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INSTITUTIONAL PRODUCTIVITY IN THE FOOD INDUSTRY 1978 - 2000 A.D.

by
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Emphasizes the need to get back to the basics of management - do a better job of applying the management principles in order to manage institutions more productively.

Introduction

Scarcity has caused man concern over the centuries regarding the productivity of the many resource combinations that impact upon his life. This concern has been focused upon 1.) Labor - How many units of whatever can be produced per hour of labor?; Capital - Machinery: How many units can this combination of machinery produce per day? Land - How many bushels of corn per acre can we produce?

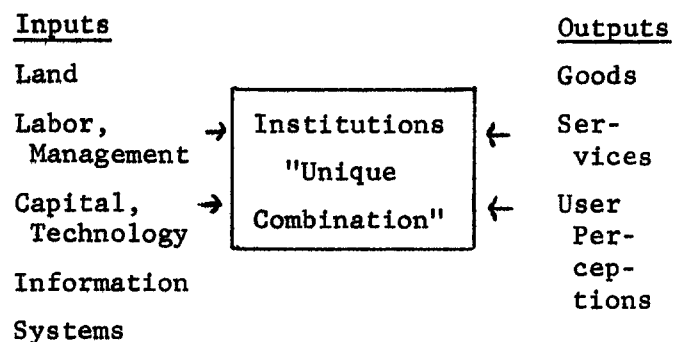
The basic concept is elementary. We combine a given set of resources to achieve an objective. We provide a certain amount of inputs into the operation and gain an amount of output in return. The problems of measuring this relationship and increasing its effectiveness (more outputs for same input or same output for less input) compound the situation, but are made necessary because resources are not limitless (scarcity). The more scarce resources become the more urgent is the issue of productivity. There also is the matter of differing productivity among different resource combinations that further "cloud the issue."

One segment of this productivity issue that has received almost no attention is the institution.

What is an Institution?

A general definition of an institution might be "any association, custom or relationship consciously recognized by society, organized and maintained through prescribed rules and procedures." Examples are, schools, churches, government, businesses, industries, hospitals, museums, the military or a person. Institutions can be large or small, simple or complex, temporary or permanent, active or passive and physical or intangible.

One might ask what happens in an institution? Schematically, activity appears as follows:



The institution takes varying amounts of inputs, combines these resources in its "own unique" way and produces outputs - goods - canned peas,

T-bone steaks, leisure suits; services - education, health and legal services, beauty; and user perceptions - attitudes, points of views.

Well, what makes an institution unique? Two things, basically. One, many of them deal with intangibles - information and technology as inputs; services and user perception as outputs. Two, the variety of combinations of resources that are used to generate outputs. Each institution feels that it adds it's "own unique strategy" to most effectively achieve their objectives.

What Would the World be Like Without Institutions?

At times a useful way to get at the essence of an entity is to imagine a world without whatever you are studying and then attempt to discover what would be missing. A world without institutions would be very dull, simple and amoeboid-like. It would be a world without structure or backbone. The way institutions are structured, both internal and external linkage, forms the fabric of a society. So, without institutions, this society would have no structure or fabric. Thus, we find that institutions play an extremely fundamental role in society; even though they may be hard to define at times, move in oft mysterious ways and produce services and images that are hard to quantify.

Why Should we be Concerned with Institutional Productivity?

First, institutions are essential if our society is to provide individuals with the values they seek. Second, they are becoming even more numerous, larger and more complex. It is difficult to imagine a part of our lives not impacted upon by one or more institutions. Third, institutions are using up an ever

increasing share of the scarce resources the planet has to offer. Fourth, an increasing share of the output of institutions is services and images which are difficult to measure and to evaluate their worth. Fifth, there seems to be no practical way, at the moment in a free society, to control the growth of these entities. This appears to be an excellent point of departure to study relative productivity measures.

Time and Institutions

With the passage of time comes the process of "fossilization" which is one of the arch enemies of productivity. Facilities, attitudes and people get old and mature. "Entropy" sets in and, most importantly, the thought processes slow and dim over time. This is nature's way. Facilities can be upgraded or replaced, as can technologies. The real challenge is to avoid rigidities in the attitudes and thought processes of people in the institutions.

"New blood" is part of the answer to this mental health and well being of an institution over time. But revitalization of existing personnel presents a unique challenge. More on this later.

Timing is another significant aspect of the relationship between time and the institution. Getting institutions to respond to and/or anticipate felt needs, solve the problem and move on to other problems is a monumental challenge. John Gardner's comment, "Most organizations are established to solve problems which no longer exist or to perform functions for which the need is past",² is to the point here. By the time institutions awaken to most problems and marshal their resources to solve them, the need can easily have passed by. Unfortunately, many times the problems are not solved and get worse, e.g., crime, cities, energy; and the

institutions, in true bureaucratic style, usually increase in size and resource use without necessarily increasing their affectiveness.

If we could be fortunate enough to get an institution that responds quickly enough to needs, there is the second problem of getting the effort shut down, when there is no longer need for the institution. Resources expended by institutions on projects for which there is no need can be looked at as a negative contribution to institutional productivity. These resources could have been devoted, at least in part if not totally, to projects for which there is need. The "hookers" are the problems of deciding what is needed, who will make the decision and at what time in a free society. Although there are no data to support this, the author firmly believes that a significant contributor to lagging institutional productivity, especially in government and educational institutions, is the fear of change characterized by an inability to let go of the old and grasp on to the new. Scarcity of resources will help to correct this situation by forcing change. However, much waste and suffering could be avoided by improving the institutions' ability to deliver their product, service or perceptions in a more timely and effective manner.

Size and Institutions

Many aspects of size impact upon institutional productivity. As institutions grow, one of the first items that comes to mind is organization. Traditionally, we have utilized some variation of the bureaucratic, centralized organization system to manage our institutions. This type of organization usually works best in a routinized "assembly line" goods producing situation. As our institutions move from goods production to the creation of services and images,

productivity of centralized decision making is suspect. Much study is needed to find more productive ways of organizing and operating institutions in a service and image creating society to achieve the desired productivity.

Complexity is another aspect of size that is relevant. One can think of complexity in terms of many different related or unrelated services being provided within one institution. Or one specific service can be provided in a variety of geographic, cultural or ethnic situations. And there is always some combination of the above. The point to be made here is: the more complexity an institution must deal with, the greater the portion of its resources are devoted to internal maintenance and hence the lesser the portion of resources left to be applied externally - and to the problem they are trying to solve.

As institutions grow in size they tend to become more rigid - largely as the need for greater control becomes apparent. This lack of flexibility can result in misallocation of resources with many wasteful hours spent in unfruitful committee meetings and reams of reports.

One of the favorite "buzz words" these days has to do with achieving the "critical mass" to accomplish a task. This has something to do with what economists have called economies of size for a long time. The "optimum size" for an institution is extremely difficult to arrive at on a practical basis. What some see to be pertinent here is that many of our institutions are suffering from dis-economies of size. They are too big. Hence, are not operating at optimum productivity. Often size is related to achieving bureaucratic objectives rather than institutional objectives.

A central issue in the productivity of large institutions is "power." If an institution is powerful enough to control the level of its budget - C.I.A., F.B.I., Defense, Department of H.E.W., or in a monopolistic or oligopolistic position where it can control the price of its product or services - petroleum, insurance, autos, health services, telephone, utilities, labor unions, productivity concerns are of lesser importance. Using its power as a defense, the institution can, in the short run, pass the cost of its lack of productivity on to another party in the system and eventually to the ultimate consumer. The potentiality, if not the actuality, for such power motivated impacts upon productivity exists in all segments of our food industry production-processing - distribution and consumption system. As the trend toward increased concentration in the food industry continues, government grows and unions flex their muscles; the prospect for "improving the productivity" of our existing institutions grows dimmer.

Change and Institutions

Absolute amount of change and rate of change are the two aspects of change that we hear the most about these days. People are constantly commenting upon how vastly different things are now from what they used to be during some period in the past. A smaller, but growing group, is saying how different things will be at some time in the future.

Rate of change is much harder for most people to handle. The "mind boggling dramatics" of Toffler in "Future Shock" are a "bit much" for some, but they have served to call our attention to the ever increasing rate of change in certain areas - mostly technology. One item which is critical here has to do with the differential rate of change between many of our technologies (fast)

and most of our institutions (slow). The seeming inability of/or lack of desire for institutions to change at a rate more nearly comparable to that of the technologies which serve as and/or control our lives is causing even greater stress upon the fabric of our society. There are many ways to view this differential rate of change question - depending on your point of view. The point is that something must be done to bring the rates of change in our institutions more nearly in line with technological change.

The "buzz word" relevance comes into play at this point. Relevance has something to do with perceptions of usefulness of activities or bodies. A given group may perceive an activity to be relevant; which an institution, because of its differing perceptions of reality, may not consider that activity to be at all relevant. Yet, both may be looking at the same situation and have the same data available for use. Unless enlightened decisions are made concerning "relevance" of institutions to problem solving, this area will have a profound negative impact upon institutional productivity.

Complexity has been mentioned previously, but is pertinent here as well. Change comes, not only more and faster, but also in a more complex state. This is true from both a technological and institutional point of view. Do we gear up the institution to deal with the complexity or do we become more dependent upon other institutions to help us deal with the situation? Thus interdependence of institutions becomes another aspect of the even more complex productivity problem.

Leadership and Institutions

We in the United States have traditionally been "hero worshippers." Whenever we get in a jam, we look for the

"Knight in Shining Armour," or the "Good Guy in the White Hat" to save us from certain disaster. The one notable characteristic of leadership in the vast majority of our modern day institutions is the lack of same. The "nameless, faceless" bureaucracies grow with few apparent controls. Anonymity appears to be the desired characteristic among our so-called leadership, especially when one must take responsibility for his or her actions. If our heroes are dead or compromised to the point of ineffectiveness, then who will set the direction for our institutions? Or will they twist and turn helplessly as many seem to be doing now? Thus, consuming ever scarcer resources, lowering productivity and possibly fouling our chances for a better life tomorrow?

Politics and Institutions

Institutions are, by their nature, political beings. Three aspects of politics are pertinent to the productivity issue. First, there is the matter of how effectively a given institution deals with a perceived clientele. This has been or will be covered in detail and does not need to be repeated here.

Second, is the matter of one institution dealing with other institutions. In an "ideal situation" where one institution serves a need effectively or cooperates with a given number of other institutions to serve a need, the productivity problem is one of a constant search for better ways to get the job done. However, most situations are far from ideal and the twin problems of duplication of effort and institutional competition raise their ugly heads.

Either because of sheer bureaucratic size or foul-ups, two or more institutions are found to be duplicating effort. Maybe the duplication is

conscious. Two agencies feel they have a "legitimate right" to an activity and no one has the "guts" to choose between them. Hence, the waste of resources and decreases in productivity. One institution may not trust another and duplicate the other's functions as a matter of "self protection," for survival of the species is the first rule of any institution. This along with the bureaucratic principle of never voluntarily giving up resources - as this reduces budgets and the growth of the bureau, both are "no-no's" in the art and/or science of bureaucratic management which help to prolong the duplication of effort.

Related to duplication of effort, is the institutional competition issue. Several institutions may compete for monies on a particular project with the hope that, if we get the contract we can "staff up" to do the job and thus grow and prosper in the process. Competition is one of the corner stones of our society. But, excessive competition (however that may be defined) can indeed be counter-productive when the larger picture is considered.

Third is the aspect of internal politics within the institution. Paramount in the institutional productivity aspect of internal politics is the amount of resources spent on "getting ahead in the organization" with no visible impact upon program effectiveness in achieving objectives. As institutions become larger, this becomes more of a problem. Another situation here is competition between groups within an institution. In larger institutions especially, internal competition and duplication of efforts, often may prove to be counter-productive.

Bureaucratization of Institutions

A fundamental problem in most of our institutions relates to statements of objectives. Normally, if stated, they

are sufficiently vague that reasonably precise measurement of accomplishment of objectives is impossible. Possibly, a clear usable statement of objectives existed for the institution at one time, but changing situations and passage of time has broadened and blurred the original objectives. Of course differing interpretations of objectives by individuals or groups within institutions leads to further complications in this matter - especially the hidden objectives that administrators, supervisors and employees hold which are never communicated.

Not only do bureaucratic institutions have problems with objectives; but also many have trouble differentiating between means and ends. It seems that, especially in older and larger institutions, much more resources are devoted to the means (the bureaucracy itself) than the ends (products, services or user perceptions). This impacts upon institutional productivity in the direct and opportunity cost sense. When the individual within the institution forgets (or never knows) the institution's objectives, it is easy to concentrate on means rather than ends, and thus waste your human potential from the point of view of a direct contribution to the objectives of a society.

Creativity and Institutions

Many institutions are not designed to foster creativity - police, fire, regulatory agencies, churches, the military. In a sense, to apply creativity within such institutions would "foul up" well oiled machines and be counter-productive. This does not mean that creativity should not be applied to all institutions in questioning their need for being and trying to make effective use of limited resources. It does mean that once an institution is performing routine tasks for which there is a need,

reasonably efficiently, care must be exercised not to upset the works with overly creative schemes.

More importantly, certain institutions are designed to foster creativity. However, civil service, seniority and tenure often serve to defeat the original purpose of the institution. Educational institutions are prize examples. Tenure and promotion systems serve to preserve the "status quo" and protect the unproductive, marginally productive and counter-productive from the effects of meaningful evaluation. The creative mind must suppress itself and give at least lip service to conventional wisdom until it gains the protection of the system. Unfortunately, when it has the protection of "academic freedom," it may not feel the effort is worthwhile to fight the system and another potential creative contribution may be lost. If the person chooses to apply their creativity, the system has a way of closing ranks and making the situation very unpleasant for even the hardest of individuals. Thus, the productivity of the system suffers from lost creativity and from the efforts spent by the status quo to suppress it and to maintain their own existence.

Motivation and Institutions

We are told that the key to motivation is to be able to find an institution where objectives are similar to ours; or we can find a niche where by accomplishing our objectives, we further the accomplishment of institutional objectives. However, if the institutional objectives are vague, constantly changing, out of date, irrelevant or some combination of the above, the person has difficulty knowing what is expected of him and why he is expected to accomplish it. Most probably there is little or no incentive to perform at anything but a minimum acceptable level.

Excellence, equality and mediocrity are most pertinent in this discussion. If one of our goals is excellence, a person can relate to this and strive for it with whatever energies he is willing to put forth. However, in the pursuit of excellence he may well run into equality - also one of our societal cornerstones. Should the system say, "no, you cannot be excellent, you must be equal", then we lost the contribution to overall productivity of that excellence. The author sees a disturbing trend toward equality and away from excellence in many of our institutions which can only lead to mediocrity. Mediocrity may be "all right" for many, but it is an impediment to improvement and/or maximization of productivity in our institutions.

Legal "Monkey Wrenches"

We are a country of laws. The vast majority of these laws were hammered out in their own microcosm with little or no regard for the possible impacts upon other areas of society. A law which might help in one area of society might turn out to be, on balance, counter-productive for this society as a whole, due to unforeseen or unlooked for consequences in another area.

Many of the "anti-pollution" and health and safety ordinances enacted in recent years are excellent cases in point. Few would argue with the lofty purposes of such statutes - at least in principle. The implementation of these laws is so resource consumptive as to be counter-productive if not devastating to an industry or individual firm.

Another case in point is the E.E.E.O. Legislation. Again, the lofty objectives are hard to question. The impact upon productivity comes when a qualified minority person cannot be found, and a person of lesser qualifications fills

the position. This is a situation that is not fair to both the minority person and those who must work with them. There is a direct impact upon institutional productivity due to the employment of a less than qualified person. But the indirect negative impact upon incentive for the rest of the organization could be very large. Also, there is the larger cost of administering these programs which adds nothing to institutional productivity.

The point of this discussion is not to be against anti-pollution, health and safety or E.E.E.O. It is to say that we must exercise more and more care in in-acting special interest legislation in our ever more complex society. The benefits gained by one institution may be far out-weighed by the costs to another institution or series of institutions. Hence, total societal productivity will suffer. Does any one really care about productivity anyway? Or do we?

How to Measure Institutional Productivity

Our discussion to this point has shown us at least three things relative to the measurement problem in institutional productivity. First, we are dealing with a very complex situation, with many intangibles. Second, traditional productivity measures are too narrow to be of much help. Third, due to the complexity and potential for embarrassing many people, we are not sure that there is much incentive for one to pursue this area. In fact, there may be some considerable incentive not to open "Pandora's Box." Here one would be asking the "tough questions" and must be willing to live with the consequences.

Be that as it may, as a start in measurement of institutional productivity; we must do a much better job of defining objectives, inputs, outputs, needs and purposes and programs to achieve the

objectives in our institutions. With clarity of definition, many of the "mysteries will dissolve". From this point we will go into a "management audit" (a detailed analysis of all aspects of the operation) of typical institutions to get basic performance data documented. With a sufficient number of audits completed, we can work towards standards of performance for typical institutions. The author is fully cognizant of the pitfalls and relatively high short run cost of this suggested approach. However, when developing basic performance standards for a unit from "scratch," a person has little choice in the matter.

For those with a methodological interest, the area of institutional productivity may well provide the "ultimate challenge." At this point, the field is wide open for those with a keen, analytical mind and great amounts of courage and stamina.

Who is Responsible for Improvement in Institutional Productivity?

If everyone is responsible, then no one is responsible! This is true, but in a sense, for public funded institutions, each citizen has a responsibility to urge those in charge to manage the institutions more productively. (Management is defined as effectively utilizing capital and human resources in the setting and accomplishing of objectives.) Better managed institutions are more productive ones.

Where does the buck stop? For public funded institutions, the ultimate responsibility lies with heads of government, the President, Congress, Governors, Mayors, County officials - depending on the size and scope of the institutions. The County Board of Education has the responsibility for productivity in the elementary schools of the county. The President and Congress are responsible

for productivity in the various federal government departments and agencies. For privately funded institutions, the ultimate responsibility, for productivity rests with management, especially with the chief executive and board of directors.

Back to the measurement problem. We all complain about lack of productivity in institutions. But we have a few hard facts and figures to use in the analysis. Of course, we also have few people in positions of power with the knowledge or the courage to do something about the problem.

How to Manage Institutions More Productively

Back to basics: would probably be a better title for this section of the paper. The principles of management have not changed and are applicable to government or industry, individual or institution, great or small. Bad management in institutions (especially public funded ones) stems from many sources. We shall explore three.

First, the administrators of many institutions are not concerned about productivity. The institution is considered as a social or intellectual cause, a means to further personal ambitions, a way to influence mankind or many other reasons. Back to confusion of means-end. Regardless of how large or small an institution is, it still presents a management problem and must be approached as such. Difficulty of measuring effectiveness of results is not an excuse for failing to evaluate resource utilization in an institution.

Second, many of the people in the management of our institutions do not have the training and/or experience in management to do an adequate job. They may be beautiful people and well trained

in some scientific specialty, but they know little or nothing about management of people and resources. Or they may be only mediocre in their specialty and take administrative jobs for more money or prestige. What is being suggested is a massive training program in management for those who now have responsibility for operating our institutions. And the establishment of some realistic criteria for selecting and evaluating present and future managers.

Third, K.I.S.S. is a very important set of buzz words for management of institutions. "Keep it simple, stupid." Many of our larger institutions, both public and private, have evolved such elaborate bureaucratic systems that they are "unmanageable." More importantly, a significant part of the management spends its time on the system (means) and has forgotten, never knew or doesn't care about the (ends).

In order to manage an institution more productively, we don't need some

magic remedy. What we need to do is a much better job of applying the management principles we already know.

What's the First Step

Someone has to decide that the subject of institutional productivity is worth more than generous amounts of academic rhetoric. As with everything, money must be committed to study the situation, define the specific problems, suggest alternative methods of management and follow through. Then after getting the desired commitment from the top (Congress, the administration, top management) make the desired changes. Volunteers please!

Footnotes

¹The writer gratefully acknowledges editorial comments from Lew Norwood.

²"No Easy Victories", John W. Gardner, Harper Colophon Books, CN145, 1968.