

How should we organize people's work?

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The transition between student life and getting a job was very disappointing for me. Unfortunately, the same seems to have been the case for the majority of my friends. Is work simply not as exciting as College? Am I a biased example? What is going on?

I argue that presently, firms do not determine what results have to be achieved as much as they determine what tasks have to be performed. An example of this is keeping track of hours worked. The fact that everyone is expected to work from 8 to 5 every weekday does not say anything about how productive one has to be while at work. Which is more important: the results of the work or the procedures used? Most firms operate somewhere in the gray area where both obtaining the desired results and performing the specified tasks are important for an employee to succeed. However, this in itself begs the question: Why do firms care about the procedures at all? Should they not only care about the results?

The problem with firms specifying what tasks need to be done rather than what results need to be obtained is two fold:

1. It makes work less fun for employees because it restricts their ability to decide how best to do their work and achieve the desired results.
2. There may be a different set of tasks that obtains better results.

In his book "Joy at Work" former AES CEO Dennis Bakke argues that one of the fundamental aspects of a fun work environment is the ability to make decisions and to be held responsible for your actions. He argues that, together with the opportunity to use your talents, these form the basis of having fun at work. Thus, in order to have a working environment where people have fun, Dennis Bakke argues for the need to decentralize the decision making process. (I will not present his arguments here, but let us assume for now that work can be made more interesting if one is given more flexibility in deciding how to achieve the desired outcome.)

The inefficiency described in the second bullet will not occur if management makes better choices than its subordinates. In fact, if management makes better decisions than other employees perhaps it is best not to delegate the decision process at all. Unfortunately, this does not solve the first issue and will make for an uninteresting work environment and bored employees.

I believe this is what happens in most companies today. There is a group of people called “management” that correctly or not believes it can make better decisions than its subordinates. Thus, it makes all the important decisions and bores to death all underneath. It just so happens that yet another group called “upper management” came to the same conclusion. Thus, through a chain effect, the people making the decisions are further and further removed from the implementation of the decisions they make. In fact, they may be so removed that no matter how smart “upper management” is, their decisions may not be as good as the ones made by someone with far less experience working on the factory floor that deals with the problem on a day-to-day basis.

To delegate and decentralize the decision making process as much as possible it is necessary that “management” do not specify what procedures needs to be performed but only what results must be obtained. In a way, this is what contractors and subcontractors do. A contractor does not care how one of his subcontractors goes about running his business, but only that the job performed is of good quality, timely and affordable. Thus, there are already situations in which people decentralized the decision making process by specifying only the ends and not the means. According to the argument above, this should lead to: employees that are not as bored, and to more efficient decision making. Is that true of the contracting world? If not, why not? If it is true and better decisions are made, why has this organizational practice not become commonplace?

Let us consider the incentives. A subcontractor has an immediate incentive to get as much cash out of the contractor as possible. He is oblivious to the performance of the contractor as long as the contractor can in the future provide him with another job. So, a subcontractor has the incentive to keep to contractor as poor as possible but not to drive him bankrupt...