Bureaucracy that kills good business

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In the 1990s, a thread of research emerged showing that organisations pass through three phases on their way to large dominant status. First, a firm or NGO starts as a grassroots effort. Perhaps a group of women in a village outside Oyugis desires to come together and find a solution for lack of clean water in their community. The women put their money together and purchase pipes to bring water out of a nearby river and onto their farms. Such an initiative clearly represents a grassroots type of effort.

Later, the women decide to expand and begin supplying water to neighbouring villages. To facilitate the expansion, they start to develop processes and procedures from everything, including client acquisition to collection of water usage fees. The women also begin to hire...
professionals to run the business. The nascent water company would then reach the professional stage of growth.

Finally, the water company might serve an entire county and beyond whereby it exists on a massive scale such as organisations like Nairobi Water, Airtel, the University of Nairobi, Unicef, or Uchumi. The large scale hints that the organisation now operates in the institutional phase of growth. As your firm grows, be mindful not to fall into some of the pitfalls of institutional phase growth.

Look for signs of highly mechanistic processes. In order to perform tasks, executives must discourage procedures that seem to go against natural organic flows in order to undertake it. Does your firm’s bureaucracy defy logic and create too many levels of approval that hinder your accomplishing tasks quickly and efficiently?

As a way to prevent corruption, theft, or simply as a way to control employees, firms often implement rigid and overly defined structures, leadership styles, job designs, and policies. Watch out as the above yield an over-organised environment.

By 2016 and 2017, the plurality of social science research shows that over-organised situations lead to lower organisational performance by decreasing employee motivation, stifling innovation, and lowering output through time wastage.

Companies in the institutional phase of growth often experience the worst over-organised scenarios. Further, NGOs tend to hold higher bureaucracy because no profit motive exists to keep the entity efficient. NGO directors often receive rewards or punishments based on whether they pass audits rather than generate more efficient processes that lead to greater profits. Inasmuch, an institutional stage NGO often provides the worst examples of over-organised nightmares for employees.

Remedy such situations by loosening constraints on behaviour. Change leadership, structures, approval thresholds, and job designs in order to liberate suppressed energy. Allow autonomy and flexibility. Increase the flow of relevant information between employees and management and finally promote effective conflict resolution within the firm.

Conversely, many organisations survive in the opposite situation: under-organised. Does your firm incorporate too few constraints or only some regulations for effective task management? Is it unclear who should really conduct each task? Each time a new issue arises, do endless meetings ensue to decide on approaches?

Poorly defined processes and failures to direct task behaviours effectively originate from immature or apathetic leadership, poor structures, or under-defined job designs. Startup for-profit companies and NGOs in the grassroots phase of growth often suffer from under-organised environments.

Like over-organised situations, under-organised firms also lead to lower staff motivation, chaos, and ineffective time wastage. Even well-established firms may suffer from under-organised
scenarios through various problem-prone areas such as product development, project management, and community development.

Resolve under-organised operations by incorporating increasing levels of organisational processes, but within reason. Clarify the leadership roles; ensure you structure communication between managers and employees. Clarify job duties for all and detail departmental responsibilities.