environment, whereas efficiency is an option in the absence of competition. Consequently, preserving best business practices in their original form is a continuous challenge that requires unrelenting management attention. After all, how can employees take their jobs seriously when they observe on a daily basis management’s indifference to inefficiency? The Japanese call this process “kaizen,” which means improving the overall system by constantly improving the details (Muczyk and Hastings, 1985). In order to clarify shared tasks between departments, organizations

should consider such aides as: the responsibility chart; process management; and cross-functional teams. Important ideas frequently lead to significant consequences. We can initiate the chain reaction by sending military and civilian DoD employees to quality, focused, technical master degree programs for cutting-edge ideas and best practices (Davis, 1991; Kankey, Muczyk, and Ely 1997).

RETHINK THE ROLE AND SIZE OF STAFF DEPARTMENTS

The purpose of staff departments is to serve line departments, not the other way around. F. Kenneth Iverson, president and CEO of Nucor Corp., the most successful steel firm in the United States, takes the following position vis-à-vis staff departments: “We keep people at our plants where the day-to-day decisions are made. There is no need for a large support staff.” Benchmarking efficient private sector corporations is an excellent way of emulating this “best practice” (Muczyk and Hastings, 1985).

Administrators should abandon the habit of using staff departments as their eyes and ears. Once staff personnel become perceived by other organizational members as the “Organizational Gestapo,” they will no longer be viewed as a valuable source of help, thereby negating their most important potential contribution, which is advice, consul, and assistance. Equally important, the organization will not need as many staff department and personnel if they do not use staff as an integral part of the organizational control system.

Some private sector organizations require staff departments to charge internal users directly for the services they receive.

Under this arrangement, a staff department is expected to recover its own operating costs by billing other organizational units for services provided. Since staff departments must live within their budget, they must downsize if their services are not used enough. Such a scheme works even better if organizational units possess the option to purchase services on the open market, if they receive better value (Davis, 1991).

DE-LAYER HIERARCHIES

Bureaucratic organizations subscribe to the classical management principle of narrow span of control, which states that managers above the first level of supervision should restrict themselves to four to eight subordinates (other managers). Such a span of management forces a tall organizational structure with many layers of management. The importance of position in the bureaucratic structure exacerbates the tendency to build organizations with unnecessary levels of management (Muczyk and Hastings, 1985).

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In a typical Japanese factory, foremen report directly to plant managers. Foremen in a typical U.S. factory have three additional layers of management that are expensive and create bureaucratic rigidity. At well-run organizations, such as Nucor, there are only five levels of workers—the president, seven vice presidents, department managers, supervisors, and production workers. While tall organizational structures afford more promotional opportunities and more time available to each

subordinate from the superior, the price to be paid for these positive features is considerable, not the least of which is the cost associated with unnecessary managers (Muczyk and Hastings, 1985).

Furthermore, reducing management layers by broadening the span of control forces decision making down to the lowest levels that possess the expertise to make them, thereby empowering the workforce. After all, it is through empowerment that many employees become enthusiastic stakeholders in the organization's mission and goals, and it is the same empowerment that makes effective implementation possible (Stone, 1993).

EMPLOY NETWORK ORGANIZATIONS

In light of the DoD emphasis on privatization and outsourcing, it would be eminently sensible for senior DoD leadership to consider heavier reliance on network forms of organizing. Network organizations differ from previous organizational structures in the following ways:

- Network organizations define their core competence, and contract the remaining functions. That is, they use the combined assets of several firms located at various points along the value chain.
- Network organizations place greater reliance on market mechanisms than administrative processes to regulate resource flows. These are not, however, "at arm's length" relationships. The interdependence, in fact, resembles the Japanese "keiretsu."
- Network organizations expect a proactive role among participants that

enhances the final product or service rather than just fulfilling a contract to the letter. Those members of the network that are reluctant to go the extra mile lose their position (Miles and Snow, 1992).

REWARD WHAT IS IMPORTANT

Working hard and smart is not part of the human condition. The path of least resistance is. However, employees in an instrumental culture such as those that exist in the United States will concentrate on those activities and outcomes that are measured and rewarded. If an organization is serious about reducing bureaucracy, it must measure the important activities and outcomes, and reward in a significant way those individuals who perform them well. The best way to preserve the status quo is to measure everything, as is frequently done now, and to reward all outcomes and activities the same. Clearly, Pareto's 80:20 rule is a very useful guide in this respect (Muczyk, 1988).

WHAT THE DoD IS DOING ABOUT BUREAUCRACY

In recognition of the top-heavy bureaucracy, U.S. Defense Secretary William Cohen plans to eliminate several high-level policy and command and control offices and more than 30,000 workers from defense agencies by the year 2000. How well this "reform" will turn out will depend on which of the approximately 157,000 persons, as well as what functions, will actually be cut. If the people and functions that are marginal to the defense mission are cut, then the results will be beneficial. But if the people and

functions that are cut are the ones that add a great deal to the value chain, then the defense capability could be compromised (Holzer, 1997). Clearly, it will take bold and visionary leadership to make the right choices and ensure effective implementation.

This is the leadership challenge of our time.

CONCLUSION

Of all the industrialized economies at the end of World War II, the only one that escaped widespread destruction was that of the United States; and it took approximately a quarter of a century for the industrialized economies to rebuild and for emerging ones to join the world economy. Until reconstruction was completed in the early 1970s, U.S. firms had either oligopolistic or monopolistic power in the international marketplace.

In the absence of competition, U.S. companies had become bloated and inefficient bureaucracies. Once global competition manifested itself on a large scale, these firms either slimmed down in a hurry and at the same time adopted best global practices, or went belly up. In the first round or two, firms eliminated unnecessary production and clerical workers and introduced new technology; but in later rounds, it was middle managers' and staff professionals' turn to be terminated. Competition gave U.S. firms no other choice.

The same forces that created bloated private sector enterprises between 1945 and the early 1970s had a much longer time to bureaucratize organizations that were insulated from competition all along—that is, public sector organizations.

Whenever possible, it is recommended that activities currently performed by government organizations be exposed to the rigors of the marketplace through privatization or outsourcing. In those instances where the preferred solution is not available, recommendations are presented for streamlining organizations in the interest of efficiency, without sacrificing effectiveness. Both strategies need to be pursued aggressively to free up the prodigious sums of money needed for war fighting asset modernization.

It is becoming obvious to most people associated with the U.S. armed services that the up-tempo pace cannot be sustained indefinitely; and the situation is more likely to get worse before getting better, unless something is done that does not require additional resources. Consequently, the cessation of activities that are marginal to the effective execution of the mission of fighting America's wars and deterring aggression may turn out to be the only viable alternative.

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Practically anyone who has experience in the private sector and federal employment knows that the quality of people is comparable. The major difference relates to the fact that bureaucratic organizations are slow to respond to change, whereas corporations in a competitive environment out of necessity are relatively nimble (Katz and Kahn, 1978; Kreitner, 1995). Yet we are living in a world when change is occurring at a faster pace than ever before, and the rate of change is increasing. With

the DoD downsizing, the only practical approach to coping effectively with unpredictable world events is to de-bureaucratize all facets of the DoD.

Successful private sector firms in acutely competitive environments give their customers what they expect. They have little choice, if they wish to exist. The myriad internal units of the DoD and each service branch should also treat each other as valued customers; and customers do not appreciate bureaucratic rigamarole. Since competition is not available to guarantee such treatment, it must be ensured by determined leadership.

Fiscal reality is such that unless large-scale efficiencies are introduced into the DoD, elected officials will be forced to bring about change by the draconian method of cutting the DoD budget. Unfortunately, as experience already demonstrates, this is the method that is most likely to continue reducing the “tooth” much more than the “tail.” Only time will tell whether or not the political will and leadership tenacity exist to implement these recommendations.

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