University of North Florida
Department of Political Science
PAD 4003 Public Administration -- Fall 2016
Organization theory of the week!

Maslow’s hierarchy of needs

Lecture goals: Introduce a number of perspectives on public management.

* Theory misunderstood! Theory is one of those misunderstood words that have become part of America’s anti-intellectual folklore. For many, there is reality, and then there is ‘theory’. In this (mis)understanding, reality is what actually happens, theory is what academics and, maybe as well, government bureaucrats in Washington think happens, or else what those same individuals think should or would happen if a particular stimulus were applied.

Theory as conjecture. In other words: supply-side economic ‘theory’ tells us that if we lower the tax rate, this will stimulate economy activity and so, paradoxically, yield more tax revenue. This magic works because though government is taking a smaller bite, reducing the tax rate increases economic growth, and so government is taking that bite from a larger pie. So net government revenue will go up by taking a smaller bite. Or at least so goes the ‘theory’. This type of ‘theory’ is consistent with my dictionary, which offers as (its 5b) definition of theory the following: "an unproved assumption: conjecture."

Theory as body of knowledge. However this same dictionary offers the following as its first definition of theory: "the analysis of a set of facts in their relation to one or other," and this as its third: "the general or abstract principles of a body of fact, a science, or an art." In terms of the economic example offered above, the hypothesis that cutting tax rates will yield more tax revenue did not prove out when tested during the Reagan administration, and has similarly failed during the second Bush administration. It has not, therefore, become part of economic theory -- the body of economic facts! -- regarding how economies function.

The problem with the (cut-tax-rate = more-tax-revenue) approach is that it only works in economies with especially high tax rates and lax tax enforcement (and, I’ll add, a balanced budget in year one of the exercise). If you cut very high taxes and try to catch tax cheats, people
are more likely to invest, and to start declaring their taxes. The US, on the other hand, with some of the lowest tax rates in the rich world, and relatively efficient tax collection, doesn't fit these characteristics. As a result both the Reagan and Bush II administrations have saddled future generations of Americans with mountains of debt (and Obamanomics has had its own flaws).

By way of support for the assertions above:

- James Gwartney, a prominent supply-side economist, asserts that “It is also widely believed that high marginal tax rates—say, rates of 40 percent or more—are a drag on an economy” (link). The source is an excellent one, so long as one bears in mind that it is steadfastly conservative/libertarian.
- Note that the highest marginal tax rate in the US has been below 40% since 1987 (source), yet supply-side tax cuts continue to be argued for.
- Finally, to quote myself (2010; references included at the end of the lecture): “Tax cuts have especially been advocated, which is consistent with the doctrine of supply-side economics and which, as Galbraith argues above, claims that high taxes discourage enterprise and so cuts in the marginal tax rate can, paradoxically, yield higher tax revenue. Yet this has been widely debunked, from economists as diverse as Paul Krugman (Krugman & Wells, 2009, p. 177), Paul Samuelson (Samuelson & Nordhaus, 1985, pp. 736–738), and even minimal supply-siders William Niskanen (2006) and James Gwartney (2008). Gwartney is at best able to declare that economists are divided, yet he acknowledges that the Reagan cuts failed to yield the expected increase in gross tax receipts and so instead resulted in large deficits (Gwartney, Stroup, & Sobel, 2000, pp. 307–310). He also accepts that at marginal tax rates of 40 percent and lower, supply-side tax cuts will be ineffective (Gwartney, 2008), while Samuelson and Nordhaus put the point at which supply-side cuts might work at 70 percent” (1985, p. 737).

This is what Henry means by 'theories' of public administration: the general principles of public administration, derived from factual analysis of the operation of public bodies. This example also provides a useful distinction between ‘hypothesis’ and ‘theory’ in a scientific setting.

- An hypothesis is an idea that we want to test.
- ‘Theory’ is what we know, given decades, even centuries of hypothesis testing, and so refinement, of our body of knowledge.

Organizations

Given that Henry is discussing models of organizations, he starts with some characteristics of organizations. Organizations:

- are purposeful, complex human collectivities;
- are characterized by secondary (impersonal) relationships;
- have specialized and limited goals;
- are characterized by sustained cooperative activity;
- are integrated within a larger social system;
- provide services and products to their environment, and;
- are dependent on exchanges with their environment.
He then goes on to discuss two stylized metaphors of organization theory: the closed v. open models. I say ‘stylized’ because all organizations contain elements of both, and the ‘closed’ model is presented as a straw person and thoroughly thrashed.

The closed model

*The logic* -- of the 'closed' metaphor is *not* that these theories of organization seek to intentionally ‘close’ themselves to other organizations and influences, which is the caricatured presentation of the closed model that Henry takes. Instead, ‘closed’ models of organizations just tend to focus on what happens within the organization.

**Principle features** -- of the closed model are presented by Henry on page 56:

- Routine tasks occur in stable conditions.
- Task specialization (division of labor), micro-management (the proper way to do a job), and responsibility (doing your micro-managed task) are central.
- Top-down, all knowing, hierarchal authority structure.
- Loyalty is to your sub-unit, within the broader organizational structure.
- Interaction in organizations tends to be vertical, not horizontal.
- Subordinates follow orders.

He then offers three ‘closed’ organizational models.

- **Bureaucratic theory** (*Max Weber’s* model of bureaucracy, p. 57):
  - “hierarchy;
  - promotion based on professional merit and skill;
  - the development of a career civil service;
  - the reliance on and use of rules and regulations;
  - impersonality of relationships among career professionals in the bureaucracy and with the clientele.”

- **Scientific management** (*Frederick Taylor*, p. 57-8)
  - Efficiency (good), but
  - depersonalization (bad, all else equal).

- **Administrative management**: the Principles of administration -- a sort of micro-approach, focusing on fundamental skills, the knowledge of which will make one a better manager
  - POSDCORB:
    - Planning
    - Organizing
    - Staffing
    - Directing
    - COoordination
    - Reporting
    - Budgeting

As indicated, there is a tendency to set up the ‘closed’ model (scientific management, structure, hierarchy, and POSDCORB-like techniques) as a straw person, then beat it up. Yet it long ago occurred to me that POSDCORB is what we teach in MPA programs.
The open model

The logic of the 'open' metaphor is that these theories of organization recognize that while the internal functions of organizations are important, organizations can not be understood (or effectively managed!) without an appreciation of their broader setting, and outside influences.

He then goes on to discuss the open model of organizations.

- The human relations school
  - **Hawthorne experiments**: motivation matters, people are more complex than machines.
  - **Maslow's hierarchy of needs**
    - Physiological needs (food, clothing, shelter)
    - Economic security
    - Love or belonging
    - Self-esteem
    - Self-actualization
  - Maslow's point: once more basic needs are satisfied, people seek self-esteem (sought *in addition to* economic security) and self-actualization (a sort of higher self-esteem).
    - Is this true? To be devil's advocate, these theories were developed by people like us: people pursuing university education. Many of us are all about self-actualization.
    - Yet when I look at the broader population, even among the rich I see relatively little self-actualization, and an awful lot of gross, anti-Christian (remember the line about the camel and the eye of the needle?) conspicuous consumption meant to impress.
    - Many people similarly seem motivated not so much by self-actualization, but rather by collective validation, being part of the herd. *Hummers* (go to 5:30) are in?: then you gotta have one, so that people look at you on the street with awe and envy.
    - Wanna be a *yuppie*? Then get yerself a *chai tea latte*, wear *skinny jeans*, and hang out at the local coffee shop. *NASCAR popular*?: then you gotta hang that *Dale, Jr. flag* outside your house to let others on the street know that you are a faithful member of NASCAR nation, you’re part of the flock. *Baaaaaa*!
  - **Herzberg's hygienic and motivational factors** -- much like Maslow's hierarchy. Again, environment can motivate, people will seek status and self-esteem through work.
    - **Public sector motivation:**
      - Note that relative to the private sector, the public sector has traditionally featured more economic security (with an inevitable temptation to slack off), and
      - Potentially more satisfying work (helping people can be more fun than machining gears, or more fun than selling them a car they don't need).
      - Public service: promoting the general welfare, by doing unto the least among us, does interest a lot of people.
      - Workplace atmosphere and culture: Henry discusses ‘*rude, crude and lewd*’ cultures that often develop within organizations, reducing motivation and so productivity.
  - **Organization development** -- "a planned, organization-wide attempt directed from the top that is designed to increase organizational effectiveness and viability through calculated" (p. 66-7) changes. These would include:
    - improve the individual's ability to get along with others;
    - legitimate human emotions in the organization;
    - increase mutual understanding;
o reduce tensions;
o enhance team management and intergroup cooperation;
o develop more effective techniques for conflict resolution through non-authoritarian and interactive methods, and;
o evolve less structured and more organized organizations.

Note: very touchy-feely! However, I've been in enough organizations that could have used the above, that I can appreciate their importance! I've also been in a fair few organizations in which this sort of codswallop was offered as a symbolic solution to real problems.

- Organization as a unit in its environment -- shifts the focus from sub-units of the organization (and its internal functioning) to the organization as a whole, and its interaction with its environment. Note that this is another example of 'old wine in new bottles', or renaming paradigms, as this is little different from the red hot contemporary interest in ‘governance’, yet Henry dates these ideas from the 1930s. As an example, see the image at right (image source).

Note this perception of the organization (within the yellow oval, yet even this identifies inputs and outputs) differs from the organizational chart, (next page) perhaps the classic 'closed' model of organization.

As indicated, there is a bit of 'straw person bashing' going on here, in that the closed model is clearly seen as inferior to the open model. Perhaps the most obvious example of this is the means v. ends emphasis. I have seen no shortage of 'open' model advocates for whom the means of 'interaction with peers' is clearly more important than the end of resolving conflict.

The synthesis

Henry closes with a synthesis (Table 1), emphasizing the reduction of uncertainty, and that:

- Organizations and their environments can and do change.
o Organizations and the people in them act to survive.
o Organizations can and do learn from experience, including failures and successes.

<table>
<thead>
<tr>
<th>Closed v. open models, by Henry</th>
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<tbody>
<tr>
<td><strong>Closed model</strong></td>
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<tr>
<td>Routine tasks occur in stable conditions.</td>
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<tr>
<td>Task specialization (that is, division of labor) is central.</td>
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<td>Means are emphasized.</td>
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<tr>
<td>Conflict within the organizations is sorted out at the top.</td>
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<tr>
<td>Responsibility (or what one is supposed to do, one's formal job description) is emphasized.</td>
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<td>One's primary responsibility and loyalty is to the bureaucratic subunit to which one belongs.</td>
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<td>The organization is a hierarchical structure (a pyramid).</td>
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<td>The chief executive knows everything.</td>
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<td>One takes orders from above, and gives orders below.</td>
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<td>The style of interaction features obedience, command, and clear boss/subordinate roles.</td>
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<tr>
<td>Loyalty to one's superior is emphasized.</td>
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<td>Prestige is determined by formal organizational rank and office.</td>
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There you have it: organization theory, in theory.

**References**