

FPDL- Partners for Local Development Foundation

ORGANIZATIONAL DEVELOPMENT

A Manual for Managers and Trainers

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Preface and Acknowledgements

This book is a kind of account for the author, who has done training on organizational development for many years and has developed a number of ideas and instruments based on his own research and experience, in addition to the resources provided by other authors and colleagues. I was never in a position to put down on paper a more or less systematic description of his approach. This eventually became possible due to the initiative and support of two great women. The first one is Ana Vasilache, who initiated the process from its original idea and was also able to secure support from the Local Government and Public Service Reform Initiative. Without Ana this work would have never started. The second woman is my wife and colleague Jurgita Kersyte – without her understanding, patience and assistance, this work would never have been completed. I would also like to express my gratitude to my teachers and friends, who inspired my work in the field of management and training and provided a lot of invaluable feedback and advice – Brian Lawson, Fred Fisher, Tomasz Sudra, Duncan Leitch, Adrian Campbell, Max Jeleniewski, Pierre Jean Everaert, Some very important remarks were given by famous quality guru Allan J. Sale. Special thanks to the 18 experts from ten CEE countries who took part in the TOT on Organizational Development held in Lithuania May 15-26. They read a draft of this manual, participated in discussions and helped to finally shape the book.

We are nothing without those who surround and support us. We are nothing without those who are surrounded and supported by us. Everyone takes a lot from society and the professional community to which he belongs, and everyone should give something in return. I hope this manual will be accepted as a small contribution to the field that gave so much to me.

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Introduction: Organizational Development and Training

Any organization, being a living organism, is in the process of continuous change. Nobody can stop this process. No specific action is needed for changes to happen.

Some changes in organizations may be considered positive; then it is common to use the term 'development'. Which changes are deemed 'positive' – that depends on the desired direction of development. Other changes may be undesirable and when they take place may be referred to as 'deterioration'.

Somebody may be in charge to determine a preferable direction – shareholders, politicians, etc., or any kind of owners or sponsors. Somebody may only be in charge to ensure that only desirable change takes place.

Both the development and deterioration of an organization may be more or less sustainable; it depends the change impacts the initial causes or impetus for the change. When the change depletes limited and non-renewable resources - thus diminishing the possibility of a similar move in a future - the process is not sustainable. When the change affects the cause in a way that increases the possibility for continuing progress in the same direction – then the process is sustainable.

The virtues and vicious cycles of sustainable developments and deteriorations at different levels and in different parts of an organization's are influenced by interrelated changes from routine or incidental variations and fluctuations within vitally important internal and external parameters. The process is ongoing. Sound complicated? In fact, it is just as simple as life itself. It would be much more difficult to imagine life as a kind of primitive combination of clearly defined, fixed, and predictable things (such 'life' would never appear and could never exist). Organizations need management to control all these intricate factors and to ensure that the overall process goes in the direction that best promotes effective and efficient fulfilment of the mission. In order to survive, an organization must do the right things in the right way. In order to do things in the right way, activities must be organized in the right way.

Organizational development is merely the process of development as applied to an organization. We shall use this simple statement so as not to get twisted in endless discussions about the differences between the academic subject of Organization Development (OD) versus *organizational development*. As pointed by OD gurus, organizational development (as opposed to OD) refers to any effort to improve organization, and does not imply assumptions about people, organizations, or the change process. (Rothwell, 1995) It is not really serious. Behavioural

scientists (psychologists, sociologists, cultural anthropologists, etc.) try to protect this specific area of consultancy business from intervention of others, although their own knowledge base and instruments are far from being sufficient to meet the challenges that emerge in organizational development processes. In this manual, we will refer to different kinds of efforts and professional contributions that may be needed to improve organizations, with some special emphasis on the topics that are generally not well-addressed in the literature on OD. We will try to expose the subject matter as fully as possible within this manual. Our subject is organizational development, not as an academic discipline, but more particularly like a job for a manager and trainer.

The actual changes in any organization depend on numerous factors: technological, psychological, social, environmental, cultural, etc. Some factors may be related to information systems, others to professional skills; some may be directly linked to a market, some tied with quality and so on. Nobody can say what is most important for organizations and what is less significant. Under certain circumstances any factors may become crucial. And each of these emerging factors should be addressed accordingly.

When conflict between employees is caused by poor organizational design – a psychologist will not help. When mistakes in document processing are caused by inadequate technology – a new system of punishment or motivation will not help. When the mission of an organization and/or its actual role in the market or society is ill-defined – how can this organization be effective? Nobody can expect quality to improve before the proper processes are established and needed controls implemented. And so on. Organizations are complex matters. Organizational development processes are manifold. Thus, a wide range of specialized disciplines may be needed, and a manager should be able to employ all of them.

Organizational development as a management practice may be defined as the application of any relevant sciences, knowledge areas, information, technologies, skills and any other measures that can help to improve understanding and control of the processes of organizational change.

Where can one obtain the necessary knowledge, relevant to the needs of a particular organization or situation? The answer is simple – in the organization itself. Usually people in an organization know their subject areas, have information about what is going on around them, and have a stock of experience in matters that count, which is often more than a consultant has to offer. Moreover, an outsider may not have (or be able to obtain through interviews) all the detailed data regarding goings on within the organization, or the structure or sub-structures within the organization. Smart consultants ask people in an organization – but they never have all facts and fine points. Thus, in many cases they are not able to give sound practical advice. What they can do is to enable an organization to find its own solutions to its own problems.

Organizations stay where they are because their members think it is 'perfect', or it is 'normal', or it is 'the only possible solution', etc. People tend to think in a way that diminishes cognitive dissonance, thus remaining within the limitations of what they "know" and how they are "used to doing things". They are trapped in mental boxes or mindsets – but often fail to see these boxes. Under certain conditions individual mindsets become a kind of organizational mindset – certain dominating ideas, statements, preconceptions, attitudes, cultural norms, etc. – create organizational "boxes", where the collective thinks certain things, or does not think other things, tolerating differences where little space for difference is possible and seeking uniformity where no uniformity is actually needed. This swamp of 'evident truths' and elements of 'common sense' may seem fatal. To change the way organization lives one must change the way it thinks about its organizational life.

When changing mindsets and behaviours is essential – then the initial spark may be organized in the form of a 'training intervention'. What people in an organization understand (or believe) and what they can do (know how or have the skills) – these are the main resources for development. At the same time, what they are used to thinking and what they accustomed to doing – these may be the main barriers for development. Training intervention is a collective learning event, conducted by qualified consultant that is designed and implemented to address and change dominating patterns of thinking and habits of doing things in an organization. Consequently - it can change the organization.

Although a training intervention may be extremely effective - the other side of the coin is that it can also be harmful. The responsibility of a professional consultant is to plan and implement the intervention in a way that maximizes the chances for success while diminishing the risks of negative consequences, either for the entire organization or for individual participants. This manual is designed to assist managers and professional trainers to gain better insight concerning organizational matters, and be more effective in planning, elaborating and implementing training interventions aimed at developing organizations. This manual cannot substitute for the relevant background and experience of those who will read it. It is intended to build on their knowledge and experience and supplement them with knowledge gained by author over the course of 15 years of conducting training for various clients of the School of Democracy and Administration (VDM) in Klaipeda, Lithuania.

Part I. Key Aspects of Organization

Chapter 1.1 Organization as System and Living Organism

What we mean by organizations is indeed changing.
Peter F. Drucker (1996)

*Self-organizing is the fundamental thing we need to understand
and to learn to work with.*
Peter Vaill (2000)

System

An organization of any kind is a complex configuration, comprised of many interrelated components, or elements. When the interaction between these elements is such that each correlates with another directly or indirectly through other elements – we can talk about a higher level, or a *system*. From Latin and Greek, the term *system* means to combine, to set up, to place together.

Many principles, derived primarily from the study of biological systems, are often used in the analysis of an organization as a system. One can find some of them in a book by Gareth Morgan, *Images of Organization*:

- *The concept of an “open system”*: The idea of openness emphasizes the key relationship between the environment and the internal functioning of a system. Environment and system are understood as being in a state of interaction and mutual dependence. The open nature of biological and social systems contrasts with the “closed” nature of many physical and mechanical systems.
- *Homeostasis*. This concept refers to self-regulation and ability to maintain a steady state ... on the basis of what is now called “negative feedback”, where deviations from some standard or norm initiate actions to correct the deviation.
- *Requisite variety*. This idea states that internal regulatory mechanisms of a system must be as diverse as the environment with which it is trying to deal.
- *Equi-finality*. This principle captures the idea that in an open system there may be many different ways of arriving at a given end state. Living systems have flexible patterns of organization that allow the achievement of specific results from different starting points, with different resources, and in different ways.
- *System evolution*. The capacity of a system to evolve depends on an ability to move to more complex forms of differentiation and integration, and greater variety in the system

facilitating its ability to deal with challenges and opportunities posed by the environment.
(G. Morgan, 1997)

Some other concepts or principles are equally important for understanding the contemporary view of organizations. We will try to describe them as briefly as possible, based on the 'free encyclopaedia, Wikipedia, definitions (en.wikipedia.org)

"A *dynamical system* is a concept in mathematics where a fixed rule describes the time dependence of a point in a geometrical space." Parameters of dynamical systems are in continuous change. "The mathematical models used to describe the swinging of a clock pendulum, the flow of water in a pipe, or the number of fish each spring in a lake are examples of dynamical systems. A dynamical system has a *state* determined by a collection of real numbers. Small changes in the state of the system correspond to small changes in the numbers. The *evolution rule* of the dynamical system is a fixed rule that describes what future states follow from the current state. The rule is *deterministic*: for a given time interval only one future state follows from the current state." Organizations are definitely dynamical systems, because they involve a lot of dynamical parameters and components, but they are of a special nature, because they are *non-deterministic* and *non-linear*.

"A *deterministic system* is a conceptual model of the philosophical doctrine of determinism applied to a system for understanding everything that has and will occur in the system, based on the physical outcomes of causality. In a deterministic system, every action, or cause, produces a reaction, or effect, and every reaction, in turn, is also an action that becomes the cause of other subsequent reactions. The totality of these cascading events can theoretically show exactly how the deterministic system will exist at any moment in time."

The behaviour of "*nonlinear* system is not expressible as a sum of the behaviours of its descriptors. In particular, the behaviour of nonlinear system is not a subject to the principle of superposition, as linear systems are. Crudely, a nonlinear system is one whose behaviour is not simply the sum of its parts. Linearity of a system allows investigators to make certain mathematical assumptions and approximations for easier computation of results." In nonlinear systems these assumptions cannot be made. That is because "the response of non-linear systems to the small accidental change of the state is not in direct proportionality with the distortions. In some points of so-called *dynamic equilibrium* even a very small influence may determine the way of further development (*butterfly effect*). These may be really points in the phase space, or lines, or surfaces, etc. Such points were called by Poincare *bifurcations*; Prigogine called them later *polifurcations*."

The noun bifurcation (from Latin *bifurcare*, to split into two) became one of the most popular terms in any discipline considering any kind of development within social systems. Being dynamic and

non-linear, such systems permanently pass through points of bifurcations, thus become very vulnerable in the face of even the smallest influences when they enter critical moments in time.

Chaos

Where chaos begins, classical science stops.

James Gleick

Unpredictability is closely linked to the concept of *chaos*, one of the key concepts of synergetic. The term derives from Greek and typically refers to unpredictability. The word, however, did not mean 'disorder'. It meant 'the primal emptiness, space' (<http://en.wikipedia.org/wiki/Chaos>).

A system may be: 1) in a state of stable equilibrium – where the elements are always in, or quickly return to a state of balance. It may be: 2) in a state of bounded instability (or chaos) – a mixture of order and disorder where the basic patterns of a system's behaviour can be detected. And it may be: 3) in a state of explosive instability where there is no any order or pattern. (N. Glass, 1998)

"Chaos Theory describes the behaviour of certain nonlinear dynamical systems that under certain conditions exhibit a phenomenon known as chaos," which is "characterized by sensitivity to initial conditions (e.g. 'butterfly effect'). As a result of this sensitivity, the behaviour of systems that exhibit chaos appears to be random, even though the model of the system is well defined and contains no random parameters." (http://en.wikipedia.org/wiki/Chaos_Theory). Still, chaotic behaviour is not the same as random behaviour.

"Random behaviour exists when an entity, given choices, is likely to perform any one with equal probability. Chaotic behaviour, by contrast, is more structured, stable and deterministic; nonetheless it, like random motion, is still unpredictable. Chaos is descriptive of systems rather than entities. Systems, of course, are composed of entities, but the corporate behaviour of these entities is organized by correlation and autocatalysis. Consequently, the dynamics of chaotic structures, like weather systems, fluid turbulence, families, mobs, and organizations, are, to varying extents, patterned and stable; even so, their trajectories over time are unpredictable, again to varying extents." (R. Marion, 1999)

Chaos in an organization is what management, as well as all other members, influences every day, but can never control. As James Gleick explains, 'Yes, you could change the weather. You could make it do something different from what it would otherwise have done. It would be like giving an

extra shuffle to an already well-shuffled pack of cards. You know it will change your luck, but you don't know whether for better or worse.' (J. Gleick, 1997)

And one more point is important. 'Chaos and instability ... are not the same at all. A chaotic system could be stable if its particular brand of irregularity persisted in the face of small disturbances' (J. Gleick). Thus, even misconduct and deviation, such as corruption for example, may be a very stable feature of the organization, although unpredictable in details. Many things that look accidental and, strictly speaking, take place accidentally, are caused statistically by certain regular factors that frame chaos and provide for inevitable repetition of the same modes of behaviour.

The Complexity Theory is sometimes considered to be a branch of Chaos Theory, and addresses the specific subject of the *complex system*. "A Complex system ... possesses sufficient stability to carry out memories and sufficient dynamism to process that information. This balance between order and Chaos enables the ability to reproduce, to change in an orderly fashion, and ... to self-organize, or emerge without outside intervention." (R. Marion, 1999)

Coherence

Coherence is an energy efficient modality in a chaotic world.

Doc Childre and Bruce Cryer

Coherence is from Latin, *cohaerere*, and means stick together, or being connected with. Coherence is what makes the chaos determined, shaping it out of mere disorder. In fact, coherence begins where total disorder ends – particles start "to see" each other ('*somnabulas* wake up' as Prigogine would say) and coordinate their behaviour. Water molecules start to dance in circles of turbulence when the pressure in a pipe gets to certain point. Free electrons stick together in pairs when the temperature is close to absolute zero, changing the mode of how electricity flows through a metal – and the resistance of the metal disappears. At certain conditions, waves of light in a laser get brushed in one direction and are able to transfer tremendous energy without loss. And so on.

In any case – coherence is always a mode of coordinated behaviour (oriented in a single direction, synchronized, or correlated in any other sense) of elements that allows them not 'to act one against another' and thereby dissipate a lot of energy into heat without any positive effect. Saving energy is a law of nature. Due to their interaction, elements may jointly act in a coherent manner, thus saving energy (rowers in a boat, marching soldiers, etc.).

Coherence comes directly from both freedom and interdependence. Where no elemental freedom exists – there is no opportunity for correlated behaviour. Each element is just how it is. Where interdependence does not exist – there is similarly no possibility for correlation. Each element does not see and does not need to see or feel others, and does whatever it wants on its own. Elements interact in this case also, but casually, and such an interaction causes a causal effect. In such systems, elements may be kept together only by some third external force. The dissipation of energy is increased, and thermal ‘death’ is the most probable outcome.

Structure

Which components comprise the system and how they are linked together is determined by a *structure* (in Greek, this term means ‘constitution, layout, order’). The structure defines a type of entity to which the system belongs. A football team is something different than an IT department, although both may comprise the same people.

It is also logical to talk about the structure of *processes*, or the *dynamic structure* of an organization. In contrast to the static structure that usually defines formal subordination in work relations, the dynamic structure defines how elements interact in a common process and generate a certain common result.

The necessary result of interaction might define the kind of structure needed to achieve the particular result. The optimal group for a good party is usually expected to be different in content and internal relations than for example a rescue team.

Any physically existing system has a structure, and only one - whether anyone knows this structure or not. But, any particular kind of structure may be realized in a variety of different systems that each might have the same principal constitution. Similar systems, with similar structures, may possess similar features, while remaining different subjects. Take military subdivisions, or typical departments, which are organized by the same regulations from either the ministry or the corporate center. They may have similar positions, number of staff, and principal regulations; some would say they have the same structure. Still, they are only formally ‘the same’. In fact, they are different. And each individual entity would demonstrate - alongside with common features which are determined by the typical structure - some specific features that belong to this unique creation only.

The correlation of behaviours of interrelated components means that their independence is limited and bounded by acceptable patterns of coordinated actions. These patterns depend on results that are expected to be achieved. In this way, the destiny of an organization determines the structure of the organization.

Universally 'correct' structures do not exist. 'Sound' constitutions will be different under different circumstances. But universally 'wrong' structures do exist. They invalidate themselves through their inability to effectively maintain their own existence. Then they die out.

Emergent features

Some features of a system may directly stem from the separate features of the system's elements; in this respect the system may be no more than the sum of its parts. But some other features are specific to the entity itself and do not exist within the separate components; then the system is more than the sum of its parts. A radio set can receive a broadcast, but no individual resistor or capacitor can do so alone. Any part of a car may not have the ability to be 'auto-mobile' (self-moving), but some set of parts, properly assembled, may have this quality. Such emerging properties were called *emergent features*.

Some other properties are not so critical – a radio set without external loudspeakers is still a radio set, and automobile without an air conditioner is still an automobile. The additional components are not necessary for the fulfilment of a mission, although they may be quite useful in one way or another.

Within any given organizational system, an essential set of elements and interrelations justify the existence of the organization and identify the kind of entity it is. Without any one of these essential elements - or with broken essential relationships - the organization cannot be what it is supposed to be. No man or woman can give birth to a child alone; a partnership is necessary to create a family. Any group of individuals without mutual trust and support cannot be considered a team. And so on.

The viability of any organism directly depends on its ability to maintain essential consistency and interrelationships between components. The 'life cycle' is a process of losing these essentials and restoring them. The natural human body does this - because its mandate is to continue to exist. Human organizations also have a life cycle and must adhere to the same evolving process in order to fulfil their function or carry out the mission that justifies their existence in the marketplace or in society. Anyway – emergent features are essential for an organization. The feature or activity that does not contribute to the necessary emergent features of an organization can never be recognized by the organization as particularly valuable.

Substructures

Interrelations between components that are not essential for the creation of basic emergent features may create a net of delicate links; this net may also include external elements, which do not belong to the system. This net of relatively weak interrelations, non-distinctive at a macro-level of an organism, has been called *substructures*. (Gazarian, 1990)

Substructures are often seen as informal relations between members of an organization and/or with outsiders. However, the formal relations are not always particularly strong or defined features within a system. When some formal relations are weak and evident only in particular circumstances, they should be considered as a part of substructure. On the other hand, some 'informal' relations may be obviously crucial for organizational survival and may determine the basic qualities of an organization. Therefore – substructures should be viewed not in terms of 'formal' versus 'informal', but in terms of 'essential' versus 'non-essential',

When the system remains in a state of stable equilibrium, substructural relations just create a kind of 'noise' or accompaniment to the processes that move in accordance with the substructural path. But in a state of unstable equilibrium, or in a point of bifurcation, these small substructural relations may determine which alternative option or scenario for the future will be chosen.

A significance of substructure is not the weakness of the basic structure, but rather its dynamic nature and non-linearity. At specific points of equilibrium ('to appoint Bob or John', 'to buy or not', 'accept it or rise against', etc.) substructural relations may become critical.

Substructure does not rival structure. Only in cases when structure does not determine the direction in a point of equivalent choice – substructure does. It controls equilibriums. Such cases are quite common in organizations. Equilibrium may be caused by actual equality of 'pro' and 'contra', or by uncertainty created by external uncontrollable factors, or just by the lack of information when alternative options seem to be equal.

Substructures may be stable enough to penetrate the macro structure of an organism. Usually they are much more complex than macro-structures. It may also be relevant to speak about substructures within substructures, substructures at various levels, etc. The substructures of different organisms play a key role in their informational interactions.

Synergy

Synergy or synergism most often refers to the phenomenon of two or more discrete influences or agents acting in common to create an effect which is greater than the sum of the effects which each are able to create independently (www.en.wikipedia.com). Thus, synergy is the emergent quality of a system. In Greek, 'synergy' means collective action, working together. Synergy also means that the behaviour of whole systems may not necessarily be predicted by the behaviour of their parts taken separately (see, for example, Buckminster Fuller's book 'Synergetics', published in 1975 and available on www.rwgrayprojects.com).

The only correlation as such is not the synergy yet. A crowd of people who run from a lion in different directions demonstrate quite correlated behaviour – they all do the same thing. For soldiers, to march in step with each other allows each to save energy but does not necessarily produce any other effect. However, when a crowd of people overcome a lion together, or a well-organized cohort withstands the outnumbering enemies – then we witness a 'synergy' effect.

Synergetics as a discipline that addresses self-organizing processes in nature and society has been in existence for only 35 years, but has already become extremely popular. The main contribution of this discipline, which appeared and expanded to other areas, was made by two famous scientists – Hermann Haken (who introduced the term 'synergetics' as a name for the new discipline in 1969) and Ilya Prigogine.

Synergetics deals with cognition and the explanation of complex structures, principles of their self-organization, generation of order from chaos, evolution and co-evolution. While cybernetics elaborates algorithms and methods of systems' *control*, synergetics investigates the processes of self-controlling and self-organization of complex systems. One good introduction to the subject can be found in the article, "What is Synergetics?" by Helena Knyazeva (available in English at <http://spkurdyumov.narod.ru/Syn.htm>).

Representatives of this new discipline try to find answers to questions like: "Where do informal groups, cliques, fads, rumours, organizational myths, market demand, riots, social movements, and new paradigms come from, and why do they tend to appear suddenly? Why do similar social structures emerge in very different cultures separated by vast distances? Why is it that social systems often seem coordinated as if by an invisible hand? We usually attribute coordination to 'top-down' control by a central coordinating agent, but these examples, and many others, are spontaneous and emergent. How can we account for such spontaneity?" (R.Marion, 1999) And the answers come from mathematical equations, observation of nature experiments with different substances and living things – all together these studies comprise a landmark science that emerged at the end of the 20th Century.

Self-emerging order

Synergetics helps us to understand that order in nature (and in human organizations, as they are also features of nature) emerges from natural consequences of interaction. “Correlation is what happens when two or more people exert an interactive influence one over another. Order emerges naturally because of unpredictable interaction – interaction is the vehicle by which it occurs and unpredictability is the stimulus to promote novelty.” (R.Marion, 1999)

Thus, the basic preconditions for a particular self-maintaining order to appear in a group are: 1) interdependence, and 2) unpredictable interaction. The unpredictability supposes a certain ‘freedom of interaction’. At the same time, if elements are not interdependent – meaning each one depends on another – there is no clue to build a system. The group will remain a set of odd, isolated spices.

For interactions to be fully predictable, links between elements must represent univocal correspondence and exclude any bifurcations. That means the structure is very hard and the temperature (fluctuation of elements and parameters) is considerably low. If the temperature rose – stochastic actions or fluctuation of elements would destroy this hard structure. But if interdependence remains even at a considerably high temperature, which would allow certain bounded chaos in the behaviour of single elements and ensure their coherence in the same time – then the order will appear. Preliminary design, consultants, OD experts or formal regulations are not needed for this.

Imagine a certain number of young hooligans, not educated, not recognizing any rules, hating any control over them, full of energy, etc. are brought together and locked in a single room. What would happen in a couple of weeks? Would they all kill each other? Probably not. Will total disorder result and continue over time? It is hardly possible, because it would take too much energy and create too dangerous an environment for everyone. What will happen then? Yes, an order will appear. No preliminary pattern, scheme or design is needed for this - just a miraculous combination of interdependence and freedom of elements.

Helena Knyazeva gives a very simple and convincing example in the above-mentioned article:

“I often happen to be in one of the overcrowded metro stations of Moscow. Each time I see a quite peculiar picture. Because of a rather disadvantageous planning of this station, two crowds are constantly confronting each other: those who enter the station and want to catch a train, arriving every 2 or 3 minutes, and those who go upstairs. What happens then? Each crowd spontaneously dissipates into two or three

streams which flow through those of the opposite crowd with a certain angle forming all together a complicated picture.

This picture often comes to my mind when thinking of synergetics. In a fascinating way it displays almost all the basic features of synergetic phenomena.

The key feature is *self-organization*. It is neither organization as somebody's intentional act from above, nor is it initial chaos. Without openly communicating to each other and seeing only several backs in front, the crowds spontaneously reorder themselves into streams of "human particles".

The phenomenon at the metro station can thus be considered as an *open system* with a strong inflow of energy. The passengers hurry to get here or there, and the increase of over-crowding after the arrival of the next train could be seen as an analogy of energy inflow. Be it only a limited number of the same people in the hall having no appointments, they would undertake a random walk around and perhaps even a pleasant talk instead. That is, there are a certain threshold number of people: only if the number of people exceeds the threshold quantity, a process of self-organization can take place.

But if, on the other hand, the inflow of passengers would rise further and the mutual pressure would increase, the orderly streams could dissolve into an over-pressed multitude of "human bodies" requiring regulations by the police.

These "human particles" act cooperatively, or coherently. And this is not mainly due to their mental abilities. They adapt to each other just like real material particles can do. As a result, a unified stream arises which averages the impulses of the strongest and the weakest members of the crowd to a certain generally acceptable and effective movement.

Sometimes a direction and path of one of the streams may suddenly change. Because of somebody's momentary indecisiveness or an appearing gap in the opposite stream, a single most energetic pathfinder may decide to push through another way. These are typical *fluctuations* (micro-deviations) and *bifurcations* (branching of possible ways) to which fluctuations may lead.

The streams of passengers make a sustainable structure. Yesterday a particular lady, pushed me today another one, but their trajectories remain the same. Our brave pathfinder has taken another train long ago, but the stream still follows his steps. People change the structure is being maintained. To be more precise in our case, we have here two confronting dynamic structures (originating from two crowds), which form a stable *pattern of their interaction*.

Indeed, the streams are not rigid and can fluctuate, but there are paths, which they objectively and persistently tend to. The streams can change their directions by somebody's occasional move, but still their *number* and *general structure* are not absolutely random. They can switch over a certain *discrete spectrum of paths (attractors)*. It is determined by the design of the metro station. If its configuration and size differ, the patterns are different too.

People flow through a structure, generating and sustaining it, and are subordinated to it at the same time. This is called the *slaving principle* in synergetics. You may wish to go your own way through the crowd, but to get there quicker and to save your energy, you have to follow the stream. As to human systems, a purposive communication could be introduced. The people may wish not to act as material bodies and manage themselves in a more sophisticated way, which interferes with the original spontaneous self-organization and adds a higher degree of complexity to the system.

Finally, it is synergetics that reveals some essential similarities between animate and inanimate systems. It shows that structures themselves may display features of self-preservation and purposive (quasi-

conscious) activity as separate from those of their elements. It could thus happen that new barriers, installed to do away with the constant turmoil in the station, once in a night disappear in a mysterious way.”

Well, the self-organizing structure that is built by the dynamic and interaction of a multitude of elements in a state of chaos is not the same as a structure of organization or subdivision as described in formal regulations – organizational charts or instructions. That does not mean such structure does not exist in an organization. Physiological processes in employers’ bodies are also not described in instructions or formal regulations – that does not mean they do not exist. As long as everything is okay with these physiological processes, nobody notices them, but if something goes wrong – then these processes will require serious attention.

Naturally originating relations and systems of relations within an organization exist as a fact of a life. These relations are not necessarily ‘purely private; they may concern work relations and be directly linked to the formal tasks and processes in organization.

Formal relations are matters of a virtual nature. They exist as the dream of a bureaucrat and as a legislative framework, and create a certain precondition for corresponding ‘real’ relations to appear. In the total sum of essential relations that build up in an organization and determine its emergent features, formal relations - or relations that correspond to formal regulations - are always just a part. The proportion may be different – from a totally voluntary self-established semi-chaotic structure (that rarely exist for a long time, but instead tend to institutionalize into formal regulations) to an almost totally regulated harsh structure. We say ‘almost’ because it is not possible to totally eliminate all other relations between humans within an organization.

Which proportion is the right one? It depends on circumstances. If an organization is intended to operate in a simple and totally predictable environment – then rigid structure with a limited number of simple pre-determined responses may be most effective. But when unpredictability and chaos play an important role in an organization’s life – then rigid structure will not permit adequate response to each new situation at each new moment. The response cannot be ‘pre-installed’ any longer – it should be found by the organization itself. Then self-organizing processes and structures should be employed. That is why synergetics has recently become so popular.

New paradigms

Previous theories, which could give more or less acceptable explanations for the behaviour of ‘machine type’ organizations in a stable environment, proved to be hopeless in a new ‘turbulent’ world. Neil Glass describes that change in the following way:

'Top executives set strategy, middle managers carry it out, and very detailed control and reporting systems pass thousands of numbers back up the hierarchy to inform those responsible about the progress. Unfortunately, this model doesn't work very well any more because it is based on three assumptions, which are no longer wholly valid:

- Assumption 1 – the organization is a simple 'closed system': what it decides to do will generally take place without too much disruption from outside events.
- Assumption 2 – the operating environment is stable enough for managers to understand it sufficiently well to develop a relevant detailed strategy and for that strategy still to be relevant by the time it comes to be implemented.
- Assumption 3 – in an organization there are a series of clear levels, which can be applied to cause a known response.

These three assumptions have been replaced by three new realities:

- Reality 1 – organizations are complex 'open systems', deeply influenced by and influencing their environments. Often intended actions will be diverted off course by external events or even by internal political or cultural processes within the organization itself.
- Reality 2 – the environment is changing so rapidly (continuously throwing up new opportunities and threats) that top managers cannot expect to have a sufficient sense of what is happening to be able to formulate very detailed strategies.
- Reality 3 – the simple linear model of cause and effect have broken down and many actions can lead to quite unexpected (positive or negative) consequences. (N.Glass, 1998)

Thus the contemporary view of organization as an open, dynamic, chaotic, self-organizing and reproductive system that can emerge, function, maintain its own existence - and collapse when it fails to do so - makes us see organizations as *living organisms* of a specific nature.

Organizations may be 'founded' by someone or appear naturally without preliminary design; they can be young or old, healthy or sick, chronic invalids or world champions. Hence, they may be treated for sicknesses and coached to move toward their highest potential as living organisms – and this is the main business of managers, sometimes supported by consultants or trainers. If organizations were not living organisms, trainers would not be able to do much with them.

Organizational health

Accepting organizations as living organisms implies the recognition that organizational health is an important aspect of organizational life. Richard Beckhard, based on multi-year research, insists that both individual and organizational health can be measured by the same criteria. He proposes the following 'Profile of a Healthy Organization':

- A healthy organization defines itself as a system, and the organization's work is to take in needed raw materials and to transform them into goods and services.
- It has a strong sensing system for receiving current information on all parts of the system and their interactions (system dynamic thinking).
- It has a strong sense of purpose. It is managed in alignment with its own vision of the future.
- It operates in a "form follows function" mood. The work to be done determines the structures and mechanisms to do it
- It employs team management as a dominant mood
- It respects customer service – both to outside customers and to those within the organization – as a principle.
- Its management is information-driven. Large amounts of information can be received and processed in seconds.
- It encourages and allows decision-making at the level closest to the customer, where all the necessary information is available.
- It keeps communication relatively open throughout the system.
- Its reward systems are designed to be congruent with the work and to support individual development.
- The organization operates in a learning mode. Identifying learning points is part of the process of making all decisions.
- It makes explicit recognition for innovation and creativity and has a high tolerance for different styles of thinking and for ambiguity in all things.
- Its policies respect the tensions between work and family demands. Parental leave and childcare are seen as responsibilities of the firm.
- It keeps an explicit social agenda. Community citizenship, protecting the environment, and supporting the arts are corporate policies, not isolated activities.
- It gives sufficient attention to efficient work, quality and safety awareness in operations, and identifying and managing change for a better future. (Hesselbein, Goldsmith, Beckhard, 1996).

In this manual we will address most of the aspects cited by Richard Beckhard, who proposed a kind of 'health standard' for contemporary organizations. However, we will go further, to discuss not only the health, but also the behaviour of organizations.

Character of an organization

Structure determines the emergent features of an organization. But the behaviour of an organization cannot be fully determined by its structure. Substructural aspects and relations will also play a very important role. Certain parts of the substructure of an organization may remain more or less the same over time. Then certain regularities in behaviour caused by these substructural elements, or differences in behaviours of different organizations that have seemingly the same structures, may be observed. Thus, organizations, due to their substructures, obtain a kind of specific character or 'personality'.

Talk about organizational climate, organizational environment, or organizational behaviour are quite usual. But discussing organizational personality is something new, although quite natural. The next step after recognizing an organization as a living organism is recognition of a certain collective brain and a kind of organizational intelligence (see, for example, Childre and Cryer, 1999). So, why not character?

William Bridges goes as far as dividing organizations into 16 types in accordance with Carl Jung's classification of psychological types based on dichotomies 'extraversion or introversion', 'sensing or intuition', 'thinking or feeling', and 'judging or perceiving'. In his book 'Character of Organization: Using Personality Type in Organization Development' one can find even an *Organizational Character Index* that was developed as an experimental tool for working with organizations. As the author pointed out in this book, "as long as it is used critically, the analogy between the organization and the individual permits us to understand and discuss certain things about organizations that would otherwise remain obscure and difficult to articulate. Specifically, it enables us to understand why organizations act as they do and why they are so very hard to change in any fundamental way." (W.Bridges, 2000).

Applying Bridge's classification looks a bit risky because in the case of individual human behaviour those dichotomies refer to a set number of specific types of personality, diagnosed through genetic and physiologic reasoning, and in the case of organizations this number more likely will be infinite. However, recognizing and analyzing organizational character is a good step forward. At the end of the day, if organizations did not have a character, how it would be possible to improve their character?

Chapter 1.2 **Basic Modes of Behaviour**

Existence space

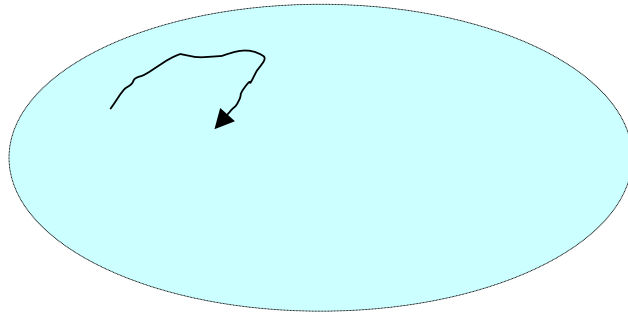
Any organism can exist only under certain conditions. These conditions may be pictured as a certain area in multi-attribute space - 'phase space' in mathematics - comprised of all external and internal parameters that are important for this given organism. Take the temperature or blood pressure, market prices or salary levels, number of computers in the office or visitors per day – it is always possible to determine the minimum and maximum values of each parameter that are acceptable for this particular structure.

The only complication is that all these values in a system are interrelated – acceptable temperature depends on humidity (which in turn has also its minimum and maximum value depending on the temperature). The level of salaries possible in an organization depends on the situation in the external market; the number of visitors that would not exceed the capacity of the operational structure may depend on the number of decks, and so on.

Thus, we cannot determine the conditions that allow the existence of an organism as a set of figures representing minimum-maximum for each parameter separately. We can only talk about acceptable combinations of parameters, or points in phase space, representing certain *situations*. The continuous multitude of these acceptable situations creates an entire multi-dimensional *existence space*.

Any organism may exist within its existence space only. At the boundary of this space it changes its structure or dies. That is because the structure defines the boundaries of the existence space. Organisms with different structures should have different emergent features, different identities, and consequently – different existence spaces.

We cannot picture multi-dimensional space. Let us portray an existence space as part of a two-dimensional plane. Keeping in mind that it inevitably should be a simplified picture, we can easily use it to illustrate the topology of existence space through the prism of different kinds of behaviour resulting from different situations.



Picture 1 Existence Space

When drawing near to the boundary of the existence space, an organism has to find a way to change the situation and return inside the allowed zone. Otherwise it will die. Dangerous proximity to the edge may be caused by internal blood pressure or external temperature, currency exchange rate fluctuations, retirement of the key professional, actions of competitors, decisions of government, or any other combination of important parameters. It does not matter. An organism has to respond appropriately, or die. If it is not going to die – then it must answer two questions: 1) *when to respond?*, and 2) *how to respond*

When to respond?

It is obvious that the response to a dangerous situation should not come too late – like braking already in the turn – there should be enough time for the reaction of the organism to take effect and ensure necessary change before the given tendency would bring it to catastrophe.

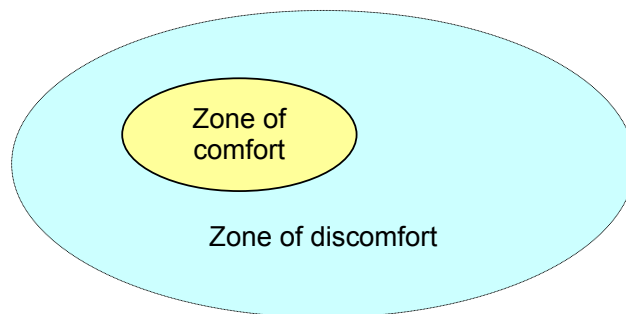
On the other hand – the response should not be premature. Permanent fluctuations of situation, merely reflecting the stochastic nature of the world, are inevitable. Some workers may accidentally be late to the office today; the weather may be a bit colder than usual; the mail may arrive in five instead of the usual three days – this stochastic framework is common. As long as changes do not overstep the limits of certain norms (depends on structure), there is no reason to respond to these accidental variations.

Even steady change, or trends, unless it threatens to create an imbalance in the dynamic of the organism may not require any special response, and may be processed and eliminated by the structure itself.

This dynamic response of the structure to the deviation of parameters out of equilibrium is called *homeostasis*. The term derives from medical science, where it refers to the body's ability to regulate itself. In relation to social behaviour, Russ Marion provides some useful definitions:

- Social homeostasis refers to behaviour that drifts over a range of parameters, but the system is dynamically stable.
- Homeostasis maintains a certain set of variables within specific value ranges required for survival and reproduction of the systems it represents.
- The range of parameters over which homeostasis moves is sufficiently large to avoid frequent dramatic change, but sufficiently small to permit the system to find a bifurcation wall if needed. (R.Marion, 1999).

Thus we can see that within an existence space there should be an area in which the mechanism of homeostatic regulation, which is installed in the structure, is able to maintain balance and does not allow deviation to go too far or approach the edge. Within this area, an organism need not do anything – it will balance in a state of dynamic equilibrium and keep all processes within the optimum range. This area we've called *a zone of comfort*. The size and shape of this zone depends on the structure - since homeostatic regulation is performed by a structure. For example, humans sweat from heat or tremble with cold as a natural body and need not consciously consider doing something at that time, unless it gets too warm or too cold. Then the state of comfort is superseded by a state of discomfort, which fills all the remaining area in the existence space.



Picture 2. Zones of comfort and discomfort

A zone of discomfort is an arena for all modes of behavioural response (excluding a homeostatic one). Discomfort means that at least one of the parameters (or a combination of parameters) departed from the zone of comfort and was steady and strong enough not to be eliminated by homeostatic regulation. The organism needs to do something to return to the comfort zone. A special behavioural response is necessary.

In general, there are a few options for the typical kind of response, and an unlimited number of possible behaviours within each mode. One could say that the mode of behaviour depends on some regular reasons and represents certain order, and the specific reaction within the mode represents chaos. This behavioural chaos as any chaos is definitely bounded and it is often unpredictable at the same time. Now let us see how it works.

How to respond? Random search

In the state of comfort an organism is quiet; it may even sleep. The state of discomfort requires activity. The first and general reaction of an organism to an emerging need is anxiety. If the specific reaction to the given situation is not somehow determined, it can only be accidental.

The law of nature is simple. Doing nothing in a state of rising discomfort means death when the boundary of existence space is reached. Doing anything in this situation means to utilize a chance to satisfy the need accidentally and stay alive. Delay in doing 'at least something' means fewer chances to survive.

Thus the simplest and most universal mode of behaviour comes to light. Mathematics called it *random search*. It may help when nothing else helps. It never pretends to give an optimal solution. It may occur to be harmful. But it gives a chance, only a chance. When nothing else remains – it may mean a lot.

Since random behaviour is always bounded by the set of available alternatives, it represents chaos.

If an organism has no memory, each time the situation looks new. So, next time in the same situation, an organism without memory might apply the same mode of behaviour - the new random search, in this case. Thus, unconditioned choice supposes absence of memory.

Stereotype behaviour

If an organism has a memory and may recall a repeating situation as a known one, and also recall the randomly found reaction that helped in the previous case (identified as the same or relevant) – then a random search is not needed. Even anxiety does not come – instead the organism switches to a programmed reaction, fixed in the memory as a kind of software to supplement the hardware of the structural mechanisms of homeostatic regulation. This program may involve a certain set of different simple actions. That is why this mode of response is called *stereotype behaviour*.

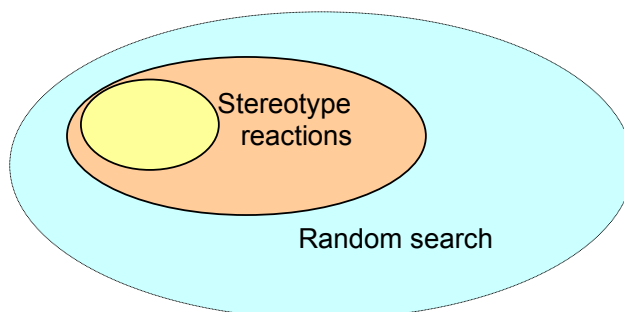
One can find very different names for this kind of behaviour in academic literature, sometimes even several names in one place: “In decision-making, old behaviours that are used in new but similar situations are called *policies*. In the psychology of learning, these pre-formulated actions are called *habits*. In social psychology they are called *scripts*.”(Beach, 1997) Just great! Gary Klein calls ‘the simple match, in which the situation is recognized and what has been done in the past is done again’ as the “first level of the RPD (recognition-primed decision making) model” (Beach, 1997). The author is definitely not in a position to further the academic discussion on the matter, so, let us call stereotype behaviour just stereotype behaviour.

The set of available reactions is fixed in the memory of an organism and allows it to form acceptable responses immediately, thus increases the chances for survival. This set depends on the *experience* of the organism and the size of its *memory*, and form another area in the space of existence – the multitude of familiar situations for which reactions are pre-programmed by the previous history – *a zone of stereotype behaviour*.

Stereotypic reactions are not necessarily the best ones. Nobody knows if they are the best or not, unless the organism has already tried different ways. As long as they work, stereotypic reactions create insurmountable barriers for the further search.

Another disadvantage related to the stereotype reaction is that it works, even though not optimally, only if the situation is really the same. A mistake in perception is always possible. Organisms seldom recall a ‘familiar’ situation by analyzing all parameters – they just recognize one or another feature of the pattern (stimulus) and presume that the situation is ‘the same’. However, if the situation is not the same – the stereotype reaction is by no means better than a random search, and if it is not successful and tends to repeat over and over in the same way (which a random search would never do) – it may be much worse. An organism may find itself trapped by its previous experience and not able to try another way out. Then it may die.

For all other situations outside of the zone of stereotypic behaviour, the random search ‘rules the ball’, if nothing else remains.



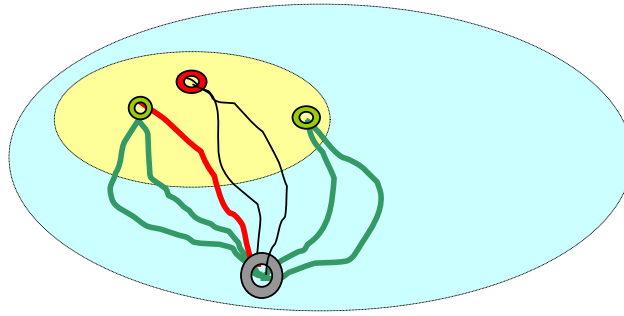
Picture 3. Zone of stereotype reactions

Rational behaviour

Now let's assume that an organism not only has a memory that allows it to recognize patterns of familiar situations and recall the corresponding pre-programmed reply, but also is able to categorize the experience in a way that allows it to see the regularity or correlation between situations which are similar in one aspect or another and the reactions that proved to be more or less successful. This memory may also allow the organism to see the correlation between similar situations and reactions that brought to negative results. In other words – an organism is able to draw out certain regularities or 'rules of nature'. Now it may apply these rules to new situations, not exactly the same it faced before, but recognizable in terms of belonging to the category of familiar situations, and may recognize certain actions, as the 'categorized experience' says, now associated with certain chances to bring specific possible results. If more than one action is possible, then some particular actions may look better than others. An organism faces the necessity to make a choice, even two choices, because any choice is always twofold.

On the one hand – it is a choice of the one of possible (achievable) situations that belongs to the zone of comfort (what to eat – cheese, or meat, or fish; what to do in order to shorten the time of travel to the office – to buy a car, to change apartments; to have new officers who know English, or to keep the old ones who would have learned English). These different ends within a zone of comfort we call '*potential goals*'. Each one may be more or less desirable and related to bigger or smaller benefit (*utility*) in addition to the unconditionally positive fact that all of them are situated in the zone of comfort. But the most desirable potential goal is not necessary the one that should be reached, because...

On the other hand, there are, most probably, many different ways to arrive to the same goals – to get a car from different sellers, rent or buy these new apartments, find themselves or work with a certain agency to find this new employee, etc. Thus, before any action can happen, the path (or *trajectory*) should also be identified and evaluated.



Picture 4. Potential goals and trajectories to reach them

In any case, when an organism has chosen the path of action, it will come to a certain result with certain probability and with certain risk. Any path of action will also require certain resources. Thus, some parameters should be taken into account. These are:

- The value of a result, or benefit, in case of success – **B**,
- The probability of success by using this specific trajectory – α ,
- The probability of a failure – β , $\beta = 1 - \alpha$,
- The penalty in case of failure – **P**,
- The expenditures associated with the chosen implementation path – **E**.

These parameters may be combined in a simple formula (*rationality criterion*) that allows the organism to evaluate each trajectory of possible behaviour and take the one that gives more chances to survive.

$$R = \frac{\alpha \times B - \beta \times P}{E}$$

In other words, an organism should choose the path and method of action that allows the maximum positive result with less risk and less cost. That is the simple idea of rationality. When applying this rule as a strategy – the ratio between results and costs tend to be maximized, meaning maximum efficiency in using resources and, consequently, maximum chances to survive.

Rationality in this sense has no absolute meaning. It is only applicable for the comparison of available ways of action. The most rational trajectory may be very bad, but still the best when other ways are even worse. Choosing this 'bad' trajectory may be a very rational decision.

Rational choice gives more chances to survive than random choice, providing that information about the situation and the applicable set of the rules are good enough. Lack of or poor information can be a weak point.

An organism's perception of where it is and how things are is not exactly the same as where it is and how things are in reality. An organism does not necessarily react to actual reality, but to its always limited and more or less compromised perception. Thus, what looks rational from one point of view, based on a certain picture of reality, may look irrational from a different point of view, based on different information about the situation.

On the other hand, the basic rules of life, drawn out on one's own, or 'borrowed' through education or another's experience, is never absolutely complete and correct. Some rules merely proved to be correct enough to give a sufficiently good prognosis in an older time; they may not be valid any longer. Other rules and regularities may remain unknown. In the worst case – some borrowed 'rules' may not be rules at all. For example: 'One can only rely on the members of his family. Strangers will never help.' Thus, what looks rational when applying one set of rules, which are known to this organism, may look irrational when applying 'wisdom', based on different experience fixed in one's *'mental map'*.

The range of available options also depends on available resources of any type or nature. That may be time, money, space, or skills, whatever is considered to be usable and is limited. In fact, when resources are different, the situation is different. The greater resources in hand – the more paths of action available, creating a better possibility for rational choice and increased chances for success. For example, with \$1,000 in one's pocket, a person may have more options for travelling to London than with \$50.

In human organizations, considered alternatives may also be bounded by certain constraints that might forbid or fix as highly objectionable certain potential goals or ways of action (these are marked in red on Picture 4). The opposite may also happen – some additional criteria, which has nothing in common with the parameters of rational choice at the given level, may promote some potential goals or trajectories as being more desirable. These additional limitations or priorities, which may distort the picture of rational behaviour and, in fact, always narrow the space of available actions - thus making behaviour more predictable - we call *politics*.

In its common meaning, 'politics' is the process by which decisions are made within groups. A similar word, 'policy', means a plan of action to guide decisions and actions (<http://en.wikipedia.org>) Author is not in position to find better term in English for the above-described notion. But in Lithuanian, Russian and some other languages it works well.

Thus, the *zone of rational behaviour* surrounds the zone of stereotype reactions. When a stereotypic reaction is available, rational behaviour fails to be invoked. The general size of this zone depends on three variables: 1) the mental map (how many situations will be recognized as 'understandable'), 2) the variety and amount of resources (if no resources – then there is no choice), and 3) the relevance, completeness and correctness of information about the situation (if no information from our viewpoint, then there is no need for a road map). The usable size of this zone is always smaller, if any politics are involved.

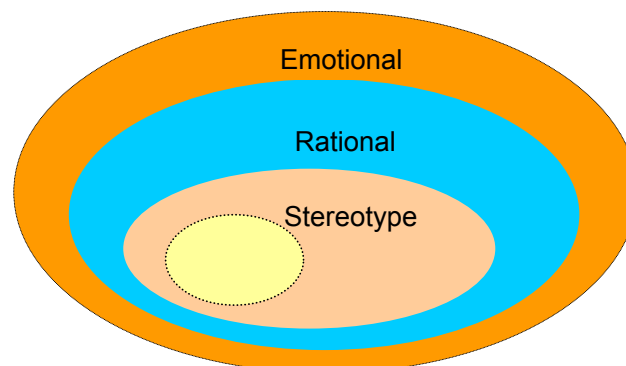
And what is around the rational behaviour zone? A random search; but this time it is not the same as a random search without memory, or a random search without a map. For an organism that is accustomed to exercising rational behaviour, it becomes more and more difficult to switch to the option of a random search. Rational behaviour never knows its own limits; it tends to continue the search for additional information, for rules that would expand the map, for resources that may be applicable. Reflection may turn out to be endless. Therefore, some measure should exist to stop this exercise when it proves to be hopeless enough, and to switch to random choice before it is too late.

“Emotional” behaviour

Any kind of determined behaviour is the enemy of a free random search. Stereotypes do not allow trying something else for situations they have ‘conquered’. The call for rationality does not allow trying something else in situations with a certain number of visible options, even when the options all look bad. Some additional drive or motivation is needed for an organism to overcome the barrier of determined behaviour and turn to the accidental search. This additional drive should be a kind of greater discomfort that increases based on the time delay in returning to the zone of comfort, and forces an organism to do something when doing nothing or continuing to do old things becomes dangerous.

This additional drive is provided by emotions; therefore the behaviour in this last zone is called *emotional*. Typically, emotions first emerge as negative ones. It is not possible to feel joy or pleasure when getting something (food, water, love, or warm clothes) before experiencing the utmost discomfort from not having satisfied those corresponding needs. When there are no any actual unsatisfied needs, there are no emotions. All positive feelings are to be paid for in advance, they begin where negative emotions end. And negative emotions end when the way out of the impasse is found. It does not matter where the organism is in the zone of discomfort. It feels negative when the situation remains bad or gets worse and positive when it gets better. Only the direction counts. That is all. No emotions are needed in the zone of comfort; they disappear there. No emotions could rise in the zones of stereotype or rational behaviour before these modes would prove to be useless. Emotions rise where rationality ends.

Naturally, the size of the zone of emotional behaviour is in back proportion to the size of the previous two zones. The less experience, poorer mental map, less information, less resources for rational choice – the bigger the space for emotions to govern behaviour, providing that there are still sufficient feasible alternatives.



Picture 5. Basic modes of behaviour

Innovative behaviour

For human organizations only, another type of behaviour is possible. It takes place in a zone of stereotypic or rational behaviour, but consists of a conscious application of a random search – just to expand the knowledge base and find, maybe, a better way for the future. This more or less random search, or risky attempt, is driven not by emotions, but based on weighing possible gains, alternatives and, especially, risks. Some risks are admissible. Some free resources may be allocated for this, as a kind of investment in improving the map. It is called *innovative behaviour*, which is in fact a kind of rational behaviour, a specific strategy for trying something not so well known yet. It may pay off very well. But is it risky. An organism that can afford a risk and is willing to take one may be the first to find a better way and gain a competitive advantage.

Organizational behaviour

All modes of behaviour mentioned above need corresponding mechanisms to be realized. These mechanisms must be exercised to remain viable. Thus, not exercising them for a long time may cause a corresponding natural need and discomfort - like emotional hunger. The states of discomfort that drive an organism's behaviour may also not be actual, but virtual ones, existing as threats only. Further discussion of this thread is beyond the scope of this manual, which is intended to be not too sophisticated.

One could ask the question – how much the above models of behaviour described in terms of some abstract organism are applicable to the human organization? The answer is – it is applicable to the extent that this human organization is a living organism. Not all organizations are. Some are quite artificial bureaucratic formations and exist rather against than in accordance with the laws of nature. Still, even these formal creatures may demonstrate behaviour, which is different from any set of individual behaviours of its members. When people work or even stay together for some time – correlations appear inevitably and certain social entities are formed. These entities will then demonstrate certain modes of behaviour, though the entity may not have much in common with the formal organization, even when the members in both are the same.

Thus, organizations may behave in the same modes as individuals. But, being constituted from humans who have their own consciousness, characters, interests, social engagements, etc., they may demonstrate much more complicated patterns. The number of such patterns is endless. Thus sometimes more primitive and general models may be helpful, even though they seem to be far away from concrete situations. Some of these we will address later; many others are addressed in numerous other books. But no real situation that may take place in the future can be precisely described in any book. Reality should get priority; any model should be tested to verify if it is applicable in a given case and then adjusted to comply with the real complexity of the actual situation.

Chapter 1.3 Control and Management

Subject and object of control

Let's imagine now that a certain part within an organism possess the ability to influence all other elements of a system and control their behaviour to a much greater extent than the influences from the 'periphery' of this privileged part or body. It may happen in the course of natural evolution (*cerebralization* process) or be consciously installed in organizational design.

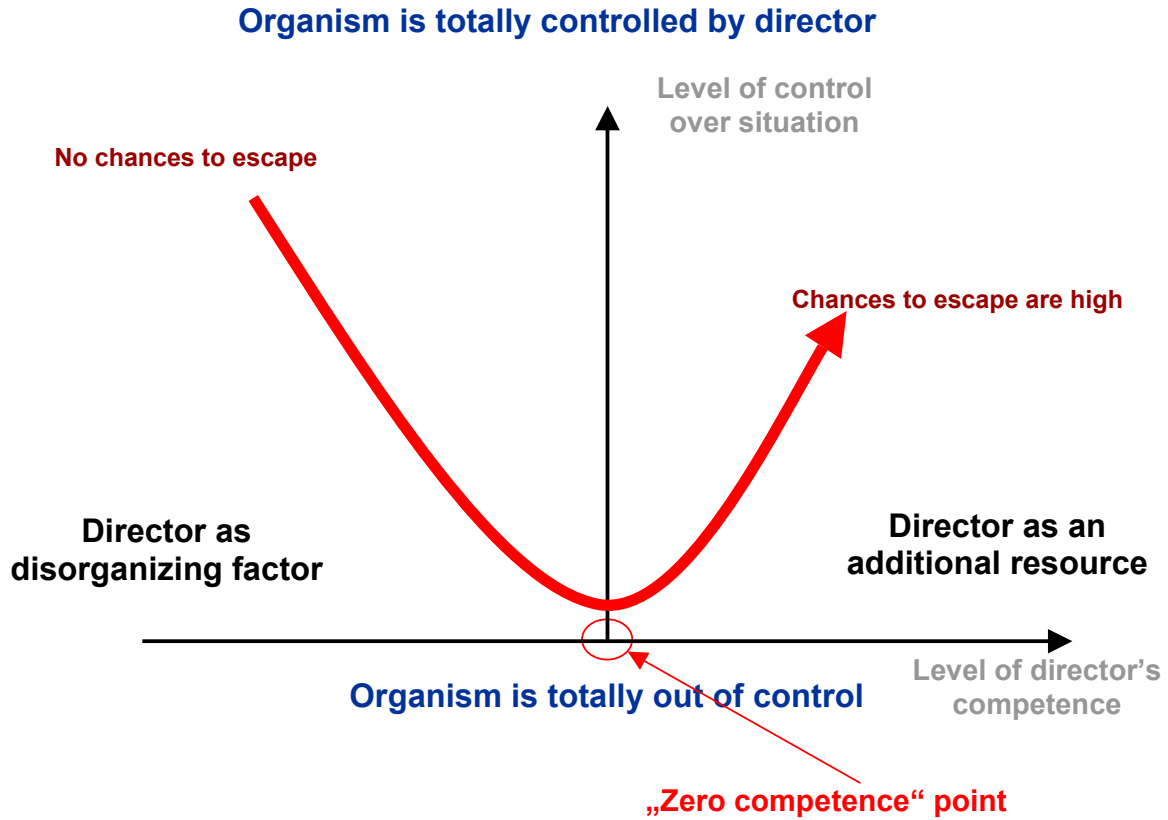
This part of an organism, or *organ*, may considerably determine the behaviour of the system as a whole. In this way, a more or less self-controlling system becomes more or less controllable. The conditional expression for such relations between the influential organ and the organism under its influence is the '*subject*' and '*object*' of control. For mechanical systems, the subject is always separated from the object. For human organizations, the subject is usually part of the object. For natural organisms, subject and object actually coincide. With human organizations in mind we will call the subject of control the *supervisor* or *director*.

The director may possess his/her own personal resources for expanding the zone of stereotypic or rational behaviour for the organization. He or she may have relevant experience, specific knowledge, and access to information, skills, and so on. As a result – at best – these resources augment the resources of the organization: zones of determined (assertive) behaviour become broader, and the zone of emotional behaviour narrows. Thus, the survivability of the organization increases and the risks connected with a forced random search are minimal. That is the purpose of the director role.

However, the director can also destroy the operation of the organization by imposing use of his or her wrong mental map or irrelevant experience, or substituting common sense or rationality with a critical lack of thought. At worst, the director may provoke emotional behaviour in situation where emotional behaviour is not justifiable at all. Some organizations are only able to operate when their directors are on holidays or business trips.

It is possible to determine the level of competence of a director, such that it corresponds to a 'zero outcome' – where benefit outweighs damage (see Picture 6). This 'zero competence' does not mean that there is not any competence; the director is sufficiently competent not to cause harm (as a balance of his/here efforts), but not competent enough to create benefit to the organization. This level depends on the kind of organization and complexity of tasks to be addressed by the director. That is why an absolutely competent and successful director in one role may turn out to be a poor

director when placed in a different job without serious consideration of his/her fitness for the new purpose.



Picture 6. The “zero competence point” (chances to escape rise along red curve)

Control and self-regulation

For those who think that self-regulation leads to chaos, and external control, on the contrary, may help to avoid it, it could be interesting to learn, that self-organizing systems are being put in chaos most often by externally controlled processes in particular.

Hermann Haken

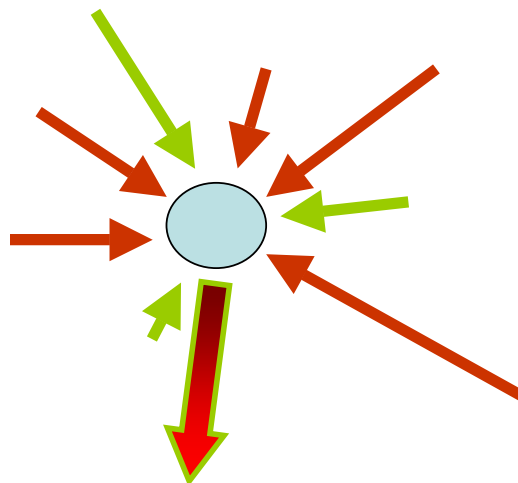
The regulation of behaviour of an organism may be executed both by the organism itself and by the director. The director supplements mechanisms of self-regulation, but does not fully substitute for them. He or she may try to do so, but it may only exhaust a lot of energy and heat up the atmosphere.

In any case, any director by the fact he or she exists, reduces the level of self-organization and spontaneous adaptability of an organism. All medicines are harmful to the health, but some of them may save a life.

To be least harmful to an organization, the ideal director should intervene in the processes of self-regulation only when they prove to be inefficient and the situation gets worse. A director's decision is needed when an organization has no answer to a deteriorating situation and cannot afford the risk of a random search. A director's decision is useful if it ensures a better response than would happen otherwise. The usefulness should be great enough to compensate for the inevitable harmfulness of the intervention.

What a manager should control in order to control changes

The process of change depends on many variables. Ultimately, the direction of change at any point depends on the resulting action of all external and internal forces, both controlled and erratic ones.



Picture 7. Controllable (green) and not controllable (red) factors

The art of management lies in the ability to control the process of organizational development, which depends on the combined influence of numerous controllable and uncontrollable factors, spontaneous self-controlled processes, accidental fluctuations and dynamic chaos, both inside and outside the organization.

It is not necessary to know absolutely everything about recent and future processes and conditions in order to be able to make smart decisions. It is impossible to know everything in the world when the uncertainty of the present and future states is an inalienable attribute. However, one should take into account that a smart decision in the *stochastic* world is not the same as it might be if everything could be determined and known in advance. Any kind of uncertainty should be estimated and met with the most relevant response. The presence of uncertainty is an absolutely certain feature of nature. Thus, the ability of an organization's leadership to deal with uncertainty is essential for its survival in the real world.

Fortunately, it is not necessary to control everything to be able to control the direction of organizational development. Any one of many factors affects the direction. Thus changing one of the parameters or a few of them may be quite enough to ensure the necessary change in the overall direction. On the other hand, things and issues within organizations are interdependent. They are linked in cycles and chains and create a net of complicated cause-and-effect relationships. In this net, only a few 'causes' may generate many consequences.

Some causes may be controllable and others may not. It may not be possible to directly affect everything that goes wrong. However, it is not necessary to deal with everything to ensure comprehensive control over the situation in an organization. When some causes are out of control, it may be necessary to address consequences; but there is no need to directly address all consequences. The factor that lies immediately beneath the uncontrollable cause but precedes the next sequential controllable consequence – should be dealt with first. In most cases, it is quite enough to eliminate the roots of deterioration and plant some new and healthy sprouts. The wisdom of management lies in a rational choice among the objects of influence. For that to happen, it is necessary to see everything that is seeable and foresee everything that is foreseeable in order to be able to choose key variables, and design and implement proper changes.

Control capacity

To be able to adequately respond to the multitude of situations, a controlling subject (director) should possess a variety of states or options not less than the variety of situations, which require different responses. It is known in cybernetics as the 'law of minimal requisite variety.'

On the other hand, the controlling subject should be able to resolve as many tasks per unit of time, as may arise in a system and demand his or her response. This may be called the 'law of minimal productivity.'

Thus, any concrete subject (be it the director, board, or whatever) can only control the behaviour of a system in such conditions where and when the variety of possible situations and the rate of unpredictable change does not exceed his/her own variety of options and level of efficiency (speed) or productivity.

Real organizations may often choose behaviours from a huge number of alternatives available within their given limits. The dynamics of change and the unpredictability of some significant factors may leave little time for reflection. Then the decisions of a director, if they are not made quickly enough may, at best, no longer make sense.

When the *control capacity* of a ruling organ or body is not sufficient to ensure necessary control over the situation (within the range of parameters that require its control), then, instead of being an organ that brings order to an organization's behaviour, may become the organ generating chaos.

Alternative solutions might include:

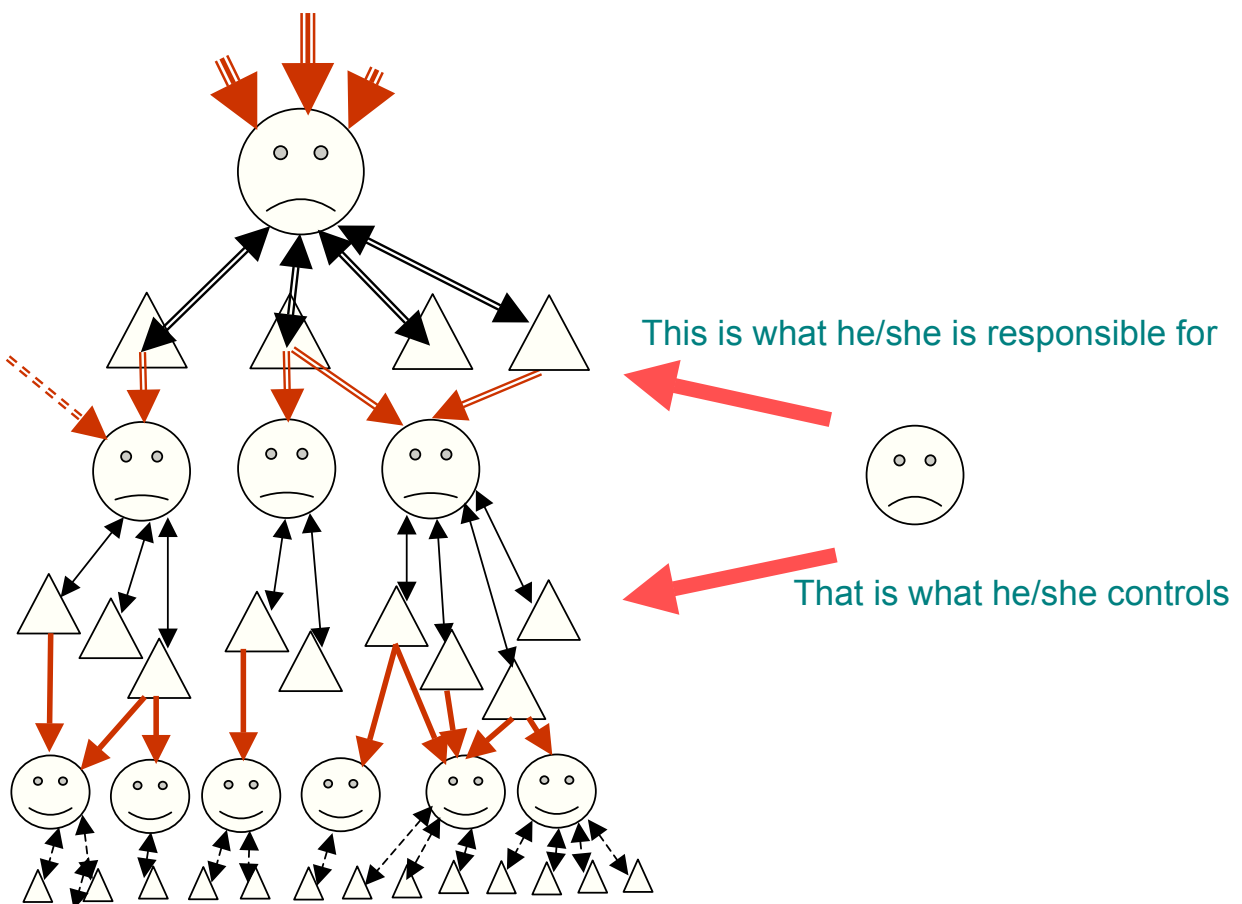
- *Reinforcement of control capacity* (e.g. substituting a weak director with a strong one, moving from personal leadership to a management team, using IT and expert systems, and so on);
- *Reducing the number of controllable parameters* (it is better to control a smaller number of more important parameters and leave others for self-regulation, than to hopelessly try to control more parameters than are actually controllable with the given capacity);
- *Disaggregation of control by allocating controllable parameters to other 'levels of control'.*

Sometimes it is possible to present a system as a kind of hierarchical structure, visually representing relations to show how parameters supposed to be controlled on a higher level are just derivatives of particular parameters that are controlled at a lower level.

For example, profit comes from sales and production costs; satisfaction of clients may depend on terms of delivery, price, and quality of product; warmth in municipal blocks may depend on heating arrangements and thermal insulation. In such cases it may be possible to employ more 'controllers' and let them operate under the guidance of the 'top' one. This disaggregation may go further, when the tasks are still too difficult for the controlling capacity of available controllers – then it may make sense to employ another level of controllers to control even more simple elements. For

example, under a middle-controller, responsible for a heating arrangement, one could appoint some minor ones, who would be responsible separately for purchasing fuel, operating the boiler plant, recruitment and training of workers, and so on.

It is very important to clearly define for each level of control which parameters it is *responsible for* and which parameters are *controlled by* it. The necessary value of parameters for which the top controller is *responsible* may be set by circumstances, stakeholders, councils or other bodies who appointed him or her. But they may not be *controllable* at this level. Those who set them supervise and control them. They are considered being functions, consequences of manager's activity on the given level. Instead, all particular controllable parameters that contribute to functional ones are in his or here hands and under the control. Therefore, control may be exercised directly, or some parameters may be delegated to lower level controllers (see Picture 7).



Picture 8. Disaggregation as an ideal

The number of levels needed depends on the size and complexity of the organization and situation, the ratio between control and self-regulation, and the capacity of the organization's controllers. When controllers are weak – then more levels are needed. Everyone would agree that in very high hierarchies it is common to find extremely incompetent directors at any level.

Deviations and control

Control is needed to keep any situation within the desired area of 'existence space', or to ensure that it comes to this area. The trajectory of the move to this destination may be assigned from outside, from a higher level of control, or elaborated by the controller on the relevant level.

In case the actual movement deviates from the given trajectory (e.g. interim results are not compliant with the supposed or planned ones), the direction should be adjusted within the frame of any controllable parameter or combination of them. Uncontrollables, alas, remain uncontrollable. But the direction is always under influence of the controller as long as at least one essential parameter remains controllable.

A reason for a deviation may be casual or systematic.

- *Casual reason* may refer to stochastic natural factors (e.g. weather, staff illness, appearance or not of certain clients, etc.) or factors that could not be known in advance (e.g. a new product in the market, a difficult political decision on building a new bridge, etc.). The response to a casual reason should be correction of the trajectory.
- *Systematic reason* may belong to controllable as well as to uncontrollable parameters or factors.

If a systematic reason consists of regularly reiterating deviations belonging to controllable parameters – it is, by definition, always possible to eliminate it.

An adequate reaction to a regular deviation of uncontrollable parameters may be repetitive corrections; the same might be true for casual reasons.

However, instead of regular exercises of correction to realign regularly deviating parameters, it may be possible to implement certain *permanent compensation* for objectionable deviations of an uncontrollable parameter. In other words, it may be possible to create a permanent adjustment to controllable parameters in order to create a corresponding permanent change and thereby keep outcomes within the desirable range. For example, dressing more warmly in response to cold weather, implementing new security measures in response to a rising threat of terrorist attacks,

buying expanding memory of computers in response to the rising size of messages causing older messages to be deleted, training staff in new skills in response to changing products, etc.

These measures look like more or less changing of organization itself – yes, it is true. But what remains? If we do not wish to permanently ‘solve the same problem’ caused by uncontrollable forces and repetitively waste resources for this, then we may consider changing the organization in a way that it would maintain it in a zone of comfort in spite of the negative influence of given uncontrollable factors. As someone once said, “There is no such thing as bad weather, just bad clothes...”

Management

Elimination of objectionable deviations, or a correction of trajectory each time a need raises – *monitoring and control* – may be one of the director’s most critical functions.

Elimination of or compensation for systematic reasons for objectionable deviations – is another function, also called *problem solving*.

Some directors never solve problems. Due to the limits of their ability or authority – they just try to keep things as they are, or punish someone when something goes wrong. We call such directors *controllers*. A *controller* acts within the limits of control, strictly in accordance with the instruction for each particular case, and must report to his/her authority if something goes out of control. He/she is responsible for his/her own operation, or for doing what must be done, for executing designated duties.

A director, who solves problems, we will call *manager*. Because the verb *manage* means not just supervision, but ‘succeeding in being able to do something; to contrive to carry on despite difficulties; to be in charge (of), administer’ (*Collins Dictionary and Thesaurus, 1991*). It is a bit more than just to control. It means to undertake all feasible measures, which do not contradict the limits of authority, to ensure the situation is where it should be. The top manager is responsible for the operation and development of the organization or for doing what is necessary to consider all possibilities or provide optimal utilization of all accessible resources.

Managerial capacity

The effectiveness of a manager depends on his/her ability to correctly define problems, find rational solutions for them, and optimally organize and implement all necessary actions to achieve desirable results. Effectiveness here is defined as the difference between what a manager brings to the organization and what he or she takes from it. The effectiveness may be positive when the

director ensures more efficient use of all available resources for the survival of an organization, but also negative due to erroneous problem diagnosis, irrational decisions, or poor implementation.

The efficiency of a manager corresponds to the ratio between his or her positive effectiveness (providing there is some value above zero) and the organizational expenses related to having him or her as the director. The salary is not the main point; often it is insignificant in comparison with the effect, and with other costs of having this manager...

Managerial capacity is the specific ability to manage the organization and to ensure the positive effect of the governing process - including all managers and controllers from top to bottom, all infrastructures they use to perform their functions, and any technologies involved.

Larger managerial capacity means an enhanced ability to find better solutions, and to implement them in the best possible way. When suitable solutions are easy to find, and implementation does not have too many challenges or directions – then greater managerial capacity may be not needed. Reduced capacity may be sufficient and much cheaper. Thus, the efficiency of management should always be considered the primary criteria.

Investments in enhancing managerial capacity may pay off (if the capacity really increases) due to increased resource potential, or better functioning given the same resources, or a combination of both. However, it may never be worthwhile if the increased capacity cost too much to create or maintain, or is not really utilized.

Being an emergent feature of an organization, managerial capacity may rise or change with changing structure, substituting one particular element for another, implementing new procedures, etc. Thus increasing (or optimizing) managerial capacity is another important feature of the organizational development process. As such, it should also be controlled and managed.

Chapter 1.4 Structure and Procedures

The author of this manual had never faced more 'secret' things in organizations than their structures. While the formal construction of an organization is usually known (though not always), nobody knows how the components actually interrelate and interact. The charts of administrative subordination never give a correct picture even of subordination itself. The real balance of power and influence may be very different. Sometimes the charts reflect what bosses think about who should report to whom; sometimes even this is not the point.

For many years my younger fellow consultants and I did an obligatory job in any organization before we designed an intervention for it. This job was describing structures. It required considerable time, but always justified itself. Our consultants usually conducted a lot of interviews, discussing with each member of the organization (or several representatives of each position if there were too many formally in the same positions) what he or she was responsible for, and what his/her boss was responsible for, and what his/her subordinates, if any, were responsible for. We asked them to answer how it actually is, not what is written in any formal instructions (which were often totally irrelevant and useless). Of course, the answers were never the same - sometimes to the extent that not a single point coincided between what the boss was thinking about responsibilities and powers of a subordinate and what the subordinate thought about their own responsibilities and powers. So, we used to draw two structures for any organization – the one that we've called 'a view from the top', and another one called 'a view from the bottom'. Comparison of these two pictures always gave us very fruitful ideas, and allowed us to go straight to the most tangled and vulnerable things that should be sorted out first.

Organizational forms

These ideas have pointed the way ... that allows us to break free of bureaucratic thinking and to organize in a way that meets the requirements of the environment

Gareth Morgan

Literature on management is full of descriptions and classifications of formal organizational structures – from a rigid authoritarian ‘pyramid’, to almost a virtual structure - in which short-term combinations of generally uncombined (or uncombined in the longer run) components, may come together to create certain relations in a given moment, but then change their interaction in the next moment, thus responding to the changing environment and tasks an organization performs. The term ‘virtual organization’ has become very popular.

In 1979, Henry Mintzberg identified five configurations or species of organization: the machine bureaucracy, the divisional form, the professional bureaucracy, the simple structure, and the adhocracy. As proved by numerous research and practice, these structural patterns all have different applicability. Some conclusions are summarized in the above-mentioned Gareth Morgan book, ‘Images of Organization’, as given below.

The machine bureaucracy and the divisional form tend to be ineffective except under conditions where tasks and environment are simple and stable.

The professional bureaucracy modifies the principles of centralized control and allows greater autonomy to staff and is appropriate for dealing with relatively stable conditions where tasks are relatively complicated. This has proven to be an appropriate structure for universities, hospitals, and other professional organizations where people with key skills and abilities need a large measure of autonomy and discretion to be effective in their work.

The simple structure tends to work best in unstable environmental conditions. It usually comprises a chief executive, often the founder or an entrepreneur, who may have a group of support staff along with a group of operators who do the basic work. Such an organization is very informal and flexible and, although run in a highly centralized way by the chief executive, is ideal for achieving quick changes and manoeuvres. This form of organization works very well in entrepreneurial organizations where speedy decision-making is at a premium, provided that tasks are not too complex.

The term “adhocracy” was coined by Warren Bennis to characterize organizations that are temporary by design. They are similar to Burns and Stalker’s ‘organic form’ of organization. The

adhocracy usually involves project teams that come together to perform a task and disappear when the task is over, with members regrouping into other teams devoted to other projects. It is a form highly suited for the performance of complex and uncertain tasks in turbulent environments. (G.Morgan, 1997)

It seems like further classification may not be productive. Suffice it to say that a variety of different types of organizations tend to result in a variety of organizational structures, based on their unique situation. Partly, this reality is reflected in the concept called 'structural contingency theory', popular in the 1960s and 1970s. This 'theory' does not predict that specific organizational forms will emerge under given environmental conditions; it predicts only that effective organizations are correlated with their environments and receive routine environmental tune-ups by their leaders. (R.Mariott, 1999) Gareth Morgan described this theory in the following statements:

- "Organizations are open systems that need careful management to satisfy and balance internal needs and to adapt to environmental circumstances".
- "There is no one best way of organizing. The appropriate form depends on the kind of task or environment with which one is dealing".
- "Management must be concerned, above all else, with achieving alignments and 'good fits'".
- "Different approaches to management may be necessary to perform different tasks with the same organization".
- "Different types of 'species' of organizations are needed in different types of environments".
(by G.Morgan, 1997)

This perspective focuses on adapting an organization to its external environment. But everything above remains true with respect to the internal organization as well. The specific personality of the owner or leader, different kinds of technology or equipment used, the qualification of the staff and maturity of the organization itself, etc. – everything inside the organization, providing it cannot be voluntarily changed at any time and should be considered for a certain period as an unchangeable factor, also requires further alignment of a structure (within the range acceptable for the given environment) in order to appropriately address these internal circumstances.

Procedures

One important aspect of a structure is worthy of mentioning separately. Components of a live system are not just linked – they *interact*. This interaction is taking place in many ways and forms. Some forms relate to certain work processes. How people in an organization act in each specific instance or for specific purposes - and how they interact – may be pictured in the form of various procedures.

‘A **procedure** is a series of activities, tasks, steps, decisions, calculations and other processes, that when undertaken in the sequence laid down produces the described result, product or outcome. Following a procedure should produce repeatable results for the same input conditions. For this reason, formal written procedures are usually used in manufacturing and process industry operations to ensure safety and consistency.’ (www.en.wikipedia.org).

Procedure, as a kind of institutionalized stereotype behaviour, may be formal or informal. It constitutes a part of the structure not because it is formal, but because it is stable and it works. Actual procedures may produce great differences in seemingly the same organizations. Imagine one department where a clerk, when he needs some supplies, may go to the store and get them, on his account and responsibility. In another department he should wait a week before the boss returns from a business trip and allows him to do so. Are these structures the same? Or, another example, in one organization a client can get a decision straight from the front desk officer, and in another firm he should apply to the boss when the boss has time to listen him. Is it different?

Any organization possesses a number of procedures, which are more or less determined, and this ‘organizational software’ is an important aspect of a structure.

Formal and real structure

Structure is vitally important because it predetermines the basic emergent features of an organization. That is true in terms of the actual physical structure of an organization, which encompasses both formal and informal relations and interactions between components.

No single formal structure is relevant and specific enough to make an organization live. As in the case of the ‘Italian strike’, any serious attempt to operate strictly in accordance with given formal descriptions and instructions (and do nothing that is not provided in the instructions) would block natural processes and bring any organization to the verge of collapse. Organizations remain alive not ‘in spite of’ informal interaction and activities, but to a large extent due to them. The more primitive and irrelevant the formal structure is – the more important the role of the informal structure remains. In some cases from our practice, the most effective urgent measure to help an organization at the edge of a catastrophe was just to abolish the formal structure for a while, thus allowing natural self-organizational processes to accelerate and rescue the situation.

Paradoxically, the formal structure is usually given much more attention by top management. It is more or less defined, at least partly pictured in charts, with perhaps another part described in internal regulations and instructions. When something goes wrong, management, if not lazy, tends to revise this formal structure and find a way to improve it. On the other hand, I’ve met many

managers, who sincerely believed that the structure of their organization is absolutely correct because 'it is typical' or because 'everything is clear', which usually meant 'clear who should report to whom'. What was unclear was how it all worked *together*. Actually, it worked in the way that it worked, in a deep shadow outside the leader's view.

The obvious advantage of the informal part of a real structure is that it appears as a natural process and can never be so stupid, like some formal structural decisions are. I would say it is an organic process that stems from the situation, and is therefore more likely to be relevant to the particular situation. The informal structure evolves as the result of a lot of accidental events and substructural elements, which combine together with previously existing structural (although informal) relations and become self-supportive because the organization cannot cope without them. Of course, such a self-emerging part of the structure within a formal organization may not be focused on the organizational mission and goals; this may create severe challenges, unless management is qualified enough to see and fix it.

Complexity and stereotypes

Steven Levy defines complex systems in the following way: 'A complex system is one whose component parts interact with sufficient intricacy and they cannot be predicted by standard linear equations; so many variables are at work in the system that its overall behaviour can only be understood as an emergent consequence of the holistic sum of all the myriad behaviours embedded within'. Chris Langston follows with saying that: 'A system ... emerges from the interaction of individual units ... The units are driven by local rules, and are not globally coordinated. Adaptive actors are in large degree guided by local interests and have limited understanding of the 'big picture' ... They interact in some fashion, be it through language, hormones, or simple reactions to the presence of another. Because of the dynamic interaction of these individuals, a system emerges. The system is not, of necessity, deliberately created; it may, and very often does, just happen. The individuals may know what they are supposed to organize, as would be the case within human systems, and in this sense it is deliberate. However, they may not remember why or how the organization first occurred or why the given organizational structure was chosen over other possible forms.' (quotations are from R.Marion, 1999) This 'white spot in the memory' is not surprising. They cannot 'remember why', if there was 'no why' - just a random search that accidentally brought a sufficiently viable structure to satisfy the existing conditions. Then the structure tends to self-preserve, which is natural.

If the structure was initially designed as a kind of rational decision – then it may be remembered as rational. However, it remains rational only as long as all conditions that were taken in account to evaluate rationality are still the same. If not – then not

Very often it happens to be just a stereotypic decision that was borrowed from the leader's former experience in another organization, or typical structures for this branch, etc. A businessman from Vilnius who owned a company that faced problems purely due to mistakes in structure, refused to even discuss the issue - because he copied the structure from a big internationally recognized German company and was sure that 'nobody can design anything better'. A year later he did- and his company multiplied to several times its former sales. In another case, I was asked by two top officials from Georgia if the structural patterns related to the internal organization of local governments in Holland (they having just returned from a business trip) would suit Georgia - these patterns looked so perfect... Well, at least they were smart enough to raise such a question. Many never do; instead they merely copy others. This is dangerous, because the one, who just copies, will never know why something was initially done in this way - so he or she cannot be critical, and may get trapped in replicating the pattern without analyzing the reasons it worked in the prior situation.

General trends

Facing challenges such as a changing customer base, falling prices and competition in new areas, the old-fashioned, 'steady as she goes', arthritic hierarchies are struggling and declining. New, faster-moving and innovative organizations are taking their place. Successful organizations are looking nowadays less like efficiently functioning 'machines' or 'computers' and more like thinking and learning organisms - 'brains'. (N.Glass, 1998)

Although these modern models just appeared within the last thirty years, human organizations used to follow the 'organic' and 'brain' patterns, probably, in the very distant past. Rigid divisional structures and hierarchies appeared much later and were related to a specific and not really very long part of human history - the age of armies and machines.

Organization is not an end in itself. It is a tool, a bit like a machine, like a computer, like a brain. In nature - it is a tool for survival. Human organizations used to be created for specific purposes. Any tool may fit its purpose under given conditions, or not. A primitive tool most probably will fit a primitive purpose in primitive conditions. Primitive tools cannot be very effective, but prove to be more universal ones.

Nowadays, when even public organizations respond to drastically changing conditions, primitive tools can rarely be sufficient. Hierarchical bureaucracy, as a method of control, cost too much and tends to be extremely inflexible, which often makes it useless.

A few months ago, the Klaipeda County administration was not able to send the Chief Doctor in the area to a unique training course, which he very much needed - because in order to do so they had to announce an open tender first. But there was only one such course, and the tender, in accordance with regulations, could not happen without competitors. Participation in the training would cost about \$150. But the national legislation pertaining to the county government required tenders over about \$50. Insurmountable! Even for an organization that costs millions just to keep itself alive. The more expensive the bureaucratic machine is – the more difficult and expensive is to make even very small decisions. So, where to get resources for carrying out needed functions?

On the other hand, when bureaucratic machinery becomes big enough to pay much attention to internal homeostasis, resolving internal relations problems, and maintaining internal needs, then it does not need any external mission or function to keep itself busy and utilize all available resources. One of the striking conclusions of management audits performed by the author's colleagues in some regional administrations in Ukraine, also in a large company in Russia, was that officers used to spend more than 50 percent of their time (in one case – even 80%) resolving issues related only to their internal affairs – and not related to serving customers or manufacturing products.

However, we shall never forget that universally 'right' structures do not exist. Bureaucratic structures may also be suitable and effective. Any kind of structure may be an excellent solution for certain corresponding conditions. Nevertheless, the general trend obviously pushes organizations to be more flexible and have a more dispersed constitution. Existing structures, or more correctly, organizations, which possess certain structures, naturally resist; it follows the law of nature – for them to preserve themselves as they are and to replicate existing structures.

Richard Norman gives a good example of such 'natural' behaviour: 'In the public service sector much of the same effects were strived for by 'privatization' and outsourcing contracts, although much of what was privatized or outsourced was specified and regulated in such detail that desirable reconfiguration was hindered rather than promoted. (Norman, 2001)

In spite of these natural obstacles, the process continues. New flexible structural solutions are coming to life in the form of task forces, ad hoc teams, loosely-coupled networks, etc. And people in organizations should learn how to cope with these new structures. It is not easy, because formal parts of the structure are less significant, much less is specified through written instructions, much more is to the discretion of individuals. That requires different individuals – not like parts in a machine, but like self-organizing cells in living organisms.

All this does not mean that definite structures will disappear. What is disappearing – is the crutch of primitive formal instructions. The description and image of the organization is becoming 'virtual'. Organizations themselves remain real, not less so than thousands of years ago. But self-organizing processes are returning to their rightful place. Organizations are becoming more natural; that allows members of organizations to also be more natural. You see, the call of the time is just to follow decrees of nature, in organizational development as well as in many other areas.

Implementing some new ideas related to structural arrangements calls for the rejection of an old approach to disaggregation based on functional specialization, along with the implementation of a 'new' (much older, in fact) approach based on 'control by processes'.

Process (lat. *processus* - movement) is a naturally occurring or designed sequence of events or activities, possibly taking up time, space, or other resources or inputs, which produce some outcome.

A few years after the first description in the Harvard Business Review *Business Process Reengineering* (BPR) became the buzz phrase of the day and widely spread, including in public administration. The reason was simple. This approach was just more natural.

Colour does not exist outside of a surface. Weight does not exist outside of form, and cannot be imagined without a certain colour. Processes exist in nature. A river runs. Trees grow. People come together and have fun. All those are processes. Specific partial 'functions' are just an invention of the age of machines. At a certain point, it was necessary and very effective because those who should perform only one function cost much less than those who would be able to carry out the whole process. When craftsmen became industrial workers, they became much cheaper, and forgot their responsibility for the final results; sometimes they did not even know what they were producing. It worked well for a few hundred years, but is not acceptable any longer.

While in the West BPR was spreading out in triumph - followed by elation and tears - as a new victory of managerial thought, very similar processes took place in the East, in post-totalitarian countries. Not many people in the East knew what BPR meant. But the hypertrophy of bureaucratic structures, with obviously absurd formal regulations in offices and enterprises, forced to ruin what was not already self-ruined. It was necessary to look for more natural ways of doing more sensible things, based on modern technologies and responding to new conditions.

Sometimes it worked well. More often – old ineffective structures were substituted with new ineffective ones. We called it 'wild jump re-engineering'. It was a time of mass creation of chimeras. Of course, these faulty structures were not viable and most of them disappeared after some time.

But some survived. One can find now amusing specimens inherited from that time in some former state enterprises and local governments

However, in many cases the reorganization of organizational processes by substituting multi-product mono-functional subdivisions (which could only execute commands that somebody would give them) for mono-product multi-functional units (which were able to carry out whole the process of producing a certain product or service based on an external request, or internal client) were successful. It allowed a much more clear definition of responsibility, and much less cross-functional complaints and 'justifications'. Very soon this new way of structuring was embraced by the writers of a new version of international standards - ISO9000 - that in the year 2000 fixed 'management by processes' among eight basic principles of management applicable in all types of organizations (see Chapter 2.3).

However, the most important outcome of such reorganizations was the possibility of creating self-organizing units, or real teams within processes, which was previously very difficult to do when people were aggregated in subdivisions merely because they performed similar functions, although for different products or services.

A function may be performed in correctly accordance with an order and instructions. Such orders or instruction could come from the controller or boss only. Line workers could not be responsible for the final results, since results depended on a combination of many functions. Everyone should be responsible to his boss. Small functional bosses were responsible to their higher level boss. Only the top boss could gauge performance and provide feedback.

Those who work together in one process through its final result can measure their performance by real outcomes: perfectly or imperfectly manufactured articles, happy or unhappy clients. When performing all functions together, they do not need a boss to coordinate and evaluate their actions. Coordination and evaluation comes from other members of the team, and from clients. And it is great. A new modern term soon appeared – High-Performing Self-Managed Work Teams (Yeatts and Hyten, 1998). One more triumph of old truth.

Chapter 1.5 Informational Processes

*It is the recipient who communicates.
The so-called communicator, the person who emits the communication,
does not communicate. He utters.
Unless there is someone who hears, there is no communication. There is only noise.*

Peter Drucker (1974)

What is “information“?

In this difficult case even Wikipedia does not help us very much. It says: ‘*Information* as a concept bears a diversity of meanings, from everyday usage to technical settings. Generally speaking, the concept of information is closely related to notions of communication, constraint, control, data, form, instruction, knowledge, meaning, mental stimulus, pattern, perception and representation.’ (www.en.wikipedia.org). It means saying a lot to say nothing, doesn’t it?

Alas, badly defined basic concepts and notions, also different in different languages and cultures, (unfortunately, using sometimes even the same spelling) often seem to be very familiar to everyone, thus creating an illusion that they are clearly understood. This creates a problem for global communication. If the terms did not sound so familiar, if we did not hear these words a hundred times everyday, we would ask what they mean, discuss the answers and come to a more or less similar understanding, making our communication much more effective.

Trainers’ and consultants’ communications must be effective. That is why they spend the necessary time to get consensus on the meaning of words that intend to play an important role in further explanations and discussions.

Information is very important term for any management related subject. Because managers most of the time do nothing else, just communicating and processing information. Effective and efficient processing of information creates a significant precondition for the effective and efficient work of a manager. Like efficiency of processing fuel in engine conditions efficiency of using care.

Few managers would be able to say what ‘information’ means. Most often – they confuse it with ‘data’. A certain contribution to the misunderstanding was made by the common use of the term “IT” for purely data processing technologies. Thus, we shall discuss the issue in more detail. For this we shall start with the behaviour of organisms. Informational processes in nature make no sense for non-living matter.

When it finds itself in a zone of discomfort, an organism cannot remain calm and will somehow react to the deteriorating situation. This reaction may be adequate (taking the organism back to the zone of comfort) or not.

The ability to align to different situations presumes a variety of possible reactions, and the existence of certain mechanisms of *recognition of the situation* and the *choice of an adequate response*. The existence of such mechanisms, in its turn, presumes that the organism possesses a number of images of possible situations, and the variety of these images needs to be in correspondence with the variety of different possible reactions. For example, a frog does not recognize any difference between very small moving objects; colour and form are not relevant factors, because the frog has only one normal reaction (it normally assumes a small object is an insect).

The variety can be measured by the number of possible states. Why not accept as a unit the minimal variety corresponding to only two different states? This unit was called a *bit*. If diversity is very big, it may be reasonable to apply a logarithmic scale, taking as a unit the logarithm to the base 2. Then the variety of 2 possible states may be valued as 1 bit, for 4 states – 2 bits, for 8 states– 3 bits, and so on ... for 256 states – 8 bits (or 1 byte). Sounds familiar, doesn't it? But 'information' does not appear on the stage yet.

Memory is the ability of an organism to keep in its structure (including substructures) the history of its interaction with the external world. It is not a miraculous property. In fact, it is much more difficult to assume that history does not leave any tracks than to assume that anything that happens and affects an organism above the threshold of a certain sensibility would not leave a mark on its structure.

As was mentioned in Chapter 1.2, without memory, each new reaction to the same situation would be random, thus making adaptation through adequate change of behaviour impossible.

In the presence of memory, non-adequate reactions may be eliminated (if they were not previously eliminated along with the organism). Only adequate reactions remain. Therefore, conditional probability (probability that takes into account something that happened before) increases, thus also increasing the chances for survival. Looks like something relevant to 'training', doesn't it

Signals

A *signal* is any distinguished phenomenon that allows an organism to discern the situation and to link it with the specific record in its memory. A signal from the outside world is an element or

combination of features or events, and it works as such only if this interrelation is somehow reflected in the memory of the organism. If swallows fly low – then the rain will come. If the sun is red – then the wind will blow. That smile of the boss means that something bad will happen. And so on.

Naturally, what is a signal for one organism may not be a signal for another, unless they have a similarity of corresponding domains in their memories. The similarity may be conditioned by the same life experience or by somehow exchanged and equalized memories in the course of specific interaction.

As soon as a signal comes to represent the situation, the corresponding phenomenon will be something that is specific for the particular situation, and not for any significantly different one. When a certain signal links in the memory with only one possible reaction (remember stereotype behaviour?) then it plays the role of *stimulus*. For a frog the stimulus is a small dark flying object. For a seagull, the taste of fish means food which should be eaten fast before it is taken away. Stimulus switches the corresponding reaction immediately, as soon as it is recognized.

Recognizable behaviour of another organism may also act as signal, for example when one behaves as if it had found food or detects danger. In a community of organisms, providing they are able to use certain behavioural patterns as signals to identify the situation, the sensory potential of each organism somehow multiplies by the number of organisms in the community. A signal from one organism to another may create a certain discernable element of reality. That element could be a particular attribute of the organism that ‘sends’ (or rather ‘demonstrates’) the signal. Its smell, its cry, its smile...

A *noise* is any physical phenomenon that interferes with a signal or reduces perception by an organism. Thus, any phenomena that cannot be recognized as a signal, just creates noise. Of course, what is noise for one may be full of important content for someone else.

Codes and languages

One organism may also send a signal to another to intentionally generate perceptible phenomenon (*artificial signal*), which is not physically linked with the situation, but possesses a certain *meaning*. Meaning is assigned to the artificial signal conventionally – the same artificial signal, in principle, may have different meanings, or the same meaning may be transferred by different artificial signals. Natural signals mean only what they mean.

Recognition of a signal from another organism implies that both the 'sender' and 'receiver' use the same system of allocating meanings to artificial phenomena that are used as signals. That is a system of *coding*. As a result of coding, something that is not a natural signal in itself becomes a signal, but an artificial one. The common system of coding that is used by different organisms is called *language*.

One artificial signal marks one situation or one detectable class of situations. To mark many situations one would need many signals or many phenomena that are used as signals. That may cause a problem.

Luckily, allocating meanings to certain combinations of artificial signals may drastically reduce the number of necessary physical signals. Each closed eye (when normally open), may represent only one possible meaning. Two eyes may represent four (left closed, right closed, both closed, both opened). Is it a kind of emergent quality? Yes. And it is increasingly significant as a larger number of signals and their allowed and recognizable combinations are used.

These combined signals are *words*. Simple signals, which are elements of complex signals and do not have any meaning taken separately, become *symbols* (like letters in a word). Sometimes we also use the term symbol for a simple artificial signal, which still possesses a specific meaning - a flag, a ring, and a diadem.

Process of information

A natural signal may only mark the situation that is taking place, here and now. An artificial signal may mark a situation, which does not exist in reality, here and now, but is imprinted in the memories of both sender and receiver of the signal. The signal would stimulate an image of the situation, and other signals may link it with certain meanings. The combination of signals (there may be symbols or words, it does not matter) may represent certain interrelations of real phenomena.

Thus, the content of memory may be represented in a range of signals and become transferable to the memory of another organism, providing both use the same language. In this way, the content of the memory of the sender would add to the content of the memory of the receiver. Thus the receiver's memory may be formed not only by his own immediate experience, but also by the experience of 'a stranger'.

Using artificial signals allows one organism to change the picture of the world in the memory of another organism or many others. This process we call *information*. In this sense, the word

'information' is a verb and means the specific process of interaction between organisms that allows them to jointly use their sensors and memories, thus increasing their chances for survival.

And that is great. Now a usable experience of any member, imprinted in his picture of the world or '*mental map*' can be enhanced many times by the experience of other members of the community, if they are successful in communication.

This multiplier process of exchanging information in an organization may create a *common information field* or *organizational mental map*, and its size is larger than any particular individual map, which is limited by the content of only one memory.

'Information' does not exist in nature as a certain substance. It is impossible to say whether a signal (taken as it is) carries any information or not. It depends not only on the signal, but on the result of the interaction between two mental maps. If none of these maps has been changed – then no information took place. The "signal" was merely noise.

Quantity of information

The result of an information process may be estimated by the amount of uncertainty that was taken away. The uncertainty depends, in its turn, on a variety of possible situations, which should be distinguished as different. 'Yes' or 'No' – it is only one bit. 'To be' or 'not to be' – is also only one bit. But the label on a bottle of good old wine means a lot for those who understand.

The quantity of uncertainty that may be taken away by one signal is up to the *informational capacity* of the signal. It depends on how many signals exist in the applied system of coding, and what is the probability of the appearance of each particular signal. The greater the variety of situations represented by the given range of signals the more uncertainty. No uncertainty is related to situations that always and definitely take place. The less probable a situation (and the appearance of its corresponding signals), the more uncertainty will be taken away when the signal comes.

However, the amount of 'information' that a signal may carry (informational capacity) may not be the same as the amount actually transferred. The barrel may be big, but empty. It all depends if the information process took place, which is not always the case when just sending and receiving signals takes place. Consider reading an old newspaper without any real 'news' in it, or listening to a lecturer who says nothing but speaks for an hour, or a philharmonic orchestra that uses the huge informational potential of combined signals from hundreds of instruments – and does not produce any relevant feelings.

The sequence of artificial signals (may be symbols or words) that transfers in a coded form certain content, constitutes *a message*.

The more *primitive language* is (or the smaller number of various words it has and consequently the smaller capacity of each word), the more words or *longer message* is needed to transfer certain informational content. That is probably why most primitive creatures used to speak a lot ... that's a joke. They just like to communicate. Content is not the point.

In order to transfer more 'delicate' (gradation of more tiny details), or more 'complex' (gradation of more variable senses) content within the acceptable time limit, one should use a *rich language* that possesses more available words and their combinations. However, as in the case of signals, using more powerful language does not automatically mean transferring more information.

Language hierarchy

If some groups of words may be recognized as having certain invariable meanings and could be assigned on this basis to a category of universal meaning – then for that category and related meanings, a new special word may be introduced – let say 'a food', or 'a colour', or 'a servant', etc.

Thus a language of another level may be created – in this case it could be called metalanguage. One word in metalanguage substitutes for many words of basic language, but also loses a big part of the informational content. Sometimes it is not important (e.g. it does not matter if it is a carrot or a tomato – just vegetables), and then usage of metalanguage saves a lot of time by transferring one important feature or phenomenon, while not overloading channels of communication with details. However, there is big danger. Any generalization causes a loss of information. This lost information may be very important for making practical decisions and organizing corresponding actions.

Metalinguages are widely used in sciences and other abstract applications, and some people think that use of a metalanguage evidences their outstanding literacy. They say 'a vehicle', instead of saying 'a car', and 'a vessel' instead of 'a motorboat', and so on. In fact, they use the same number of words, or sometimes need many more words to transfer similar content. It makes communication very complicated and looks more stupid than literal. One great word is a metalanguage for all that – it is 'bullshit'.

With regard to organizations, it should now be clear that when a hierarchical structure is in place, each level of controllers operate with their own language, which is a metalanguage for

subordinates. 'Profit' is just one word to describe the 'difference between incomes and expenditures'; 'too warm' means that 'the balance between heating and irradiation of heat needs adjusting', and so on.

The use of metalanguages allows disaggregate control, reducing the diversity of parameters under the control of each level to an acceptable level, which would correspond to the managerial capacities of controllers at each level. Hierarchical levels of control may lose sense if they all 'speak the same language'

Quality of information

The amount of information transfer that happens in the course of interaction says nothing about the value of it. The usefulness of the information or its value for the receiver will be determined by:

- Relevance of the content to the needs of receiver;
- Necessary and sufficient amount;
- Necessary and sufficient level of specification;
- Necessary and sufficient precision and accuracy; and
- Appropriate timing.

If the information that was received is not needed, or not sufficient, or too general, or requires additional verification, or just arrives too late – what use is it? It uses resources and blocks the signal processing channels, thus being more harmful than mere noise.

Thus the processes of bilateral or collective information or informational interaction may be effective or not, depending on the relevancy of content, the speed, the amount, and the correctness of the result of interaction (the intended change of the mental map).

These processes may also be more or less efficient depending on the ratio between the value of the result and the related costs. Sometimes, waste in transacting certain informational processes may produce a big economic effect. But inconsistency of these processes, when they are needed, may cause a lot of loss and even death to the organization.

Maintaining and managing numerous and various informational processes both within the organization and the environment is a large part of the manager's job. Usually, one can find a lot of problems and opportunities related to these processes in any organization.

Communication barriers

The process of informational interaction between humans is very complex and involves a range of different components, each one being intricate in its own way. That especially refers to conscious verbal communication that assumes using certain verbal language.

First of all, it is not easy to transform an initial feeling or *analogous idea* (which emerges normally in the right side of the brain) to the more or less definite *discrete thought* (in the left hemisphere). One should apply language to formulate a thought out of sheer feeling, and the shape of the thought will very much depend on the language that was used. It is like using pieces of glass to form a mosaic. With different pieces in hand, the mosaic will be different, although the intention to transform certain informational content may be the same. Thus, our thoughts or conscious ideas are never the same as what we initially intended to formulate. Sometimes they come quite close; sometimes we just cannot find words to say what we want to say, even to ourselves. Different languages cause different opportunities and problems.

The second aspect is related to the content associated with the same words or sentences in different cultures and sub-cultures. 'White' means 'white' in any language. But the meaningful content associated with white may be different. In Russia it may be snow, winter, cold, vodka... In Africa it would be sand and hot weather. A white dress for young women may represent the wedding day in one culture, and a funeral in another. What does it mean – 'competitive salary', 'good command', 'fair compensation' or 'living together'? That is why common dictionaries are so often useless. The *thesaurus* is needed. So, we not only use different words, we assign them different meanings, depending on the supposed obvious links with other corresponding notions. In the 1990's, I was often asked by foreign colleagues to help them communicate with locals in Lithuania or CIS (Commonwealth of Independent States) despite the fact that these locals were speaking much better English than me. Both sides used well-known words, but could not understand one another, because they had learned conventional language, but had very different backgrounds.

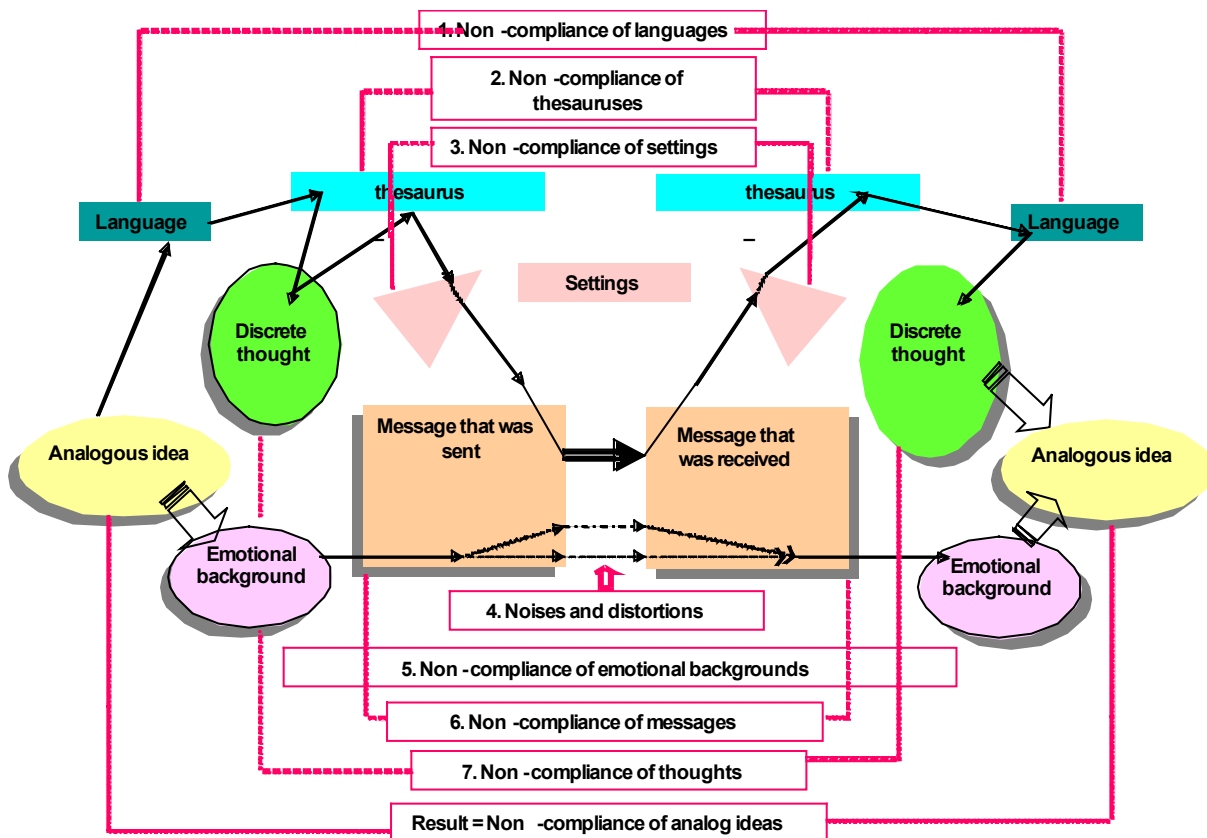
The third aspect is related to the works of the famous Georgian psychologist, Dimitri Uznadze, who authored the well-known *Theory of Attitude and Set*. We all are full of specific *attitudes and settings* that were created by our experience of interaction with a word when encountering certain people, features, or events for the first time.

After an initial unhappy experience, because of a lousy cook, one may decide that frogs are not tasty and never agree even to try them again. When asking somebody's help one may face denial, because of very justifiable reasons related to the moment, but anyway, the willingness to ask the same person the next time diminishes.

Settings spring up very easily, but it is very difficult to change them, because they become the criteria for perceiving relevant information as true or false in the future. For example, if the next time frogs are not delicious – that will seem normal (why to expect more?), but if they appear to be delicious – then it will be something curious and might require a very special reason. We are full of settings and preconceptions, and everyone is different, as much as his or her life experience is different from the life experiences of another.

The fourth step is to create a *message* – transforming an initial idea into a set of signals – using certain language with certain meanings and bearing in mind all related settings. The message may appear to be too long, thus masking the principal content with additional stuff, or too short, thus inevitably simplifying the idea, or just wrong, due to illiteracy or a mistake. A message is never the same as an initial idea. It is only a more or less apt model of it. Also, the message that is received is never the message that was sent. It arrives coupled with background noise, additional non-relevant signals; it mixes with emotions, and so on.

The receiver of the message must transform it into meaning - applying his or her own settings and preconceptions, through their own thesaurus, in their own language. It is really a miracle if the idea that was perceived is sufficiently similar to the initial one to recognize the communication as being effective. Picture 8 illustrates at least seven serious barriers to communication.



Picture 9. Seven barriers for communication

Chapter 1.6 Interaction and Cooperation

Rationality of correlated actions

Each individual organism aims at maximizing its chances for survival and tends to behave rationally starting from its perception of what the situation is, and its notion of how it will or could develop in the future. In a more or less stable environment, the situation changes in a predictable - to a certain extent - and controllable - to a certain extent - manner. Increasing the level of predictability, as well as level of controllability, would increase the chances for survival.

The results for an organism of certain behavioural choices may also depend on the changing state of the environment. This environment may be indifferent to an organism, not depending on it and not fully predictable: (How cold will the weather be in April?, What will be the dollar exchange rate in relation to the Euro by the end of next year?). Thus, any choice of behaviour by an organism in this case will encompass risk, because it can be based on assumptions only. Such one-way interrelations between organisms, which tend to determine the future, but exist in an unpredictable environment that does not care about an organism's worries, were called '*games with the nature*', a bit like unrequited love.

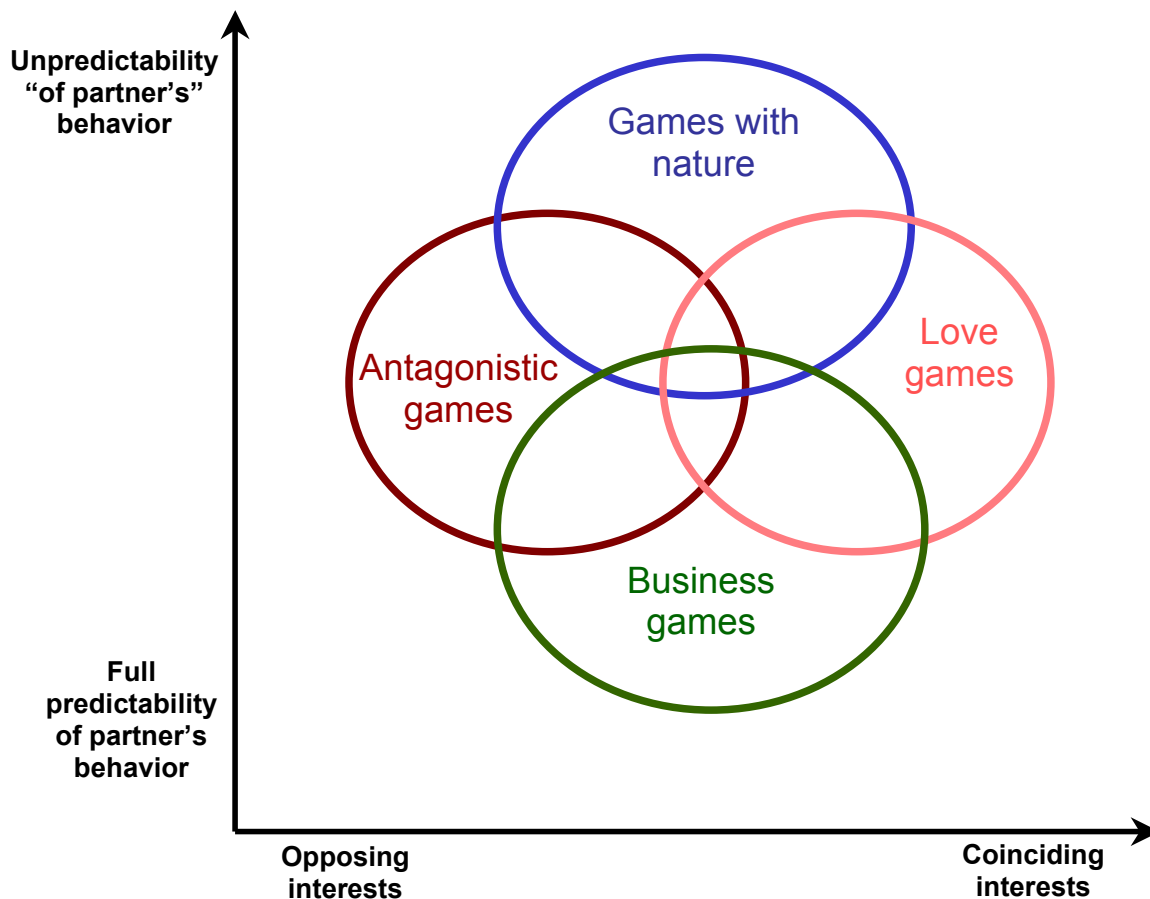
Some elements of the environment may be other organisms. Then the rationality of the possible behaviour of the one may also depend on the future behaviour of other organisms that strive for their own objectives. In this case, the objectives of two or more interdependent subjects are incompatible; one may achieve its goals at the expense of other subjects only (as in a gambling game) – such interrelations were called '*antagonistic games*' (e.g. one saves as much as another loses, one accepts more risk thus creating less risk for another, etc.).

Objectives of interdependent subjects are not necessarily opposite or antagonistic. They may not even be strictly interrelated, but the possibility to satisfy one's own interests may be somehow different depending on what method for meeting his objectives the other subject has chosen. For example, when someone wants to sleep in the late evening while the other one wants to listen to music at the same time and in the same room - it looks purely antagonistic at first glance. However, the one who wants to sleep may have no objection to the other listening using headphones; there would be no conflict of interests in that case. Thus, if the music lover would agree on listening with good headphones (and enjoy even better sound) – then it would be okay with the one who wants to sleep. But in this case, he may be obliged to buy headphones for his neighbour, providing the neighbour will agree not to use loudspeakers after a certain time. Or they could agree on sharing the cost of purchasing new headphones, which could be to their mutual benefit. This kind of game we call *business games*. Interdependent subjects do not necessary

have the same objectives, but the ways in which they approach their objectives may somehow be correlated, to their reciprocal mutual gain. In this way, a potentially hazardous antagonistic situation becomes a *win-win* situation.

Full alignment of somehow different interests and related objectives is also possible in numeric cases. Someone wants to buy what somebody else wants to sell. Someone needs company to enjoy a glass of beer and a friendly chat, and somebody else needs the same. Someone wants to kiss somebody, and this somebody does not mind at all. This kind of interrelation games we call *love games*.

Thus, we distinguish four basic categories of games: 'games with the nature', where another player is indifferent and beyond control; 'antagonistic games', where each player is enemy to another one and tends to use his power to force another to do what is more preferable for him; 'business games', where each player is forced to change their 'free-will' behaviour to a way he would not have otherwise chosen; and 'love games', where each participant is doing what he wants to do anyway, and it suits to everybody. Of course, in real life these types of games may mix in various and even curious proportions. These relations are illustrated in Picture 10.



Picture 10. The games we play.

The games may happen, and in fact are taking place, among any subjects – individuals, groups, or organizations. The basic principles are the same. To ensure the survival and success of the organization, a manager should control all the games that the organization plays with other organizations, with clients or partners in its environment, and which individuals in organizations play among themselves.

Playing games is fun, but may cost a lot. The uncertainty and unpredictability of the future is always present. To be able to react to a new and unexpected change in circumstances any subject needs to be free of restrictions that playing games may impose on it. It needs to be free, and wants to be free, even more so in a less predictable or new environment. This is *the instinct of freedom*.

To be your own master is very nice. However, when others are also free - from your influence – it is definitely risky. It does not allow control over their behaviour in a way that would bring better results to you. It does not even allow you to predict their behaviour and make your own corresponding choices. That is very risky. It is much better for anyone if he is free, but with others depending on him. That would be ideal. Many used to strive for this and still yearn for this.

Total freedom for everyone is a disaster, because nobody takes others into account or coordinates his behaviour with others. At the end of the days, it very much complicates survival of an entity as a whole and for every element taken individually.

Total interdependence and inter-predictability is also bad, because stochastic nature is always present and its unpredictable moves may make a totally controlled arrangement absurd. The arrangement may need to be changed immediately, but not be able to do so. Once more, this is also bad for survival, both for the entity and for everyone in it.

Those who love freedom most of all are 'heroes', because they change the world. That is very romantic, providing there is somebody – a conservator who is able to keep the world in order. The latter is very practical. Both are needed. Heroes are needed for a while, when the time for change is approaching. Conservators are needed for the longer term, before the next change is inevitable.

'Heroes' use their power to force others to change the given order. Conservators use their power to eliminate 'heroes' in order to keep things in order. This is a good example of co-operation. Nature is extremely inventive.

Conflict

It may happen, that not only one, but two or more interrelated subjects want to be heroes. Each one tends to force the other to align with him, but does not want to adjust himself. Both (or more) become harmful one to another, not because of differences in beliefs, values or interests, but just because of disagreement about the chosen method of behaviour. If one possesses much more power he/she may override the other (or others) for the period that this advantage remains. This may be for a long or a short time; then positions may change. Thus, instead of seeking to find a common solution and a 'win-win' situation, the subjects remain in opposing positions that may for a while create a 'win-lose' scenario, but in the long run almost always result in a 'lose-lose' situation. That is a *conflict*.

Coordination

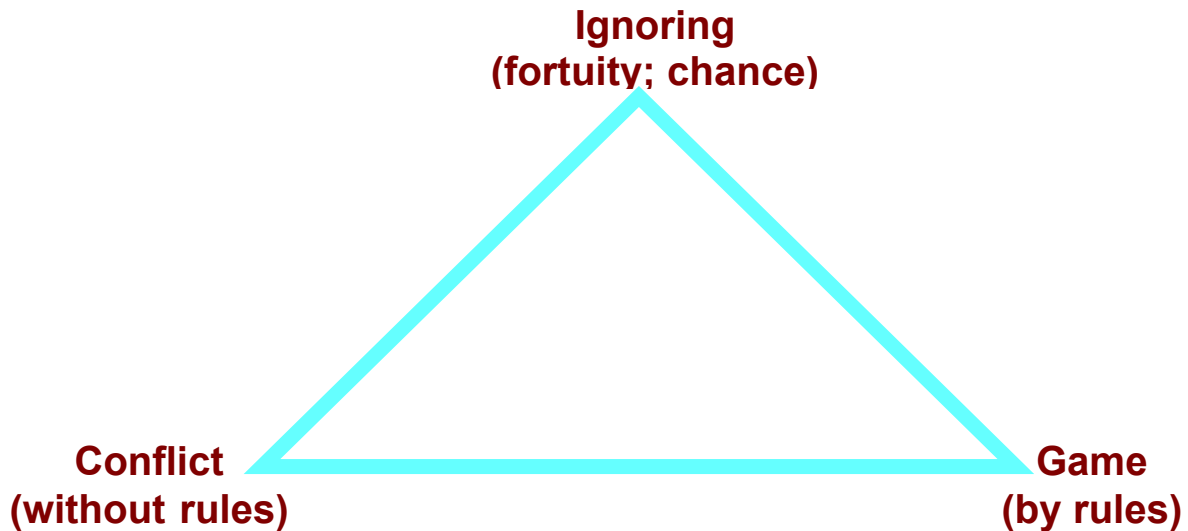
The emergent effect of coordinated actions (or *synergy effect*) may bring to life an absolutely new quality - two men may be able to take a piano to the 5th floor in ten minutes, which either one separately may never be able to do it. Or, it may accelerate the quantitative parameters - when three waiters serve all clients together, as a team, the service response time is usually about one-tenth, because it is not necessary to wait for 'your' waiter.

Subjects, taken together to a dangerous situation, may have no choice but to coordinate their actions or to not survive. Imagine an island with 100 barbarians - absolutely selfish, never communicating, each very similar in their abilities - all living separately, paying no attention to one another. That may be possible if the island produces food sufficient for 100. But if the climate changes, and there is only enough food for 80 species to survive – they may all die, because this resource will distribute more or less equally among them, which means everyone will be able to find about 80 percent of what is needed. That would be the paradox of full freedom. Nature would never allow this. Sooner or later, two or three of the barbarians, being extremely selfish and very ill-mannered, would decide to come together to search food and share the spoils, to protect each other from outside aggression, or even attack the other barbarians. Now these three will definitely survive. There are a lot of resources around. Others may decide do the same – and also survive, but not all of them; there will be losers - those who are feeble, or were too late in grouping with others.

Thus, those who cooperate, up to a maximum of 80, may survive. But not for free. Though being inherently selfish and striving exclusively for their own interests, they must limit themselves to the scope of behaviours that is agreed upon and accepted by others. This requires seeing others, communicating with others, taking others into account – this may be very oppressive in the

beginning, but as they become accustomed to it, they may even derive pleasure from it. What to do? Life is life.

Interdependent subjects may ignore one another (thus increasing any number of non-controllable factors and related risks); they may try to suppress or annihilate others (thus keeping control over the situation); or they may play one or more games or combinations of games.



Picture 11 Ignoring-Game-Conflict three-angle

Social behaviour

The term *social* is derived from the Latin word *socius*, which as a noun means 'an associate, ally, companion', and in the adjectival form, *socialis* refers to 'a bond between people' (such as marriage) or to their collective or connected existence (www.en.wikipedia.org). We call the behaviour of creatures *social*, when they are either influenced by others to a certain extent or are able to influence others. The set of creatures, which are interrelated in such a way as to form a system, we call *socion*.

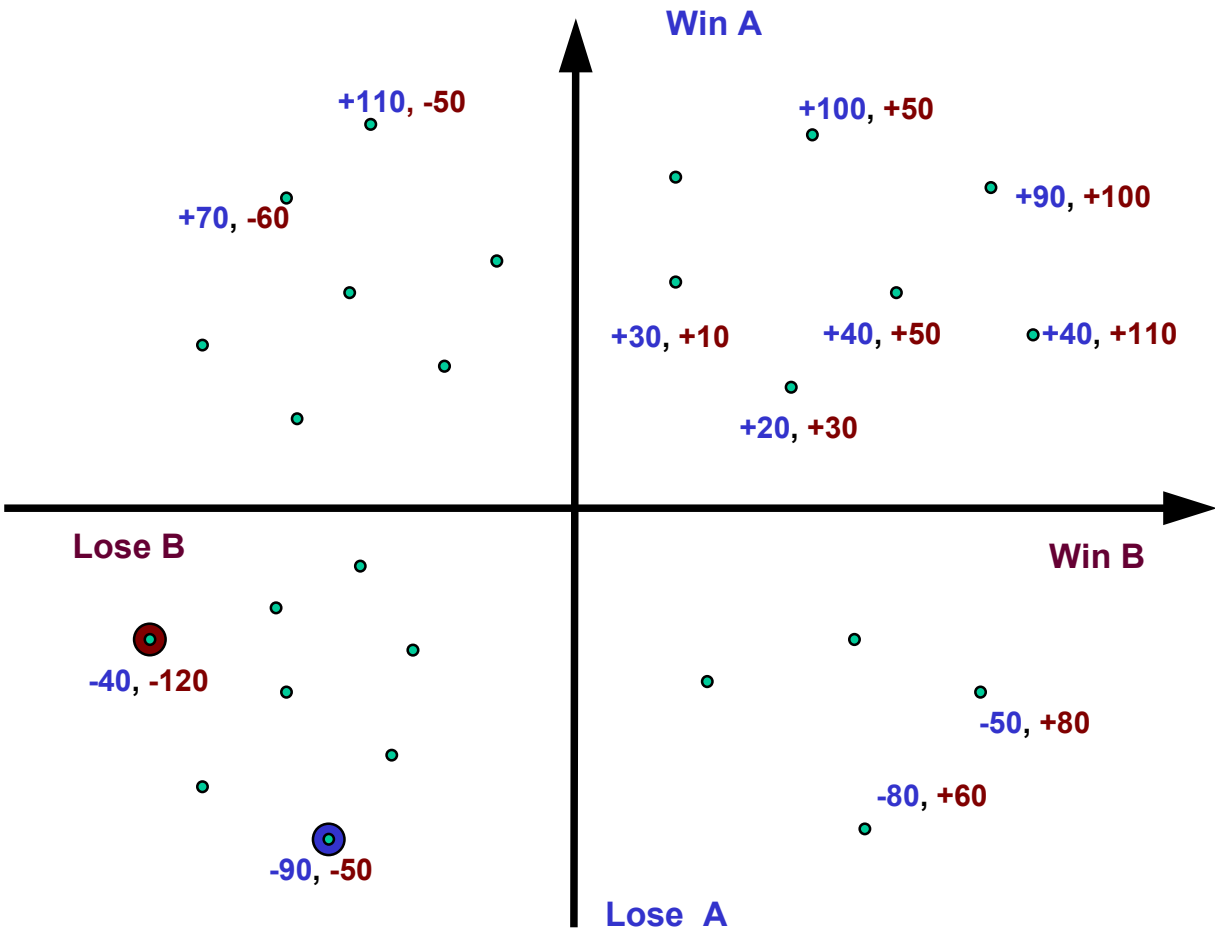
Let us assume that subjects inside the socion possess the same power relative to each other. This 'equilibrium' is scarcely probable and cannot remain stable due to the dynamics and the stochastic character of the organisms and the medium. However, the analysis of this simplified situation will make it easier to understand some general patterns.

Trying to increase the rationality of their own behaviour, each subject may try to exercise power to induce others to a more 'suitable' (for him) behaviour, and in this case, most probably, will also be subjected to a corresponding inducement.

In the case where interdependent subjects are not in a position of 'strict subordination' and there is no possibility for anyone to force others, then the only option is to come to an agreement. That assumes that the second subject would choose the behaviour which is rational for him in response to a corresponding choice made by the first subject.

In the case of a 'business game' all participating parties may win due to coordinated behaviour that ensures better expected value for all parties than non-coordinated behaviour. This expected gain may create a good incentive for mutual denial of total individual freedom.

A simple model of the possible consequences of coordinated versus non-coordinated behaviour for two interrelated subjects are given in Picture 12. These subjects may choose not to do anything that might be good for another – that would mean no one would go to the quadrant 'Win A – Win B': it is a state of *war*. They may choose not to do anything that would be harmful for both –not to go to quadrant 'Lose A – Lose B' – which is a state of *hard competition*, because some win-situations for each player may only be achieved at the expense of another player.



Picture12. The field of battle

If the players would agree to choose combinations from 'Win A – Win B' quadrant only – there would be no guaranteed loss, but the wins are not necessary the biggest. There is a state of *collaboration*, or *soft competition*. Collaboration supposes *compromise*. How much each one will win – that remains in the hands of fate.

aggression can make the trajectory of 'independent' individual behaviour too objectionable. On the other hand, the very fact of pooling others into the socion changes the situation and can make individual behaviour unprofitable (it drastically reduces the chances of gain).

Therefore, the forming socion can serve as an 'attractor', to attract trajectories of individual behaviours and involve them in a kind of complex behaviour – that of an emerging entity. This process will continue until the increase in the number of participating parts over a certain maximum leads to reduced effectiveness of the entity – diminishing to the level of effectiveness of individual behaviour. Then socion will refuse additional new members and even actively resist their possible intervention. It is also possible that changing conditions will require society to diminish the size of its membership in order to remain effective. Then it will eliminate the elements that play a less important role in creating the general emergent effect of cooperation.

In socion/society, each element depends on others, thus cooperation creates specific vulnerability that may be fatal for any one if others do not follow agreed upon patterns of behaviour. Therefore, cooperation of any subject is only possible when they meet certain requirements related to *confidence*. Some requirements are specific and are based on particular rules of coordinating actions in this given socion/society. However, other requirements are general and do not depend on the kind of entity. For example - providing others with correct information (telling the truth), or following an agreed upon trajectory even when changing circumstances make it extremely inconvenient (keeping promises). These simple requirements are common for any kind of imaginable socion/society – for a team of astronauts in a satellite, or for a gang of criminals. A lack of perceived mutual confidence makes cooperation highly risky for each subject, and therefore, very irrational. On the other hand, excessive reliability with respect to partners creates serious restrictions to flexibility in one's own behaviour. In some cases, belonging to socion/society may be disadvantageous. The only relevant issue may be – what is the pay off?

When the emergent effect of coordinated interaction is divisible, it is common to call this kind of socion a *cooperative*. The total gain may be divided among participating parties in accordance with their contribution, power, value as perceived by others, etc.

When the effect of co-operation is indivisible – then we are speaking about a *commune*. Some specific benefits of cooperation between people who live together (at least in the same vicinity) cannot be taken away – like clean and well-lighted streets, a healthy environment, safe public places, etc. Access to the benefits of cooperation sometimes cannot be withheld from those who did not contribute to creating the benefit. Then those who contributed may decide to use their combined power to force 'non-contributors' to contribute.

Administrative governance

Now let's discuss a bit more about the organization of relationships between people in the socion of a 'commune' type. One of the forms of cooperation may be a peculiar 'distribution of work' among those who produce a direct effect on the common living environment (with its indivisible benefits) and those who supply resources for this activity. Thus, each of the participating members must either 'provide resources', or 'make use of common resources', or both simultaneously. In this way, they may be divided into 'taxpayers' and 'social workers'. In this case the rigid interdependence of co-operative actions gets somewhat weaker; the space of possible choices for 'taxpayers' is only to ensure a certain amount of resources to the commune.

The 'subsystem of execution' (combined social workers), emerging out of the society, should be self-organizing to an extent sufficient to optimize its own behaviour; however it need not be fully self-organizing, as the aim of activity is specified not by interests of the subsystem of execution, but by the interests of the community as a whole. Thus, the category of 'self-governance' in this case relates to the socion/society as a whole only, and the whole must, in one way or another control the subsystem of execution.

Thus, we have two levels of governance: from the perspective of the community (subject) in relation to the executive subsystem (object) - self-governance of the socion; and from the perspective of the executive system (as subject) in relation to the social workers (as objects) - self-governance of the executive subsystem. On the level of community, the aims of the whole are totally subordinated to the aims of elements. On the level of the executive subsystem, the aims of elements are totally subordinated to the aims of the whole.

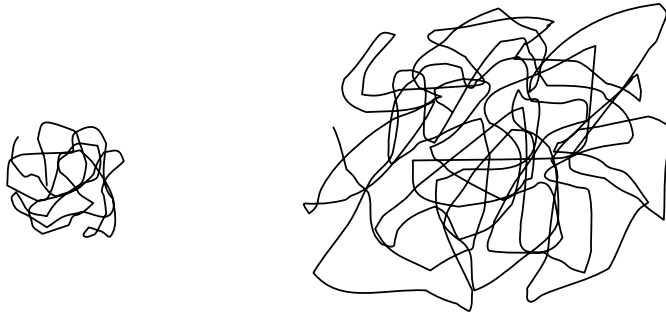
Let us call the procedure of making decisions relative to the particular actions for 'social workers' as *administrative governance*, and the procedure of setting goals and rules for the executive subsystem as *political governance*. Of course, administrative governance may not exist without a greater or lesser administrative power. And the execution of administrative power is administrative governance, since it alters the behaviour of social workers, even if the formation of specific plans is not evident. The subject who exercises administrative governance may be an executive subsystem, in whole or part (like an 'organ'), or even an individual worker ('servant') that holds a certain executive position. 'Taxpayers' and the community as a whole cannot be 'an object' of administrative governance.

Chapter 1.7 Landscape for Development

Brownian motion and drift

The point, which represents a situation in the space of existence, never remains in the same place for any real, especially alive, system. It is moving due to external and internal reasons, or even without reasons, just because of accidental fluctuations. In any case, the situation is changing. Nobody can stop it.

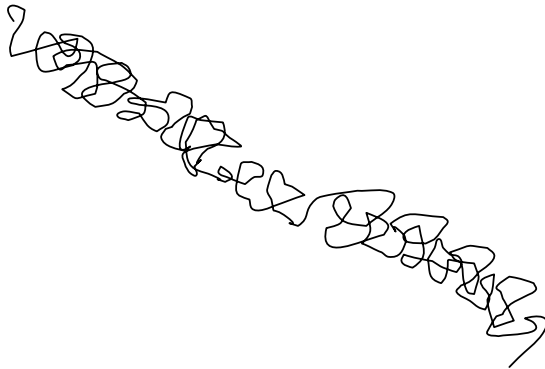
The basic form of change may be illustrated as the stochastic motion of a dot that describes the current state of a system. This stochastic motion fills in a certain zone within the space of existence – the size of the zone depends on the temperature and the structure – the higher the temperature, and the less strong the structural interrelations, the more dynamic the moves may be over a bigger zone. This kind of motion was called *Brownian motion* - named for Robert Brown, who discovered it in 1827 - and usually applies to any of various physical phenomena in which some quantity of elements are constantly undergoing small random fluctuations. In stable situations, a centre of Brownian motion remains in the same place. Certain micro-chaos is trapped by the structure that does not allow the system to move too far away. Mechanisms of homeostatic regulation maintain it in close surrounding to a certain point of balance.



Picture 14. Brownian motion

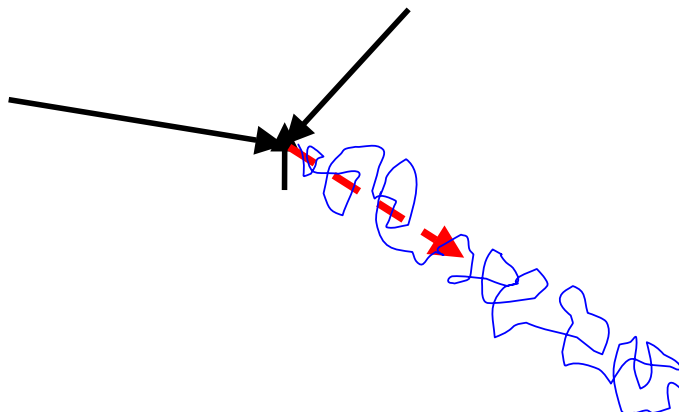
At any given moment our system may move in any accidental direction (the question - why in this or that direction? – makes no sense). It just happens. There is no reason. The next move will be in another direction; it is impossible to predict which one. It is unpredictable. What is predictable that is the size of the zone occupied, and the location of the centre of balance.

Let's assume that this centre of balance is moving in a specific and regular direction, like in Picture 15.



Picture 15. Drift

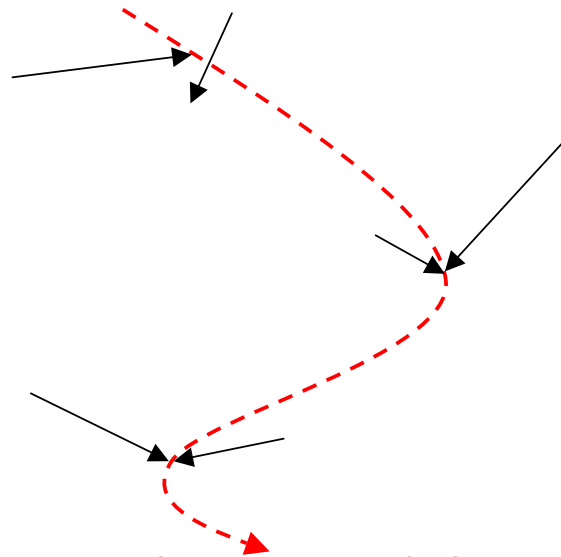
What does it mean? The movement remains stochastic on the micro-level, when observing changes within a short period of time, but demonstrates a clear direction on the macro-level, when enlarging the scale of observation. This kind of movement is called *drift*. Chaos is trapped not by the point any longer, but by the line. Drift has a direction, and this direction should have certain cause, otherwise there would be no definite direction and drift would become just another random Brownian motion, only on the bigger scale. Clients come in to the shop accidentally. There may be more or less clients in this particular hour or day without any special reason. The number may rise a bit or fall at a certain moment – this says nothing about how things are actually going. But when the average number is falling steadily from month to month – that means something is wrong. If there is a drift, there should be a reason - not necessarily only one. There may be a superimposition of factors (or force field) that together generates a sum vector, which determines the direction of a drift. See Picture 16.



Picture 16. Determination of a drift by a force field

Landscape

If the factors that create a force field are permanent in their strength and direction – the sum vector will always be the same. That means the drift will go in the same direction, along a straight line, and with the same speed. But this assumption is an abstract exercise only. Real forces that influence real organisms are always changing: weather, currency rates, the price of oil, legislation, political circumstances, and so on. Everything is changing - in a regular or irregular manner, predictably or not, to the good or to the bad. Therefore, the actual line that would determine the direction of change will instead be a curve (see Picture 17).



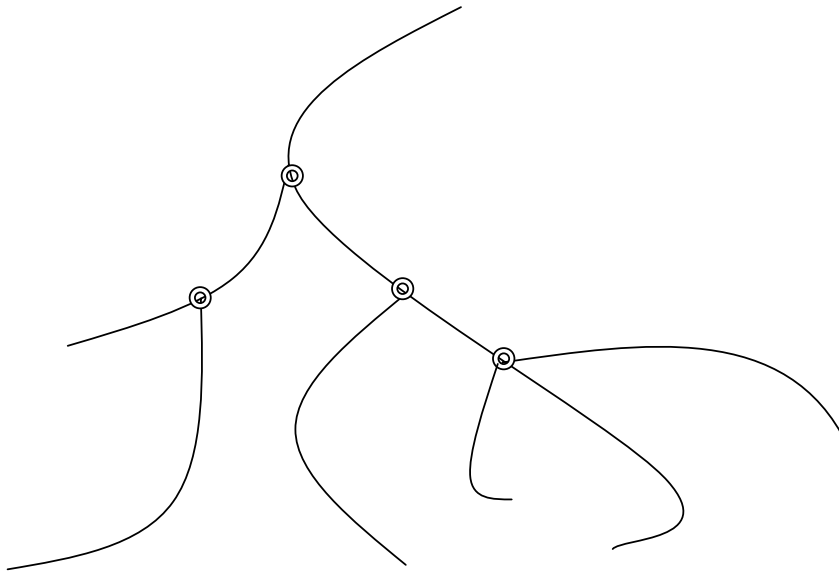
Picture 17. Changing direction of drift

In fact, we just added a coordinate of time along the curve to demonstrate how forces are changing. This changing force field, revealed over time, represents the idea of a *landscape* (from Dutch 'landschap'). The term is widely used in management literature to illustrate the influence of different factors to the actual direction of development (see, for example, a great book by Richard Norman, 'Reframing Business: How the Map Changes Landscape').

In general, landscape is a surface in the multi-dimensional space of all external and internal parameters. The shape of the surface determines a ravine. The shape of a ravine determines the direction of drift. The actual drift, unpredictable in small detail, will not deviate too far from the line along the bed of the ravine that somehow attracts any real trajectory or drift. This basin of attraction was called *creod*. It determines the path of development. This concept was first introduced by K. Uoddington and R. Tom, at the First Congress on Theoretical Biology, 1969, in connection with the development of embryos.

One could say – 'who knows the *creod*, knows the future' – but one would be wrong. Numeric forces that create landscape are always in change, and some changes depend on unpredictable and uncontrollable factors. So, no *creod* can be really predictable in the long run. At some points,

some forces may come into balance, or annihilate one another - the sum vector becomes zero at these points, and does not determine a direction in any corresponding dimension. But the process cannot be stopped because there are other forces to move it forward. At the points of unstable balance (or the surface of unstable balance), the direction of motion may be determined by any small influence. These points are *bifurcations* (see Chapter 1.1). Thus, the basin of attraction will branch in alternative *creods*, the last will branch further, and so on – the picture of the landscape would not show a line – it would be more similar to the inverted tree (see Picture 18).



Picture 18. Points of bifurcation

The actual process will go along the *creods*, where they are, and chose one of the alternatives at the points of bifurcation. The choices may be accidental, influenced by any small fluctuation, or may be controlled in one way or another. In general, the lack of predictability in development of a system does not mean that development is uncontrolled. In most cases, development can be controlled due to some controllable factors in the landscape, or due to small sharply targeted impacts at the points of bifurcation.

Conscious change of the landscape and the path of development, or ‘smart’ control over the points of bifurcation, constitute the art of *strategic management* of change, or strategic change management. We will come back to this topic in Part II of this Manual.

Chapter 1.8 Key Functions of an Organization

Mission

A *mission*, from the Latin word *missum*, 'sent', is defined as 'a duty that involves fulfilling a request' (www.en.wikipedia.com). Any human organization was created by somebody to meet certain needs. It may be created to generate a profit, to conquer the market, to satisfy public demands for certain services, to rob a bank, or to win elections - whatever that may be achieved more successfully with the assistance of the specific arrangement, which we call 'organization'. Thus, the organization emerges into the external world to fulfil its mission. If the mission was clearly formulated, this may work well. If not, the organization must find its mission before it gets lost.

Whatever an organization is doing should be requested or needed by those who use the organization. Over time, services or products will only be requested from an organization when this particular organization provides better solutions to the problems (utilization of opportunities) of users and beneficiaries. The mission is just a mirror image of these problems. If potential *users of an organization* have no problems, then they have no reasons to appeal to the organization for assistance. Nothing remains for the organization to do. No mission. No pay. No life.

Those who use an organization may be owners of the organization, or clients, members, third parties, etc. Any beneficiary may have his own reasons to use the organization, thus the organization may meet different needs or demands, and, correspondingly, it may have many missions – as many as the combinations of user groups and their problems that need to be met. Fulfilling these different missions may create different priorities for the organization. For example – a chemical plant provides profit for investors, high social status and a good salary for the manager, jobs and living wages for workers, the preconditions for economic development for the area, taxes for the community, etc This plant may do very well in bringing profit to the owners, but the jobs could be bad, and the area in close proximity to the plant may decline, even though a new school gets opened as a result of the plant.

Thus, the mission of any real organization is multi-faceted. It is complex and complicated. It may be contradictory. It may be missed. It may become significant. It may be in great demand. It may be hopeless, and so on. Therefore – it should be managed - from the very moment of establishing the organization and throughout the organization's life.

Product

What an organization does for those who need it may be called *the product* (or products) of the organization. By International Standard ISO 9000:2000, the term 'product' is defined as the 'result

of a set of interrelated activities which transform inputs into outputs'. Any result is always multi-faceted, as is the mission itself. Still, it is common to consider a product as an intended output of the main technological process that is designated for consumption outside the organization.

Products may exist in the form of *goods*, material articles, and *services*. Service provision has been defined as an economic activity that does not result in ownership, and this is what differentiates it from providing physical goods. Services can be described in terms of their main attributes (www.en.wikipedia.com):

- *Intangibility* - They cannot be seen, handled, smelled, etc. There is no need for storage. This attribute makes it difficult to evaluate or compare services prior to experiencing the service.
- *Perishability* - Unsold service time is 'lost', that is, it cannot be regained. It is a lost economic opportunity. For example, a doctor that is booked for only two hours a day cannot later work those hours — she has lost her economic opportunity. Other service examples are airplane seats (once the plane departs, those empty seats cannot be sold), and theatre seats (sales end at a certain point).
- *Lack of transportability* - Services must be consumed at the point of 'production'.
- *Lack of homogeneity* - Services are typically modified for each client or each new situation (customised). Mass production of services is very difficult. This can be seen as a problem of inconsistent quality. Both inputs and outputs to the processes involved in providing services are highly variable, as are the relationships between these processes, making it difficult to maintain consistent quality.
- *Labour intensity* - Services usually involve considerable human activity, rather than precisely determined processes. The human factor is often the key success factor in service industries. It is difficult to achieve economies of scale or gain dominant market share.
- *Demand fluctuations* - It is very difficult to plan the production of services. They are provided by request. Demand can vary by season, time of day, whatever else or without any reason.
- *Buyer involvement* - Most service provision requires a high degree of interaction between client and service provider.

The current trend is to view any product as a service, considering goods as part of a service to the consumer. For example – instead of selling a car to anybody who wants to buy it as it is, a dealer provides service that consists of consulting, proposal of a suitable model, specification of all features, ordering a specific car from the producer, delivering it, preparing it for use, providing follow-up technical service, etc. – everything is to be done for each particular client.

Providing quality services is much more difficult than producing quality goods. Defective articles may be determined at the end of process, removed and not shown to the user. Defective service has already happened, and a user was part of that process. It is impossible to hide mistakes in service provision. Service must be done well every time. That is a special challenge for management.

Clients and consumers

The one who consumes the product is a *consumer*; the one who pays for the product is a *client*. Consumers provide justification for the existence of the organization. Clients provide resources for the organization. Consumers of toys are children; however the clients are adults who buy these toys. Consumers of nice rings with brilliance are nice women, usually not married, but clients are men with some money, usually married, paradoxically. Consumers of public services are all members of a community, but the client for providing needed service organizations is the local government that places orders and pays for them.

Consumer and client are not the same generally. Sometimes they may coincide in one person or subject, in many other cases not. To sort them out is very important, because they are not in an equal position. First of all – an organization should satisfy the client. Satisfaction of final users, or consumers, may be only one of the client's requests.

That is why so many useless and even harmful public organizations exist, and keep their clients absolutely happy. Consumers are not happy, but who cares? The distance between clients and consumers of public services may be huge. It all depends on how real the democracy is, how big the bureaucratic hierarchy is, how much it is corrupt, and how well the services are organized

For a commercial organization that provides services (or produces goods), which go straight to the client, who is often a consumer or very close to the consumer, the best indicator of usefulness is the price the client agrees to pay and the amount of sales.

On the other hand, each client is a consumer of a kind, because he is motivated to pay for something that constitutes value for him, although it is not exactly the product of an organization. For example – a husband may pay for drugs to help his wife sleep better, which may be also good for him. Local politicians may expect to become a bit more popular after making a decision to allow the administration to spend some public money on fireworks of one or another kind. Organizations usually know what they produce for their customers, but sometimes fail to think enough about what they actually do for their clients.

Since the interests of different user groups varies, and what they receive or desire from the products or services of an organization are not always the same – it is natural that an organization may be good for one user or in one respect, and bad for other users or in other respects.

Customers

According to the 'free encyclopaedia' customer is someone who makes use of the paid products of an individual or organization. This is typically through purchasing, or renting, or receiving services. The word historically derives from 'custom', meaning 'habit'; a customer was someone who frequented a particular shop, who made it a habit to purchase goods of the sort the shop sold there rather than elsewhere, and with whom the shopkeeper had to maintain a relationship to keep his or her 'custom', meaning expected purchases in the future. The shopkeeper remembered the sizes and preferences of his or her customers, for example. The word did not refer to those who purchased things at a fair or bazaar, or from a street vendor (www.en.wikipedia.com).

Thus, the more relevant definition of customer may, probably, sound like a permanent or returning client. In market relations, customer often means *loyal client*, or someone who keeps purchasing from the same provider in spite of the availability of alternatives. Normally, this is because he or she is happy with the quality and price of the service and finds it more practical to stay with the same provider. The number of customers, or the market share of customers is very good index of an organization's success.

The idea of an unhappy customer who continues to buy from the same organization is nonsense in an open and competitive market. But it is common in the case of monopoly. In a monopoly, the number of customers and the price they pay say nothing about quality of service and efficiency of the organization or provider. It does, however, indicate the urgency of need for the product, and number of people who share that need. That is why monopolies are often badly managed. They do not need better management to survive. They only need sufficient management to enable them to maintain their monopoly.

For public services - most consumers are customers, not necessarily because they are happy, but simply because they have no alternative. Very often certain public utilities also represent a kind of monopoly – because of the legislated authority of administrative bodies, no one else can issue a building permit - or because of the peculiarity of the service, which cannot be purchased and consumed individually (i.e. clean air, well-lighted streets). So, the number of customers and even the price they pay (if obliged to pay directly for service) says nothing, in this case, about the quality of service or efficiency of the organization that provides it.

Customers in general can be classified into two main groups: internal and external. Internal customers work for the organization, possibly in another department or another branch. External customers are essentially the general public and other organizations.

Whatever is done by any member of an organization may be used by other members of the same organization in a value-added chain (the next chain-link is an internal customer), or by somebody outside the organization (an external customer or client). Whatever is done by any internal customer is done for another internal customer, or ultimately for the external customer.

Thus, whatever activities or actions are taking place within the organization – they are basically directed to the satisfaction of external clients immediately or indirectly through internal customers. On the other hand, to be able to serve its customers, an organization must exist, and in order to exist must be able to provide a minimum threshold of service.

Self-preservation

An organization is an instrument for fulfilling a certain mission or set of missions. How an organization should be organized and managed, whether it should be small or large, hierarchical or loosely-coupled, etc., all depends on the kind of tasks to be performed, the environment for the activity, and the components and technologies available for building the organization. The guiding light for building an organization is its mission statement.

When an organization is a self-emerging entity of initially independent elements that come together for the sake of a synergy effect that is primarily shared among members of the organization themselves – no external mission is needed. The organization exists for itself. Clubs, societies and association of many kinds are examples. In fact, any living natural body is such an organization. The natural body exists for itself. Sometimes, the chances for survival are higher in an amalgamation of such bodies. The amalgamation may constitute a body of a higher level. Preservation of this higher-level entity may be an important precondition for the preservation of its elements. Certain conditions may require self-sacrifice as a behavioural pattern of elements - if done for the benefit of the general entity, so that the very elements that make up the entity can ultimately have more chances to survive. For example – belonging to a higher-level entity may carry with it a risk to meet the demand of self-sacrifice. The probability that it will happen might be ten percent. However, even with this risk, the chances for survival may increase from 40 percent to 70 percent. Certain gain, isn't it? Thus, a self-emerging organization is controlled by the needs of the elements that have built the organization.

Part II. Management Tools for Developing Organizations

If horses would turn into stone and the vehicle stop – no coachman or manager would be needed any longer. Organizations need managers as long as the vehicle is going. Thankfully, it never stops. The overall process of organizational life is twofold. On the one hand – it is a process of functioning and producing certain products for customers. On the other hand – it is a process of change that permanently produces a new organization. Thus, an organization is also a product. It is a product of organizational development.

Changes in an organization (either external or internal ones) are taking place all the time. Life would never wait for managers, or their timeframe for 'planning and implementing changes'. And managers also influence changes (whether consciously or unconsciously, due to their action or inaction), even when they would prefer to withdraw.

However, not every influence is a control. Only actions that bring an organization to a consciously pre-designed situation, the one that is desirable, can be associated with control. To be able to plan and implement these actions, a manager must see the whole picture of the organization, its structure and substructures, environment and associated landscape, everything in dynamic flux, and everything in terms of a future state. He or she must know what is going on, understand why it is the way it is, be able to find out what to do in order to change the situation to a desirable direction, and know how to do it. A manager needs a lot of special tools.

We have included in this manual some instruments for organizational development. They are grouped in five clusters called: Problem Solving, External Relations, Internal Relations, Strategic Planning and Training for Organizational Development. The basic ideas are described in corresponding chapters. Some handouts that can be used for training are included in Appendix 3.

Chapter 2.1 Problem Solving

Indeed, searching for the answer is the problem.

Henry Mintzberg (2001)

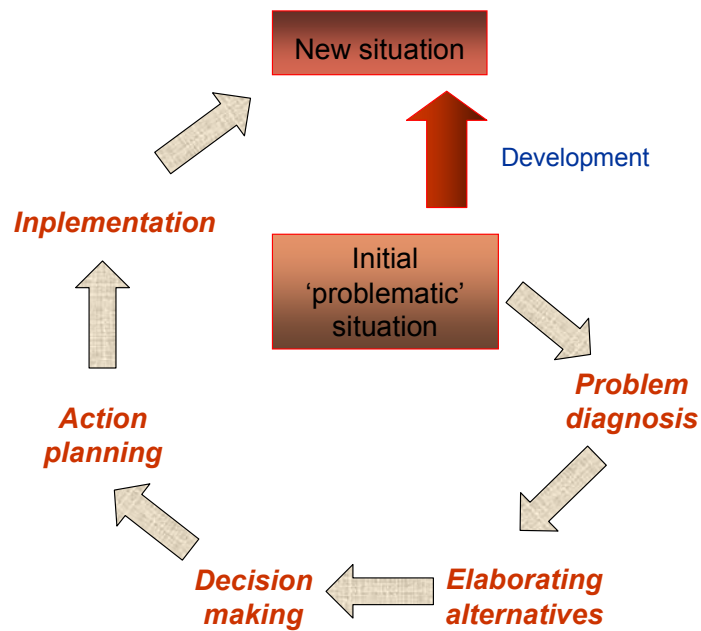
When rising discomfort calls for a relevant reaction, but existing mechanisms of organizational behaviour cannot formulate an adequate response (only random choice remains) – we have a situation that could be called problematic. But, a *problematic situation* is not the problem just yet.

A problem is a psychological phenomenon – not a feature of an organization. It takes place in the manager's mind: on the one hand, rising discomfort requires action; on the other hand – it is not clear what to do. What is a problem for one manager may not be a problem at all for another manager. Meanwhile, the situation and organization may remain the same. In a certain sense - organizations never have any problems. Problems belong to managers.

The job of a manager is to ensure an adequate response to the undesirable development of a situation. This response always consists of changing controllable parameters that are not in the proper state – due to their own deviation or a necessity to meet deviations of uncontrollable factors. A manager only has a 'problem' when he does not know how to respond. When he find a solution, then a problem disappears, because it only existed as a 'problem' in his mind.

Any problematic situation manifests itself as the deviation of a parameter (or set of parameters), which should be kept within a certain limit (or along a certain line) by the manager. The situation is not how it should be. It causes a state of discomfort, and that discomfort motivates action.

The right course of action in this case may be discovered by a manager by analyzing the situation or *problem diagnosis*, elaborating a set of realistic alternative solutions, choosing the best one or making a decision, developing an action plan and implementing it. In this way the existing bad situation may become a new bad one, but hopefully a bit better than before.



Picture 19. Problem solving cycle

This cycle is commonly known, and has a variety of slight modifications (see, for example, Cooke and Slack, 1991). The first time I learned about it was from Fred Fisher (see Fisher, 1991).

Problem diagnosis

Merely to ascertain a state of discomfort is not enough. A manager must understand the whole picture. Causal relationships within the organization are not simple: different causes may condition similar consequences; the same cause may result in different consequences depending on other factors or conditions. It is not necessary to deal with absolutely everything to ensure comprehensive control over a situation in an organization. However, it is very difficult to decide which things are worth dealing with first in order to be the most effective overall.

Identification of key factors that should be taken into account in order to control the process of organizational development - is the genuine, specific, and most difficult management function. This is often called *problem definition*. We prefer the term *problem diagnosis*, because the process is really very similar to the process of diagnosis that a physician undertakes before prescribing a cure. Sometimes it is also called *root cause analysis*.

To be effective, a manager should understand that not everything that is bad should be called a 'problem' and addressed as such. Most things within an organization are interrelated. Many things that look wrong are just consequences of something else. It makes no sense to waste time and

resources to cure these consequences; they will disappear when their root causes cease to maintain them.

These causes may be of an unpredictable nature – then there is no problem to solve. An accident remains an accident; it is not likely to be repeated in the future. Or, causes may be systematic. Systematic causes may belong to controllable and uncontrollable factors. Uncontrollable factors are the responsibility of fate. Controllable factors are in the hands of management. Of course, controllability also depends on the skill of the ‘hands’. Anyway, as we’ve already discussed in Part 1 of this manual, the elimination of or compensation for systematic causes of objectionable deviations is the most characteristic function of management. It is related to ‘problem solving’.

Problematic situations may belong to different categories. They may manifest as *a slump* to the edge of the existence space, or in *stagnation* (‘getting stuck’ in a zone of discomfort - not as bad as to die, but not good enough to be considered as a state of comfort). In a state of stagnation, any organism experiences internal stress, energy is wasted to maintain it, flexibility is lost – sooner or later it will end up in a slump or, worse yet, a catastrophe. But with a good reserve, it may take time, as in the case of the former Soviet Union.

When environmental (external) conditions remain normal, and the abnormal discomfort is caused by internal factors – then we talk about *disease*. When an organism remains the same, but the environment changes in an unfavourable manner, then the reason for increasing discomfort may be *a lag*. A lag is just the inability of an organism to change in sync with the environment in a way that would maintain a state of comfort. Being ‘backward’ or unable to change may result in the death of a formerly very ‘healthy’ organism.

Several observations may assist in the process of problem diagnosis. For example, in the chain of causes and consequences, controllable and uncontrollable factors are always clearly divided at a certain point – where controllable factors end and uncontrollable ones begin. Thus, a simple question, like “Why is it like it is?”, when applied to the causes of undesirable attributes, will inevitably lead to the root controllable factors. These factors may be called ‘problems’ and addressed as problems, when the deeper causes are actually uncontrollable. For example, a low temperature in the room may be caused by bad weather. However, weather is usually not within the purview of a manager. His problem is the low temperature in the room, caused by the bad weather.

When ‘everything goes badly’ in an organization – it does not mean that ‘there are a lot of problems’. There may be only a few problems, or even one. Evaluating such a situation as a state with many ‘problems’ may be very harmful, because it often lead to attempts ‘to solve’ everything

that is bad as if it were a problem, thus wasting time and resources while real problems remain untouched.

It is extremely easy to make a mistake in problem diagnosis. Some of the most common mistakes are described below:

- A *Pseudo-problem* appears when somebody who wants to be considered essential or wants to convince others that something is very necessary (and often believes this himself), tries to persuade others that a problem exists where there is actually no problem. Many sorts or 'dangers' that were difficult to prove still served as good justifications for a lot of stupid things – from using certain medicines to building up an army.
- A *Symptom* is a visible consequence of certain hidden but still controllable factors. A symptom may serve as evidence of the existence of a real problem, but it is not a problem itself - like a child's high body temperature, caused by illness. In this instance, it is senseless to treat only the temperature; that may only mask the problem while situation continues to deteriorate.
- An *Uncontrollable cause* is the usual justification for pseudo-managers. When they cannot manage the current state of affairs – then they look for an 'objective reason' for why the situation is bad. Their favourite 'problems' are 'bad weather', the 'political situation', 'poor legislation', 'geographic location', the 'exchange rate of the dollar', etc. – whatever they cannot change; in this way they try avoid responsibility for the problem.
- *Another problem* is just a mistake in defining the actual cause. Poor performance may be caused by a lack of qualifications, but understood as the consequence of a lack of motivation. All corresponding measures, if based on a wrong diagnosis will not solve the problem, but may create another problem by altering parameters that should not be altered.
- A *Solution* is something that may eliminate a problem. When somebody wants a specific solution, he may deem the absence of this solution as a problem. For example, somebody may claim he is often late to the office because he has no car. However, changing apartments to a location closer to the office would be an alternative solution, possibly much more rational – but it will not be seen if the absence of the car is solely considered to be the problem.
- *Opportunity* is a good and worthwhile thing to use. Opportunities missed today may cause problems tomorrow. Still, there are some principal differences between opportunities and problems. It is not possible to ignore problems; they must be addressed - and exactly those problems which actually exist. Opportunities may be used or not, or one opportunity may be substituted for another. Nothing else prevents managers from using opportunities as much as unresolved problems. On the other hand – nothing prevents a manager from solving problems as much as constantly and excessively hunting for opportunities. For

some managers, seeking opportunities is much more attractive than solving problems; such managers tend to interpret any unused opportunity as a big problem.

Problem diagnosis is worthy of the primary attention and time of a manager. Incorrectly diagnosed problems are not solvable. Correctly diagnosed problems are always solvable.

Normally, it is much easier to find a solution than to figure out what needs to be solved. The outcome of 'problem diagnosis' is supposed to be the identification of what parameter or factor should be addressed, altered or eliminated, in order to ensure the desirable change in the existing situation. The root cause or target factor becomes clear, and the problem is defined. If the necessary corresponding action is obvious - the problem disappears at the same time - because it is already solved as a problem. Of course, carrying out the corrective action still remains to be done - just as any job that needs doing.

However, it is often the case that the root cause is identified, but the course of action is far from obvious – then the problem remains a problem, as there is no any visible way to deal with it; or there are too many realistic and imaginable ways to deal with it, and it is difficult to choose.

If there is truly no way to deal with a particular problem – then the 'root cause' was incorrectly identified. It was, in fact, something uncontrollable. Such a diagnosis does not help; it is a blind alley. The manager should look for another factor that would sufficiently influence the situation – his leverage is always among controllable parameters, as long as at least one controllable cause exists. If not a single cause is controllable – there is nothing the manager can do.

Decision-making

When a problem can be solved in many ways, another challenge arises – choosing the best way. *Decision-making* is needed. Making a decision is a behavioural action that may be accidental, stereotypic, rational or emotional, conscious or unconscious, etc.

An accidental choice means doing whatever is possible without much thought. 'Controllability' is equal to the absence of control in this case. What is the difference between a situation when nobody controls the process and a situation when the process is controlled by somebody who makes accidental decisions?

A '*stereotype*' decision is equivalent to no decision, since 'there is nothing to decide' – only one type of action is considered possible and sufficient, and others are not taken in account.

Rational decision making is based on seeking alternative ways to act, weighting them and identifying the best one - that presumably brings the best result with the highest probability, fewer risks and comparably less cost. Rational decision making actually includes 'two choices in one' – the best potential goal and the best possible way to arrive at it. And this choice is always bounded by politics. (See Chapter 1.2.)

The process of decision-making may sometimes look very simple – something like intuitive insight. In the beginning of the 1960's, mathematicians who studied computer applications for optimizing planning processes, were insulted by the discovery that an experienced manager can make an almost optimal decision without any calculation at all - merely by insight.

Animals never do any stupid things, because they always make rational decisions instinctively. It is the law of nature. Of course, they may make mistakes from the human point of view – because of limited information available, misinterpretation, or primitive calculation – but all that has nothing to do with the procedure itself – it is always a rational choice. Just try to imagine a wolf that would set a goal (e.g. to eat a chicken for lunch) before it sees a realistic way to reach it. Or imagine a horse that would not estimate the risks of failure, probable punishment and possibility for reward when jumping over a barrier versus running around it.

Doing stupid things is a very human feature. Alas, it costs a lot, but enables learning. If doing things right brings expected results and does not require changing the mental map, then what is the lesson learned? Realizing one's mistakes fuels development, on both the individual and organizational levels.

The way decisions are made in an organization, and decisions related to organizational development issues in particular, is very important. A lot of books have been published on the topic. One of the recent issues of Harvard Business Review (January 2006) is entirely about organizational decision-making. It gives a history of decision-making approaches and an overview of most modern concepts. In short, as our experience also indicates – the best way to make decisions is in collaboration with those who are concerned and who will need to implement those decisions later. The key word is *dialog* (one of the best readings on this topic is a book of Issacs, 1999).

In most cases, when participants from an organization worked together during a workshop to identify their problems and find solutions for them, using cross-functional teams with a good balance of power and expertise, proved to be very effective. Decisions that were prepared by specially created task-force groups - and initially negotiated with everyone who might be affected

or involved in the implementation process - had a better chance to be implemented in a way that guarantees expected results.

However, there is no single recipe for making decisions in an organization. The decision as a process also creates a trajectory, usually one of many available. It is better, in general, if the decision-making process is rational - but humans are not very rational creatures, are they?

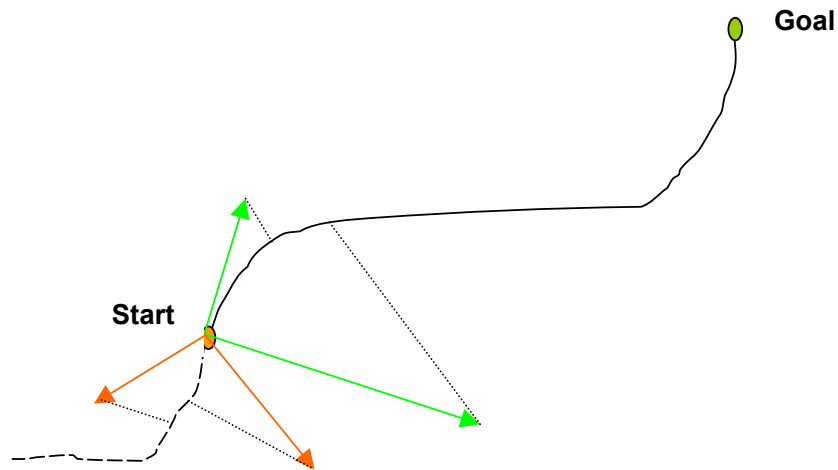
In any case, a decision may be rational or not only with respect to the visible trajectories that are under consideration, and in relation to the data available, or to the set of assumptions that were taken in account. Certain decisions may seem to be 'wrong' because things happen to turn in an unfavourable direction (this possibility may be understood at the time the decision was made, but the corresponding probability seemed low); or, something entirely unpredictable might happen. However, a rational decision remains rational even in the face of loss, and an irrational decision remains irrational even if it turns out well. Rationality works as a general rule for decision making. In principle, it provides more chances to survive than any other alternative; of course, there are no guarantees. Rationality relates to a controllable part of causality. This part is to a certain degree in the hands of the manager. Another part remains in the hands of fate. That is why it is never enough to make a seemingly rational decision - nobody knows what will actually happen during implementation.

Implementation

Implementation is a course of actions and related events. Actions should be organized in time – first as an action plan, then as an implementation process.

To elaborate and optimize an *action plan* one should figure out 'a battle field' – a whole landscape of development on a given level and in a given respect. Two commonly used and helpful practices at the preliminary planning stage are: *force field analysis*, and *stakeholders' analysis*.

Any external or internal factors may be considered as vectors with a certain direction and strength (or value). The direction of each vector may coincide with the trajectory that is to be followed to reach a goal, or not. In any case, the projection of the vector to the trajectory will be positive, negative or neutral. Vectors with positive projection on the given trajectory are called *driving forces*. Vectors with negative projection are *constraining forces*. See Picture 20.



Picture 20. Forces that affect the direction

The actual significance of any factor at any given moment depends on its strength (the size of the arrow above) and its projection in the direction of change. It demonstrates a kind of relevant value of the driving or constraining force. It goes without saying that this value should be taken into consideration. However, that does not mean that a manager must do something with this. Some of the considerably important factors may be out of control – there is nothing to be done with them at implementation stage – except to keep them in mind. Other factors may be quite ‘flexible’, allowing change in their direction and size. The combination of significance and flexibility gives an index that may be helpful when making a rational choice on which factors to address first.

Driving and constraining forces are equally important in this model and it seems there is no difference in either effort to change the balance in necessary direction – to strengthen driving forces or to reduce constraining forces. However, when considering organizations as self-organizing systems, one should take into account that driving forces in the direction of zone of comfort are naturally maintained by self-regulation mechanisms. If a discomfort exists, or even arises, it means something is preventing the system from coming back to the zone of comfort. It is, therefore, worth focusing primary attention on constraining forces. For example – people always want to work well (it is more pleasant and beneficial), but they might do the job badly – not because of a lack of driving forces, but because of a lack of skill, or information, or rude behaviour of the boss, etc. In other words, the problem often lies in constraining forces. Removing constraining forces may be a much more effective strategy than creating or altering driving forces.

We witnessed total madness in the countries where we worked – managers permanently searched for ‘motivations’, looking for some miraculous pay structures in order to motivate people to work better. It looked promising and easy – just to change the system of salaries and bonuses.

However, usually this does not help - because the actual reasons for substandard performance are not small salaries. The salary scale is often just another example of a pseudo-problem. As we see now, understanding a problem may change during the course of a force field analysis. And this is good, because things under consideration at this stage are much more specific, practical, and doable. Often, the initial understanding of a problem is altered, and the definition of the root controllable factors can be corrected.

Another technique that is worth using (actually, as a part of force field analysis) is called stakeholders' analysis. Human factors are crucial for most projects. Listing those who will support the implementation of a given trajectory, because it is favourable for them for one or another reason, and those who will create trouble because the path of action or its anticipated results are not good for them, is useful for planning corresponding communications that will increase support and reduce resistance. It is very important to note that real supporters may not be your friends, or those who are smart, or kind, etc. – and those who will act against are not necessarily stupid or ill-mannered people.

Stakeholders, as any other factors, may be more or less significant for any given trajectory, and more or less flexible in the hands of a manager. Stakeholders' analysis allows making a rational choice - and not wasting too much time trying to convince those who are already supporters how good the idea is, or repeating non-relevant arguments to opponents who are being asked to compromise or sacrifice. However, the most important stakeholders are those who are influential, but have no any special interest in the project; it is easy to influence them. Such stakeholders may be present at a point of bifurcation. When he or she says 'yes' – this 'yes' weight a lot. If he or she says 'no' - just because opponents were first to address him or her – the project may be ruined.

All relevant factors are changing in time, in relation to or without relation to the implementation process. The balance and sum vector will be different at each new moment. When the actual landscape for development looks like mountains – it is considerably easy to foresee and plan all necessary actions going forward. But the landscape may look like a stormy sea – then longer-term planning may not make sense – then only trial and error heuristics remain.

In many cases it is reasonable to manage implementation as *a project*. As defined by ISO9000 a project is a 'unique process, consisting of a set of coordinated and controlled activities with start and finish dates, undertaken to achieve an objective conforming to specific requirements, including the constraints of time, cost and resources'. An 'action plan' is often seen as something on paper, a project is normally associated with certain organizational arrangements (a project team, authority, resources, etc.), which is often well justified.

It is good to do problem solving work with a group of people who have different information, skills, attitudes and interests related to the matter. John S. Oakland called this 'the team approach to problem solving' and stressed some clear advantages to using it:

- 'A greater variety of complex problems may be tackled – those beyond the capability of any one individual or even one department – by the pooling of expertise and resources.
- Problems are exposed to a greater diversity of knowledge, skill, experience, and are solved more efficiently.
- The approach is more satisfying to team members, and boosts morale and ownership through participation in problem solving and decision making.
- Problems that cross departmental or functional boundaries can be dealt with more easily, and potential/actual conflicts are more likely to be identified and solved.
- The recommendations are more likely to be implemented than individual suggestions, as the quality of decision making in *good teams*, is high.' (Oakland, 1995)

In any case, all objective and subjective factors that may influence the process must be taken into account. All risks should be evaluated, necessary check-points identified, and resources estimated. The range of tasks should be defined and sequenced. Jobs should be allocated to those who will perform them and linked with resources. Then finally, the plan is near perfect. But life is not; it will deviate from the plan. And again - here is a job for a manager, or a self-managed team.

The implementation process may go well or may be a disaster. The latter is more likely. Thus, *monitoring* is needed and corresponding *control* is inevitable. Since everything used as a basis for the action plan was only an assumption, monitoring should continuously check if each assumption comes sufficiently close to the actual reality, otherwise all related decisions need to be revised and corresponding plans corrected. This is inevitable in the long run. Any plan is an instrument for optimization of actions, not a trap. In the short run – an action plan is an order for execution. Plan execution may be controlled by a manager or by an executor, or group, or team - it does not matter. Somebody should be in charge to ensure that what was planned is done. Somebody in charge should also ensure that the plan remains relevant. And somebody should monitor to determine if the original problem still exists - and if it is still the same problem. Unless all problems are solved and a state of comfort restored forever (which is impossible...) – the circle keeps turning around and the spiral goes up.

Chapter 2.2 External Relations Management

Role of environment

As an open system, an organization can only live as part of a certain environment and in a process of continuous exchange – receiving from the outside corresponding resources and delivering back products and waste. Any organization is an element of its environment and must align with the environment in order to survive. Thus, any speculation about how an organization should look or what it should do is senseless without due consideration of the specific environment in which it operates.

An organization is built from elements available in the environment. It should be designed in such a way that it uses specific resources available in the environment, and delivers certain products that are in demand in the environment. The shape and structure of any organization reflect the environment – the optimal structure is the one that fits the environment best. Even a drop of water can reflect the world. Assuming that an organization is doing ‘right’ things in the ‘right’ way – but looking only at the organization itself - it may be possible to reconstruct the environment that might surround it. If the picture does not match the real environment – then something is wrong.

In 2003, the author visited the so-called ‘customer service centres of some Serbian local government institutions. They were extremely well-equipped with modern computers, and were mostly doing only one job – issuing local inhabitants certificates that prove these people still have the same names; this proof was needed every three months to be eligible for any official transaction. To issue these certificates, the local governments requested that any interested citizen come personally, wait in line, apply with a hand-written form, and submit a passport showing their name. It was difficult to understand for whom these ‘service centres’ were designed. Not for local people, of course. They knew their names, and had passports to prove their names. Locals were definitely not the clients. Somebody else needed all of these arrangements.

What an organization is doing and for whom, how it is organized or uses resources, with which it cooperates, etc. - is to a great extent determined by the environment. Any freedom of choice inside an organization is restricted by the requirements and limitations of the environment. That is why the design and construction of any organization starts from considering the outside world – it should be created to be successful in this particular world, not in another one.

Market and competition

However nice an organization is – nobody needs it as such. Whoever needs it, needs it for a certain purpose. The mission defines the purpose. In general, the *mission* of any organization is to provide a certain product or service to the client in order to enable him to solve his problems or in a way that is more satisfying than solving these problems without this product, service, or organization. An organization should provide the client the most rational solution possible; in a continuously changing environment, such an organization may preserve its advantage in the eyes of its clients.

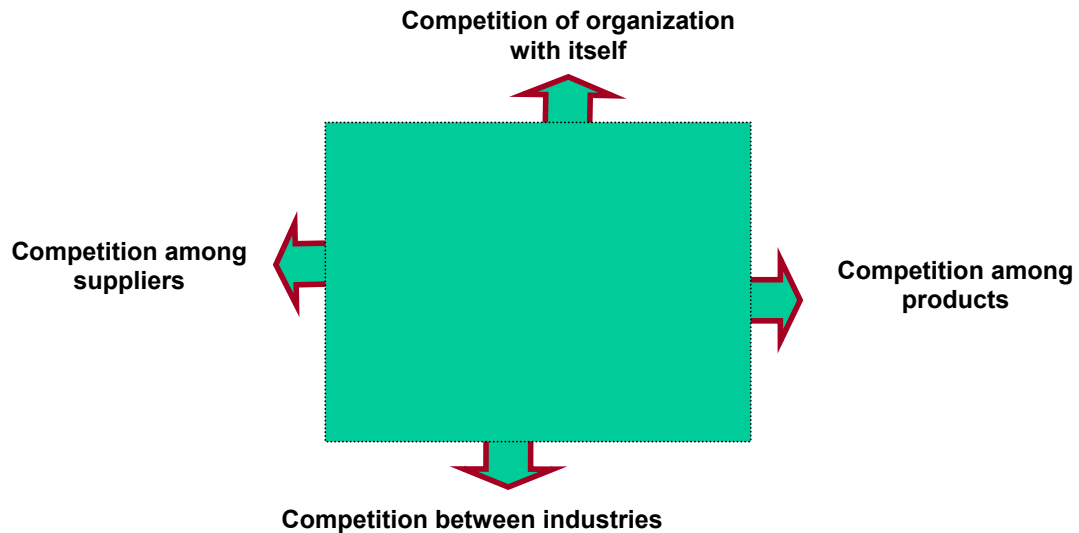
The *satisfaction* of a client generally depends on a balance between his expectations from the product and his perception of what he received. Sometimes this is referred as 'Mayer's first rule of a market'. Expectations tend to rise in accordance with each positive experience. If a client received certain quality of product one time, he will expect to have the same quality the next time. Keeping the balance between perception and expectations positive means, in practice, providing better and better service. An organization should compete with its former self, being better today and even better tomorrow.

Another key factor is the product itself. It may be the best solution for the client during a certain period, but lose its position due to the emergence of competitive products. People with mobile phones no longer need alarm clocks. E-governments substitute direct conversations with applicants. Fax machines are useless in many organizations - not because of poor quality or high price – but because nobody needs them any longer. When an organization is built around a product, it may become obsolete along with that product. Other products may provide alternative solutions for potential users. Thus, organizations also compete in the sense of being able to provide competitive kinds of product to their clients.

Being happy with a product may be a reason to buy the product. But the product may also be purchased from a different organization. This is a third aspect of competition – among organizations that provide similar products and must sell themselves as the best possible provider for the given product. In this way, private providers surpassed many public organizations, and governments needed to resort to outsourcing. When doing what others can also do - the only way to remain alive in market is by doing it much better. To be on the safe side, it would be good to do what nobody else can do - if somebody needs it done, of course.

The fourth aspect of competition is competition between industries and branches of the economy. Cinema took some clients from live stage theatres; airplanes left behind passenger ships; those who went to the skating rink in our town today were missed at the tennis courts. Public or client organizations each have their own discomforts and problems, and they need measures to solve

them. They do not need any particular product, any particular supplier, or any particular industry. They should and will choose what is best for them, here and now. Survival of products, organizations and industries is not the goal for clients - they seldom care about this.



Picture 21. Four aspects of competition

To be appreciated by its clients, an organization must utilize its resources to develop products that correspond to the needs of specific users, especially where the organization has the ability to meet those specific needs. On the other hand, an organization should continually develop and improve its products, or develop additional products within the same mission, or, if appropriate, even change its mission for the sake of survival - though this is often not possible. However, some organizations are adapting and changing their missions, even in the public sector.

Guess the mission of the health care system in your local government – is it keeping people healthy or treating diseases? On the one hand, for the organization to survive it is better when there are no diseases around; on the other hand, disease is the main precondition for its existence. Which services does a local sports organization actually produce – bringing up champions, free-time entertainment, keeping teenagers busy, or creating fun for fans? The answers would determine how the corresponding organization should be built.

'Building an organization from the outside' is a popular concept. It is valid in terms of any human organization that intends to serve the needs of the external market or society. Unfortunately, organization building and development is often the job of insiders – they tend to respond to internal inconveniences rather than to external requests.

External cooperation

A relevant or meaningful environment for an organization does not consist of customers and competitors only. An organization is rarely able to produce its product or service independently from other players in the market. It needs suppliers of many kinds, sub-contractors, and other partners.

When the development of partnerships extends to organizations outside, the organization becomes broader and much more capable. The emergent features of synergy create great advantages, and organizational borders become conditional – up to the appearance of a *virtual organization*, an entity that actually operates and performs certain tasks but does not exist formally as a juridical body.

What an organization is able or chooses to do depends on what others can do and how well they do it. Suppliers may do part of the job of processing materials, and may leave part for the organization; sub-contractors may perform some functions or processes better and cheaper than the organization, etc. Generally, partnership networks are much more capable – more flexible and responsive - than big formal establishments.

In many areas of business, the scale of cooperation conditions the scale of competitiveness. How an organization is included in external networks determines to a great extent what the organization will do itself, - which functions, technologies, processes and structures should be employed in or by it. It is impossible to say how an organization should look without considering its possible cooperation with others.

Product development

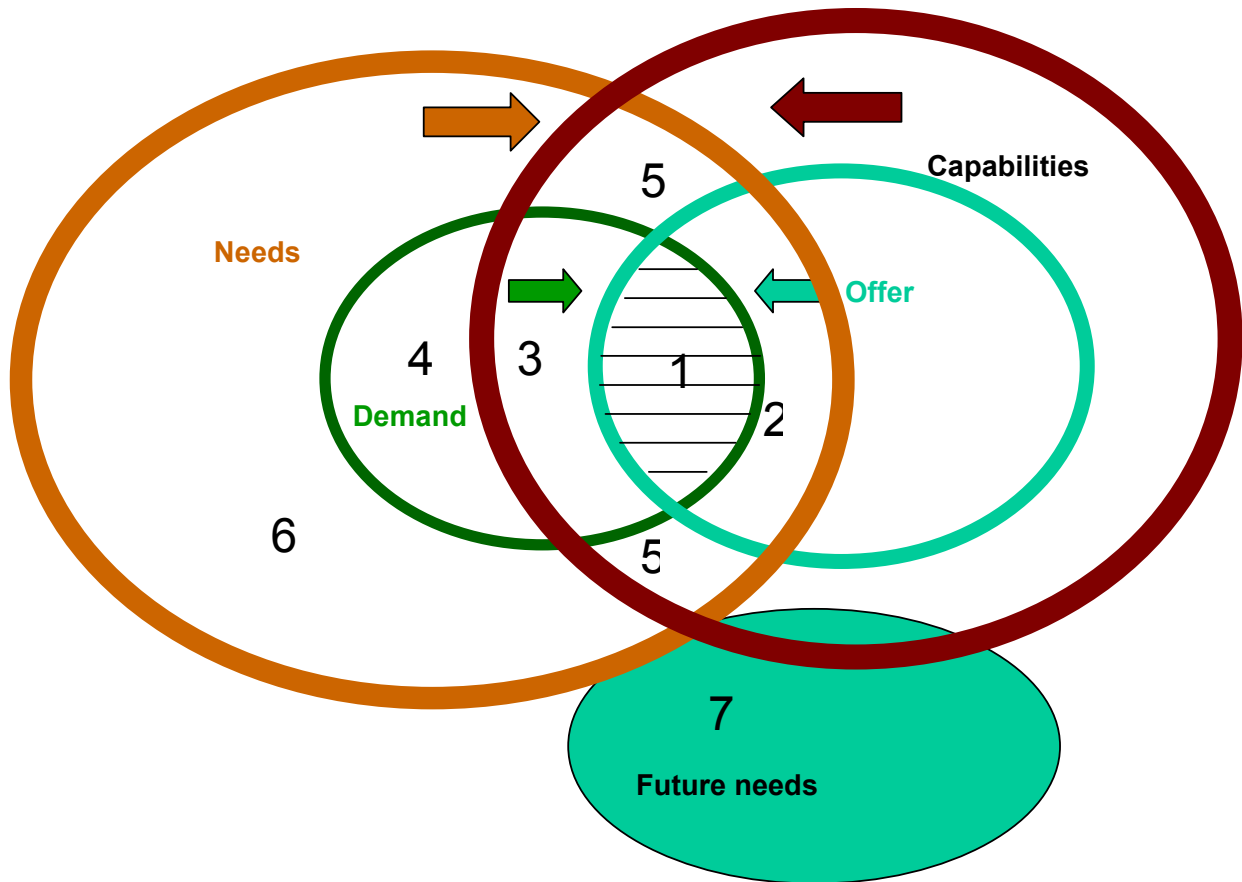
Any organization offers the external world a certain range of products, or a range of products with certain characteristics. Let's call it the *space of actual products*. This space of already developed and existing products, of course, corresponds with the *space of possible products* related to the organization's capability and capacity. The space of possible products is always wider; it is never covered by the space of actually existing products. Thus, what an organization is actually doing is the result of choice, rational or not.

On the other hand, not everything that an organization offers to the external world (to the market or to the local community) is equally appreciated by this world. Some products (or product features) are in demand, others not. The *space of demanded products* should correspond somehow to the customers' needs. However, it never covers all existing needs, because some needs may not be

recognized yet - others may be recognized, but the possibility to satisfy them is not linked in the potential users' mind with products that the organization proposes. The *space of needed products* is always wider than the space of demanded products. For needs to turn into demand some significant conditions should be met – possible users must understand their needs and recognize the priority of these needs; they must know that certain products or services exist to meet these needs, and that a specific organization is ready to serve them by providing this product.

For example, a training organization may be able to prepare a certain range of training courses (possible products), and come up with a certain program that includes some of these possible courses (actual products). And, some courses are in demand in the market (demanded products), and what is in demand somehow corresponds to what can actually be useful for potential clients (needed product).

The sales and consumption of a product takes place only when characteristics of an actually offered product overlap with the characteristics of a demanded product. It could take place in a much wider space – where the characteristics of possible products overlap the characteristics of needed products. This gap creates fertile space for product development, or development of product delivery systems.



Picture 22. Topology of 'product spaces'

As illustrated in Picture 22, the whole space of products to be considered (characteristics of a product) may be divided qualitatively into different zones.

Zone 1 is the place where the provider and client actually meet. The product or service is known to the market and is delivered in a way that suits clients. The price is normally low, because of competition.

Zone 2 represents actual products that are not in demand, although they correspond to needs. But the client does not hear the provider. Because the needs are not recognized, or the product is unknown, or the way to procure the product is too secret. Proper advertising may help here.

Zone 3 does not need any advertising. The demand is already present. But the organization does not hear its potential clients. More careful investigation of the market may help in this case.

Zone 4 is where demand already exists, but the capabilities of the organization do not permit it to offer the corresponding product. The product may be considered as the organization develops, but such a decision should be very well weighed. Where the demand exists – others can also see it, and invest in the same capability; thus, before the project is implemented there may already be an oversupply of the product and no chance to earn dividends of any kind.

Zone 5 is the most interesting one. It is a gold mine! The organization has corresponding capabilities, and corresponding needs are already in place. But nobody has yet asked for such a product, and nobody has proposed it. There is no competition. When the product will appear, prices will be determined by the usefulness of the product for the client. Later on, when the product moves to Zone 1, prices will be determined by prime costs. The only question is, can the organization remain the only supplier of this product long enough to cover the costs of developing and introducing it to the market?

Zones 6 and 7 should be considered in terms of the future development of an organization. An organization should be prepared for the time when demand will move (or be ready to move) to these zones.

The fact that any organization always has room to develop its product does not mean it is always clear what is better to do. We want to stress that whatever the product of organization might be – this is a matter of choice.

Any organization has specific capability. Somewhere in the external environment, there are people or entities that have certain problems or needs. If the capabilities of an organization enable it to meet these needs by delivering its product in the best possible way – then a corresponding specific group of potential users may be considered a potential *market segment* (or target market) for the organization.

A market segment is a multitude of people or subjects, which have specific features or live in a specific condition. Due to these specific features or conditions they have specific needs. To serve these needs is the mission for an organization that is in a position to do a better job than any of its existing competition. In this case, the market segment may become customers of the organization

Customer Relationship Management

International Standard EN ISO 9000:2000 defines *quality* as the degree to which a set of inherent characteristics fulfils a customer's need or expectation that is stated, generally implied or obligatory.

A customer may not necessarily know the exact specification for what he wants. Though it is in a person's interest to specify what is necessary for his own satisfaction, individuals or customers don't typically articulate their needs in that way.

Making a customer happy is the business of a service provider. Specification of the characteristics of the product before or in the course of production is essential to the service provider in order to make the customer happy. The provider may ask the customer, of course, but the customer is not responsible for answering all the questions.

Obligatory requirements come from legislation, governmental decrees, specific norms for the industry, etc. It is the responsibility of an organization to know all obligatory requirements related to its product. 'Generally implied' requirements are those that are customary or common practice for the organization, its customers and other interested parties - the need or expectation is implied. If the client thinks it is customary or usual, he or she, of course, will not talk about it. Thus, it is again the responsibility of an organization to clarify any ambiguous points that may be 'implied' by the client.

ISO 9000 defines *customer satisfaction* as a 'customer's perception of the degree to which the customer's requirements have been fulfilled'. Perception is just perception - very individual and subjective, difficult to grasp, and often difficult to change. Organizations need their customers to be happy, because customers only need an organization when they are happy with it. Of course, if

customers have no choice, they may remain customers even if unhappy, but not for long if there are any other options.

ISO9000 says, that 'even when customer requirements have been agreed upon with the customer and fulfilled, this does not necessarily ensure high customer satisfaction'. Thus, monitoring and control of all characteristics of a product is not sufficient. Monitoring and control of customer satisfaction is needed in addition to traditional management of the internal product delivery process.

Waiting for customer complaints is not the advisable solution. 'Customer complaints are a common indicator of low customer satisfaction but their absence does not necessarily imply high customer satisfaction' (ISO 9000:2000). As somebody joked – 'absence of complaints on the quality of parachutes does not mean they were all manufactured perfectly' – the unhappy client may just disappear. Usually, it is much more expensive to get a customer back than to keep him staying with the organization.

During the last decade, Customer Relationship Management (CRM) became the buzzword of the day. As is common with modern terms, this one is also often misunderstood - especially with the assistance of software producers who succeed in convincing managers that proper customer relations management means purchasing and implementing computerized systems intended to support such management.

Stanley A. Brown defines CRM as 'a business strategy that aims to understand, anticipate and manage the needs of an organization's current and potential customers'. This strategy 'must be tailored to each market segment and therein lays the challenge and opportunity. To be effective in managing the customer relationship, an organization must:

- a) Define its customer strategy. To do that there must be an understanding of customer segments and their needs. This is a mandatory requirement if one is to understand which products and services to offer and if that offering will be identical for each segment.
- b) Create a channel and product strategy. This defines how the organization will deliver its products and services efficiently and effectively, ensuring sales productivity and effective channel management.
- c) Understand the importance of a robust and integrated infrastructure strategy. This entails creating an environment to enable a relationship with the customer that satisfies the customer's needs. It requires an ability to achieve proactive customer management and reactive customer care.' (Brown, 2000)

CRM ensures a better understanding of what is needed; however, CRM does not guarantee the ability to ensure that what is needed is done.

Any error costs a lot and will inevitably result in overspending resources. It often will take additional time and cause delays, and in the case of service provision will generally dissatisfy a customer. An unhappy customer may not only disappear, but may also advise other actual or potential customers about the incident. Their subjective estimation of the risk in dealing with the organization will reduce the rationality of choosing to stick with the organization. Sometimes it will require a corresponding drop in price to maintain the same level of rational customer choice - but a reduction in price is not always a cure.

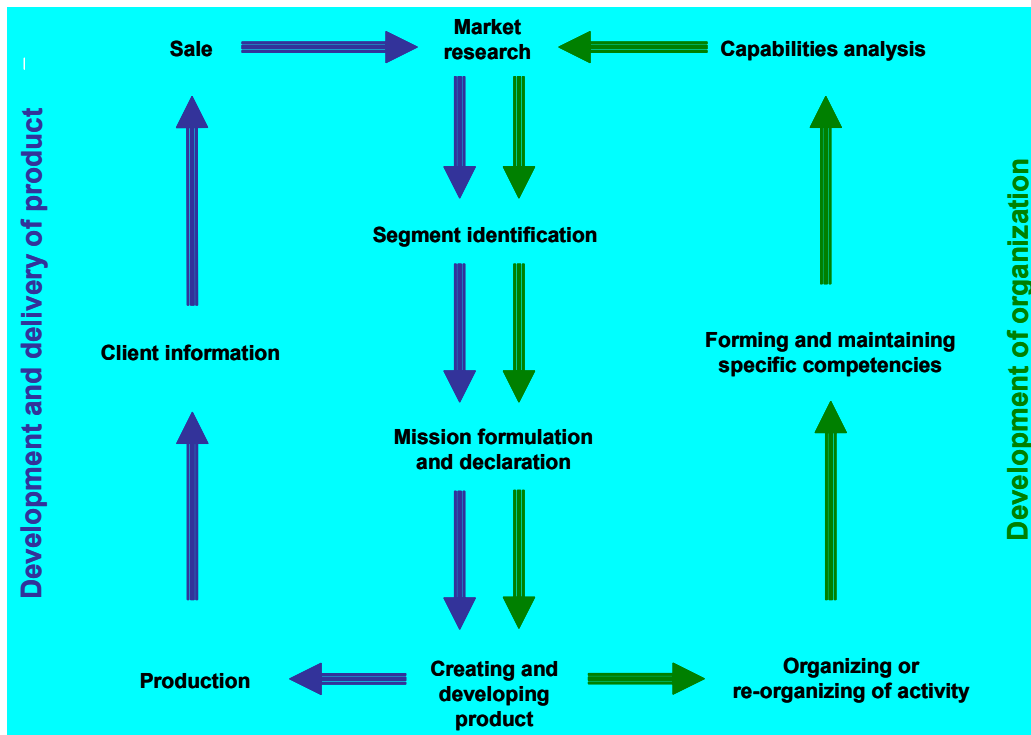
Customers' primary goal is not saving money; it is to get exactly what they need, in a timely fashion, and through viable means. Often, they would prefer to pay more for this than tolerate poor quality of products or services in exchange for a lower price. Otherwise, everyone would be happy with any free service, which is definitely not the case.

Developing an organization from outside

To meet the needs of its customers, an organization must learn about these needs through a market research process - and then must carve out a specific part of the market to be served. It must also clarify its mission with respect to this target market or segment of society (and get agreement from stakeholders if necessary), then develop the corresponding product, produce the product, inform the client that it exists and how to obtain it, and finally sell the product. Only then can the organization find out if the initial assumptions generated by its market research were correct, and then move on to another cycle of more precisely defining or re-defining segments, and so on. This sequence is a spiral of development and product delivery in accordance with the needs of the external environment. An organization does well when its product fits its market. Sales are good and clients are happy.

What an organization is capable of doing – this does not stay the same forever – is a subject and task for management. However, at any given moment an organization can only do what it can do. Beginning with an analysis of capabilities, management moves to the external market or society, looks at what is going on and which groups of people have special needs that may be successfully served by the organization, identifies a segment or segments to be addressed, clarifies its mission in terms of that segment (there may be many missions for the same segment, or for different segments), develops its product or products to best serve client needs, and then organizes its own structure, processes, technologies, etc. to allow delivery of the product(s) in the most efficient way. The most efficient way often depends on the specific competencies of the organization, which must

ensure that these competences remain exclusive to maintain a strong competitive position. Then, the organization must also re-evaluate capabilities, which it previously changed, look to the market for new opportunities, and so on. This is the cycle of organizational development in accordance with environmental conditions. Management has done a good job when the organization has all the features that enable it to be successful and fit with the marketplace.



Picture 23. Two loops of the 'match to the market'

Both cycles are shown in Picture 23. Of course, the picture is simplified. Still, it illustrates basic ideas about building an organization from the outside, and about the non-stop development of products and the organization itself. Since the product and organization must fit with the external environment (which is a bit more broad than fitting with the market), and this external environment is continuously changing, the product and organization must also continuously change. These two loops represent two key functions of management – to create a product that is the best possible solution for the client, and to create an organization that is the best possible producer of this product.

The product is not an end in itself any longer - like it used to be for many producers. Whatever commodity or service an organization produces – it is just one of several possible ways to meet

customer needs. Thus, 'product myopia' gives way to 'customer relations management'. Organizational strategies turn from 'product-centric' to 'customer-centric' – and that manifests itself in changing goals (from 'best product for the customer' to 'best solution for the customer') and changing offers (from just 'new product' to 'personalized packages of products, service, support, consulting') (Galbraith, 2005). This means that not only does a product become a service and not just a manufactured article, but also that this service is less predetermined or specified; instead, it finds its final shape through a process, and the customer is the one who runs this process.

This notion creates specific problems - how to ensure that the customer will recognize the quality of a product as satisfactory (better than was expected) when a client sometimes does not know or understand what he wants at the beginning of the process?

Chapter 2.3 Quality Assurance

The British guru of quality, John S. Oakland, defines *quality control* as “essentially the activities and techniques to achieve and maintain the quality of a product. It includes a monitoring activity, but is also concerned with finding and eliminating causes of quality problems so that the requirements of the customer are continually met. *Quality assurance* is broadly the prevention of quality problems through planned and systematic activities (including documentation). These will include the establishment of a good quality management system and the assessment of its adequacy, the audit of the operation of the system, and the review of the system itself.” (Oakland, 1995) The most recent version of International Standard ISO9000:2000 gives us a bit more laconic definition: quality assurance is the “part of quality management focused on increasing the ability to fulfil quality requirements.”

Quality and failure costs

*Quality is not only right, it is free
And it is not only free; it is the most profitable product we have.*

Harold S. Geneen

Of course it costs something to create conditions within an organization that would ensure that each product or service comes without defects. John Oakland called it the ‘*costs of doing it right the first time*’.

Quality costs related to the proper determination of customer requirements, establishing and inspection of appropriate processes and procedures, creation and maintenance of the quality system, design and development of necessary equipment, preparation and implementation of training programs for the staff, and so on. Whatever is done for the sake of quality may require additional expenses. However, as a rule, it repays very well - mistakes cost much more.

Failure costs may be divided into internal and external ones. Internal failures relate to cases when the result of work fails to reach necessary quality requirements and this is detected before transfer to the customer takes place. External failure costs occur when defects are detected after product transfer to the customer, or in the course of service provision when a fault becomes obvious. These ideas were developed since 1960s by Joseph Juran, Rowland Caplen, John S. Oakland, and others.

Internal failure costs include waste of time in activities associated with doing unnecessary things or doing things the wrong way - waste of materials, equipment and other resources, scrap, rework, correction, downgrading of product, failure analysis, conflicts, tension, negative motivation, high staff turnover, etc.

External failure costs include all work and costs associated with handling and servicing customer complaints (if they do not complain but simply leave, it ultimately costs much more), repair or additional service to a non-compliant product, warranty claims, returns, liability litigation, negative impact on reputation and image,- all of which directly impact future sales and prices.

According to Philip B, Crosby, “not doing things right the first time in human service organizations takes away about 40 percent of total operating costs”. Joseph M. Juran estimates that over the course of ten years (1980's) about 1/3 of all work in American companies was actually rework because of problems with quality. Hewlett-Packard found out that rework and dealing with customer complaints cost the company about 20 percent of revenues and involved the time and effort of 25 percent of company employees (Lawrence L. Martin, 1993). Even if these figures are a bit too pessimistic – there is something for even an optimist to consider.

Quality is inseparable from the effectiveness of an organization, because poor quality means that customers did not receive what they should have received; their needs were met badly; and the mission of the organization is not being implemented properly. In terms of poor quality (consider medical care, for example), the effect may not only be ‘not as good as expected’, but may turn out to be something bad or harmful.

Quality is also inseparable from efficiency, because poor quality means poor sales (or low use of public services), usually coupled with considerably high costs. People in organizations that provide poor quality service to customers never feel good about that, and they are seldom motivated to exert more effort or creativity, the atmosphere is apt to produce conflicts, and morale is usually low.

However, quality is not the cause; it is a consequence. Poor quality is never the central problem – usually it is the result of many unresolved problems in the organization. The quality is a reflection of the organization as a whole. A healthy organization provides good quality products and services. An exceptional organization will be able to ensure excellent quality. Poor quality emanates from an unhealthy organization.

An unhealthy organization is an unhealthy organism - it would die in nature or in the market, and it should also die in the public domain, although this usually takes a bit more time.

Barriers to quality

Quality is normal. It is optimal. It allows an organization to stay in a zone of comfort and enjoy its most effective and efficient operation. If there is no quality, there must be a reason. One of the reasons often given by shortsighted managers – misbehaviour of the staff – is seldom the real cause. In most cases, staff behaviour is a pseudo-problem. Dennius and Juran, in their research of 1994, proved that personnel cause only eight to fifteen percent of failures, whereas, 85 to 92 percent of failures are caused by weak management and/or poor management systems. And that is obvious. Try to analyze any concrete case of failure and you will see that the person in charge was, probably, the wrong person to do the job because of a lack of qualifications or some other feature - or the technology was bad, or information was late or incorrect, or the plan was incomplete or unrealistic, and so on. All of these are the responsibility of management. Denis and Juran derived their figures from an analysis of about 5,000 organizations. The experience of the author, who used to be a manager in small and large organizations, and at different times had hundreds or thousands of subordinates, says that in many cases these figures may be corrected to nearly 100 percent of failures being due to the shortcomings of management.

In terms of organizations, John Beckford grouped barriers that prevent the achievement of quality under four main headings:

- Systems and procedures;
- Culture;
- Organization design; and
- Management perspectives. (Beckford, 2002)

Although *hierarchical bureaucratic systems* and procedures may be essential and work well for the delivery of standardized products, and a lack of systems and procedures may cause failures, problems can arise even when well-established systems are in place – or perhaps even because of them.

First, the systems and procedures can become 'frozen' into the organization such that pressure for change and adaptation meets with high resistance. ... A particular problem arises from the use of formal procedures in service organizations. Every service transaction is unique. They may follow a common pattern, but the human interaction-taking place is specific only to that particular customer. ... In financial service organizations, it was calculated that for only six 'core' transactions with clients, the variety had proliferated such that they had nearly 3,000 individual procedures, each designed to meet the specific requirement of a customer or small group of customers.

The second barrier of this kind is related to *the perception of what is important*. “In most cases, managers and staff are focused on achieving those aspects of performance which are explicitly measured. The systems and procedures of the organization ... tend to determine which characteristics of the organization receive more attention. ... Staff in an organization will seek to achieve the targets, which are established through reported measurement – those things which the organization instructs them through its measurement system to regard as important.

The role of *culture* is, probably, obvious. Differently from formal procedures, cultural norms are semi-‘voluntary’; they are of a social nature and cannot be administered by management in the same way as formal regulations. Cultural norms do not know exclusions. If the head of the department can afford not to have time to talk with a client who appeals to him – then a clerk of smaller rank may also ‘be too busy’. If somebody may be coarse with a client, and it is tolerated, then any one else may do the same. Organizational culture is a feature of an organization as a whole. It may be customer oriented or not. Quality may be a value, or not. In many cases, culture is the only serious barrier to a good quality of service.

Organizational design – is not only the organizational structure. It involves all aspects of the interrelations and functioning of all elements. Any organization operates in the way it was designed. There may be a lot of barriers for quality. Beckford describes three of them:

“The first, and most frequent, error is what can be called *institutionalized conflict*. This means that an organization has been designed in such a way that conflict between quality and some other characteristics; such as productivity, is inherent...

The second barrier is... the design of the organization’s information system. This does not simply mean the computerized management of an executive information system, but the whole of information generating and processing activity of the organization, both formal and informal. These activities must generate the right information, in the right format, at the right time, and deliver it to the right decision makers if it is to be of any benefit...

The next barrier to quality is one of understanding and articulating roles within the organization, particularly among staff involved in control and development functions... There is a tendency among many such staff to delve into the operation of the organization, perhaps taking direct control when errors occur or the unexpected happens. While doing so they may be neglecting their own roles within the organization. This ‘fire-fighting’ or ‘crisis’ style of management is seen in many organizations as heroic... A low-level intervention by senior management will rarely address the root, or fundamental cause of the problem and *that* is their proper role, not to deal with operational

matters.” (Beckford, 2002) In terms of *management perspectives*, Beckford’s point is that a major barrier to quality may be built into the reward system of an organization. It may condition that management should focus on ‘output today at all costs’, without real concern for or interest in quality. And, if it is not of primary interest for management, then it is not of interest for anyone else.

It became clear a few decades ago that quality is just a function of an organization. Different organizations have different problems with quality. Some typical organizational decisions promote avoiding some typical problems. Some typical organizational weaknesses create conditions that cause corresponding quality problems. The requirements needed in an organization’s management system to improve quality were exposed in the defence industries during the late 1940’s and 1950’s, and were subsequently translated into civil applications as national and international standards. These requirements apply to all elements, aspects and functions of an organization that may have any impact on quality. These were called a ‘quality management model’, and then ‘quality management system’.

Quality management systems

Good order is the foundation of all good things.

Edmund Burke (1790)

The *ISO 9000:2000 family* represents the currently established global standard for the quality management system (QMS). It is the one most commonly adopted. Although initially these standards were developed for industries, they are applicable and have become common for the service sector also. In some European countries, they are widely used in the public sector. They were implemented in many local governments in the United Kingdom, Poland, Latvia, etc. The applicability of these standards is unlimited due to the very basic and general nature of their recommendations and requirements.

To prove compliance of their established QMS with the requirement of the International Standard, organizations apply to independent certification bodies that undertake audits, issue certificates and supervise ongoing compliance. It is an important factor for many organizations, since in some countries certification is almost obligatory for certain industries, and is often specifically requested by public sector clients.

The ISO 9000 series of standards consist of: ISO 9000:2000 describes the fundamentals of quality management systems and specifies the terminology for quality management systems;

- ISO 9001:2000 specifies requirements for a quality management system where an organization needs to demonstrate its ability to provide products that fulfil customer and applicable regulatory requirements and aims to enhance customer satisfaction;

- ISO 9004:2000 provides guidelines that consider both the effectiveness and efficiency of the quality management system. The aim of this standard is improvement of the performance of the organization and satisfaction of customers and other interested parties;
- ISO 90011 provides guidance on auditing quality management systems;
- ISO100015 provides guidance that can help an organization identify and analyze training needs, design and plan training, provide training, evaluate training outcomes, and monitor and improve the training process in order to achieve its objectives. It emphasizes the contribution of training to continual improvement and is intended to help organizations make their training a more effective and efficient investment.

Standard ISO 9001 contains all obligatory requirements that can be verified during the course of an audit. Certification is always based on this standard only. ISO 9004 is wider in content; it includes all of ISO9001 as an integral part. It provides more general ideas and guidelines that allow an organization not only to establish a formal QMS, but keep it alive and developing. For those whose primary focus is on certification, ISO9004 provides non-obligatory recommendations as a framework for the ISO9001. For those who primarily focus on organizational development for quality, ISO9001 contains the formal obligatory part of ISO9004.

ISO9000 standard describes the rationale for quality management systems in the following way:

“Quality management systems can assist organizations in enhancing customer satisfaction. Customers require products with characteristics that satisfy their needs and expectations. These needs and expectations are expressed in product specifications and collectively referred to as customer requirements. Customer requirements may be specified contractually or determined by the organization itself. In either case, the customer ultimately determines the acceptability of the product. Because customer needs and expectations are changing, and because of competitive pressures and technical advances, organizations are driven to continually improve their products and processes.

The quality management system approach encourages organizations to analyze customer requirements, define the processes that contribute to the achievement of a product, which is acceptable to the customer, and keep these processes under control. A quality management system... provides confidence to the organization and its customers that it is able to provide products that consistently fulfil requirements”. (Clause 2.1)

What was new and marked a certain revolution in the philosophy of international standards within the latest version of the ISO 9000 series, is the declaration of *‘quality management principles’*: “To lead and operate an organization successfully, it is necessary to direct and control it in a

systematic and transparent manner. Success can result from implementing a management system that is designed to continually improve performance while addressing the needs of all interested parties. ... Eight quality management principles have been identified that can be used by top management in order to lead the organization towards improved performance.

- a) **Customer focus.** Organizations depend on their customers and therefore should understand current and future customer needs, should meet customer requirements and strive to exceed customer expectations.
- b) **Leadership.** Leaders establish the unity of purpose and direction of the organization. They should create and maintain an internal environment in which people can become fully involved in achieving the organization's objectives.
- c) **Involvement of people.** People at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization's benefit.
- d) **Process approach.** A desired result is achieved more efficiently when activities and related resources are managed as a process.
- e) **System approach to management.** Identifying, understanding and maintaining interrelated processes as a system contributes to the organization's effectiveness and efficiency in achieving its objectives.
- f) **Continual improvement.** Continual improvement of the organization's performance should be a permanent objective of the organization.
- g) **Factual approach to decision making.** Effective decisions are based on the analysis of data and information.
- h) **Mutually beneficial supplier relationships.** An organization and its suppliers are interdependent and mutually beneficial relationships enhance the ability of both to create value." (ISO9000:2000, Clause 0.2)

Implementation of a QMS requires clear mapping of all the main processes in an organization and their interrelation, plus an unambiguous definition of responsibilities with respect to any controllable parameter of each process and to any management position. Very often it becomes clear during the course of implementation of QMS that the organizational structure should be changed, sometimes drastically, to enable real control over processes, not just carrying out orders related to certain functions.

Another approach to the management of quality was called *Business Excellent Model* (BEM). It is sponsored by the European Foundation for Quality Management. This model focuses on effective leadership. It was widely adopted in the public sector in the United Kingdom under the 'Service First' approach. Using the BEM, the organization assesses itself against nine performance criteria divided into two sets: 1) 'enablers' – those aspects of an organization that provide a foundation for

excellent performance, and 2) 'results' – the impact of those enablers on staff, customers, society at large, and ultimately on business performance. These criteria are: leadership, policy and strategy, people, partnerships and resources, processes, customer results, people results, society results, and key performance results. Beckford notes that “although the BEM provides a higher-level framework to which already ISO-certified organizations should aspire, the lack of objectivity in measurement and failure to explicitly recognize the dynamic interrelationships between the enabler and results criteria inhibit full value being achieved from the model.” (Beckford, 2002)

Well, any model is only a model. Life is life. It is complex, multi-faceted, and very fun. Over time it became clear that 'quality management systems may look like 'fish out of water'; they do not work if they are not part of proper overall management. Everything is related to the quality, directly or not. Thus, requirements were expanding and developing to a level that was already shaped in theory and practice as Total Quality Management.

Total Quality Management

The concept of Total Quality Management (TQM) was developed by many authors (Armand Feigenbaum, Joseph Juran, Allan S Sale, John S. Oakland), actually since the 1960s. By Oakland's definition, “TQM is as an approach to improving the competitiveness, effectiveness and flexibility of a whole organization. It is essentially a way of planning, organizing and understanding each activity, and depends on each individual at each level. For an organization to be truly effective, each part of it must work properly together towards the same goals, recognizing that each person and each activity affects and in turn is affected by others.” (Oakland, 1995)

In the following years, TQM was considered by most authors to be more of a kind of 'management philosophy' than a specific method. Still, Oakland's 'Ten Points for Senior Management – The Foundations of the TQM Model' are very helpful for analyzing the situation in an organization and planning corresponding actions. These 10 points are:

1. The organization needs a long-term COMMITMENT to constant improvement.
2. Adopt the philosophy of zero errors/defects to change the CULTURE to 'right the first time'.
3. Train the people to understand CUSTOMER-SUPPLIER relationships.
4. Do not buy products or services on price alone – look at the TOTAL COST.
5. Recognize that improvement of the SYSTEMS needs to be managed.
6. Adopt modern methods of SUPERVISION and TRAINING – eliminate fear.
7. Eliminate barriers between departments by managing the PROCESS – improve COMMUNICATIONS and TEAMWORK.
8. Eliminate the following:
 - Arbitrary goals without methods.

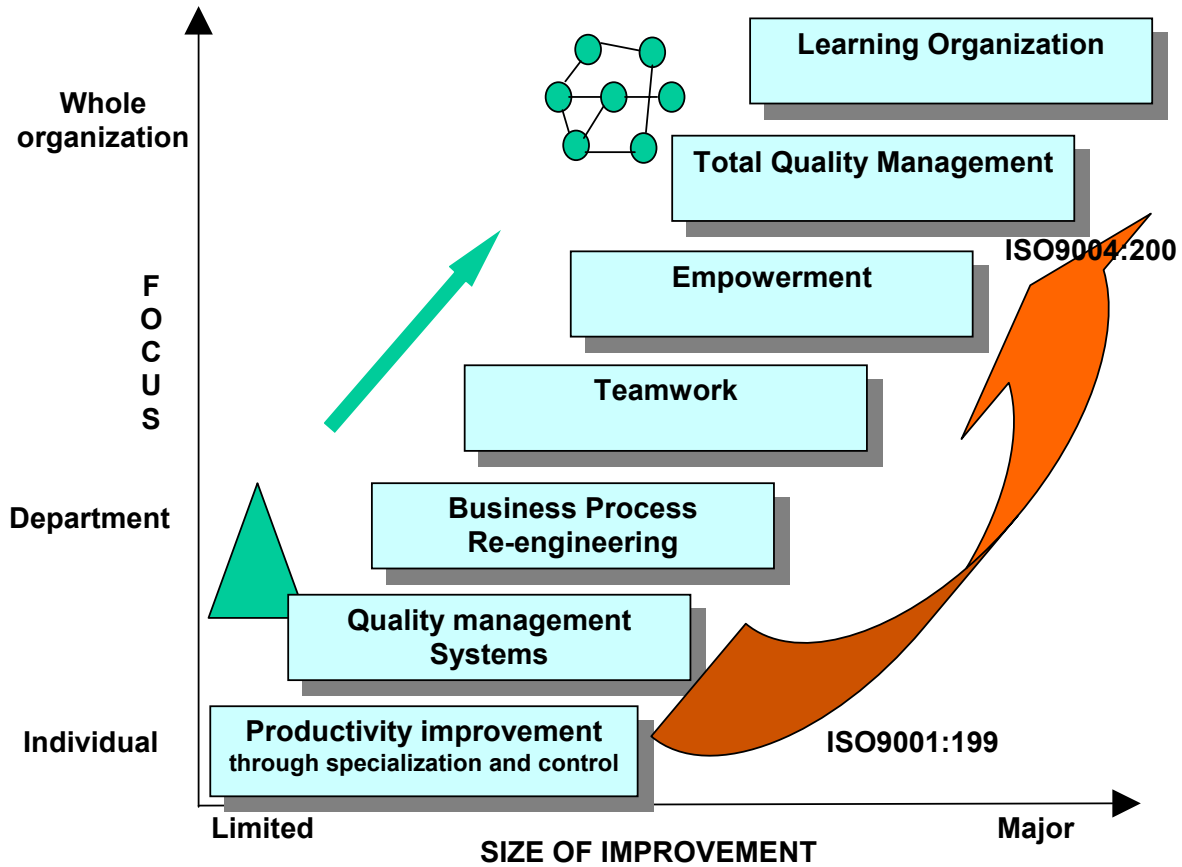
- All standards based only on numbers.
 - Barriers to pride of workmanship.
 - Fiction. Get FACTS by using correct TOOLS.
9. Constantly educate and retrain – develop the ‘EXPERT’ in the business.
10. Develop a SYSTEMATIC approach to manage the implementation of TQM. (Oakland, 1995)

These principles seem almost obvious. Still, they marked a revolution in management thought. Martin (1993) presented an interesting table, ‘A Comparison of Traditional American Management Principles With TQM Management Principles’ (adapted from the Federal Quality Institute Review (1991)):

Traditional American Management Principles	Total Quality Management (TQM) Management Principles
The organization has multiple competing goals.	Quality is the primary organizational goal.
Financial concerns drive the organization.	Customer satisfaction drives the organization.
Management and professionals determine what quality is.	Customers determine what quality is.
The focus is on the status quo – ‘If it ain’t broke, don’t fix it’.	The focus is on continuous improvement – ‘Unattended systems tend to run down’.
Change is abrupt and is accomplished by champions battling the bureaucracy.	Change is continuous and is accomplished by teamwork.
Employees and departments compete with each other.	Employees and departments cooperate with each other.
Decisions are based on ‘gut feelings’. It is better to do something than to do nothing.	Decisions are based on data and analysis. It is better to do nothing than to do wrong things.
Employee training is considered a luxury and cost.	Employee training is considered essential and an investment.
Organizational communication is primarily top-down.	Organizational communication is top-down, down-up, and sideways.
Contractors are encouraged to compete with each other on the basis of price.	Long term relationships are developed with contractors who deliver quality products and services.

It is easy to see that many TQM ideas were actually utilized in the ISO9004. These principles first became commonplace in literature, then moved to the standards, and are now becoming commonplace in practice. The overall evolution of concepts related to development of quality in organizations is illustrated by the ladder represented in Picture 23. In fact, this is not an evolution

of 'concepts' only. Some organizations climb this ladder in real life. It is reminiscent of a well-known phenomenon in nature – ontogenesis repeats phylogenies.



Picture 24. Developing an organization for quality*

*This diagram was elaborated initially based on a similar picture in Neil Glass's 'Management Master class', 1996.

Specialization and control that were good enough during Taylor's time are not sufficient measures for most organizations any longer. Implementation of quality management systems calls for management by processes, not functions (this shift takes place in Business Process Re-engineering projects). It creates organizational pre-conditions for Teamwork and Empowerment (we will discuss these things in the next chapter), and enables TQM, which in turn is a good basis for further development of the Learning Organization. This is also not a final step, of course, as no step is the final one.

Chapter 2.4 Internal Relations Management

Emotions, timing, and tempo, fully integrated in the change process, will result in creating de-layered organizational structures with great flexibility capable of rapid action and reaction.

Perre J. Everaert

Organization as a system is made up of many interrelated components. These are people, technologies, software and hardware, buildings, cars and coffee-machines. Whatever belongs to an organization is a part of that organization. With other parts, the organization would be a different one. The next topic for discussion is how these parts are interrelated and how they interact with one another. That determines the structure, and the structure determines all emergent features, along with the space of existence. With different relationships, there would be a different organization - or no organization at all.

Every element is important for an organization; everything contributes to the landscape, and even seemingly very small things may become crucial during certain moments. Thus, it is the permanent and priority task for a manager to combine all elements in the organization, construct the structure, and control how elements interact.

The most important elements of an organization, of course, are its people. In many organizations they are all that counts. How these people become members of an organization – at any given moment it is already history. Of course, it should be under control. Proper selection and hiring of staff is one of the most important issues. Another important issue is how these people live and work together in the organization. Do they really do their best? Is what they are doing really the best thing to do?

There are two different interrelated aspects. People may do their best, but the result of their combined actions may be poor. People may seem to not be working so hard – but produce stunning results. Some managers are very good at making people work very hard. Does it always help in a contemporary organization? At the end of the day – what does it mean ‘to work hard’ when somebody is sitting in front of a computer and looking with a very serious face at the table on the monitor? If he or she does not want to work at the moment – he or she will not work. Supervision will not help.

Fortunately, people want to work well. Some may prefer to stay home or travel around the globe, but if they have sufficient reasons to stay with an organization – then they prefer to be and to feel they are doing well. It is much more pleasant and normally more beneficial. Unwillingness to work

well is a kind of mental disease. The problem of 'motivating' healthy people is an artificial one. If they were not de-motivated by something – they would tend to work well. Most real problems are related to de-motivation that comes from a hopeless arrangement of the work, wrong assignments, bad technologies or organization, poor job content, irrelevant feedback or stupid leadership – all of which are in the hands of the manager. No one can be more harmful to an organization than its boss.

Management and leadership

A manager has a lot to do in an organization. He is designer and constructor, supervisor and supplier, politician and finance analyst, physician and trainer, father and mother, and so on. One of his common functions is to be a leader. The terms 'management' and 'leadership' are not synonyms. A manager is not necessary a good leader. He or she may very successfully lead an organization to disaster.

As Encyclopaedia Britannica explains: "'Leadership' can come from an individual, a collective group of leaders, or even from the disincarnate - if not mystical – characteristics of a celebrity figure head (compare hero). Yet other usages have a 'leadership' which does little active leading, but to which followers show great (often traditional) respect (compare the courtesy title *reverend*). Followers often endow the leader with status or prestige. ... Note that the ability to influence others does form an integral part of the 'leadership' of some but not all front-runners. A front-runner in a sprint may 'lead' the race, but does not have a position of 'leadership' if he does not have the potential to influence others in some way. Thus one can make an important distinction between 'being in the lead' and the process of leadership. Leadership implies a relationship of power - the power to guide others."

Thus, being 'leader' may mean *being in a position to lead* – due to formal power or because of special psychological features, prestige, a nice face, or whatever else. It may also mean *doing the job of leading*. Guiding others is not only issuing orders or directives (for which holding a formal position would be enough), but is assuring that others are willing to follow (where formal power may not help). To do this job of leading well, a manager needs the special qualifications and skills of leadership - which is a common agenda for many books and training courses. But our manual is about developing organizations, so we will focus on this specific aspect of a manager's job.

Changing role of manager

Neil Glass made a good observation about the principal changes in the whole approach to management and control – the evolution from traditional to more contemporary models of

organization. “In linear systems, ‘negative’ or ‘damping’ feedback is primarily used to bring the system back into equilibrium. ...Your state of mind is ‘what actions can we take to return to the desired equilibrium?’. ‘Management by exception’ is an example of using damping actions – you plan to achieve a state of equilibrium and act only on deviations from that state, rather than continuously looking for opportunities to improve. In non-linear systems, there is ‘positive amplifying’ feedback. As the world is seen as inherently unstable, very small actions can be amplified so that they have major consequences. ...Managers’ ways of thinking and acting are quite different if they see the world as being in something near stable equilibrium than if they believe they are operating in chaos.” (Glass, 1998)

We could add to this that managers’ ways of thinking are also quite different if they see an organization as something where they should organize everything around a certain equilibrium, or as something where a lot of self-organizing processes take place at all levels and these processes in their own way respond to the chaos wherever it exists and whenever necessary. Some management concepts are very relevant to this second approach - they help build modern organizations that are able to survive in a stressfully competitive and turbulent world.

The first concept is related to *teamwork*. Conducting training on this topic was exceedingly popular over the last decades. Unfortunately, as with most fads, it was compromised – the deepest sense of teamwork was substituted for socializing issues, building good relations, understanding, mutual respect, compatibility, tolerance and all other notions available to psychologists who made it their chief business. Meanwhile, the main reason for teamwork is the great synergy effect of cooperation that emerges when a group functions as a team, and the main key to it is relevant organizational arrangements that allow and encourage people to work in teams. When all necessary organizational conditions are present – the group will become a team; no training is needed for this. However, the team may need training to become more effective and successful. This training might address specific skills that are lacking or problems that the team faces, perhaps of a social or psychological nature, but often related to structure, responsibilities, information systems or technology.

Another concept was called *empowerment*. It refers to the authority to make a decision on what to do and how to do it. That used to be the job of a manager in Taylor’s times. But it cannot be any longer because those who just carry out orders never feel responsible for the results from their actions. When they do things in a way prescribed by instruction – they cannot be responsible for their own efficiency. Although both effectiveness and efficiency depends primarily on their efforts – they do not care about this, because somebody else made the decisions. The brains, skills, understanding of a situation, and information at hand among subordinates are at least equal to what the boss possesses or knows. The balance of capability to know best what to do and how to

do something is definitely on the side of those who are actually doing the job. But the balance of power to decide what and how often remains in hands of the boss. These can create problems in getting much more from the people in the organization; they just carry out orders - if they want to, or find justifications for not doing so if they do not like the orders.

The organizational precondition for teamwork and empowerment is *structuring the organization around processes*, not functions. The team or subdivision that controls the whole process will more readily accept responsibility for the outcome, and will be empowered to make corresponding decisions. The only way to manage by functions is to specify orders for each functional group or subdivision, while the result comes from a combination of inputs from different players and groups. In a functional structure, no one can be personally accountable for the results; he or she may be only accountable for fulfilling orders, which is much easier not only 'to do', but 'to not do' as well.

The rationality of any decision made in an organization and of any action undertaken by somebody in an organization is based on the mental map or model of the world that was used. All members of an organization have their own maps. These maps are never absolutely correct or full - which enables everyone to make his own mistakes. However, correct images or ideas in our mental maps will usually be the same. Delusions and white spots may be very different, especially for people with different backgrounds and experience. Thus, using two maps, one can see what is probably right and what is questionable. The area of the 'known' is expanding and the likelihood of a mistake is shrinking. As the proverb says: "One head is good, but two heads are better." Combining all that is known by members of an organization, utilizing all relevant experience, and making it available and usable by all members of an organization who are empowered to make decisions – this is the concept of *organizational learning*. The quality of decisions may increase drastically, along with mutual understanding and cooperation - thus ensuring the success of a 'learning organization' over any 'order executing machine'.

A lot of things that exist in an organization, and considerably define that organization and distinguish it in its environment, may not be fixed in formal regulations or statements, or supported through administrative arrangements. Instead, they may be based on a kind of mutual social agreement of all members in the organization - as generally accepted values, beliefs and behavioural norms. This creates *an organizational culture*. Since organizational culture definitely influences the behaviour of people in an organization and consequently affects all organizational outcomes – it is also an issue for management; it should be controlled and developed in a healthy direction.

Another 'headache' for a manager is so-called *Inner Quality Management*, defined as 'a set of scientifically based tools for bringing people and organizations into *coherence*.' (Childre and Cryer,

1999) Since coherence is a key factor in creating synergy and all corresponding outcomes, both external and internal ones, it should also be managed.

Below, we will briefly address the *six* mentioned aspects of manager's job. These are not all aspects of his job, of course. Our selection was based on our perception of priority in addressing these aspects when working with organizations.

Building teams

Teamwork is among the most popular concepts in management and training. An incredible number of publications are available for anyone interested. There would be no reason to come back to the topic if there were not so many cases of misunderstanding and misuse surrounding the idea. It directly reflects on the way organizations are built. That is why the author considers it important to comment on the topic.

A team is a higher-level entity than individuals who constitute a group. Being a distinct entity, it should possess certain emergent qualities that justify the inevitable loss of freedom its members sacrifice for the sake of the greater results that may be achieved in the team.

For example, five officers in the social department of one local government agreed to meet applicants not all at the same time, (as before, when everyone would talk with applicants who belonged to his or her corresponding districts), but to do it in turns, each one meeting all applicants. Then each officer was busy with applicants only one day per week, thus drastically improving productivity on other days. In this way the general productivity - and satisfaction of applicants who no longer felt they were disturbing somebody - rose considerably. No additional work, but better results. That could happen only with their shift in attitude – instead of 'everyone meets his clients', the new attitude was 'we all together meet our clients'.

A group of people working in close proximity does not necessary constitute a team. Not any group - even belonging to a single department, or sitting in the same room, or doing similar jobs, or contributing to the same project, or having extremely warm private relations, or sharing absolutely identical moral and values, even if very successful in communication, and celebrating all birthdays as great events – may be called a team. What makes a team is a *common purpose* as an organizing factor.

People in a team together perform one and the same task. The result will be one and the same for everyone. Some individual gains may be different – but they come from the same common result. The team was able to reach it, or not. The goal is accomplished, or not. The index is fixed on the

required level, or not. It does not matter who did what, or why something took place or not. All members of the team win together or fail together.

There is no such thing, as 'everyone has to do his own job'. Members of a team together do the job. They may have different roles and functions, fixed or changing, and they must have clear responsibilities for everyone at any given moment – but the main personal responsibility is to do whatever is needed for the team as a whole to win. Helping others in a team is not doing someone else's job. It is the job of everyone to help others. Doing something extra or something that was not initially planned is not considered doing an additional job – it is part of the main job, because it is necessary.

All members of the team depend on each another. Trust and mutual support is not a matter of morale; it is a matter of survival – for everyone in the team and for the team as a whole. The one who is not trustworthy and not supportive to others cannot be a member of the team. If trust and mutual support are not present in a group of people – they will never become a team and obtain corresponding emergent features. However, that can only happen in a situation where these people can afford not to be a team. And it can happen only if the organization allows them to do so.

A group becomes a team when the existence and wellbeing of participants is determined by the common final result, which depends not merely on the sum of individual efforts, but on the interaction of all members in a common process to accomplish certain objectives or implement a certain mission.

A team becomes a self-organizing entity when the team itself defines its internal structure, procedures and rules, distribution of jobs and awards, and all current tasks. This self-determination is built upon mutual agreement, based on available knowledge and resources, and focused to the common final result of operating as a team.

A self-organizing team becomes high performing - in a process of permanent learning and optimization of its activities - when the balance is reached between the structure and functioning of the team on one side, and the conditions that encourage survival in the environment on the other side.

The literature on the topic more or less follows this sequence: group – team – self-managed team - high-performing team (see, for example, a very comprehensive book of Dale E. Yeatts and Clod Hyten, 'High-Performing Self-Managed Work Teams'). In the author's opinion, however, any team

is 'real' if it is self-managed, and is 'alive' only if it is performing well - because the result of performance is the only clue that can keep people in a team.

Building a team is a two-fold process – creating an outside framework and developing inside conditions. Of course, these processes are interrelated. The balance between these two aspects rests on the principal question – who is the 'builder'? When members who voluntarily join together in a process to get and share the effect of cooperation build a team – then internal conditions will determine the external appearance of the team. If these people are criminals – then they will probably constitute a gang. If people are forced to join together because of drought, then they will probably search for the water together - and will do it in the most productive way, given the circumstances – no matter whether or how their personal values differ.

Building a team from the outside involves selection of its provisional members (where appropriate), definition of the mission or/and goals, setting up clear objectives, defining rules about how resources will be allocated or how the achievements of the team will be measured,, and determining how the team will be rewarded for accomplishments or punished for failures. It also includes defining policies and other potential operating constraints, etc. Existing external pre-conditions may be such that no team could emerge (goals are unrealistic given resources, or awards do not match the effort necessary to earn them). These conditions may also be such that any group of people will become a team almost immediately (consider the case of shipwreck when only a few passengers survived in a single boat).

Building teams from inside involves creating relevant communication systems and a common data base (information field); setting up obligatory rules of behaviour that may be specific for this team only; learning how to work together; removing barriers for mutual understanding, trust and support; developing relevant procedures and technologies; determining optimal allocation of specific responsibilities, etc

Some basic conditions for building teams within organizations are as follows:

- Independence of the team from outside management in any issues related to its internal organization; internal affairs remain internal unless the team asks for assistance or there is an emergency;
- Team is performing a sensible piece of work that has a measurable result, and is for a specific internal or external client;
- Evaluation of a team is based exclusively on the results achieved, not activities undertaken;
- Awards and penalties are given to the team as a whole; how they will be distributed further to the members is an internal affair for the team;

- Team keeps in its hands all necessary resources and leverages that are available to get a job done;
- Team has access to all relevant information;
- Number of members is appropriate;
- Features and talents of members are sufficient and consistent;
- Team has a voice in deciding who will be (remain) a member;
- Team does not need any special permission from management to do whatever is needed - within accepted policy or allowed scope of action - for the task or mission to be implemented;
- Tasks are difficult enough to require all efforts and maximum collaboration in order to be accomplished in due time;
- There are no excuses – failures in implementing tasks allocated to the team are failures of the team; it does not matter if the weather was bad or supplies ran out;
- Recognition that inadequacy of results does not mean inadequacy of team or its members, since this could be caused by uncontrollable factors and nobody better than a team knows what was actually possible;
- No blame, just objective evidence.

These terms are related not to psychology or training, but to organizational design. Mistakes in design prevent the development of teams or teamwork. If the design is wrong – nothing will help. Appropriate design will inevitably bring people to teamwork and ensure further development of teams. However, this complicated process may go wrong, or too slow, or teams may appear to be less successful than expected, or conflicts may arise. There may be a lot for a manager to do. And it may require a lot of support from a professional trainer. Team roles, personality types, stages of development, etc. – everything that works will be utilized - in addition to the proper organizational design.

Empowerment

*Empowerment begins with a shift within the manager
– understanding that to empower is not to lose control but to gain it.*

Cynthia D.Scott and Dennis T. Jaffe

Another buzzword of early 1990's was *empowerment*. The sense of the word related to the fact that some traditional structures and attitudes are not suitable in the contemporary world. "An organization is under attack from outside and from within. Externally, heightened global competition, incredibly fast changes, new demands for quality and service, and limited resources demand quick responses from the organization. Internally, employees are feeling betrayed, let down and burned out as they feel frustrated by an organization that is making new demands on

them and changing the rules of the game. At the same time, they are also demanding more meaning, more candour, and more fulfilment from their work. The organization must adapt and grow and learn new ways to get the job done. The traditional organization needed only the bodies of employees doing their clearly defined job and not asking questions. Today's workplace needs employees who can make decisions, invent solutions to problems, take initiative, and who are accountable for results." (Scott and Jaffe, 1991) Instead of keeping processes and people under tight control, managers should create an environment where people want to be responsible and are free to take actions. Real teams are the answer, of course.

For example, if the team goes to the boss to get special permission to receive some additional materials from the store and then they receive the materials, they may waste them, because it was already justified and approved by the boss. In another case, a team may be free to go to the store at any time and receive any materials, but everyone agreed that the price of materials in excess of a normal amount would be deducted from the total salary or premium of the group. Their actions are not under direct control any longer; they may do whatever they want - but they will never misuse it, because they are responsible for the results. Their responsibility is the price for their freedom of action. People want to feel free in their actions. Thus they accept to be responsible. It is a great load off of a manager's shoulders.

In most modern organizations, a manager cannot actually control what people do most of the time. The only way to control what is going on is to control the results. And, to understand and accept that subordinates are free, within an allowed scope, to do whatever they want, as long as their results are good. Being the boss does not mean controlling what people are doing at any given moment, as used to be true in age of conveyor belts. Now it means controlling what an organization (or a part of an organization) is doing in term of results, satisfied customers, costs, etc. Responsibility to choose specific actions, that was once taken off workers and given to managers by Taylor, is to be given back to the worker. And so, the archaic notion of 'humanization' in the workplace has been rejuvenated, and is again in style.

The main barriers for empowerment and teamwork (which is an essential precondition for empowerment), relate to a way of thinking cultivated by hundreds of years of the hierarchical pyramid as the main organizational pattern. Any step in the direction of empowerment is a step away from the pyramid, although it does not require an immediate change in the bureaucratic structure - just building in oasis of real teamwork within a hierarchical structure. This may be possible if divisions are built around processes and products, not functions.

Scott and Jaffe give a very good description of the shift from pyramidal organizations to new organizational forms based on circles and networks and thought of as series of coordinating teams, linked by a centre rather than an apex.

Characteristics of the pyramid

- Decisions are made at the top.
- Each person is clearly responsible only for their job
- Change is slow and rare and comes only from the top.
- Feedback and communication are from the top down.
- Movement and communication between divisions are minimal.
- If you do your job you can expect job security and promotion as the organization expands.
- People focus attention upwards, and the person above you is responsible for your results.
- Managers say how things are done and what is expected.
- Employees are not expected to be highly motivated, so it is necessary to keep tight control over their behaviour.

Characteristics of the circle

- The customer is in the centre.
- People work cooperatively together to do what is needed.
- Responsibility, skills, authority and control are shared.
- Control and coordination come through continual communication and many decisions.
- Change is sometimes very quick, as new challenges come up.
- The key skill for an employee, and a manager, is the ability to work with others.
- There are relatively few levels of organization.
- Power comes from the ability to influence and inspire others, not from your position.
- Individuals are expected to manage themselves and are accountable to the whole; the focus is on the customer.
- Managers are the energizers, the connectors and the 'empowerers' of their teams."

(Scott and Jaffe, 1991)

This comparison of 'pyramid' and 'circle' illustrates how much actually depends on structural design. Thus, here also, as in the case of teamwork, creating organizational preconditions is obligatory, and managers who are not ready to make necessary decisions will postpone empowerment until better times.

However, changing the structure and corresponding regulations is not sufficient for empowerment. Employees must be qualified for empowered workplaces. The attitude must change from 'waiting

for orders' to 'taking actions', from 'doing things right' to 'doing right things', from 'placing blame' to 'problem solving', etc. (see Scott and Jaffe, 1991). It takes time to train the staff, to develop teamwork, to change the culture and attitudes. But the rewards are great. People in the organization not only do more (we have witnessed a rise in productivity several times over), they feel much better, the job is easier both for bosses and subordinates, and the general atmosphere is lighter.

But the starting point is very often changing the structure and all corresponding arrangements for operation and control. A new organizational order seems to be a 'legend' or future prospective at first, but then it becomes a reality over the course of a specially designed process of change that includes both structural changes and adequate preparation of people for this new life.

Business Process Reengineering

*It must be considered that there is nothing more difficult to carry out,
nor more doubtful of success, nor more dangerous to handle,
than to initiate a new order of things.*

Machiavelli (1513)

Business Process Reengineering (BPR) emerged as formal business practice in the United States during the 1980's and early 1990's and was generally understood as a 'radical reinvention of organizations along process lines.' (Beckford, 2002) Michael Hammer and James Champy formalized the approach in 1993. They define BPR as 'the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed.' (Hammer and Champy, 1993) BPR rejects the idea of reductionism – the fragmentation and breaking down of organizations into the simplest tasks; it encourages organizations to utilize substantial developments made in technology, particularly IT; and enables organizations to take better advantage of the skills and capabilities of the staff they employ.

Hammer and Champy defined three factors that call for principal re-thinking of organizational design – Clients, Competition, and Change (3Cs). *Clients* have power. There is not a 'client in general' any longer, only concrete clients - here and now. The mass market is segmented into pieces down to the individual client. *Competition* is rising. Being a big company does not mean being invulnerable any longer. Newly established companies that do not possess 'organizational baggage' and are not limited by their past may be more successful with their products and market policies. *Change* becomes permanent and penetrates everything. These three 'Cs' have created a new world for business, where old organizational solutions are not viable.

The authors point to IT as the main force in changing rules that affect organizational order. For example, the old rule, 'Information may be available only in one place and time', is replaced by a new one - 'Information may be available at the same time in any place it is needed'. The old rule, 'Only specialists may perform difficult tasks', is changed to the new one - 'A wide-profile worker may do the job of a specialist'. The rule, 'All decisions are made by managers,' gives a way to a new one - 'Decision-making is part of the job of any employee,' and so on.

In their answers to readers' questions, Hammer and Champy pointed out that reengineering is fully applicable to the public sector, and they drew attention to specific problems, which BPR faces here. First, it is difficult to estimate results. Many organizations in the public sector are oriented according to indexes of expenditures – this makes it difficult to choose between quality and effect. In fact, this was the main challenge in all public organizations where the author and his colleagues

made management audits – even heads of departments were not in a position to say how they measured results. Second, Hammer and Champy pointed to challenges within the public sector related to interdepartmental barriers that are easier to remove in a corporation than in the public sector where different agencies are involved. Government is not a single organization; it is a network. Improvement in one separate place may be annihilated by the old order in another. The third challenge relates to the qualification of top leaders of public organizations – often they are more politicians than professional managers, and running operational activities is not their strong point. (Hammer and Champy, 1993)

Well known experts on management in the public sector, Aire Halachimi and Geert Bouchaert, in their introductory article to the special issue of *International Review of Administrative Sciences* (an issue devoted to reengineering in the public sector - No.61, 1995), also agree with the conclusion on the applicability of BPR in the public sector, but provide a bit different perspective: 'Public managers are under greater stress these days than their counterparts in the private sector. Public managers must deal not only with the challenge of providing a cost effective and friendly service, but also with the need to defend the involvement of government in the delivery of such a service. Last, but not least, public managers must meet growing and changing service expectations while following a prescribed set of procedures and regulations and addressing issues such as equity, fairness, legitimacy or the openness of government operations. ...The result of this myriad collection of pressures on public managers can make reengineering efforts in the public sector a more involved undertaking than it is likely to be in the private sector.' (Halachimi and Bouchaert, 1995)

Aire Halachimi summarized the attributes of reengineering in the following way (Bouchaert, 1995):

- Searching for radical improvement in business processes enabled by exploiting of the powers of information technology.
- Breaking away from antiquated ways and processes of business operations and starting with a clean slate.
- Viewing (and reviewing) the fundamental business processes from a cross-functional perspective to ensure the each step in the process adds value.
- Questioning whether the process is necessary and what it is intended to achieve, given the overall mission of the organization.
- Systematic searching for radical changes for the purpose of effecting major improvements or breakthroughs in business processes when an incremental approach will not work any more.
- Reducing, if not eliminating, paper documentation that enters the process at different stages, with an attempt to capture data once, at the source.

- Focusing on developing around processes and outcomes, not tasks or organizational functions. Re-engineering prefers to see one person (or the equally qualified members of a small team) perform all tasks in the process whenever feasible.
- Focusing on the customer or client, in a results-oriented and team-based approach. Reengineering requires rigorous measurement of performance as a function of defined work processes. It demands the total commitment of all employees and a substantive involvement of top management at all times.

In the same article entitled 'Re-engineering and public management', Halachimi recognizes that, 'Though re-engineering has much to offer to the public agencies, it is easier to list the obstacles and risks than the factors that work in its favour.' Paradoxically, these obstacles were not so strong in newly established democracies of Central and Eastern Europe, just because the old order was not as untouchable as in the West. Thus, 'wild jumping re-engineering' took place everywhere in 1990's, and resulted in the emergence of organizational structures and patterns that were worthy to be destroyed rather than somehow improved. In most public organizations in developing countries reengineering has no any alternative.

Although reengineering, of course, may be done using different approaches in various organizations, some of Halachimi's recommendations are useful for any place:

- Educate top decision-makers on what re-engineering is about. ...They need to communicate this understanding and commitment to all stakeholders who may be affected or involved in carrying out the re-engineering effort.
- Identify and assess the processes that require re-engineering, defining the levels of performance to achieve the necessary improvements that justify effort, and make such information known to all members of the organization.
- Use robust benefit-cost analysis to find out up-front the expected return on the investment and establish that in addition to any symbolic benefits there are some economic and tangible gains as well.
- Redefine the mission statement based on an actual survey of internal and external customers and develop the necessary infrastructure to support it. Check to see whether such a realistic statement is consistent with the laws that govern your operations and the feasibility of amendments that would allow the agency to carry out its business in a different way.
- Find creative sources of funding and develop a human resource base that is skilled in IT and capable of implementing the re-engineered business process.
- Benchmark performance against best-in-class, but be sure to make the necessary adjustment to your particular situation.

- Make sure that all involved, both inside the organization and out, understand how the new business process is supposed to work and how they should interface with it as provider or recipient of the service. In other words, provide proper training in a timely fashion. On-the-job training is not conducive to the introduction of a new business process.
- Set a clear timetable with measurable milestones to assess progress. ...Because in many countries top managers who are not career civil servants do not stay long ...it is essential that the whole process be conceived, tried and implemented within a relatively short period of time.
- Public agencies cannot re-engineer a given process through trial and error. Thus, the engineering effort should use computer simulations and, when possible, pilot projects to test and verify the viability and benefits of the re-engineered business process. (Halachimi, 1995)

As in most cases with modern terms, re-engineering is just 'another word for good governance'. If there is no problem with the organization – then there is nothing to re-engineer. It is just a more drastic measure that should be applied when less painful treatments are not sufficient for ensuring the real quality of operations. BPR is about embracing the hidden potential for change by recognizing that incremental change only improves what is already done, while BPR may fundamentally change what is done. If a procedure or part of a process is redundant, in the sense that it adds no value to a product or service, improvement in its efficiency is a false gain. While efficiency improvement reduces the amount of waste, the procedure still remains as a cost in the system. The adoption of BPR techniques in process analysis can help to overcome this problem, eradicating procedures rather than improving them. (Beckford, 2002)

Re-engineering in organizations of everything that needs to be re-engineered is the first step in structural improvement that gives way to TQM, teamwork, and empowerment. The re-engineered organization is envisioned to be closely aligned to the customer and to rely on empowered employees handling the entire process of delivering products and services of quality to the customer; (compare with TQM). This again, according to BPR, would indicate a lessening of control as empowered employees are guided by internalized shared values. (S.P.Gunge, in Knights and Willmott, 2000)

Organizational learning

Organizations as organisms possess the attribute of behaviour, and as less primitive organisms - they have a kind of memory. The content of the memory determines behavioural reactions, and consequently the chances for success (which is survival, in general) or failure.

In a world without chaos, the survivability of an organism would depend on: a) individual and generic experience that had selected acceptable structures and patterns of behaviour, and b) the model of reality ('mental map') that was formed out of this experience and is used for making rational choices (when there is a choice). In this case, a more complete and durable memory of the previous experience is a pre-condition for more adequate behaviour. Each result of action or non-action corrects and determines the same model and enables prediction that may ultimately be as exact as one wants ('Laplace's demon'). Unfortunately or fortunately – such a world does not exist.

In a chaotic world, organisms are able not only to adapt to the certain environment, but also adapt to the uncertainty of the environment that is caused by chaos. This chaos may be more or less bounded or 'determined', but cannot be eliminated. It is impossible to know what will happen tomorrow. In the best case, it is only possible to predict that something 'may happen' and something else 'is unlikely to happen'.

There is an interesting *memory dilemma*. On the one side – survivability of an organism depends on the rate it stores in memory its impressions from interrelations with its environment (mapping the world). On the other side – inertia of the memory may not serve well if something was not forgotten in the right time. In a changing world, an organism must revise and correct its mental map – thus important condition is the rate of erasing 'achievements' based on old experience when these are not relevant any longer. When the world is changing rapidly – then learning 'how it is now' must also be fast, as well as leaving behind 'that which is not relevant any longer'.

Stability in a contemporary world gives way to dynamic (predictable) change and chaos (unpredictable change). Thus, the starting point in choosing an organism's behaviour is no longer the status quo, but change itself. To be more precise – not only the changes themselves, but also cause-effect relationships, and regularities and patterns of change that include conditions and levels of predictability for certain processes.

In the stream of changes, any new state is unpredictable - but possible directions are predictable, because the world, in general, remains the same and follows the same laws. It is like gas in a vessel – it remains the same, although molecules are in permanent and chaotic movement and the situation on the micro-level never repeats. The only way to understand what is permanent in the world is to observe how it changes.

Thus, behavioural conditions for survival include:

- Adequate *reaction to the actual situation* ('map of current situation' is needed);

- *Proactive reactions related to the predictable development* of the situation ('map of current situation' + 'meta-model of reality' = 'map of future situation'); and
- *Creative behaviour in the face of chaos* ('map of situation' + 'meta-model of reality' + 'maps of alternative scenarios for development' = 'unrolling space of possibilities for the future').

The realization of one or another scenario depends also on the organism itself, because it is a part of the same reality. Sufficiently proactive reactions at the points of bifurcation (based on seeing alternatives in the dynamic) may determine which scenario will be realized. Consequently:

- Reactive behaviour reflects existing reality (ignoring the future);
- Proactive behaviour reflects the future (ignoring chaos);
- Creative behaviour changes the future (utilizing chaos).

The existence of chaos allows one to easily influence the future ('butterfly effect'). However, the possibility to create the future depends on some important features:

- Amount of knowledge about the world ('map of situation' + 'meta-model of reality');
- Imagination (seeing virtual alternative scenarios for development); and
- Ability to make decisions (choice) and carry out corresponding actions.

In a world where chaos plays a principal role, the situation at any given moment is just one of the more or less probable realizations of virtual realities, which existed as possibilities only a moment before. And in the next moment – this reality is already substituted for another one. Structures and behavioural patterns that were formed in one reality may be not effective in another reality and the model of the world may become an out-of-date map, which is not applicable any longer.

Thus, orientation based on the perception 'what does the world look like' gives way to orientation based on the knowledge 'what it may be plus the perception of which one of the possible scenario is taking place in the moment. The map of 'how the world is now' is losing value, because there is little hope that in the next moment everything will still be the same. *Cartography is changing the chart*. An organism is permanently charting the map of reality, based on what it perceives, and interpreting its immediate perception according to what it 'knows'.

The amount of an organism's relevant knowledge becomes a critical factor for the 'right' orientation and for survival. In terms of competition (different organisms may observe the same picture, but based on their different knowledge, may choose different behaviours that will bring different results) relevant knowledge is also critical. No surprise that the knowledge base of an organization must be the focus for managers and organizational behaviour theorists.

The behaviour of an organism depends on the map of reality drawn by the organism itself. This mental map plays the role of 'order parameter'. That, in turn, determines certain 'modes' of its behaviour. The consistency of the mental map conditions the consistency of behaviour.

In looking at the 'collective consciousness' of an organization, one can see a certain *paradox of mental maps*. Because of different life experience, different individuals have not only inaccurate maps (which is inevitable), but these maps are also inaccurate in different ways. Differences in mental maps are an obstacle for interaction that is based on these maps, especially if the maps remain unchanged during the process of interaction (as CD-R). On the other hand, the variety of individual experiences provides an opportunity for rapid acceleration of the learning process due to the exchange of experiences within these mental maps, if they are correctable (CD-RW). Intellectual interaction, in which the contents of mental maps are discussible or negotiable and not limited or unchangeable, may *transform obstacles into opportunities*.

In an organization that consists of many individuals, differences in mental maps lead to conflicts between varying 'order parameters', and if there are more than three such parameters – almost inevitably to chaos. Knowledge can become a cause for disorder. The more uncorrelated knowledge exists in an organization – the more disorder may be present. This chaos may be reduced by introducing dominating order parameters ('Listen to my command!'), or by diminishing differences in the contents of the mental maps. To do that, everyone should, at a minimum, recognize their equal right to exist. 'Common truth' is not in any of the individual mental maps, but in a virtual space that is formed by the intersection of individual fields of knowledge – 'that is what everyone in our organization knows and agrees with'. Thus correlated knowledge becomes an order parameter. The more correlation – the more order.

If the mental map of an organization (which resides in the heads of many individuals) is torn into motley pieces – the only way to ensure coordination or the possibility of synergy is by switching off brains and carrying out orders. Utilization of the potential of self-organization requires a more or less identical understanding of the situation; in another words – applicable information and mental maps must sufficiently coincide. To have shared information field or database is not enough. Common interpretation of data is also required - and for this a common knowledge field is needed. That might be an 'organizational chart of reality', based on congruent meta-models of the relevant world.

Creating a common field of knowledge does not mean 'unification of thought' between members of an organization. Just climbing up to the top, each on his side of the hill, we become closer to one another. The world is how it is. Things that we really know and understand cannot separate us; we

are divided by our ignorance and misunderstandings. Thus common knowledge may be seen as a key factor for synergy.

When members of an organization share their knowledge by explaining to others what they understand, and find agreement in their reaction (because experiences coincide) – then everyone multiplies their own knowledge, and the collective knowledge base expands. When members of an organization share their mistakes, and deal with gaps in understanding (because experiences or misinterpretations of experiences rarely coincide) – then they are able to identify and fix them. This way the total number of errors and the probability of related misunderstandings diminish. The integration of mental maps and their mutual correction in this process is always useful for each individual and for the organization as a whole; it produces a strong synergy effect.

Relations between members of an organization may prevent them from joining their separate mental maps in a common field of organizational knowledge. When the structure and culture of an organization is such that everyone has a desire and possibility to share with others his understanding of the world (not defending his 'point of view' at any price, but making it more accurate through feedback from others), when individuals free themselves from the niche of individual delusion, and enter the wider field of common perception and understanding of reality – the speed of learning in an organization increases many times over – thus improving the chances for success. In this way a *learning organization* emerges.

The term 'learning organization' was defined in 1990 by one of the best-known authors on the subject Peter Senge. It is an organization where "people continually expand their capacity to create the results they truly desire, where new and extensive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together." According to Senge, "the core of work for a learning organization is based upon *five 'learning disciplines'* - lifelong programs of study and practice:

- *Personal Mastery* – learning to expand our personal capacity to create the results we most desire, and creating an organizational environment, which encourages all its members to develop themselves toward the goals and purposes, they choose.
- *Mental Models* – reflecting upon, continually clarifying, and improving our internal pictures of the world, and seeing how they shape our actions and decisions.
- *Shared Vision* – building a sense of commitment in a group, by developing shared images of the future we seek to create, and the principles and guiding practices by which we hope to get there.
- *Team Learning* – transforming conversational and collective thinking skills, so that groups of people can reliably develop intelligence and ability greater than the sum of individual members' talents.

- *Systems Thinking* – a way of thinking about, and language for describing and understanding, the forces and interrelationships that shape behaviour of systems.” (Senge, 1990)

In 1994, Peter Senge with four colleagues (Art Kleiner, Charlotte Roberts, Richard R. Ross, and Bryan J. Smith) published “The Fifth Discipline Fieldbook: Strategies and Tools for Building a Learning Organization”. The book lists the ten following reasons for building a learning organization:

- “Because we want superior performance;
- To improve quality;
- For customers;
- For competitive advantage;
- For an energized, committed workforce;
- To manage change;
- For the truth;
- Because the times demand it;
- Because we recognize our interdependence; and
- Because we want it.”

In fact, any one of these reasons could be sufficient to justify the effort. But not every organization is ready for this. TQM may be an advantage at the start. As the authors of the Fieldbook noted: “One of the most powerful discoveries for us during the past several years has been seeing how closely our work on learning organizations dovetails with the ‘Total Quality’ movement. Again and again we have found that organizations seriously committed to quality management are uniquely prepared to study the ‘learning disciplines.” (Senge...at al., 1994) These lessons were fully proved by the author’s own experience – only organizations that were successful in implementing real quality management systems and succeeded in creating a TQM environment were sufficiently prepared to further development as ‘learning organizations’.

Neil Glass suggests a useful parallel between common training and learning. A learning organization can be very different from a highly trained organization. Training (of individuals) is all about how to do specific activities well and is based on single-loop thinking. Learning is aimed at being able to assess whether you are doing it right. Training gives you better efficiency (doing things better) – learning builds effectiveness (doing the right things). A single-loop learning organization tries to improve its processes, but at the same time is able to question whether those are the right processes by using double-loop learning.” (Glass, 1998) Thus, as we see, BPR, as a specific mind-set, also links quite well with organizational learning.

In 1995, Ikujiro Nonaka and Hirotaka Takeuchi published their great book, “The Knowledge-Creating Company”. In this book, they contend that Japanese companies have become successful because of their skills and expertise at ‘organizational knowledge creation’, which is based on the initiative of the individual and the interaction that takes place within the group. It was stressed that teams play a central role in the knowledge-creation process since they provide a shared context in which individuals can interact with each other.

Authors of the book classify human knowledge into two kinds. “One is *explicit knowledge*, which can be articulated in formal language including grammatical statements, mathematical expressions, specifications, manuals, and so forth. This kind of knowledge thus can be transmitted across individuals formally and easily. This has been the dominant mode of knowledge in the Western philosophical tradition. However, we shall argue, a more important kind of knowledge is *tacit knowledge*, which is hard to articulate in formal language. It is personal knowledge embedded in individual experience and involves intangible factors such as personal belief, perspective, and the value system. Tacit knowledge has been overlooked as a critical component of collective human behaviour.” The ‘Japanese intellectual tradition’ played a crucial role in developing tacit knowledge - distinguished by the ‘oneness’ of humanity and nature, of body and mind, and of self and other.

Nonaka and Takeuchi see the primary role of any organization in the organizational knowledge-creation process as providing the proper context for facilitating group activities, as well as creating and accumulating knowledge at the individual level. They discuss five conditions required at the organizational level to promote the knowledge spiral:

- Intention (an organization’s aspiration toward its goals);
- Autonomy (is the organization allows autonomous action at the individual level);
- Fluctuation and Creative Chaos (‘breakdown’ of routines, habits, or cognitive frameworks);
- Redundancy (existence of information that goes beyond the immediate operational requirements); and
- Requisite Variety (that must match the variety and complexity of the environment and can be enhanced by combining information differently, flexibly, and quickly, and by providing equal access to information throughout the organization).”

They developed the ‘Five-Phase Model of the Organizational Knowledge Creation Process’:

- *Sharing Tacit Knowledge* (“the individuals’ emotions, feelings, and mental models have to be shared to build mutual trust”);
- *Creating Concepts* (“once a shared mental model is formed in a field of interaction, the self-organizing team then articulates it through further continuous dialog, ...[until] it is verbalized into words and phrases, and finally crystallized into an explicit concept”);

- *Justifying Concepts* (involves “the process of determining if the newly created concepts are truly worthwhile for the organization and society; it is primarily the role of top management to formulate the justification criteria in the form of organizational intention, which is expressed in terms of strategy and vision.”);
- *Building an Archetype* (as a kind of tangible incarnation of a concept in the form of a ‘prototype’, as in the case of a new product or ‘mock-up’, that should be developed by collective efforts; “attention to detail is the key to managing this complex process”); and
- *Cross-Levelling of Knowledge* (when “the new concept, which has been created, justified and modelled, moves into the new cycle of knowledge creation at a different ontological level. This interactive and spiral process takes place both intra-organizationally and inter-organizationally.).

Nonaka and Takeuchi also present a specific model of organizational design that, in their opinion, provides a structural basis for organizational knowledge creation. They call it ‘hypertext organization’. It is made up of interconnected layers of contexts: the ‘business system’ for routine operations, which may be shaped like a hierarchical pyramid; the ‘project-teams’ layer, where multiple teams engage in knowledge-creating activities; and the ‘knowledge-base’ layer, where organizational knowledge is re-categorized and re-contextualized. “This layer does not exist as an actual organizational entity, but is embedded in corporate vision, organizational culture, or technology. Corporate vision and organizational culture tap tacit knowledge, whereas technology taps the explicit knowledge generated in the other two layers.” (Nonaka and Takeuchi, 1995)

We already paid a lot of attention to the first two layers – to solid structures (hierarchical or not) and to interrelations, like in teamwork (whether in taskforces or more permanent entities). Let us move on to the more subtle issues related to the ‘third layer’.

Developing organizational culture

Organizational culture comprises the attitudes, values, beliefs, norms and customs of an organization. The word *culture*, from the Latin *cultus*, *cultura*, with its root meaning ‘to cultivate’, generally refers to patterns of human activity and the symbolic structures that give such activity significance. Values are comprised of ideas about what in life seems important. They guide the rest of the culture. Norms consist of expectations about how people will behave in different situations. Each culture has different methods, called sanctions, for enforcing its norms. Norms that a society enforces formally have the status of laws. (www.en.wikipedia.org)

Clutterbuck and Grainer (1990) describe culture as “a set of behavioural and attitudinal norms, to which most of all members of organization subscribe, either consciously or unconsciously...” (Cited

from Beckford, 2002) When talking about organizational culture we usually refer to norms that are not formally imposed, but are based on a kind of social agreement, which every member of the organization is equally involved in forming and following. However, some of the norms may come from the general national or professional context, which is not under the control of members of the particular organization. Other norms may come from inherent features of some members of the organization, which cannot be changed, but must be tolerated (and so they become norms), or not (then those who possess them must leave the organization).

The overall process of forming behavioural norms in any socion/society moves through three main phases:

- In the first phase - norms appear as agreements about what is appropriate and what is not in the behaviour of others. *Conventional norms* do not need any special justification. They may be chosen just to ensure certain predictability and order – like right-sided or left-sided driving in traffic. When people feel they need a rule to avoid misunderstanding and confusion – they simply impose a rule by common agreement or convention. If the rule proves not to be good, the issue may be discussed, and the norm abolished or substituted by another one. It is easy to change them - often even fun.
- In the second phase – conventional norms that prove to be good enough to satisfy everyone for a considerable period of time (usually sufficient time to forget how these norms originally appeared) – become *self-evident*. Nobody questions such issues any longer – because it is ‘how it always was’. Despite the fact that these ‘obvious’ things are merely hardened conventional norms, nobody tends to question them; they are untouchable, like ‘sacred cows’, and any attempt to raise the issue may be met with perplexity. However, when preservation of these norms becomes really inconvenient for members of the organization, it is possible to change them - although that may be painful for some.
- In the third phase – when behaviours are self-evident for the members of a family and community and are passed on to their children – they become *moral imperatives*. A moral imperative is an ethical responsibility. It is a line of conduct or behaviour judged as the right one by the majority of people within a community. Being formed in early childhood, these norms cannot easily be changed without serious damage to the psyche. Moral imperatives are attributes of people, not organizations, but when a considerable number of members in an organization possess similar moral imperatives, these imperatives can prevail and may characterize the organization as being typically national, or typically local, and so on. Moral imperatives of given members of an organization cannot be changed. If these norms do not suit the organization - they can only be eliminated by eliminating those who possess them.

Only proper selection of members for the organization can change prevailing norms of this kind.

Each individual in an organization has also a core of underlying *values* that contribute to his system of beliefs, ideas and/or opinions (see 'value' in semiotics) Integrity in the application of a "value" ensures its continuity and this continuity separates a value from a belief, opinion or idea. In this context, a value (e.g. 'truth' or 'equality' or 'greed') is the core from which we operate or react. Societies have values that are shared among many in the culture. Typically, individual values are largely, but not entirely, in agreement with cultural values.

These values can be grouped into six categories:

- Ethics (good - bad, virtue - vice, moral - immoral - amoral, right - wrong, permissible - impermissible);
- Aesthetics (beautiful, ugly, unbalanced, pleasing);
- Doctrinal (political, ideological, religious or social beliefs and values); and
- Innate/Inborn (inborn values such as reproduction and survival), and so on

A *values system* is the ordered and prioritized set of values (usually within the ethical and doctrinal categories described above) held by an individual or a society. (see www.en.wikipedia.org)

Since values are more attitudinal than behavioural norms, they do not fully determine behaviour; but they do create boundaries for behaviour - within a certain acceptable scope of action that does not contradict the values - though these boundaries are not necessarily defined by obligatory behavioural norms. Thus a value system may go through similar stages of development and can be seen as a kind of meta-system with respect to behavioural norms. If culture is a kind of shared knowledge about 'the right way to do things around there' - then a values system serves to find 'the right way', when it is not given in explicit form. Values give criteria. When there is no formal requirement or clear cultural norm to help decide between alternative actions (i.e. something new has happened) – then values help to make the right decision. Therefore, the importance of a values system is rising drastically in the modern world. The corresponding role of a manager is also becoming more important. This was well described by Ralf Brody (with some references to Shein).

Usually, cultural values develop over a long period of time, serve to stabilize the group, and are highly resistant to change. Frequently, these values are taken for granted and may not even be part of staff's conscious thought process. ... Effective managers can work with staff to crystallize a formal values statement to help guide the work of an organization. ...Effective managers serve as the primary shapers and communicators of organizational values. They influence the organizational culture by what they pay attention to, measure, and control; how they handle crises

and critical episodes; how their own behaviour serves as a model; how they allocate rewards and status; and how they recruit, select, promote and fire staff. Do they tolerate or challenge criticism? Do they limit or make information available to staff? Do they control or empower staff to make decisions? Are they focused more on the budget or on the people of their organization? Managers are frequently faced with this kind of value choice. (Brody, 2000)

Cultural norms may be incorporated in an organization from outside (generally recognized 'human values', 'national' or 'professional' cultural attributes), and/or developed inside an organization, through various stages from conventional norms and self-evident things, to moral imperatives. Organizational culture manifests itself in various aspects of organizational life – in interrelations with clients and customers, with business partners, among people and subdivisions within an organization, among representatives of different gender and ages, bosses and subordinates, in the dress style, language, attitude of members to the organization and its problems, etc. – and everywhere it should be controlled. The manager has a huge job, and not just controlling task performance – performance of tasks will result as a by-product.

Inner Quality Management

Any organism, being an open dynamic system, maintains its existence through internal metabolism that inevitably dissipates part of the energy that was not properly utilized. It needs permanent provision of external energy. For any given structure, the necessary flow of energy, which supports normal temperature, remains the same while the organism remains the same. The amount of energy needed also depends on efficiency in utilizing it. The balance of energy is an important precondition. If the inflow of energy is not sufficient – an organism will go to sleep or die. If an organism transforms energy into too much heat (a 'chaotic' form of energy), then it will: a) waste too much, and/or b) overheat and die. Assuming the availability of energy as a resource, an organism may survive if it ensures a good efficiency in using it. One of the possible approaches to the issue was called Inner Quality Management (IQM). It is directly related to managing emotional state and the stress in organizations.

Doc Childre and Bruce Cryer, suggest that "considerable chaos exists within many organizations and within society today, and a new level of coherence is a potential outcome. A new level of organizational efficiency, synchronization, and effectiveness is possible by studying and applying new information about the intelligence of the human system. ... Research during the last decade profoundly affected our knowledge of human intelligence, opening up surprising new possibilities. The fact that intelligence is *distributed* throughout the human system and *that the heart is an intelligent system profoundly affecting brain processing* represents an exciting new model for helping organizational systems become more intelligent, more adaptive, and more human." They

present IQM concept as a “set of scientifically based tools for bringing people and organizations into coherence.” (Childre and Cryer, 1999)

As we have already discussed in Part 1, chaos is a necessary precondition for the processes of self-organization to occur (appearance of new structures). However, keeping things under control is more difficult and it requires more energy when the ‘temperature’ in an organization is high (bigger pressure on existing structures). When the interrelation of elements takes on a character of inter-CO-relation that is focused on a certain final result (P. Anohin), then an organism as a system is functioning in the most effective energetic regime, because projections of individual efforts on the general direction of development lay together and pile up, and are not mutually annihilating. Internal ‘harmony’ among components of an organization that corresponds to such inter-CO-relation and manifests itself in a certain order regarding informational content and flows, is called sometimes ‘coherence’ (see Chapter 1.1). Energy dissipation used ‘for heating the atmosphere’ in a coherent system is minimal.

Childre and Cryer claim that “a shift from incoherence to coherence can bring dramatic effect: a 60-watt light bulb whose light waves could be made coherent as a laser, would have the power to bore a hole through the sun (ref. to W. Tiller, 1997). What if an organization is doing an admirable job, providing decent customer service, good products or services - just like a household light bulb - while without knowing it, also cancelling out much of its effectiveness due to internal distortion, static, and stress? Light bulbs burn out; so do people, and so do organizations. ...Putting emphasis on learning how to deal effectively with workplace and personal problems will create more coherence in individuals. Attention span, mental clarity, and creativity naturally will increase. Coherence is efficiency in action. ...When the system is coherent, virtually no energy is wasted because of the internal synchronization. Power is maximized – the power to adapt, flex, innovate. This coherent power results in a major leap in efficiency and effectiveness.” (Childre and Cryer, 1999)

Human history provides a lot of examples of how much more effective coherent organizations were compared to incoherent ones. Alexander the Great was able to conquer most of the world that was known to him. The tightly organized troops of the Mongols were unbeatable in the times of Genghis Khan. The ratio of 1:20 was quite usual – 1 warrior would not defeat 20, but 1,000 were able to disperse 20,000 in many cases - due to the organization, and due to the coherence. That is very impressive. With approximately 0,2 million native people, the Mongols created the second largest empire in world history, ruling 35 million km² (13.8 million miles²) and more than 100 million people.

The effect of coherence rises drastically with the number of elements in the organization - so do the odds for incoherence and wasting energy on internal friction and tension. That is why some big organizations do not even need an external client or mission to think about – they are busy enough with their internal affairs... The call for coherence comes with the call for survival. When conditions become dangerous and pressure rises – coherence comes on stage, as if by magic. However, it is much better if sufficient coherence is reached within an organization before it gets too late.

The authors of the book, 'From Chaos to Coherence', propose 'the four dynamics of IQM' as a set of tools for creating healthy coherent organizations. These are:

- *“Internal self-management*, which is based on understanding of mental, emotional and physical processes in humans; evaluation of pressure on the individual; identification and plugging the leaks in his own personal system; increasing the capacity for intelligence.
- *Coherent communication*, which is based on achieving mutual understanding; non-judgemental listening; hearing the essence; being authentic.
- *Boosting the organizational climate*, which is based on building a healthy organization (supportive management, contribution, self-expression, recognition, clarity, and challenge); combating the 'emotional virus'; paying sufficient attention to human qualities (such as adaptability, flexibility, care, and appreciation); and
- *Strategic processes and renewal*, which is based on teamwork and synchronized systems; complex decision-making and project planning; coaching as an essential management skill; leadership, creativity and innovation.'

The authors believe that, 'In an age of chaos, organizations rise and fall more due to emotional management or mismanagement within the culture than mere product success or process improvement. Intelligent organizations of the future will maintain a keen awareness and appreciation for each dynamic, adding emphasis and focus as changing conditions necessitate.' (Childre and Cryer, 1999)

It goes without saying, that the best organizational performance is achieved when people in the organization do their best, and people do their best when they feel well. People in any kind of organization feel good when doing well. A good job creates a good feeling. Working well, together with others, should be a great pleasure. It is like playing jazz. Let's enjoy together, 'A Jazzy Metaphor' of Edwin E. Olson and Glenda H. Eoyang, from their book about Complex Adaptive Systems (CAS):

“...A jazz ensemble is a complex mix of interactions among the individual musicians, their instruments, and the audience.

...Each of the musicians in a jazz ensemble is autonomous. They interact as they play. No formal conductor is needed. They bring their own intents, biases, levels of interest, experience, and aesthetics.

The minimum specifications of place, time, duration, melodies, roles, and general rules have been set. Usually the musicians know one other very well, and they are steeped in the theory and practice of jazz music. Frequently they have played the same or similar pieces before. The music is a balance of control and improvisation (the melodic and harmonic lines of in-the-moment changes and adaptations).

They listen to each other and adapt themselves to fashion the music. Each member's enthusiastic participation influences other members of the ensemble and the receptivity of the audience. The audience, in turn, influences the players with verbal and nonverbal expressions of appreciation.

The quality and creativity of the performance depends on all of these complex interactions. Emerging patterns, in turn, affect the performance of the next and successive pieces. Each performance is unique, but patterns are apparent." (Olson and Eoyang, 2001)

This metaphor would not suite any jazz band or any time the same band plays, but some bands in some cases are very close to this – then it is a great joy both to the musicians and to the audience. For years, when travelling around many countries for business, author of this Manual was always looking for jazz clubs in any unknown city – because these were always very friendly places. People are never aggressive here; they are open, readily communicate, but do not trouble one another. A good mood is an inherent feature of any true jazz club, probably because of the proper mix of nearly full freedom and a strict subordination to certain rules; equality and mutual respect; attentiveness to others' feelings and readiness to share your own; participation; responsibility for the general atmosphere; and so on – just the right way of being together!

In some training courses in the late 1990's, we used to play video records of jazz improvisation by big ensembles to illustrate the way people can work in a team. This analogy may extend to the whole organization. In this case, it is not just a team, especially when the organization is big. But it may be something like a meta-team, where all parts of the organization interact and are likewise members of a team. Such an organization would be a great place to work.

Chapter 2.5 Strategic Management

Decline of the 'traditional' approach

During the last half-century, the majestic term 'strategic planning' was so much in use by so many, that it finally got discredited, lost its sense and flavour and became an object of ridicule and indignation - although not many significant undertakings were successful without a strategy and plan.

Since the criticism was mostly related to the 'traditional view' or the 'Western approach', it became fashionable in the West to talk about 're-defining strategy' in a way that would make it effective for today's conditions. Neil Glass insists that "it must move from being a centrally developed detailed plan, cascading down to each operating level, to becoming a corporate direction or ambition that operational levels must refine and apply as best suits their individual circumstances." (Glass, 1998)

Edvin E. Olson and Glenda H. Eoyang think that, 'The use of traditional planned change approaches, driven by leaders with the help of change facilitators, has fallen short even when bolstered by formal (and expensive) programs such as TQM and re-engineering. The root of the problem has been the Newtonian legacy of organization-as-machine.' (Olson and Eoyang, 2001) No surprise that, based on the authors' key assumption that "Individual or system behaviour is unknowable, unpredictable, and uncontrollable", nothing remains for strategic planning - or for management at all – the field of the battle is left to consultants... Nobody knows yet if the proposed new cure called CAS (Complex Adaptive Systems) will be less expensive than, let's say, TQM. But it is good to see that the attention and respect given to the concept of self-organization is rising. Understanding the true order of things should also come one day.

The East has not had much to do with a 're-defining strategy', since the traditional Western approach had never been seriously rooted here as anything more than a form of socialistic centralized planning, which had little to do with strategic thinking and was abandoned two decades ago anyway. Since we have nothing to re-define, we will simply define what we mean by 'strategy' and 'strategic management'.

Definition of strategic management

With the respect to the Western roots of the discipline, let's start from Wikipedia, and try to find out if strategic management, even in the Western sense, is truly gone.

"The word 'strategy' derives from the Greek *stratēgos*, which referred to a 'military commander' during the age of Athenian Democracy. A *strategy* is typically an idea that distinguishes a course of

action by its hypothesis that a certain future position offers an advantage for acquiring some designated gain. *Strategic management* is the process of specifying an organization's objectives, developing policies and plans to achieve these objectives, and allocating resources so as to implement the plans. One objective of an overall corporate strategy is to put the organization into a position to carry out its mission effectively and efficiently. Strategic management can be seen as a combination of strategy formulation and strategy implementation.' (www.en.wikipedia.org)

We will now clarify what kind of actions can be referred to as strategic *course of actions*, where and how a *certain future position* can be seen and what kind of advantage it may offer, and which kinds of *designated gain* may be acquired through this advantage.

Everybody agrees that strategic actions can be distinguished from routine operational activity. From our point of view, this should be done not on the basis of the timeframe, not on the basis of the hierarchical position of the 'strategist', not on the basis of the importance of issue, but exclusively on the basis of the object of the change. If a manager has nothing to change – there is nothing to do from any management perspective, even a strategic one. If there is something to change – then what is it?

Let's see. An organization is going along its way. Some things are taking place occasionally or happening all the time - clients come and leave; the computer is broken; Nelly wants to meet with her boyfriend; the weather is wet today; etc. Some other things demonstrate certain trends or tendencies - anxiety is rising; client complaints are shifting from time of delivery to packaging; competitors have created a coalition; energy resources are getting more expensive; etc. Where is an object for strategic management?

Definitely it is not Brownian motion of each particle at each given moment – it is uncontrollable. The only controllable thing here is the space occupied - because it depends on the structure and temperature. Structure is controllable; it may give more or less room for chaotic moves. Temperature is also controllable. What determines the temperature in organization? The elements it is build from, such as people, equipment, procedures, technologies, quality of materials, rules, relations, timing, pressure, and so on. Are these things controllable? Most of them - yes. This means that a manager can to a certain extent control how much chaos of any specific kind can reside in the organization.

Being in a position to control some factors that frame chaos, he or she should be also in a position to influence the speed and direction of the drift. Therefore, a manager can control the form of *creod* by altering the landscape. Yes, landscape depends on many factors; some of them are

uncontrollable and even unpredictable - but controllable and predictable factors also exist and count.

The scope of predictability and controllability may be different. It may depend on circumstances and the real authority of the manager. It will also depend on his or her skills. But in any case his or her arena for action is what is predictable and what is controllable (always keeping in mind the opposite – what is not controllable and what is not predictable). Some things may be controllable directly and indirectly – let's say, one may order a subordinate to stay longer and finish an urgent job, or he may ensure that a subordinate knows that finishing an urgent job will be awarded – and the subordinate makes his own decision to stay longer. In the first case, the manager influences by operational action, using his formal power. In the second case, the manager creates a greater opportunity for a particular thing to happen – he creates landscape.

A fisherman may create a landscape by putting fodder in a certain place in the lake, thus ensuring the drift of certain fishes in a certain direction. It will be effective for an hour or a bit longer. Is it a strategic decision? Yes, of course. Another strategy may be based on changing the tackle - or changing the time of day for fishing. These would also be strategies because they do not affect directly what is going on, but rather, address why it is going this way. What is going on takes place once – it may be controlled by direct impact, then the next time similar impact must be repeated. If it is controlled by changing the landscape – then it may remain effective for a long time in the future without additional actions.

The main challenge lies in the fact that the landscape for organizational change does not exist in reality. It is only a virtual emanation from the mind - which uses a certain mental map and certain data about the current situation. The poorer the map is (or if very few maps are involved), or the less data that is available (or if the information is not reliable) – the less probable that the virtual landscape can be sufficiently accurate. This does not mean that a landscape has nothing in common with reality. It is a reflection of reality in a mental map (individual or collective). It was formed by reality. The more stable factors of reality are definitely fixed as stable elements in the landscape. The known laws of nature will be the same in a map and in nature. A lot of things are known. A lot of things are predictable. Summer will come after spring. Lowering salaries below the market price will result in losing the best workers. Old equipment without proper maintenance will cause waste, and so on.

Strategy is a course of action that influences predictable changes by addressing the landscape factors that condition these changes. Strategic management is the control and alteration of the force field in a way that would make desirable changes more likely to happen, and undesirable events less likely. A force field is alive; it changes every moment. Strategic management must

follow and control it every moment – instead of controlling symptoms and fighting consequences, which would not be the job of a strategist; it would be the job of a controller.

At the points of bifurcations, a manager may create or eliminate very small (but still to be crucial) factors at the level of fluctuations or substructures, and thereby guide further development. For example, a manager accidentally meets with an employee who is deliberating over an offer for a similar position in another organization. He may accept it because of some provisional gain. He may not accept it because there are some advantages in staying where he is. The boss, who ‘accidentally’ meets him in the corridor, may express a very positive mood and drop a hint about a possible promotion. Then the employee will stay. Or the boss may very warmly let him understand, how sorry he is that there is no chance for promotion in the organization, even for such a good specialist. Then the employee will leave. Either choice will change the situation. They may happen accidentally; or they may be controlled. Would it be a strategic course of action for the manager? We think - yes - because it will have a long-term effect on the organization.

The course of action is strategic when the object of action is a certain continual factor (or set of factors) that will influence the further development of events. It is also strategic when the object of action is possible bifurcation, because it also changes the landscape for the future. It does not matter who does it. Top managers are usually in a better position to change landscape-forming factors, although they are not in an exclusive position. The leader of a small team or head of a technical subdivision may also contribute to significant changes in landscape that are formed by factors controllable at their level. And bifurcations may be controlled by anybody who is smart enough. That is why many organizations move in directions determined by certain ‘grey cardinals’ (man behind) who have little official power, but control nearly everything that strategically counts.

Apology of strategic planning

Another characteristic feature of strategic management is that it is intentionality aimed at a certain future situation. It is directed by the desirable future position. Thus, the future position should exist somewhere in the mind of a manager as a clear objective (zone of comfort), or as a SMART goal (a point in the zone), or, at least as vain dream. Where does this optimistic hypothesis (that a certain future position offers an advantage in acquiring some designated gain) come from?

Let’s see. An organization is proceeding along its way within a given landscape. If the manager is doing nothing – one of several possible future states will come in time. If only one future state is possible, or these future states are all equal in value, and any one is good enough – then there is nothing for the manager to do. The best strategic course of action then will be to do nothing (as General Kutuzov did after Napoleon trapped himself in the cold Russian winter).

If the possible results are not equally attractive, then one of them may be more desirable than another (for whatever reason) and the task of the manager appears – to ensure that *creods* allow reaching this end and bifurcations on the way are passed properly. Then there is no time to sleep. Most force field forming factors are continuously changing, often in an unpredictable manner, and a lot of accidental fluctuation or somebody else's irrelevant intent can control the choices at the points of bifurcations. A manager's course of action must be somehow organized. Would a strategic plan help in this case? Yes, of course. But the plan will be valid only for a short period of time – as long as the picture remains essentially the same.

In any case, reality is not a landscape. It does not 'roll out over time'. It is just a certain force field at any given moment. The visible landscape changes, as visibility for a driver on a road changes as the car moves. The driver continuously revises and corrects his 'plan of action' based on the changing view and corresponding prospects, but his actions are determined not only by planned intentions, but by the actual situation – what is on the road? If it is in accordance with the 'plan' – then the actions follow the 'plan'. If something is different – then the plan must be immediately revised – and the actions shall follow this new plan.

A plan is a kind of bridge between the perception of the current situation and an image of a desirable situation, built on certain assumptions about how things are and in what type of world we live. In the case of stereotype behaviour, a "plan" exists in the form of a firm program and integrates stimulus and expected usual results. In the case of emotional behaviour, a plan does not exist and is not needed (accidental choice). The only zone where conscious planning makes sense is the zone of rational behaviour -then it is a matter for rational choice and involves a decision-making process.

Decision-making requires criteria. Possible points of designation, even on a virtual map, must have certain values (parameter **B**). Where do these criteria come from? How they are arranged? It all depends on 'who is paying the piper'. Natural self-organizing systems strive for survival. Non-governmental organizations are looking for sponsor contributions or appreciation in a public arena. Business units may look for profit or for market share at a given stage of development. Public sports facilities may be needed to keep teenagers busy or to provide entertainment for adults.

One thing is clear – defining these criteria and even making a choice about the desirable end is rarely a job for a manager at the executive level. Whose interest will he represent? Which map should he use? His own? 'Designated gain' does not exist apart from the person for whom it is a gain. Let him take a part in decision-making.

Thus, the whole strategic management (planning and implementation) process must involve the following stages:

- a) Setting criteria and priorities for development (why we exist as an organization).
- b) Preparing a certain mental map (an applicable model reality).
- c) Analysis of the current situation (where we are).
- d) Rolling out a virtual provisional landscape (what can be, providing nothing special will be done to change the force field).
- e) Making a strategic choice about the desirable future state on the provisional landscape (formulating a vision of where we want to be at a certain time; this may be done in the form of an objective or set of objectives). If this was successful – go to stage ‘g’). If there is no acceptable end to choose from – go to the next step.
- f) Evaluation of a range of possible interventions that would change the landscape and provide a more or less realistic perspective that would include a desirable future state among possible options. Create a new provisional landscape for consideration. Then return to stage ‘e’.
- g) Determining the general path (sequence of *creods* and bifurcations) to the desirable state (policy formation).
- h) Finding out which core factors (parameters, aspects) of the given landscape should be addressed to adhere the landscape and create a path for desirable development (identification of strategic discomforts).
- i) Diagnosing problems and opportunities that should be solved or utilized in order to make necessary adjustments to the landscape.
- j) Solving problems and making decisions regarding a sequenced set of specific SMART goals, based on the evaluation of realistic trajectories that are to be reached.
- k) Planning and carrying out necessary actions to reach the goals (implementation).
- l) Continuous supervision of the changing landscape and analysis of the relevance of the strategic choice (if not – then go to the stage ‘c’), the general path, the defined problems and opportunities, the goals and plans (if not – then go the corresponding stage to repeat a cycle).
- m) From the given landscape (as it is seen at any given moment) looking forward for bifurcations, planning and implementing necessary actions to control what will happen.
- n) Analysis of each new situation (where we are).
- o) Checking and evaluating expected results against criteria (do we have what was wanted?).
- p) Determining and evaluating unexpected results (do we need to eliminate new additional discomfort that appeared as a result of our actions or accidentally?).
- q) Celebration of success (if there is any), or move to stage ‘c’. (If not...).

Everything is like an everlasting problem-solving spiral in a continuously changing organizational environment. And it is like that because any real problems are strategic ones. They are about causes, which form landscape, and not about consequences that manifest themselves as various symptoms and discomforts. The strategic management of organizational development involves setting objectives for development, solving corresponding problems or utilizing opportunities, and holding the reins well in hand, especially at points of bifurcation.

As our favourite Wikipedia states, “strategy formation and implementation is an on-going, never-ending, integrated process requiring continuous reassessment and reformation. Strategic management is dynamic. It involves a complex pattern of actions and reactions. It is partially planned and partially unplanned. Strategy is planned and emergent, dynamic, and interactive. Some people (such as Andy Grove at Intel) feel that there are critical points at which a strategy must take a new direction in order to be in step with a changing business environment. These critical points of change are called *strategic inflection points*.” It is just great. Not so old-fashioned at all, is it?

Who shall do it?

Any manager at any level of an organization, if he or she as a manager is responsible for something, shall be a strategist. This responsibility is shaped (or should be shaped – see Chapter 1.3) by a set of parameters that should be kept within certain limits or should reach a certain level. These define objectives and criteria. Any manager operates in a certain organizational environment and depends also on certain external circumstances. That constitutes the force field. Projection of this force field into the future through the manager’s or his team’s mental map gives an image of the landscape.

Any manager, if he has at least something to do, should be able to influence some of factors creating landscape parameters, and he is always able to influence the choices at bifurcation points. If the parameters that are supposed to be under his control deviate from the state that ensures a necessary landscape for desirable changes – then he has strategic problems to solve, and may look for strategic opportunities.

Any manager must solve his problems by elaborating and evaluating alternative courses of actions, making rational choices, planning and organizing his own and others’ activities to implement them, monitoring the situation along the way, evaluating results, and so on. There is no dilemma of a ‘top-down’ or ‘bottom-up’ approach. Anyone can do it, if he is a manager. Everyone should be involved if he is a member of an empowered learning organization. An organization as a

whole must do it, if it is a self-organizing entity. And, of course, it always takes place, consciously or not. The concept of strategic management may be easily linked not only to problem solving, but also with all previously discussed instruments – product development, building up co-operation, client relations management, developing an organization from the outside, quality management and TQM, reengineering and structuring around processes, teambuilding, empowerment, organizational learning, changing organizational culture, or inner quality management. It may also be easily associated with such concepts as reactive and proactive behaviour, corrective and preventive actions, single- and double-loop learning. Let us leave this as an exercise for the thoughtful reader of this manual.

Chapter 2.6 Training for Organizational Development

Responsibility of consultant and trainer

Organizational development is the life of some and just a business for others. Managers do it, because they must do it. The place and time is determined. They have no choice. They are more or less qualified for such a job. However, they may need external assistance. In practice, they always need it, because managers are rarely in a position to organize and manage all kinds of human processes that must be initiated and conducted to achieve certain ends. When the needs are understood (or at least recognized as vague feelings), and managers see somebody who presumably may help – then the demand arises and a great hunting season for consultants and trainers results.

The term ‘manager’ marks a certain kind of job, not a qualification grade. We have discussed the peculiarity of this job. Now we will agree on what we understand about consulting and training as jobs. Let’s ask the ‘free encyclopaedia’ first:

“Management consulting... refers to both the practice of helping companies to improve performance through analysis of existing business problems and development of future plans, as well as to the firms that specialize in this sort of consulting. ...Management consultants generally bring formal frameworks or methodologies to identify problems or suggest more effective or efficient ways of performing business tasks.

Training refers to the acquisition of knowledge, skills, and attitudes as a result of the teaching of vocational or practical skills and knowledge that relates to specific useful skills.

Organizational Training and Development is the field concerned with workplace learning to improve performance. Such training can be generally categorized as *on-the-job* or *off-the-job*. ... An advantage of off-the-job training is that it allows people to get away from work and totally concentrate on the training being given. This is most effective for training attitudes, concepts, and ideas.’ (www.en.wikipedia.org)

Thus, the one who pretends to help organizations through analysis of existing problems and development of future plans may be considered a consultant. Sometimes (especially when the attitudes, concepts and ideas of personnel must be addressed) the help may take the form of designing and conducting training. Before this, somebody should help the provisional client understand that training is needed.

The challenge lies in the fact that 'training' in general is not even a trajectory – it is a policy (see Chapter 2.1) that may include any number of possible or imaginable training events. To talk about rationality with respect to policy is nonsense. A specific training event that is especially designed to address the given situation in a given organization and is conducted by this particular trainer – is already more like a specific trajectory. It may be rational or not. But the client never knows the answer. The consultant, who tries to convince the client of the necessity or usefulness of training, may also be ignorant with respect to the issue, but is supposed to be a bit more qualified for making such a judgment (of course, in the form of 'advice' that may or may not be accepted). It is very much like a relationship between a doctor and patient. The doctor may advise surgery for the patient, because 'otherwise the only end is the lethal one' - and then gently ask if the patient agrees with the 'advice'. They may play this kind of game, but everyone understands that the patient's agreement only means accepting risk. But this agreement cannot be interpreted as accepting moral or professional responsibility for the rationality of the advised trajectory. The key issue is confidence.

Thus, the real decision of the client is not a decision about doing or not doing training and which kind of training is needed – his decision is related to the selection of the consultant. The choice may also be rational or not, but in this case a manager is, or should be, in a much better position. If he does not know the consultant well enough, or does not trust him – what is the reason to discuss the possibility or necessity of training with this consultant?

It all imposes special responsibility on the consultant who tends to give somebody advice or agree with a request to design and conduct a training intervention. His professional and moral responsibility relates to recognition of the case as being relevant: *a)* to training intervention as a way of addressing these actual issues; and *b)* to being qualified as a trainer for this particular organization under these particular circumstances. Both choices (on product and delivery) should be rational ones. They both may involve risk. But the risk should be justifiable.

Thus, another responsibility of the consultant is to diminish the risk as much as possible by his/her corresponding design and delivery of training. The client accepts his part of the responsibility as related to participation, technical conditions, etc. If the client and consultant disagree on who should take part in the training, or how long the training should be – then it might not happen. Would anybody justify a physician's decision to prescribe the wrong treatment simply because the patient 'asked for this treatment', or the doctor wanted to 'satisfy the patient'?

Peculiarities of organizational development training

Any training may contribute in one or another way to the process of organizational development. The American Society for Training and Development manual gives a list of possible 'learning

interventions': natural experience, experiential learning, on-the-job training, simulation, role-play, laboratory training, classroom training (live or virtual), and self-study (Robinson and Robinson, 1998). The kind of training that the author and his colleagues have done over the course of last ten years is not on the list, although it could involve most of the applications mentioned above. We are going to discuss this training in a bit more detail. But first we will distinguish it from other categories of training events.

The key question for us is always: 'Why do organizations live the way they live?' What should be addressed by organizational development training? One of the most important issues is usually related to the way people think about the organization and themselves.

People act in the way they think is rational for them, however: What they think depends on what they know.

- What they know depends on what they see.
- What they 'see' is a matter of perception of facts – not facts themselves.
- What they perceive is a matter of interpretation (also misinterpretation or ignoring perceptions).
- What they 'see' depends on what they think.

There is a cycle. It may be a rising spiral of organizational learning. It may also be a vicious cycle of organizational decline (consider 'groupthink' as an example). And it may be a kind of organizational stagnation, when further movement is blocked by old ways of thinking. Positive incentives are balanced by inertia of the cycle - then a cycle must be broken to give way to the spiral.

We often observe that an organization remains where it is, although this state is not comfortable any longer; the organization could and should be somewhere else. They can, in fact, get some additional funding, hire new people, change technology, or the way they work with clients, etc. – but it does not take place, because everything seems to them to be how it should be. What members of the organization (and the organization as an entity) think about themselves, colleagues, bosses, subordinates, clients, procedures, products, mission, and the construction of the universe, etc. – directly influences their behaviour and the end results. That is why it should be addressed by training.

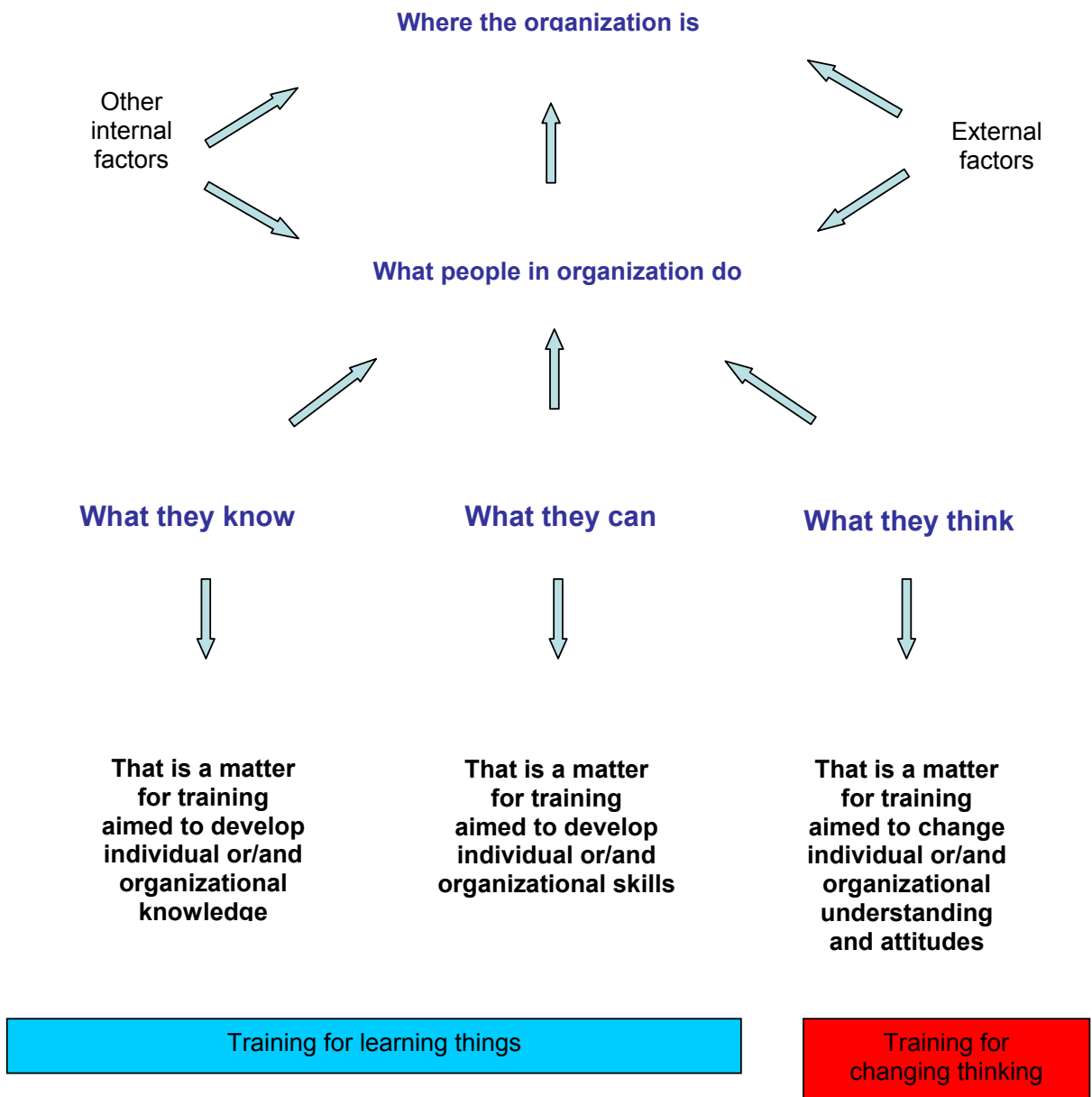
The first step in initiating organizational change is *to expand the base of acceptable patterns* of organizing and behaving – enlighten people in the organization about matters they have never learned before (or never had a chance to think about before) – this may cause certain changes in the understanding and perception of reality and a corresponding change in behaviour.

But these changes would not happen simply because other possible patterns of the organization and its behaviour exist somewhere in reality or in somebody's beautiful mind. These other patterns must be considered as relevant, realistic, and worth following. They must deserve following, particularly if the efforts required are not too great in comparison with the results that may be achieved (basic rationality).

When a new way of organizing and behaviour requires new skills – the barriers may seem to be insurmountable and the final result not so attractive ('the grape is immature, anyway') - the new truth may be considered 'good in theory', but not worth following in practice. Thus, other boxes are related not to the mind, but to the hands – people and organizations do not try to do what they cannot do, unless it is a matter of life and death. They tend to look for ways that they already know and use technologies and skills they already have.

Therefore – the second step in managing organizational development is *to expand the base of available behaviours* that involve corresponding technologies, organizational arrangements and skills. In some cases, learning new skills may be a sufficient precondition for corresponding changes. Consciously or not, some people may think that how they do something is more convenient for them than any other way. But if their knowledge of options increases, their thinking may change. Very often nothing except new skills is needed for a change to happen. But it is not always so easy. Changing technologies may require considerable investment or cause a lot of expenditures and inconveniences. Changing the organizational arrangement may require implementing new procedures, formal and informal structures, ways of interaction and collaboration, etc. - a lot of headaches for the leadership and seemingly useless efforts for those in the organization who do not think these changes are absolutely necessary.

Thus, the way that people live in organizations depends on many internal and external factors. Among these factors, there are three crucially important one – what they know, what they can do, and what they think about what they can do. All these factors may be addressed by the corresponding training interventions.



Picture 24. What training can address

In fact, any training allows participants to learn something, and any training may cause some change in thinking – in the table above we just emphasized what training may be designed to do. It may be aimed exclusively at learning things – e.g. requirements of newly passed legislation and/or how to apply them in practice. It may be aimed exclusively at changing thinking – instead of thinking that they annoy one another due to limited space in the office; they should start to think that they annoy one another due to irrelevant behaviour.

Changing thinking may require learning some new things. However, the new ideas will be valid and accepted as a catalyst for change based on the participants' own experience only. It may be previous life experience, or experience received during the training event. Although organizational changes may be implemented by administrative force – following the official regulation or experts' advice – training intervention is about creating an internal drive for change. Then the potential for self-organization will emerge and the necessary change will happen in a more natural and effective way.

Basic distinctive features of two categories of training are presented in Table 1 .

	Training for learning things (To acquire knowledge and skills)	Training for changing thinking
Program/ content	To be determined by the client in advance	To be determined by the consultant during the course of a workshop
Key knowledge and information resources	Owned by the consultant	Owned by the participants
Participants	Those who want to learn, and/or are assigned by an authority	Those who are needed for a particular impact (identified by the consultant in collaboration with the management)
Involvement	Outcome is usually in linear proportion to the number of participants	Outcome is non-linear – it may be zero or a disaster if there is not sufficient participation to achieve an 100% result

Motivation	Each participant wins something – no serious reason for resistance	Some participants may lose a lot – their resistance is inevitable
Criteria of the event's success	Participants' satisfaction at the end the course + acquired knowledge and skills	Participants dissatisfaction with the way they worked before + relevance and sufficiency of the acquired knowledge and skills for implementing change
Results	May be seen and measured at the end of the course	Will be seen and may be measured in 1-3 months after the course
Follow up	Not needed for participants or may be an additional advantage	Mandatory
Key role of trainer/consultant	Teaching or advising people what and how to do	Enabling people to decide on their own what and how to do

Table 25. Training and training

Doing training is not developing an organization yet. Training may create some necessary pre-conditions for organizational development, but the main job is still to be done after the training course by the people in the organization and by management. This job would include proper selection and development of staff members; changing the organizational structure and procedures; changing information systems, technology and equipment; changing relations with the external world; building teams, learning various skills, etc. Not everything may be addressed by a training intervention, but often nothing happen before an intervention creates the necessary mindset and organizational readiness for change.

Getting acquainted with the organization

The main challenge for any consultant who dares to intervene with training or advice in organizational development is the lack of information about the organization in the wider sense – not only about its official statements and formal organizational charts, but the real structure and substructures, real stakeholders and their wants, real relevant political or economic environment in all its complexity, etc. It goes without saying, that a consultant should review for all available resources, meet with shareholders, bosses, clients, members of the organization, their friends or

neighbours. But he will never know if he knows enough. Thus, an honest consultant will always behave in a way that supposes he may be non-adequately aware.

Preliminary meetings with leaders of the organization are absolutely necessary and very important, but they never give a sufficiently full and accurate picture. Over the course of 25 years of consulting, the author has never met a boss who would not be mistaken about even the basic features of his organization and the main problems it faces. It is a bit like what parents think about their children – they assume they know them well because they have known them for a long time – and that is usually wrong. It is natural that organizational pitfalls are located in the same places, where leader's mental maps are deficient – that are why they cannot see these pitfalls or diagnose the causes correctly and so they allow them to exist.

However, a leader is a part of the organization. If he or she stays with the organization long enough – a certain correspondence between the personality of the leader and the features of the organization is inevitable. A consultant may make a number of reasonable assumptions about some actual issues and how they are most probably addressed in the organization – without asking direct questions. Like an observation of the eye retina allows diagnosis of all organisms, thus observation of a leader, and to some extent any other member of an organization, may give information about the remaining whole.

Of course, the best way to understand what is going on in an organization is to perform a management audit to answer many important questions and get in touch with people in the organization who could supplement the formal assessment. Our methodology for a management audit includes main parts, such as *assessing effectiveness factors* (mission, clients, products and other system's outcomes; quality and quantity requirements and how they are met; position in the market or community; human outcomes; stakeholders' satisfaction; survivability criteria), and *assessing efficiency factors* (an organization's overall design and real structure, inputs and critical resources, costs, technology and procedures, leadership and empowerment, teamwork, culture, etc.). Such an audit takes time and costs money, but provides valuable information about an organization. As well proved in practice, even considerably small organizations may be fraught with a number of surprises for their bosses. Unfortunately, a full management audit of an organization is rarely possible.

Anyway, advance information can never be complete, and unpredictability and chaos remain in their place. Any serious design of a training intervention will take in account these circumstances. What will definitely happen when a trainer will meet participants for the first time – is an outburst of information that may drastically change some preliminary assumptions. Even when the meeting is repetitive and nearly everyone in a group is familiar to the trainer – a single new member, or

absence of one who was previously present, or different external circumstances, may change the balance and help to flush out the full picture. Thus, our general and principal rule is – never think you know everything that is important for the training that is going to happen. Some relevant things will happen, or will come to the surface, only during the training.

People in a group know much more about how things are in reality. They never need a consultant to explain to them how things are (remember the story of consultant who counted sheep for the shepherd?). They would rather tell the consultant. What they may need, and often expect from a consultant is assistance in understanding why something is like it is. That is a very difficult point - because the consultant normally has no answer. He or she is not a part of the organization. He or she does not know the actual story, the cause, how it appeared, what other factors are involved, and so on. It is a kind of paradox – during the course of training – all relevant information belongs to the trainees, and not to the trainer. All mistakes also belong to the trainees (and may be supplemented by the trainer's mistakes). Mistakes usually relate not only to matters of facts, but to perception and interpretation of facts. The trainer may misinterpret the facts just because he or she lacks information. Something was said to him. Something else was hidden.

Once we had a group of trainees from a regional administration. They were learning how to solve problems and had found themselves in an absolutely hopeless bind with the issue they were working with; it seemed to be very tangled, too complicated and absolutely vague. As was discovered with the trainer's assistance, the only obstacle was that one member of the group, who proposed the issue for discussion, could not disclose one small but essential fact related to his boss. Without this small information they could make only absolutely irrelevant conclusions (as consultants' conclusions often are).

The trainer should resist the temptation to give direct advice. Instead, he or she should ensure that all relevant information is culled from the participants and is available for common use during discussions. For the trainer himself, it is the best way to understand what is actually going on in the organization. Observing the trainees' behaviour, listening to them, making notes, provoking discussion in a direction that sheds light on shadowy issues - that is the primary objective for a trainer if he wants to know the organization and be really useful.

Usually when a group of people from an organization pass through a 2-3-day training, they discover a lot of new things about themselves and their organization. Some things that were somehow always known but not addressed for a long time come to the surface and require solutions. A trainer may be able to give assistance in finding these solutions. That is what training is about for participants - to learn how to interact together and find solutions for organizational problems. It is not about getting advice about how to live and how to work.

Training design and delivery

Training design depends on training objectives. The objectives may be different. We are only going to discuss the type of training intervention that we called 'training for changing thinking', which is organized as a kind of collective cooperative exercise for all relevant members of the organization, not as learning events for only some of them.

The main objective of such an intervention is removing mental barriers that prevent people from finding new and more adequate ways of organizing and operating. These barriers are well protected by cognitive dissonance that will deny anything that seems to be difficult to implement. The interests of those who do not need any change to happen also protect these barriers. The challenge for the trainer is to make these things at same time being both understood and accepted as real, relevant, and inevitable.

This is another paradox with training for organizational development. Training should create an understanding that the current situation is not satisfactory, and generate a feeling of discomfort among participants. They will feel badly about the way things are in their organization. That will create motivation to do something to change the given state to a better one. It is a bit like taking the zone of comfort (as perceived by members of an organization) away, thus initiating attempts to move forward and reach it again. However, the same discomfort that should motivate change will create cognitive dissonance and additional feelings of discomfort about the training itself. People may understand consciously that 'sooner or later we will do it, anyway'; 'it is nothing but truth, and we should have addressed it long before', and so on – but still feel dissatisfied. Sometimes it may cause serious stress. Once more, it is like surgery – being useful, even inevitable, and well understood as such – does not mean being pleasant. Organizational consciousness is more similar to a child than an adult (the child is very vulnerable...). General narcosis is impossible. Still, the job has to be done. This requires very serious preparation by the trainer. He should be qualified as a trainer, feel well, be in a good mood, very attentive, and extremely positive with respect to every participant.

Still, the trainer is only the second most important resource for training. The first is the group itself. For organizational development matters the group should include everyone who is needed to make the discussion sensible and any mature decision possible. Who is needed depends on the issues that are going to be addressed, but at the beginning of the process it is always very important that all leaders of the organization participate. If owners or politicians are involved - they should also participate. The participation of opposition and enemies, if they are going to stay with the

organization, is also mandatory. There is no sense in doing training for organizational development if those who oppose the necessary change are not involved.

Another important resource is time. This is often linked with money. But the time is more important. Training is the process. Any process needs a certain amount of time. Some processes cannot be stopped half way and continued somewhere in a future, let's say 'next month' or 'when we have time'. One more analogy with surgery suggests itself – if there is not enough time to complete the process, then isn't it better not to do a cut at all?

When training intervention is considered as one of the general instruments for facilitating organizational change (not an urgent surgery for a special occasion), then entry points may be different. In our practice, it was always very good to start with training on Problem Solving (after a general introduction and overview of all main aspects of the organization and all main managerial tools). This training produces a lot of relevant information for planning the following interventions, gives participants motivation to apply very effective instruments, allows them to understand how useful and enjoyable it may be working in a group with others (even not experts in the matter), and so on. But this training is very hard. Nothing is more difficult, both for trainer and for participants.

Another good entry point proved to be Customer Service and Quality Assurance. These themes allow the right emphasis from the very beginning. Communication Skills and Internal Relations Management are safer, easier to start, easier to manage, allow participants to get acquainted, but cannot produce very serious impact to overcome inertia and initiate the process of real organizational changes.

With the Strategic Management course we usually prefer to complete the cycle (the whole cycle takes about 4-5 training interventions over the course of about a year for most organizations), but sometimes it was the best option to start working with the organization. This happened when only top management and shareholders were involved in the first training. In general, it is always better to start the intervention from the training for top decision makers. Their involvement and commitment then becomes a good sign for others.

Control during the process of training is also specific. One cannot control whether the situation is where it supposed to be at a certain moment in time because nobody knows where exactly it should be at any given moment. Conventional 'training for learning things' may follow a fairly predictable path in accordance with a pre-designed agenda – and produce more or less standard expected outputs. Organizational development training should be pre-designed in as much detail as possible, keeping in mind however, that it will never go that way. It is not a plan for a trip on a well-known road. It is rather a plan for finding the way through an unknown forest. Thus,

checkpoints, turning points, bifurcations and other tricks should be preinstalled in this careful design. Proper 'navigational equipment' (such as a trainer assistant, who is always watching what is going on and may be ready on a very short notice to contribute with a topic that was not on the initial agenda) and additional supplies are also needed. Whatever the agenda for such training, we normally prepare about twice as many materials 'just in a case' – and still what may be needed is not always available.

Naturally, improvisation plays an important role in organizational development training. There are at least three main reasons for this: one is uncertainty at the beginning of the process; the second is unpredictability that is caused by inevitable chaos; and the third is the request for the training to be 'freshly made', just for this occasion, at any moment and just for this moment. This is a service, not a pre-manufactured article; something alive, not canned. Sometimes, just to maintain the feeling, improvisation may be like an Indian raga, where 'full freedom' for the musician at any micro-moment is strictly framed by hundreds of years of unchangeable rules, designed a long time ago for this specific raga, and remaining the same, although never repeating. It may also be, if forced to, more similar to free jazz, when nobody knows what may happen in the next moment. Thus, a trainer should cope with the art of improvisation, but never misuse it – there should always be as much improvisation as is needed to ensure sufficient flexibility and keep the process going in the right direction overall, never more. Training is not a jam session where musicians play for their own pleasure, although some trainers do so. 'Interesting things', life stories, throwing out smart advice and clever sentences are often only a technique to mask the trainer's inability to keep the process under control. Trainees may even appreciate the show, but the client will not be satisfied with the results. Thus, in training as in any other serious business, doing fun things is okay, but doing 'right' things should be priority.

Following up

Getting feedback from participants is extremely important during the training course, because it is the primary precondition for keeping the process under control. It makes the least sense at the end of the course, when everything that could happen has already happened. That is why 'happiness reviews' at the end of a training (which may be a part of a political game, or the request of the sponsor, or attempt to mask the usefulness of the event) do not make sense for the professional. It is a bit like asking a patient if he enjoyed an enema. Of course, it is not bad at all if participants are happy at the end of the course. It is very good. But it is not a criterion for success. To produce happiness at the end of such an event is much easier, than to give a positive impact for the development of the organization.

When the course was a success or viewed as such, and participants returned to their work places, the emotions of those who took part may spread and reach the trainer in the first 2-3 weeks after the event. It is pleasant, of course, if emotions are positive, but still does not say too much. It is too early to make any serious conclusions. 2-3 weeks of euphoria is common. Then the flame may burn out and nothing of the intended changes actually takes place. To get feedback after 1-2 months makes much more sense, also because it is time to start designing the next intervention. As witnessed by our experience, arranging the next training workshop after two months is a bit too early; after four months is definitely too late. The optimum is usually somewhere around three months. Some clients want it much sooner, after three weeks; they want another dose of training to achieve euphoria, instead of doing the hard job and getting euphoria from their own results. We call such clients 'course-o-holics' and seek not to allow them to misuse this way of getting to positive emotions

Real development of an organization is such a captivating exercise that people in the organization may be so busy and excited with it, than they forget about trainers and consultants and do not ask for the next course until a year or more. However, organizational development may still go on at full speed. That is a success, as a physician is successful if former patients remember him well, but do not need him any longer. Here is another paradox of organizational development training. What to do? Let's look for new clients – there are a lot of them around who need us.

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SUPPLEMENT 1

**Open Society Institute / Local Government and Public Service Reform Initiative (OSI/LGI)
Center for Local Government Studies (SPTC)**

MANAGEMENT AUDIT

METHODOLOGICAL FRAMEWORK FOR MANAGEMENT AUDIT IN LOCAL GOVERNMENTS

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(Abridged version)

Preamble

The effectiveness and efficiency of local governments directly depend on the factual content and organization of their activities. Any serious attempt to improve operation of the local administration in CEE and CIS and enhance their capacity in dealing with local issues faces the need to have a clear description of what is taking place at the outset of the project.

As our experience says - most of the things that look normal and obvious to officials are in fact very questionable. The actual scope of activities never fully complies with the existing legislative regulations and with demands of life. Local governments, while complaining about the budget deficiency, do many things that they formally should not do, and fail to do some things that are really obligatory for them.

Organizational structures and corresponding patterns of organizational behavior are often inherited from the previous regimes or transitional times of total disorder and accidental organizational decisions. One could see unreasonable layers of hierarchy and even less reasonable partition of integral activities into separated functions.

Many organizational procedures were designed to please supervising institutions, bosses or officers themselves - not the clients. These procedures are far from being effective and transparent. They provide unlimited possibilities for waste resources, and often provoke corruption.

Measures that are established to keep public informed and involved are often insufficient or even substituted with the opposite ones – to ensure that public would not know how certain decisions are made. Personnel management is often based on executing orders and maintaining obedience to chiefs, rather than on any objective criteria of success in performing corresponding tasks.

Both external (national, federal etc.) legislative framework and internal regulations are often very tangled, unclear, and provide no guidelines to assess the performance of the personnel and find out where the poor results are caused by the lack of motivation and skills, and where they are just consequences of the deficient organizational order.

Thus, considerably serious and costly projects of organizational capacity building in local governments should be necessarily based on a more or less complete assessment of the current state of things. By analogy with international practice of the assessment of management system according to a certain set of rules that comes from the best practices (e.g. ISO 9001), such an assessment may also be called a "management audit".

Local governments, which are committed to make investments in improvement of their functioning, demand for such an audit. It may also be initiated by the Councils who want to know if the executive branch is well organized and performs its functions well.

In other cases, the executives, who plan organizational changes, want to have a complete and clear picture of the actual state of things, their roots and grounds. What is necessary and what is voluntary, what is regular and what is accidental? What is considerable for changes and what is a "mile stone"? Where and when do most of the pitfalls occur? Is there any room for improvement of effectiveness and efficiency? Answers for these and many similar questions are far beyond the obvious, and they are extremely important.

Organizational assessment may be useful at any time, but after the elections, when new leaders come to power and intend to utilize the advantage of having considerably 'free hands' for changing some or many organizational decisions, such an audit is usually most welcomed.

All these things look obvious, and one could only be surprised, how little is done in developing of management audit tools in respect to local governments in CEE and CIS. These methodological recommendations are aimed if not to fill the gap, then to start doing it.

Part 1

Introductory theoretical framework

The very term audit comes from Latin audio, and refers to a hearing of oral evidence. Nowadays, the term became common in modern English and many other languages in a sense of “inspection, correction, and verification of business accounts by a qualified accountant” or, in a more general interpretation, it means, “to inspect, correct, and certify (accounts, etc.)” (The New Collins Dictionary and Thesaurus, 1991).

Allan J. Sayle, one of the leaders in the field, who has been acknowledged as a pioneer of “value-added auditing” gives the following explicit definition:

“A management audit is an independent examination of objective evidence, performed by competent personnel, to determine:

a) Whether or not the auditee:

- Is assisting or is capable of assisting the company to achieve its policies and objectives.
- Is capable of or is assisting the company to fulfill its contractual and legal obligations.
- Has integrated management systems to do so.
- Is effectively implementing those systems.
- Could eliminate avoidable costs and continuously improve.

And b)

- The risk of continuing present practices in tomorrow’s world.
- The probable efficacy of planned strategies, practices, systems in preventing avoidable loss.

It is also:

- The true and fair presentation of the results of such examination.

... Audit is a fact gathering exercise and, when conducting audit, it is vital constantly to remember that one’s aim is:

FACT FINDING, NOT FAULT FINDING.

... Everybody in organization has a product. Everybody in organization is responsible for the quality of his or her product, as well as the costs they incur, and must, therefore, manage both their own work and themselves properly. Effectively this means that everyone is a manager, regardless of whether staff control comes under their delegated responsibilities. ... The independent audit, therefore, serves the needs of people at all levels since it provides them with information concerning their management of their work.” (Allan J. Sayle, Management Audits, 1997, p. 11)

Although this definition was, probably, made having in mind business “for profit” organization, most of the ideas are fully applicable to local governments.

Any local government has certain managerial capacity to govern, and, consequently, more or less limited ability to ensure that declared policies and objectives are achieved, and all legal and contractual obligations are fulfilled. Thus, the match of capacity with the scope of responsibilities is a legible point for the audit. Are they able to do what they must do? Although in most cases local officials complain about national legislation, budget deficiency and other external limitations, they often fail to do, or do well enough, things that nobody and nothing prevent them from doing, or do better – they just cannot manage this.

On the other hand, having considerable managerial capacity does not automatically means using it. Local administration operates under the supervision of politicians and central governments. Any managerial actions may have the impact to the services provided to the public, but not only. Political and other administrative consequences may be also considerable. We have witnessed in some local governments that management does much less than it is able to do, being paralyzed by contradictory and risky political environment, or inappropriate control from central government institutions. Although we do not consider political environment and government’s behavior as the object for management audit, the audit itself can help to determine the difference between the

necessary and possible scope and level of services and the actual scope and level of services. Do they actually do what they have to and could do? Why do not they do the things that they have to do?

Another question comes alongside to complete the picture – Do they really do only the things that they have to do in accordance with the legislation and if something more – then why? Such inventory of activities helps a lot to disclose the obstacles for proper operation or cases of misconduct. It allows improving the range of activities and use of resources drastically.

The point for the next question – How do they do it? – Refers to the given level of performance. Do we have just individual improvisations that are based on individual considerations and may be successful in some cases and unsuccessful in others, or, alternatively, we have a set of definite management systems (structures, procedures, plans, criteria, etc.) that are based on organizational assets (tacit knowledge) and ensure a sustainable quality of operation? Thus, the assessment of a compliance with the request for any given order of making decisions or way of action in any specific aspect (as being understood and consciously accepted and controlled) - has a lot of sense. Any given order may be established in a form of a procedure, instruction, plan, agreement etc. It may be very simple. It may even fix the notion that there is no any definite order of making a certain decision or performing a certain operation, but, therefore – there should be clear criteria and a sufficient level of the control of the results, and also visible accountability of those who are directly responsible for the results to be achieved.

On the other hand, having excellent written procedures does not automatically mean using them. Thus, the question – Do they follow established procedures, and if not – then why? – is also eligible. This is exactly about having managerial systems effectively implemented. The common supervision of local government operations addresses usually the compliance with national legislation and regulations and answers the question if one or another decision or action is legal or not. A management audit has to answer the question if the organization really functions in a controllable manner. It refers to the issues, which are fully, or partly regulated by national legislation as well as to the aspects which are left for discrepancy of management and the issues that are fully in the hands of local administration. So, if the results are not satisfactory – is it caused by bad legislation, bad procedures or rather by ignoring given legislation and established procedures?

Whether or not the organization is able to eliminate avoidable costs and continuously improve is also a good question in respect of the local government administration. In practice, it means the presence or absence of the system of regular objective evaluation of results achieved using the resources that were available. The question is – Is the organization efficient and does it have the system for continuous analyzing and improving of its efficiency? The answer would also include certain assumptions related to the factors of effectiveness, which were basically addressed above. A management audit cannot revise the scope of activity in a sense if those things are worth to be done. Politicians must do it. But whatever is done may produce or not the expected results (be effective or not), and may involve reasonable or unreasonable costs (be efficient or not) – that is the business of management, and the matter for the management audit.

The true and fair presentation of the results of an audit is even more crucial in respect of local governments than in case of any other institution. Such presentation may have a great impact on the local government effectiveness and efficiency. It also creates specific challenges. On one hand – it is not possible to keep findings of the audit in secret. That may complicate the process of gathering information and prevent openness in collaboration with the staff. On the other hand – political opposition against those, who have ordered the audit, may use the presentation of the results. When political situation is unstable, consequences of an audit may be hardly predictable, and the fear of harm from discovering certain facts or from misusing the findings by other parties is always present. Nevertheless, a wider view on audit as a measure for discovering useful facts (Where are we with our management system?), not looking for faults (Who did something wrong?) may help to ensure right mind settings from the very beginning of the process.

A specific pro and contra management audit in the local government is closely related to the specific features of the management in local governments.

We have already mentioned several reasons why we think a management audit in local governments makes sense. The basic one is that management is management, and it can be good or bad everywhere, thus it may be assessed everywhere according to a certain set of requirements related to effectiveness and efficiency, and, normally, may be improved everywhere by means of such assessment.

We must also mention some arguments of those who think that there is no sense in a management audit in the local government. The basic objections are related to *controllability* of actions and *measurability* of results.

When local administrations are totally dependent on current political leadership, their rights are not protected, the code of conduct is not established, and the very notion of professional carrier does not exist (substituted by the idea of 'good relations' or 'being our guy') – it is common to say "We can not control anything, we just do what we are asked to do, we do not have money to do something else, we do not have a power to decide how to do it better, ...etc. ". Politicians think that they cannot control administration because it is corrupted and unprofessional, because "they do not like to work" and "they can not work"... Officers think that they cannot control the issues because politicians are interfering all the time, and so on. However, the deeper reason is the question of responsibility. Those, who are not in position to control anything, can not be considered responsible for the results – thus those, who try to keep off the responsibility, always insist on pure controllability of issues. They are afraid of a management audit and they hate the very idea of auditing them.

When the only considerable result of any work is to keep bosses (political or administrative ones) pleased – then any other result loses its importance. Those, who serve the bosses rather than provide services to the public always prefer to think and say that they work well if "there are no claims or rebooks from the heads". They *report to someone*, and are not *responsible for something*. Consequently, it has become 'impossible' to decide if streets are clean or dirty, if schools teach children well or not, if the water supply is good or not, if the environment is safe or not, etc. All these things have become the matter of "merely opinion", and there is likely no one who can prove that his opinion is better than the other one.

The byword has become "you can not satisfy everybody", so, it does not matter how many there are unsatisfied people with your services; there is no point to measure it – just keep one satisfied – your boss. This result should be under the control, it should be estimated all the time. All the rest is just a trouble and unnecessary complication. Such civil servants are also afraid of a management audit and hate the idea of auditing them.

Finally – if an audit is needed or not – it is a political decision, which is to be done by the top management or political leadership. They may adhere to the position that the results of local government activity are not measurable and not controllable – then nobody is really accountable, and, of course, nobody needs any management audit. Or, alternatively, they may hold the opinion, that results are measurable and controllable, they are responsible for them and need to find the best way how to manage them. Then the management audit is very much in request. And our business – just to carry it out well enough.

Part 2

Factors of effectiveness

Introduction

Local administrations are involved in certain activities and manage provision of certain services. These activities and services are normally defined by the national and domestic legislation, which is directly related to local self-government. There may be also other laws, which broaden or expand, limit or specify the areas of local government responsibilities. In addition, extent and characteristics of certain services, which are provided by local governments, might be defined by normative acts and state programmes issued by central government or regional state institutions. For example, there are above 150 items of national legislation in the Ukraine, which directly specify one or another activity or responsibility of local governments.

In addition to national legislative requirements, local governments usually can accept additional responsibilities, if it does not contradict the provisions of law.¹ However, resources of local budgets may be used exclusively for purposes that are approved by the Council, because only the Council may decide where to direct money, which is raised through taxation. Therefore additional activities may be carried out only with the approval of the Council, which is not always the case.

As our experience shows, besides these two main sources, which regulate the activities of the local government, local administrations are often involved in other activities, which are not foreseen by the law and not approved by the legislative bodies of the local government itself. It may be done just because these services were provided by the local administration before, and after changes in legislation they are still provided, although the local administration is not obliged to do so anymore. In other cases, there may be someone's interest to manage a certain service as local government business, and appeals to public interest are used for camouflage only.

Thus, any local administration should function in the framework defined by the law and the Council (within the limits provided by the law). They have to do everything what they shall do, and anything what they can do in addition, with the given resources. However, when local administration is involved in any activity, which is not defined by the legislation and not approved by the Council, it should be interpreted as illegitimate waste of resources. Usually, they would do it for the account of other services, which are obligatory, thus deterioration of such services would not be justified.

Auditor's tasks:

- To examine, if the actual scope of activities complies with the requirements of national legislation and legitimate decisions of the local council.
- For each case of non-compliance, to find out the reasons.
- To check out, if the system of monitoring the external legal requirements (in terms of what the local government shall do) and incorporation them into internal regulations, is established and effectively implemented.

Auditing procedure

The auditor can find out legislative requirements for the local government in two complementary ways – through examination of the existing legislative acts and through questionnaires distributed to local government officials (they are asked to list what they do and why they do it).

¹ This notion is fixed in European Charter for Local Self-government.

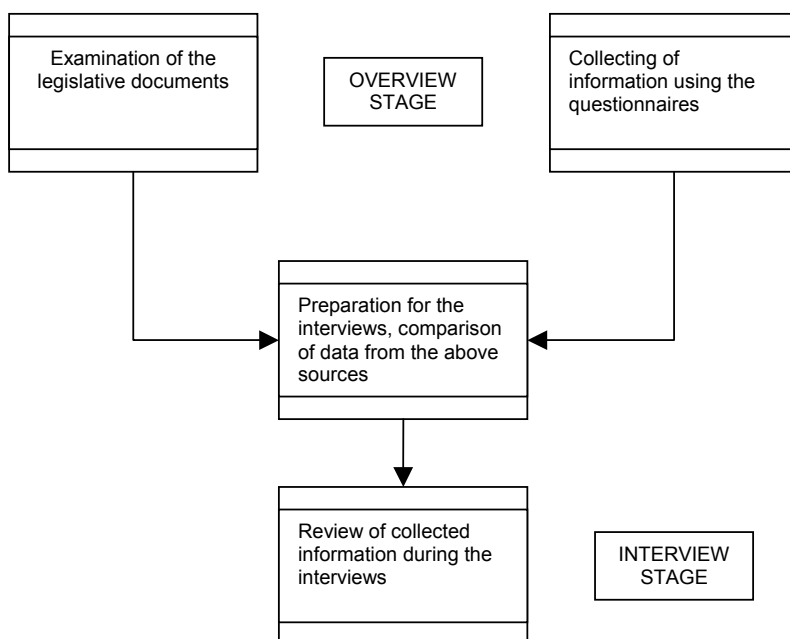


Diagram 1 Auditing procedure (first two phases)

During the overview stage the audit team shall make an inventory of legislative requirements, which indicate duties, responsibilities and functions of the local governments (terms are often very much mixed and uncertain). Among the main sources for preparation for such an inventory one shall use Constitution, Local Government Act, Statues (where available) and other laws and regulations setting specific duties and responsibilities for the local government. If comprehensive and clearly structured description of legislative environment is not available from external sources at the very beginning, thorough examination of legislation should be planned and implemented at the overview phase of the management audit.

Legislative acts do not describe, as a rule, clearly enough what local governments shall do, just indicate, instead, that the local government “has a right”, “has an exclusive competence”, “is responsible for”, “shall execute” etc. The level of ambiguity should be considered creating the list, and later, when the auditors examine how legislative requirements are implemented. Therefore the auditors shall not only have a list of documents regulating the activities of local government, but also have to compile a list of specific requirements listed in these documents and formulate them as clearly as possible. Results of such examination may be presented in the table (see Form 1).

At the same time (at the overview stage of the audit), a questionnaire may be distributed to the employees of the administration. The questionnaires for heads of the subdivisions and questionnaires for employees of the subdivisions should be different (see Form 2 and Form 3).

After the analysis of the information from these sources the auditor may have a preliminary understanding about the scope local government administration’s activities. This information should be verified during the interviews with the personnel as described in the following section.

What do they do?

Questions for the auditor (in respect to each department/ subdivision within the scope of the audit):

- Which services do they provide? To whom?
- What is the scope and amount of the services? How does it comply with legislation?

- Do they do anything more than what is prescribed by laws and governmental regulation and decisions of the council? Why? Who has decided to do it?
- What are they not doing? Why? Whose decision was not to do it?
- Who and how supervise that current legislative requirements are known and implemented?

Auditing procedure

The information on what local government (or the part of it, which is under the audit) should do is collected at the overview stage (as described above). Many internal documents, which describe the functions of departments, may supplement findings of the overview phase and help to define the areas of responsibility for each subdivision more or less certainly. These documents include statutes, decrees, divisions of responsibility, and decisions of the council regarding executive bodies, and other rules and regulations.

Information about the actual activities and services of the local government administration may be collected using the questionnaires and interviews with the personnel (see diagram Nr.2).

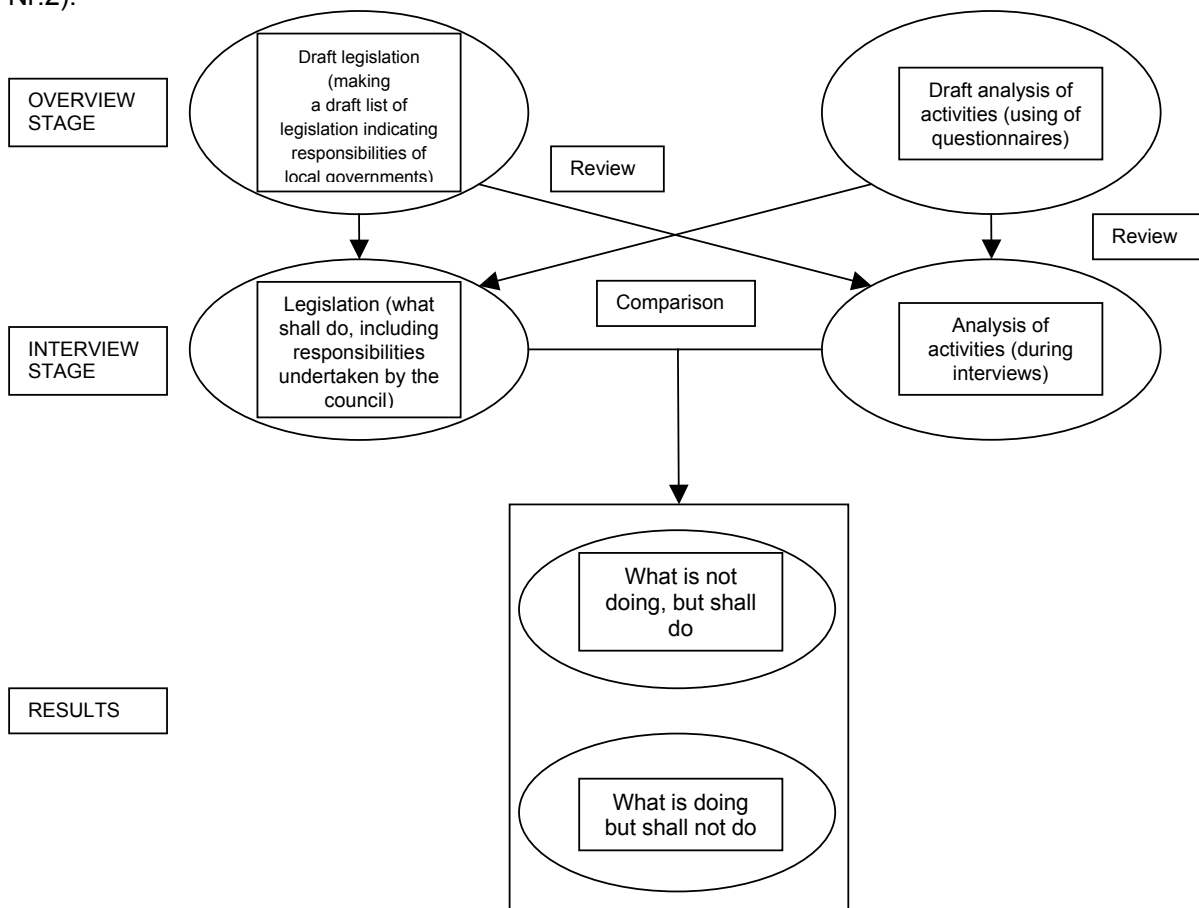


Diagram 2 Auditing process

Before conducting the interviews the auditor crosschecks the list of legal requirements and the questionnaires and preliminary assigns certain services to the subdivisions, which are most likely to provide these services. If any of the services are not mentioned in the answers to the questionnaires, the auditor should ask about it during the interviews: does this department provide not the service or was it simply forgotten when filling in the questionnaires? Is it provided by any

other department or not provided at all? Any reasons about not providing the service should be identified and recorded as clearly as possible.

During the interview, the auditor may keep the questionnaire at hand and examine the duties “one by one”. The employees of subdivisions are asked about their duties and responsibilities (there no sense to analyse the functions of an employee if she is responsible for provision of a certain service), the heads of subdivisions are asked about services provided by the subdivision, and responsibilities of their subordinates (the answers of employees and their bosses are usually different).

During the interviews in subdivision, the auditor examines if the indicated services are provided and to what extent, how they are measured or evaluated (more details related to this aspect can be found in the following sections). For example, “provision of housing” may be mentioned in the questionnaire as the actual job. It may mean, in fact, creation of queue of those who are eligible for special inexpensive credits supported by the local government or state, for purchasing houses, because actual provision of municipal housing is not planned at all for the nearest years.

The audit is a fact gathering process; therefore the auditor should not only collect orally made statements of auditees, but also try to find the corresponding documented evidence. Documented evidence could include various reports, plans, statistical information on services, various registers, where information is recorded. Documented evidence is needed for the auditor to prove better any of the findings or conclusions, and should be collected thoroughly.

If the auditee claims that certain functions and services are provided but cannot give to the auditor any documented evidence, it should be specially indicated in the auditors notes. When presenting the audit results, the auditor should stress that he/she was told that certain service or function existed, but were not supported by any evidence.

The auditees sometimes tend to describe their activities based not on the facts of life, but on their assumptions of how corresponding things should be done, how they are requested to do it, or how they plan to do it later. Therefore, questions like “Is it functioning right now, could you give me concrete examples?” or “When do you plan to do it, where is the plan fixed?” should be asked if the auditor is not sure that the auditee is talking about the actual situation at the moment of the audit. Otherwise the auditor might be collecting not the facts, but opinions, wishes and assumptions of auditees, which is also interesting, but not relevant to the mission.

Using the list of local government responsibilities the auditor may find that certain services are not provided by the local administration. It should be clear after the audit why these services are not provided. For example, the reasons might be:

- Ignorance (nobody knows that certain requirements do exist);
- Given requirements are contradictory to other requirements;
- Requirements are considered to be obsolete and therefore inapplicable;
- The same issues are addressed in some other way, differently from the requirements of the law (the personnel may think that the same results are achieved anyway; etc.

In any case the auditor should explicitly ask about the services if he/she can not find the responsible subdivision or personnel. Finally, only a clear recognition of the top manager (on corresponding level) that this service or function is not implemented at all will be considered as a sufficient proof. However, more often these services or functions, if the law requires them, may be implemented formally, and no one would like to recognise that they do nothing in this respect.

If some of the requirements are disregarded not because of ignorance or negligence, the auditor should find out who took the decision not to do it. On the other hand, the service may be not included into the questionnaire, just because there is no need in it. I.e. the local government might be responsible for financing of hospitals on its territory, but there is no one to be financed....

After the interview stage the auditors should have sufficient information to compile two tables, where it is indicated which legislative requirements are met and which subdivision does it (Form Nr. 4), and the legislative requirements that are not implemented by the local government (Form Nr.5). Any activities by the local administration, which are not prescribed by the law or approved by the Council, should be recorded in the separate list (Form Nr.6).

In the column named "Comments" additional information should be provided (partially implemented requirements, reasons for not implementing requirements, the officials who have decided not to implement the requirement etc.)

Measuring results (quality)

Introduction

It is not enough to examine the service provision procedure. Therefore we are examining how the results are measured and evaluated, and how this data is used for the further improvement of the service provision process.

The audit should not define the characteristics or indicators, which could be used to measure quality. The organization itself can do it better, because it is related to its objectives and priorities. Creation of quality measurement system is prolonged and complicated process, which is not a part of management audit.

What needs to be audited

- Are there measurable quality characteristics defined for the services (time, quantity, accessibility, courtesy, tangibles, frequency etc.)?
- How are quality characteristics identified? How is it related to the objective setting process and measurement of customer satisfaction?
- How are services evaluated when they are difficult to measure?
- Are the quality characteristics clear, unambiguous and measurable? If there are contradictory characteristics, how are priorities defined?
- Are the quality characteristics monitored and measured at the level of municipality, at the level of subdivision? How and how often?
- How are the non-conformance of the service provision identified and recorded, managed? How are corrective action implemented?
- What is the system of continuous improvement?

The auditor's task is to examine the system of service quality measurement, and what indicators are used, but not to evaluate the quality of the provided services. Any information about measurement of service quality should be used only to evaluate the existing system and not to make conclusions about the actual quality of the services.

It is especially valid in case when quality measurement is not implemented at the municipality level for all the services, and therefore the information collected about some services cannot be compared with the information about other services quality. I.e. if in one case a survey of customers is used to measure quality of the service and in other case the basis of measurement is expert evaluation.

Auditing procedure

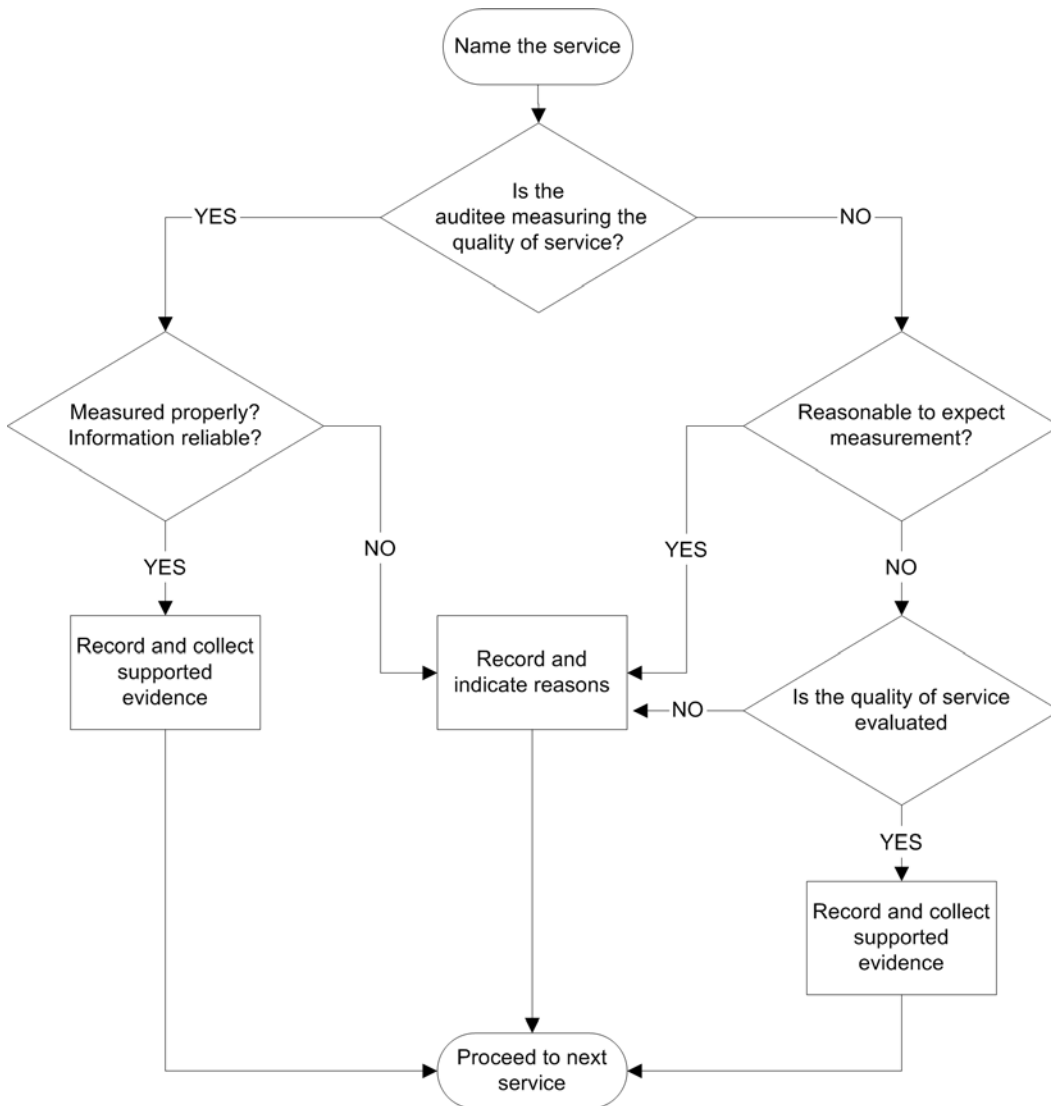


Diagram 5 Auditing procedure

Information is collected during the interviews using Form Nr.10. the overall scheme of auditing procedures is shown in diagram Nr.6.

Quality refers to various attributes and characteristics of outputs such as reliability, accuracy, timeliness, service courtesy, safety, and comfort.

If the interviewee is not comfortable with the definition of quality characteristics, the question might be reformulated to: "how could you describe how the high quality (name concrete service) service could be defined?"

The auditor should examine how these characteristics were established:

- There are internal normative acts, which define the required characteristics of the service (approved by Council, head of administration, head of subdivision). The auditor should check if these documents fully define characteristics of the service or define only some of them;

- Service characteristics are established by common understanding what service characteristics should be, and they are not documented;
- Service characteristics are defined using the customer surveys or other methods of customer consultation;
- Service characteristics are not defined and not clear for the interviewee (very broad, undefined).

Only after the definition of general service characteristics we can examine if they are measurable.

If the service quality is measurable, the auditor should examine if any measurements are done, what methods are used, and where the data are collected. The auditor should explain the interviewee that not only the measurements required by the external bodies are of importance here, but also the measurements, which are used for internal purposes. Any documented evidence, which could support the statements of the auditee, should be collected.

Not all services and service characteristics are measurable. In case when service characteristics are not measured (because they are not measurable or difficult to measure), the auditor should examine what other ways are used to evaluate the quality of services. Any documented evidence should be collected, which could support the statements of the auditee.

The measurement and evaluation of service quality might not be effective if the results of the measurements and evaluation are not used to improve the quality of services. Therefore in case of the measured services, the auditor should ask how the data collected are used to improve the quality of services and describe the related procedure (if it exists).

Measuring results (quantity)

What needs to be audited

- Are there quantitative results of municipality, every subdivision defined?
- Are these results measured?
- How is the information from results measurement used, analysed, what is its influence for planning of processes?
- Is “relevant, timely, reliable, and complete efficiency achievement information reported for evaluation, strategic decision making, and accountability”? Is “appropriate corrective action taken promptly”?²

Answers to these questions allow understanding if the local administration has possibilities to evaluate how the defined results are achieved and to use this information for continuous improvement.

Auditing procedure

Information is gathered during the interviews with the heads of subdivisions and employees (only if the service is provided by one employee) using the form Nr.10. If the subdivision provides more than one service, every service should be examined separately.

A direct question is asked during the interview: “How do you measure results of the particular service?”

² Auditing of Efficiency. Office of the Auditor General of Canada. October 1995.

Answers to this question will vary from very precise to very abstract. I.e. “the result of the service is the distribution of social support to 3000 families each month” or “the result is the improvement of people's cultural level”. In case of a very abstract definition of the result the auditor should ask if there are more precise (quantitative) definitions, because the interviewee may think that the question is about the mission of the subdivision. Additionally, the auditor may ask if the defined result depends on the work of the subdivision. I.e. a specialist from the department of industry and entrepreneurship (Chuguev) claimed that their result is the absence of debts of the city's enterprises to the budget of the municipality and state, although the subdivision is only collecting and distributing the related information.

Only if the auditor is assured that the result cannot be formulated more precisely, he can record the abstract definition of results, and claim in the audit report that there are no quantitative criteria for evaluation of the service results.

Negative formulation of results may point to the problems related to the measurement of results. In most cases negative formulation of the desirable result is not achievable or is ambiguous (absence of customer complains may mean that the department is working well, but also that complaints are not recorded).

The auditor is not only collecting opinions of the employees about the criteria used to evaluate the achievement of results. He needs to understand and report if the results are defined and the criteria exist. It is of up most importance during the preparation of the audit report. When there are no clear criteria or the interviewee provides various possibilities how the results COULD be measured, although it is obvious that nobody thought about it before, the auditor should record this information correspondingly: there are no criteria, criteria are of very general nature and not measurable, criteria are inadequate, criteria are not documented, although the interviewees provided their opinion that as criteria the following data could be used etc. It is important to separate evaluation by the auditor from the opinions provided during the interviews.

Special attention should be given to the processes with contradictory criteria for evaluation of results. I.e. in department of manufacturing, trade and domestic services one of the criteria for evaluation of results is decreasing number of fines to the shop-owners, and another is increasing revenues to the budget from the fines. It should be examined if there are priorities set, when contradictory results are present, and who have set the priorities.

Part 3

Factors of efficiency

Introduction

DEFINITIONS	Efficient – functioning or producing effectively and with the least waste of effort. ³ Efficiency – relationship between the result achieved and resources used. ⁴
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The management audit in relation to efficiency factors aims at:

- Discovering the overall organisation of local government administration activity;
- Providing objective information for improvement of corresponding areas.
- Identification of needed improvements in existing procedures and work processes for better use of resources

To achieve the last aim the auditors should have enough information for comparison of the service efficiency with other local governments or alternative providers of the same services.

The audit of the factors of efficiency may be divided into the parts, based on the aspects, which directly depend on management and affect efficiency of local government operations:

- Organisational structure;
- Organisational procedures;
- Measuring quality and quantity on the level of public services (external customers);
- Measuring quality and quantity on the level of internal operations (internal customers);
- Measuring costs.

Organizational structure

Introduction

DEFINITION	<i>Organisational structure – arrangement of responsibilities, authorities and relationships between people. NOTE The arrangement is generally orderly.</i> ⁵
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As seen from the definition, the audit of the organisational structure should include examination of responsibilities, authority and relationships between people (and structural subdivisions). The auditor should examine:

1. General model of organisation in the municipality.

- What are the relationships at the highest level – between the officials of the local government (Mayor, Vice-mayors, Chairman of the Council, Head of Administration, etc.)
- What duties, responsibilities and powers do the highest officials have?

2. Subdivisions and principles of sub-dividing in local administration.

³ Collins dictionary, 1991.

⁴ ISO 9000:2000 Quality management systems – Fundamentals and vocabulary. 3.2.14. - 3.2.15.

⁵ ISO 9000:2000 Quality management systems – Fundamentals and vocabulary. 3.3.2.

- What is the underlying principle of subdividing: functional, process oriented, inconsistent, or occasional? How could each subdivision be described in this context?
- Are there any subdivisions, which have special status, different financing system, and different report/ accountability? Why? How many levels does the administrative structure have? What is the underlying principle of different levels of the administrative structure? What functions do the higher levels of subdivision have in respect to subordinated subdivisions?

3. Missions and objectives of the subdivisions.

- Are the missions of departments formulated? Do the people in departments understand these missions?
- Are there clear objectives set for each level? What is the objective setting process? Do the objectives of the subdivisions contribute to achieving the overall objectives of the local administration?
- Do the subdivisions and every employee have their own objectives? Are the objectives documented? How are they decomposed in specific goals and targets?
- Are the goals SMART (specific, measurable, attainable, relevant, and timed) and monitored? How?
- What is the work planning system at the administration level? If the formal unified system is not established, how do the departments plan their work? How does the planning system correspond to the objectives, responsibilities, structure?

4. Responsibility and authority of subdivisions and units.

- Is the formal scheme of subordination consistent with the actual situation?
- How and where are the responsibility and authority of subdivisions and the staff defined? Is the division of responsibility full, clear, unambiguous?
- What duties do the subdivisions have? Are there any overlapping responsibilities of subdivisions or 'nobodies' jobs'?

Auditing procedure

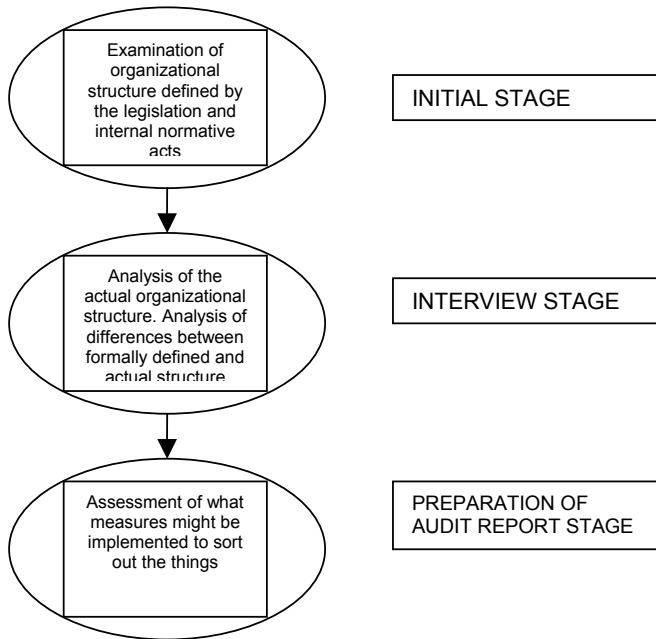


Diagram 3 Auditing procedure

Auditing of organisational structure contains the following steps (diagram Nr. 3):

- Examination of organisational structure defined by the legislation and internal normative acts (Initial stage).
- Analysis of the actual organisational structure. Analysis of the differences between formally defined and actual structures (Interview stage and Preparation of audit report stage).
- Analysis if there are any obvious reserves for improving efficiency: *reducing layers of control, speeding up decision making, empowerment, and creating more shared services* (Preparation of audit report stage).

Information for organisational analysis may be collected during the interviews with the employees and heads of departments. Form Nr. 7 and Form Nr. 8 may be used.

General model of organisation

General principles of the local government institutional structure are usually defined by the Local Government Act or other laws. Additionally, the institutional structure may be defined by the internal documents such as Statute of the Council or Statute of Administration (executive bodies). The auditors should examine these documents carefully before starting the interviews.

The auditors use the interview with the highest officials of local government (Mayor, Chairman of the Council, Head of Administration, their deputies – depending on the existing positions) to examine if the relationships and division of responsibility are defined enough by the legislation and internal normative acts, and implemented in practice in the same way.

The analysis is needed, because sometimes the highest officials may actually have different roles and responsibilities than the auditors may assume without the thorough examination. I.e. Deputy Mayor may directly control certain departments in the executive bodies, although the executive

bodies have a different direct manager (administrator). Thus, this analysis at the highest level helps to understand the division of responsibility, subordination and authority in the local administration, and common pitfalls, which may be caused by the given division.

Form Nr.9 may be used for these interviews. Additional written evidence, which supports the facts gathered during the interviews, also is worth to be collected (written orders, decisions, instructions).

Structural subdivisions

For the general information about the organisational structure the audit team should make an administrative chart⁶. Usually the administrative chart is officially approved, but it normally means the reporting scheme only. In some cases the officially approved administrative chart might be absent and the payroll of the staff divided in subdivisions may be used for that purpose. It may even be a very secret document.

In any case, the administrative chart provided by the local government itself may be not correct in terms of correspondence with the real structure (and usually this is the case). I.e. there may be “permanent vacancies”, departments and positions with doubtful subordination, the administrative chart may be outdated and not reflecting the actual situation. Therefore the audit team must check if all the positions and subdivision of the administrative chart are actual and in place, and the relation/ subordination is like the one in the chart.

Information on structural subdivisions may be gathered using:

- Official administrative chart;
- Interviews with highest officials of the municipality (Form Nr.9) and heads of the subdivisions (Form Nr.8).

One of the most important issues to examine is the principle of subdivision. Is it process based or function based? To examine these issues direct questions to the highest officials may not be sufficient. To determine the principle of sub-dividing auditors should use information gathered in all interviews, finding out how subdivisions are involved in various processes, what services they provide for internal and external customers, and how they do it.

The example of a function based subdividing system: there is a department, which deals with citizen complaints and another department responsible for housing and communal property. Customer complaints related to the housing goes to the department dealing with customer complaints, registered there, reported to the boss, and are passed to the department of housing and communal property, although complaints about the housing make 90% from all the complaints received by the department of customer complaints. The same housing department may everyday use the same cars, which, however, belong to another, let's say, the transport department, etc.

The example of a process related system: executive bodies are subdivided into departments based on services for the population, and every department, which is in charge for a certain service, also controls all supporting processes and resources, such as purchasing and finance management.

There might be cases, when several departments have the same area of activities, but deals with different aspects, i.e. the department of social affairs and the department of family affairs, both deal with distribution of social support to the same poor families. It is also common to have several subdivisions dealing with the same economic development. Then nobody is really responsible for the development.

The auditor should examine why this kind of subdivisions exists:

⁶ Also called administrative diagram, organisational structure diagram, subordination scheme etc.

- Is it an old system inherited from the previous times?
- Is the number of subdivisions necessary only to improve the position/ salaries of certain managers?
- Is there any other reason to have several subdivisions providing similar services or dealing with the same issue?

One subdivision may provide several services, both for internal and external customers. The auditor should examine why the subdivision has a certain set of duties and provides given services:

- Are these duties and services interrelated?
- Were these duties and services just added to the subdivision, only because it was unclear who should do it, or someone had refused to do them?
- Is this subdivision responsible for certain services and duties only because somebody formally has to be responsible for them, but nobody expects any real performance and output?

In most cases the auditors will find that the local administration has more than one level of administrative subdivisions (i.e. department – section – group). The auditors may use the same forms and techniques, which were described above, to examine:

- What is the principle for defining the levels of administrative subdivisions;
- What is the mission for any higher level entity rather than providing an office and honourable position for the boss;
- How are the functions and responsibility of the higher and lower levels defined.

To understand the principle of defining the administrative levels, the auditor might use additional questions (see in the section “Subordination”).

After all the interviews the auditor should be able to evaluate each subdivision according to the issues raised in this section.

Missions and objectives

The information about the mission and objectives may be collected during the interviews with the employees and heads of subdivisions.

During the interview, it is worth to ask a direct question - “What is the mission of your subdivision?” If the question seems confusing for the interviewee, it should be reformulated (Why is it needed, and to whom?). It is necessary in cases when the concept of mission is not very clear for the interviewee, or the interviewee is not sure if the mission is the same as policy, objectives or duties. If looking at the replies skin-deep, the auditor may record that the subdivision has no mission or that the mission is unknown for the employees. The management audit, however, aims not at examining if the theoretical concept of mission is clear for the employees, but how missions are defined and if the missions themselves are clear. Therefore the question about the mission should be asked more broadly, i.e. who internal and external clients are, and which results of the activities of the subdivision are the most important? Are the results, which the subdivision strives to achieve, clear? How do they identify them?

It is not possible to expect that the organisation will provide quality services, if personnel do not know where the organisation is heading and what the objectives are, what is the role of every single officer in realisation of these objectives. The information about the objective setting and planning system is collected during the interviews with the employees, heads of subdivisions, and highest officials of the municipality.

First of all, during the interviews with the highest officials of the municipality the auditor should check if any objective setting system exists. Even where the auditor can find a strategic plan of the municipality, objectives and targets set at the municipal and departmental level, it does not necessarily mean that systematic approach is employed. There may be only an accidental set of separated activities, for which different departments or officials are responsible. The auditor should examine the principles of objective setting: if we have here a top-down approach, when objectives of the separate units are set according to the municipality level objectives or bottom-up approach when municipality level objectives are set by collecting suggestions of separate units. If the auditor finds that there is no general objective setting system, he should examine how it is assured that objectives of separate subdivisions are interrelated; correspond to common objectives and strategy of municipality. During interviews with the heads of departments and employees the auditor verifies this information on the level of subdivisions.

The auditor should not be tricked by the existence of formal planning procedures and written plans of activities. If these are in place, the auditor should carefully examine for what purposes these plans were created. Plans may be created for daily or weekly control of routine activities of the department or single officer, but they may have nothing to do with implementation of specific objectives. Thus existence of some plans does not necessarily mean that it helps to achieve the goals of the organisation.

Planning of daily activities by the employees is also interesting, but only as much as it is needed to examine if the work processes are carried out under controlled conditions.

Responsibility and authority

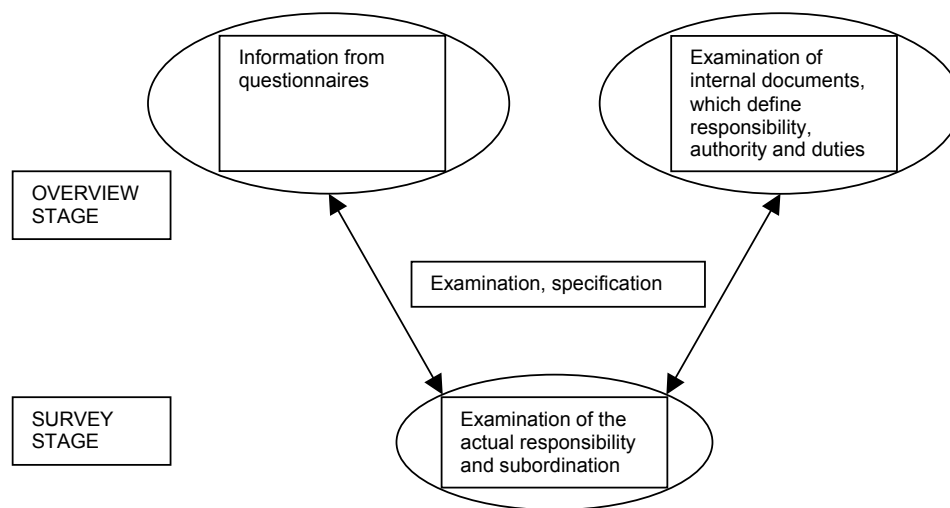


Diagram 4 Auditing procedure

Information on responsibility and authority of the employees may be obtained by using:

- Questionnaires;
- Internal normative documents;
- Interviews with the employees (see diagram 3).

Questionnaires are distributed and interviews are planned with every employee or employees of certain departments (depending on the audit objectives).

Questionnaires provide us with information related to the duties of every employee and services provided by each department. However, the use of questionnaires might not be successful in every case. I.e. most of the employees of one state owned enterprise have rewritten their descriptions of

responsibilities and have indicated that main normative documents regulating their functions are orders of the chief executive approving the descriptions of responsibilities. To avoid that kind of misunderstanding the questionnaire itself should be accompanied with the detailed description how to fill it in.

Usually, local administrations have various internal documents and regulations more or less defining the division of responsibilities and authority. These documents should be examined at the overview stage of the audit.

During the interviews the auditor shall review the information collected during the overview stage and make final specifications.

The auditor should examine which decisions every employee can take. In some linguistic contexts it should be made clear that not only written documents are understood as decisions. If the employee only prepares decisions, which are taken (approved) by other employees, the auditor should examine the decision making procedure. It should be clear what the "approval" means:

- Is it formal (only because the signature of a higher officer is needed according to the legislation or internal procedures);
- Is it needed only to inform the chiefs about the activities of the employee/subdivision;
- Does it mean that the person who approves the decision is fully responsible for it;
- Is it needed for any other purposes?

Another related issue, which should be examined by the auditor, is the scheme of subordination. Preliminary, the auditor might see the subordination relationships from the formal administrative chart. However, this administrative chart should be revised and the actual picture examined, as discussed in section "Structural subdivisions" above.

The audit of the actual scheme of subordination is based on interviews with the employees (Form Nr.7). Questions about the subordination should be formulated in a way, which assures that the interviewee is talking about the factual and not only officially defined relationships. The auditor should not be focussed on what the interviewee "thinks" or "believes" (although it might be important for other reasons), but on what evidence could support the opinion of the interviewee (i.e. written guidelines, decision making process, the way how documents should be agreed, specific situations, where the traditional subordination was changed etc.) Otherwise, when the auditor is not looking for supporting evidence, he risks that the auditee may not understand the question or objectives of the audit and will present the casual or wrong answer.

I.e. when asked about the direct chief, many lower level managers and specialists have answered, that their direct chief is the mayor (and named him by name and family name), however when asked what issues do they solve with the mayor directly or indirectly, it was found that they rarely see the mayor and do not solve any issues with him. After the reformulation of the question it was clear that the interviewees did not understand the initial question and thought that they were asked about the head of the whole organisation.

Or, an employee claims that he is subordinated to one of the departmental heads; however when he performs his functions he follows the instructions of the head of the other department, who formulates the objectives in this area and whom the employee directly reports.

Or, the employee indicates his direct chief, but the auditor finds out that, because of the specific nature of the services, he is subordinated only nominally, there are no relationships of subordination, the top management just did not know whom to make that employee subordinated, "because everybody should be subordinated to somebody".

To avoid this kind of problems, it is useful to formulate questions in the following way:

- Please name your direct chief(s) (use of plural might be meaningful, because an option to name several persons is not eliminated)?
- Please name your direct subordinates?
- What functions does your chief have in your respect? What can your chief do/decide from what you cannot do/decide? What decisions can your chief take in respect of your job? What issues should you co-ordinate with your chief?
- What functions do you have in respect of your subordinates? What issues cannot your subordinates solve without your approval/intervention?
- Who sets objectives/priorities in your work? To whom can you set objectives/priorities?
- Whom do you address, when you have difficulties performing your duties?

If there are many differences between the officially approved scheme of subordination and the findings of the auditors, an alternative scheme of subordination showing the actual subordination should be drawn down and presented with the report.

Organizational procedures

Proper management of the processes helps to avoid waste of resources and improve efficiency of local government operations; therefore the audit of organisational procedures should be necessarily included into the management audit programme.

DEFINITIONS	<p><i>Procedure – specified way to carry out an activity or a process.</i></p> <p><i>NOTE Procedures can be documented or not.</i></p> <p><i>NOTE When a procedure is documented, the term “written procedure” or “documented procedure” is frequently used. The document that contains a procedure can be called a “procedure document”.</i></p>
DEFINITIONS	<p><i>Process – set of interrelated activities, which transforms inputs into outputs.</i></p> <p><i>NOTE Inputs to process are generally outputs of other processes. NOTE Processes in organization are generally planned and carried out under controlled conditions to add value.⁷</i></p>

The selection of procedures to be audited and the level of detailization of examination will depend on the audit objectives. Auditing of organisational procedures may include:

- Examination of all administrative processes in local administration;
- Examination of some administrative processes.

In case of partial examination, it is advisable to focus on those processes, which are defined as most problematic according to the local government management. Several criteria may be used to identify the most problematic processes:

- Processes, which produce the largest number of complaints from the customers;
- Processes, where the largest number of errors occur;
- Processes, which results look least predictable;
- Processes, which hinder other processes;
- Processes, which create more suspicion about corruption.

When considering the partial examination options, it is also advisable to pay sufficient attention to service provision processes, rather than focus on internal processes only.

⁷ ISO 9000:2000 “Quality management systems – Fundamentals and vocabulary”.

Internal processes, sometimes, are more difficult to check, because they are usually understood as a daily routine and not as special procedures. Internal organisational procedures may include: handling of documents, handling of complaints, public procurement, training, etc.. Deficiencies in the internal procedures sometimes may be the core reasons for failure to provide services for external customers; therefore their examination may be important.

What needs to be audited

During the audit of organisational procedures the audit team should examine the following issues:

1. What services does each subdivision provide?
2. What are the customers (internal and external) of every service? Are they defined?
3. How and where are the processes defined? Why is this particular order chosen?
4. Are the responsibilities and authority defined in procedures?
5. Are there undefined areas in procedures, where decisions are taken arbitrarily, on case to case basis?
6. Flow of the procedure – description, why is this particular order chosen?
7. Are the documented procedures implemented exactly how the described, if not - then why?
8. How are the links with other procedures established? Are there overlaps with other procedures? Are there any duplicated activities (the same activities performed by two or more subdivisions, i.e. data collecting activities)? Etc.

The audit team must be aware that flowcharting of complicated procedures may take some time and not always it is possible to make them “on the fly” by interviewing one person. Therefore it could be necessary to make interviews during two visits, when the first visit is aimed at defining responsibilities, processes, services etc., and the second visit is aimed at reviewing the collected information and description of the main procedures. During those visits it could be necessary to review the audit objectives and previously identified main areas for analysis.

B) PROCEDURE IS WRITTEN.

Organizational procedures may be already documented using various documentation techniques, and may be present in various internal documents (regalement, regulations, service standards, written procedures etc.). Quite often parts of one procedure may be defined in several documents.

In case when procedure is written (documented), during the interviews the auditor should examine if the procedure is implemented, and clarify the points, which might not be described in the written procedure (such as criteria for decision).

Then the auditor decides if there is a necessity to draw a flowchart, collecting additional information and indicating deficiencies in the procedure as described above.

When the auditor finds that the written procedure is not implemented or only partially implemented, he should find the reasons why, and who made the decision not to follow the written procedure. The procedure might not be implemented, because:

- It is outdated,
- It is contradictory,
- Related legal requirements have changed;
- There are some other reasons.

The auditor must be aware that managers usually tend to present the wished situation as actual and it is not easy to understand it clearly from the interview. Therefore from time to time it is a good idea to ask a question “Is it implemented/working or planned/sought?”

All descriptions must be agreed with the staff members who perform the process in question or at least with the head of the subdivision. An approval here means not the approval of correctness of the process or its effectiveness but a simple approval that at the time of the audit the procedure is implemented in this particular way. The approval of the audit findings allows avoiding misunderstandings, which may occur, because of the insufficient qualification of the auditor or different interpretation of the received information.

Sometimes the auditor may get the answer that no procedures are needed, because the process is defined in the legal documents. However, in most cases, legal documents only have very broad definitions of responsibilities, and set general requirements. The more specific regulations are usually not implemented, because the more specified is the normative act, the more often it should be changed to reflect the current situation, and therefore many detailed regulations are not changed when the environment has already changed, and therefore the actual procedure does not match with the regulation.

So, if told that process is defined by the normative acts, the auditor should examine if the appropriate normative acts are implemented, and that the normative acts provide enough definition of the process including division of responsibility inside the organization, criteria for decisions and does provide guidance in case of non-conformance or cases when the general procedure could not be implemented.

A management audit is not aimed to provide consultations on how to improve the procedures, but rather indicates the problem areas, which are influencing the efficiency of the administration. Therefore, the auditor is discouraged to provide advice how to make the procedure work more efficiently or evaluate the procedure as “wrong” or “bad”.

Staff recruitment, evaluation of qualification and training

DEFINITION Competence – demonstrated ability to apply knowledge and skills. ⁸

What needs to be audited

The main question of interest for the auditor regarding auditing of the personnel related processes is “does the existing system assure that the work is performed only by the personnel, who have adequate competence”. The following issues are related to this main question:

- Are there requirements set for the competence of the personnel? In what form? Are the requirements clear and unambiguous?
- How is competence evaluated?
- How are the personnel training needs identified?
- How is training of personnel planned, organized, implemented and evaluated?
- Is there a formal staff recruitment procedure? Are there criteria for personnel recruitment established and maintained?

Auditing procedure

The information about the personnel related processes are collected during the interviews with the heads of the departments (Form Nr.8). If there is a department or other subdivision responsible for personnel related processes, a longer interview should be planned with the head of this department with an aim to describe the related processes.

During the interview with the personnel separate set of questions related to the personnel related processes should be asked as indicated in the form Nr.7.

⁸ ISO 9000:2000 “Quality management systems – Fundamentals and vocabulary”.

Competence requirements and evaluation

There may be many criteria used for employment of the new staff, namely education, professional experience, political connections, family connections, unofficial payments etc. It seems hardly possible to find out the real criteria used for selection of personnel during the interviews. Therefore the auditor should focus on the official procedure of recruitment, and try to find supporting evidence of functioning or not functioning of this system.

Thus, if we find out that the staff is recruited using only competence criteria, we should ask where competence requirements are defined, who defines the competence requirements, how competence is evaluated. Is everybody meeting these requirements, if not why? Using this questioning technique we can find some other criteria existing, for example, somebody works because there is only one year left until the retirement, and even if he/she does not meet official requirements nobody even thinks about making him/her redundant.

Again it should be stressed that the auditors are not judging the system of recruitment but simply stating the fact that there are certain criteria, which are not always employed for selection, preferably by showing examples of it.

Training

Training and qualification improvement of the local administration staff may be regulated at several stages:

- By laws and state programs (directed at all civil servants);
- Local administration procedures;
- Order for internal training set by the subdivisions of the local government.

During the interview the auditor should make clear that the training is understood both as in-house training and training provided by the outside organizations.

At first the auditor should ask if the interviewee is receiving training herself/himself.

If yes, then ask to specify what kind of training, who decided that training was needed, was it satisfactorily, how the employee herself/himself thinks what additional training he needs.

If no, then why: he does not need any training, the chief thinks that no training is needed, there is no money for trainings, and nobody cares about training or some other reason.

The heads of departments are asked to describe how training needs of their subordinates are identified, trainings planned and implemented and how the results of the trainings are evaluated.

Resources

Organizational structures and procedures and qualification of the personnel are the main factors influencing the expenses part of the efficiency of the administration. In the framework of these recommendations and at current state of their development we assume that all current expenses are "normal" in the context of the corresponding cultural environment and conditions of the market.

I.e. everywhere in the world the educated people are writing their letters on their computers, but not everywhere the educated people are working in the local governments. Expensive buildings and rooms might be used because of tradition, even if they are not needed for the scope and character of activities.

We assume that wages and salaries together with social security for employees are adequate and allow employing qualified personnel; that the number of employees in each department is adequate to the number needed; that there are enough computers – not less and not more than needed; that heating system in the building of local administration is economical.

We leave issues related only with the economy of the budget and other means for "internal audit", which should be carried out on the regular basis (question for management audit is whether the periodical internal audit is carried out to analyse the economy issues). Usually there are many people willing to do that. Everybody is an expert in economy of electricity.

On the other hand, it should be stressed that implementation of the strong control might have no influence to the efficiency of the local administration activities. Economy of fuel might have no influence on efficiency if the cars are not needed for providing certain services.

Therefore "economy" should not lead to decrease of efficiency and effectiveness of local administration operation.

Part 4

Overall organization and documentation of the audit process

Contract

Before starting any preparations contract should be made, where the following items must be specified:

- Responsibilities of the parties,
- Scope of the audit and results of the audit;
- Date of the audit (detailed schedule might be created later);
- Possibility for the auditors to access the necessary documents;
- Confidentiality requirements.

A contract should be made between the audit contractor and the audit group.

Audit objectives, scope

Audit objectives (what should be achieved) and scope (auditing of all subdivisions, some of the subdivisions, all activities, or some specific activities) should be clearly specified in the contract or some additional document.

Representative

The audited local administration shall appoint the person responsible for facilitating auditing process: arrange meetings; provide the working place for the auditors etc.

Schedule

Detailed schedule of all activities should be prepared before starting the audit. Detailed schedule should include:

- List of all audit activities
- Duration of all audit activities
- Responsible persons for all audit activities from both sides
- Precision of the schedule should be in days, and for the interview stage – in hours.

Questionnaires

According to the schedule questionnaires are distributed and collected by the audit group.

Questionnaires should be distributed for the employees 1-2 weeks before starting interviews. Backing of the top management through a memo or written order is considered important, because otherwise it could be perceived by the personnel as unimportant activity and answers might not be collected on time.

Information of involved personnel

All employees involved in the audit (interviewees) should be informed by the municipality representative about the audit, its objectives and the schedule. Written memo or order by the head of administration might be important stating the compulsory character of participation of all employees on specified time.

Interviews

Prior to interviews in every subdivision it is recommended to make a brief meeting with all employees, where the auditors would introduce themselves, schedule of the interviews and audit objectives (10 to 15 minutes).

Processing of collected information

After the interview stage collected information is analysed and corrected if necessary. Therefore the audit plan should foresee dates, when the auditors will go back to the audited subdivisions to clarify any issues left out or missed during the interviews.

Draft audit report

After the interview stage and analysis of collected information, the auditors should prepare the audit report. A draft audit report should be reviewed with the head of the audited departments. Auditors should take into account heads' opinions about the precision and correctness of the collected information. The review is needed to avoid the questions about correctness of the collected information during the presentation of the audit report, because even a relatively unimportant mistake may raise suspicion about the credibility of the whole audit report.

Final audit report

A final audit report is presented to the top officials of the local government. It is recommended to present the audit report in a broader meeting of the local administration staff, because it facilitates any actions of improvement based on issues indicated in the audit report.

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Supplement 2

Local Government and Public Service Reform Initiative (LGPSRI OSI)

Centre for Local Government Studies, SPTC, Klaipeda, LITHUANIA

Methodological recommendations on training

Design and delivery for local governments in CEE and CIS

These recommendations are elaborated with the view to contribute in the process of training practice development at the institutions active in providing in-service training for local officials in East European countries. They are based on the findings of “In-service Training Research Project in Lithuania”, which was supported in 1997 by Local Government and Public Service Reform Initiative of the Open Society Institute.

Recommendations do not cover all aspects of training and do not pretend to be the final truth; they just reflect authors opinion based on the research made in 1996-97 and their personal experience as trainers at the School of Democracy and Administration in Nida. The School was active since 1991 in providing in-service training for local officials and training of trainers for representatives of several countries of post-SU region.

The review of literature on the topic was not undertaken within the project. Authors do not intend to fall into discussion with other existing approaches. It is not an academic paper, but a piece of some practical advises for the consideration of those who may be interested. It is left to the reader to make comparisons with other points of view; his own practice in the field, and make corresponding conclusions.

Authors believe that successful training is always based on the consciousness, flexibility, and creativity of trainers and organizers of training events. Blind following of any hard framework of training programs or organizational patterns elaborated by others, even if it works sometimes and somewhere, may cause failures when target groups or technical conditions differ from the original design assumptions. This way is also a blind alley in terms of developing trainers themselves. Therefore, this paper is just an invitation to the dialog with partners.

Recommendations are focused on the training impact on organizational changes and building capacity of local governments in solving their problems when providing services to the community. Basic criteria for evaluation of the success of training lay in the changes, which will happen in working environment of those who have been trained. If there are no changes, the training tends to be useless - does not matter, how happy participants were at the end of the course. In fact, this

kind of training impact depends from emergent qualities of the whole system of training event, combined from the several essential interrelating components. These components are:

1. OBJECTIVES (What is the reason for training? Who orders it? Why? Which problems are to be solved in a course of training? What are clients needs? What kind of changes should be reached as a following up effect of training? Which criteria for the success of training were set up? Is it multi-criteria task? If so, how priorities are set up? What is the risk in a case of failure?)
2. RESOURCES (Time frame? Length of the course? Financial limitations? Training materials available? Trainers available? Technical facilities available: rooms, equipment etc.? Logistic facilities for trainees and trainers?)
3. TRAINEES (Who are they? Why do they come for training? How are they motivated? Do they have problems? Which internal or environmental barriers do prevent them from the more successful practice? What do they already know? How experienced are they? What do they expect from training?)
4. GROUP (Is the group big or small? Is it homogeneous in term of the main occupation or similar positions of trainees? Are they all from the same country? Are they all from the same local government, same department, or council? Is it accidental or consciously designed mix? What is the proportion of men and women? Variation of age? Political engagements? Which kind of conflicts may arise from the composition of a group?)
5. CONTENT (Which main combination of topics is delivering to meet the objectives of the course? In which proportion, an attention is paid to each topic or sub-topic? Which topics are obligatory? Which issues are usable for finding in a course of training realistic decisions of trainees' practical problems? Does trainer have enough freedom in term of re-designing the course? Is there any hidden agenda under the officially announced programme?)
6. ORGANISATION (How the course is organised in term of place, timing, combination with other activities, opening/closing ceremonies, possible distortions from the outside of the process, etc.? By whom the course is authorised or recognised? Does it comply with any pertinent official regulations or requirements?)
7. FACILITIES (Are there as many rooms as necessary for working in-groups? Are these rooms big or small, light or dark, calm or noisy? How are they equipped? Do the furniture fit to this

particular training proposals? Which technical means, e.g. video camera, TV-set, music, flipcharts; overhead projector, etc. are available?).

8. METHODS (Which methods are to be employed in this case? How much of own trainees' information and experience from their working environment may be used for processing? Which kind of new experience is to be created in a course of training? What kind of issues may be discussed in the groups? How many groups may be created? What should be processed individually?)
9. TOOLS (Which instruments will trainer use? Brainstorming? Discussions? Case Studies? Inventories? Aids? Handouts? Games? Demonstration? Simulation? Questions and Answers? Action Planning? Humour? Why these ones? How are they balanced?)
10. PROCESS DESIGN (How the topics taught or touched upon are combined in a process chain? How the beginning of a course is organised and trainees got involved in the process? How midterm responses from trainees are organised on each step and how the results are influencing following steps? How conclusions will come to trainees' minds? When the dissatisfaction of themselves and discomfort of trainees are rising and when mastered by positive experience? What is the dynamic of utmost efforts and relaxation?)
11. DELIVERY (Is trainer keeping control over the process? What kind of control is used? How participants are involved? Do they always keep attention? How participants are get relaxed? Do they respect trainer? Do they trust him? Is he able to re-design process quickly enough in a necessity? Is he able to respond to trainees' request by relevant practical examples and clear explanations? What is the speed of the process? Who or what determines it?)
12. OUTCOME (How participants have been altered in a course of training? What do they understand differently? Which attitudes and pre-adjustments have been changed? Which new skills have appeared? Are they ready to use them in practice? What will happen now differently in working environment? Are they willing to get more training in a future? Would they like to get more training from the same school/trainer?)

There may be much more questions along any item in the list. All the components of training are complex. Moreover, the training process itself is a most complex entity, which may be born as a child, developed in a right or wrong way, be sound or not, and die in a due time or earlier, or would be successfully finished later, but collapsed at a deadline. The components of training are interrelated in a way, which build the system in a classical term of the world: any component influences each other and it is under the influence of all others. It may be illustrated by Figure 1.

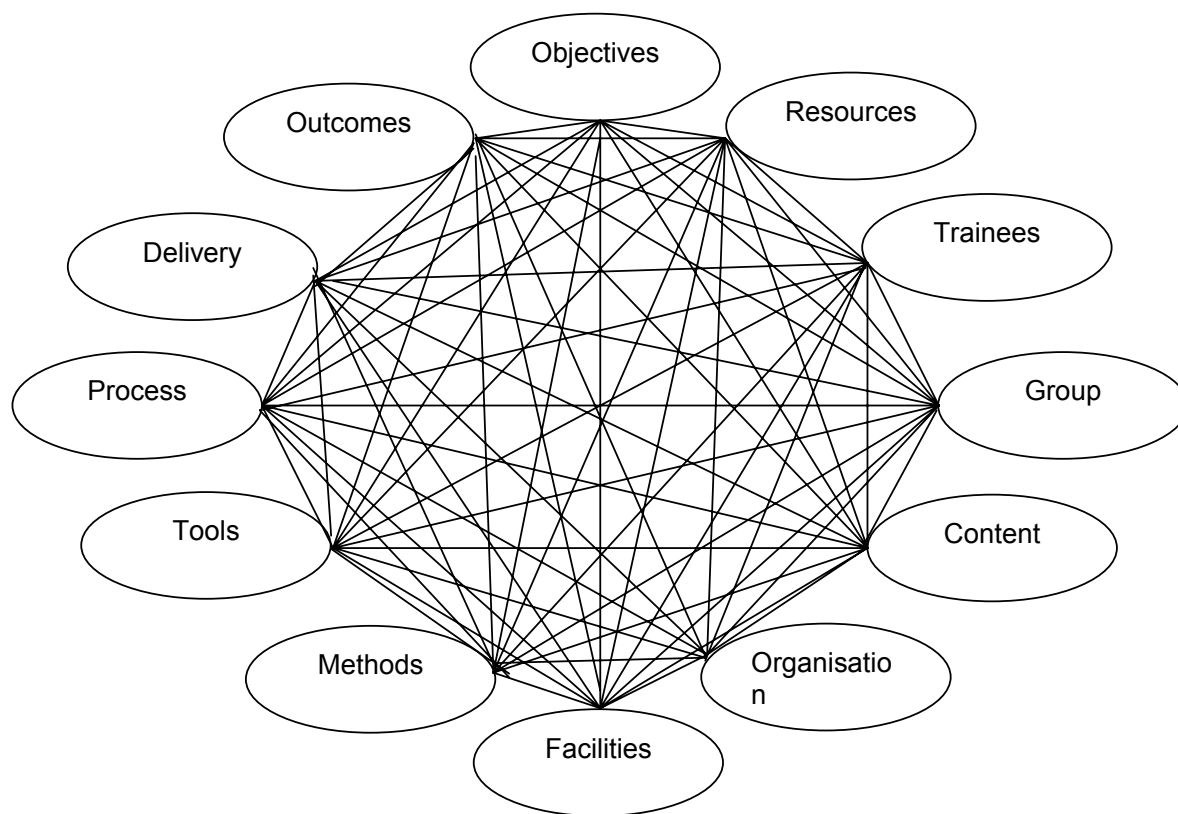


Figure 1. Training event as a system

The main challenge of training is that there are not only many questions regarding each component of a system and their interrelations, but in a fact the full and correct answers are never available before the training will happen. Based on the partial information, some incorrect data, and often too many assumptions (reflecting trainer's experience more than real environment), trainer is designing the course, being sure, that this design is not perfect. First look on the rooms (if it was not done before), then contact with the trainees (if it was not done before), weather outside, first minutes of seminar, and each following minute will bring about a lot of new and very important information. Regarding training event, we can actually know, what it is, when it has already been.

Now we would like to discuss each element of a training event with the emphasis on one link only – from this element to the objective of training. For this particular paper, we make a general assumption, that this objective is to produce a change in local government officials' practice toward more capacity in solving their problems.

1.Objectives

1.1 PROBLEM. As any conscious human action, training event may be considered as a way of solving a corresponding problem. For this way to be effective, first – the problem should exist, and the second – this problem should be of a kind, which is possible to solve through the training. If there is no problem, there is no motivation, no driving forces to put efforts in training and to implement changes after training. On the other hand – there is no information to design training. If the problem is not relevant to training (does not caused by the lack of certain skills or wrong attitudes, etc.), there may be a disappointment after a training event which was not able to produce the necessary change. Therefore, some pre-assessment of the current situation in organisation (or characteristic set of organisations) should be undertaken in one or another way, to make sure, that what is done was what is needed.

1.2 NEEDS. Needs are not the same as wants. When organisation's leaders say, they need training, it does not necessary mean that all necessary preconditions (see 1.1) are already given. It may mean, that they just want training event, because of different reasons, but justification would always go through the necessity to improve co-operation, performance, etc. Still, the real success of the training event will depend on how much it succeeds to provide relevant respond to the real needs, whether they were expressed clearly or not.

1.3 CHANGES. Relevant training may change many things: knowledge, attitude, skills, organisation, habits, even stile of life (as in a case of Time Management). Most probable, it will change something in any case. All the changes whether needed or not should be taught out carefully at the preparation stage to ensure that training design will maximise chances for positive changes and minimise risk having changes, which are not desirable.

1.4 CRITERIA. The criteria for success should be defined at the beginning of the process together with setting objectives of the course. It is very good, when participants participate in this thinking about criteria. Trainers receive useful 'preliminary feedback' from the group and may better adjust a program to the needs of trainees. In the same time, trainees receive excellent introduction in one of the most important topics of management – defining criteria for success of any undertaking before first actions to implement it would take pace. When thinking about criteria, trainees also tuning in the process of training and find right settings for themselves at the very beginning of the course.

2. Resources

2.1. TIME. Optimal efficiency of any training event may be reached only when objectives that are agreed with the client comply with available resources. The most critical resource is the

time. As an American proverb says, 'Even nine women can not give birth a child in one month'. Training is a process, which requires to be developed and completed in respect of each planned change that should happen in participants' minds. It takes time.

Officials (in countries without wide understanding of the nature of training events) often try to include in training programme more topics, than it is actually possible to process within the time allocated for training. They often think they are smart enough and do not need long explanations. Just briefly, tell them, what they should do. It may be difficult to resist to their request to expand the agenda within the same event. However, it is impossible to have a satisfactory result just saying to participants, how they should work, and live. They will listen, understand and agree, but do not change. The changes may happen, when certain idea come not as trainer's statement, but has aroused as a discovery in trainees' minds. It requires relevant time for getting certain experience and processing it by the intellectual work of participants. It requires even more time for the repetition and transforming new understanding into new skills.

For example, theoretical explanation of what may be called a problem takes about 20-30 minutes, including review of the most common mistakes. After that all participants are happy, they say it is interesting and they have understood it very well. However, when asked to formulate any problem, they face tremendous difficulties, and it usually takes considerable time before the majority of group became able to identify a problem in a right way. Goal setting takes another half a day. Action planning takes one more day. At the end of this day, the vision of problem and its formulation may be drastically changed and then additional time is necessary to put things in order and complete the task. Before the task will be completed and positive feedback received, trainees would not have a feeling that they really can do it. Instead of rising self-esteem and readiness to change their practice, participants may stay disappointed and keep away from the opportunities to experience such a disappointment once more.

Thus, the training may prevent required changes, rather than facilitate them. Exactly like in surgery - if there is no enough time to complete operation on a heart, it may be better not to begin it at all.

On another hand, training event should never last longer, than necessary to accommodate the task and meet objectives of the client. Business people are often disappointed if they feel they spend more time than it would be necessary to have the same result. A laziness of trainers, who tend to plan less than possible to do within training session, may cause the laziness of participants, low level of involvement and, finally, intellectual efforts of trainees may be not sufficient to produce a result. They will not change, because positive changes, especially in

respect of capacity, may come through the utmost efforts only. Too easy training is hopeless training, in most cases.

- 2.2. MONEY. Public officials usually do not expect to get at a restaurant a glass of “Blue Label” for the price of “Red Label”, but they often fail to take in account a relation between the price and quality of training when setting objectives for event. Training always should be of a good quality. However, trainers, materials, accommodations, meals, rooms, equipment, refreshments, recreation activities – everything costs money, and everything will influence outcomes. Less experienced colleague can not do as much as may be done for the certain time by the most professional trainer (who may charge more).

Therefore, the objectives should comply with the financial resources, which may be allocated to reach them. At the same time, it is very important when working with public organisations, that actual costs of training event can be easily justified by the training outcomes. Officials may be, and often are, suspicious in term of prices before the course. In post-socialist countries, they are used to have training free (for the account of the State budget) before, and they are already accustomed to have many training free now (for the account of international donors). It is a challenge for training organisations to prove the necessity of costs involved. At the end of training event, there should be no doubts, that all money spent, were spent in the most effective way. Some of training institutions, especially when financed by foreign donors try to attract officials by luxury of logistic arrangement. Officials enjoy good meals and entertainment, but pay a deep disregard later to organisers of training for the wasting of public money.

3. Trainees

- 3.1. OCCUPATION. To be successful in terms of following up organisational changes, training should be relevant to the occupation of trainees, or, from the other side – those, who have been invited to participate in training, should have relevant responsibilities and activities in local government. If the objective of training is to develop political leadership skills, then politicians should be invited. If objectives are related to performance management, heads of departments will be more relevant. Non-relevant trainees will be not only hopeless in implementing certain changes; they may destroy the process of training.
- 3.2. MOTIVATION. The training process is a kind of co-operation between all counterparts (client, organisers, trainers, and trainees). This co-operation may be based on shared values and focused on certain results, or unfocused and disorganised, when each part striving for its own objectives. What client, who orders training, wants - should be attractive for those who are to be trained. It may also happen; those trainees have no direct motivation to the same outcomes of training, as organisers. Then real objectives of the

event should be shifted to the 'hidden agenda' and may be disclosed at the end of the course. At the beginning of the process, all trainees should feel that they need what is going to be given to them. Real and relevant motivation is a basic physical pre-condition for the training to produce any changes in trainees.

- 3.3. DE-MOTIVATION. Unfortunately, we shall also take in account the treat of trainees' de-motivation, which may be caused by two reasons. The first one is a working environment that is not encouraging qualification improvement. Practical experience of participants may give them absolutely different idea about ways to be successful and have the best promotion in carrier. In post-communist countries, usually, management skills are not among the most important criteria, since there is no professional elite in public administration, and anyone who is suitable to top leadership may be appointed to any position. In this case, it may be useful to emphasise the usefulness of training for the private carrier even in given circumstances.

Training experience may cause another reason for de-motivation. They may have received just a very bad training before. It may also happen, that there is nothing new for the trainees. Groups of foreign trainers funded by international donors used to run around post-totalitarian countries and sell the same old staff (accessories, games, models, etc.) without any coordination and consideration of actual state of affairs at the market. Two-three repetitions of already known things can easily destroy the attitude to the training event. Therefore, previous training experience of trainees should be also taken in consideration and influence the program and content of the course.

- 3.4. BACKGROUND. In post-communist countries, where public officials very often have no relevant education to their occupation, there is no big difference, usually, in respect to the objectives of the course, between philosophy doctors and violin players – they all are equally ignorant in contemporary administration and political leadership issues. What is much more important, is their relevant experience in local governments, or at least life experience. This experience will be used as a filter for the accepting or not of new ideas and skills as actually important components for the following change.
- 3.5. VALUES. In addition to many common things, these are usually taken in account when planning training event, it is also important to pay necessary attention to human values. For example, open and friendly communication with colleagues is not among the most usual things in many local governments. However, all participants need it and appreciate this, alas, new experience in a course of training. After training, they should feel more assertive in communication with others and more optimistic in terms of possibilities for such

communication. The resonance with the values, deep moral satisfaction at the end of the course, would also confirm and enforce new attitudes and skills developed during the training event.

- 3.6. PRE-TRAINING PREPARATION. It is vital to contact nominating institutions, communicate with trainees' supervisors, talk with trainees, and undertake all possible actions to ensure that right persons are participating and that their future work may take full advantage of training. Participation of non-relevant persons may destroy training event. On the other hand, these pre-training contacts may create a necessary background for the follow-up and post training support to trainees and their institutions. Unfortunately, even very good participants from bad institutions may be not able to utilise and multiply the effect of training. This is also worth to be taken in consideration, if there are alternatives to consider.

4. Group composition

- 4.1. ORIGIN. When training is planned as direct intervention in organisation's practice, it is often better if all participants belong to the same organisation, or at least there are groups of participants from the same organisations. Problem Solving goes much better, when in each group, there are at least 2-3 trainees, who share the same information. To improve relations between politicians and executives, it is very good to have in the same group key troublemakers from the both sides. However, when training is planned as an introduction to the re-engineering process, it may be useful to have participants from as many different organisations as possible to provide wider view on the possible organisational patterns. For Time Management course, it is even better, when nobody knows anybody.

- 4.2. RANK. Mayors need training as well as all other officials, if not much more. But they are usually very sensitive in term of demonstrating their disadvantages, which may be inevitable in a course of training. Sometimes mayors are quite assertive, but often not. Worrying about how they look like, top officials may be reserved and too cautious in mixed groups. In the same time, other participants tend to look on mayors as the appointed leaders in the groups, and it may prevent from the normal roles' development and groups' dynamic.

Therefore, it is usually better to have mayors trained in a group of mayors and vice-mayors. Then they feel much better and demonstrate great enthusiasm and involvement. This preliminary training of mayors gives them new understanding of certain issues and it provide a good background for the following changes in organisations. However, even the best training for mayors is not sufficient to ensure these changes, excluding some features of their personal behaviour. Mayors became more open to changes and ready to facilitate them. Nevertheless, not a lot would happen, before there is sufficient number of the actors of change.

Corresponding training of main personnel should follow training of top leadership. Then it is better to do in a way, which would ensure that critical number of fellows are trained in the same programme and are prepared for effective co-operation in implementing certain new ideas.

4.3. POLITICAL ATTITUDES. In spite of common suspiciousness, concerning possibility to have representatives of different political parties trained in the same group (since they may be very hostile in everyday contacts), often it is not actually a treat, but rather an opportunity. Usually they work very well together and their relations usually being improved up to the extent very surprising for themselves. However, it takes time and may happen actually on the third or fourth day of training. In one-day training, a 'storming' period may happen for the account of the training success.

4.4. GENDER. In post-socialist countries, there are usually more male politicians and local leaders. It may cause additional difficulties for training in some groups, if there are none at all, or very few women.

The groups composed exclusively from men are very heavy. Men without women are lazy, tend to relax, and never do their best. They change drastically, if there are some interesting women in a group. They do all the best and tend demonstrate excellence. Group becomes dynamic and workable.

When there are only women in a group (e.g. culture or social workers), they usually demonstrate a great disappointment on absence of men from the very beginning and stay in a comparably bad mood up to the end of the course.

Women and men have significantly different perceptions of a variety of issues relevant to local government. Women are direct recipients of most services and have much deeper concern of some of community affairs. Men focused on others. All together in mixed balanced groups they more effective, and more enthusiastic.

Concerning the program – there may be some activities, which go better, if there are men and women. Some basic psychological differences between men and women also give additional advantages to the mixed groups. Therefore, to compose groups from both men and women - is not just political 'gender agenda'. It is a technical necessity, which is important to ensure the success of the training event.

5. Course content

5.1. TOPICS. The actual content of training event often can not coincide with the declared theme of the course (e.g. in term of skills to be acquired or improved). Many particular topics would require certain background, which should be built up before the target topic may be processed.

For example, the objective of the course may be improving negotiation skill. However, to do so one would need good understanding of rational decision-making process, co-operative behavior, have developed communication skills, persuasive speaking, etc.

When working with local governments on the improvement relations between executives and politicians, it is not enough and effective just to give usual course on team building or something like that. Preliminary lecture explaining the nature of local democracy and basic principles of interrelations between councilors and officers, may be also some domestic legislation, is needed. It may be also useful to include some exercises in problem identification, policy making, and goals setting.

At the beginning of the course, it is often helpful to give participants some ideas about emotional and assertive behavior. It facilitates removing barriers and preventing conflicts.

At the end of many training courses, it may be very useful to talk about strategic management, organization culture, managing change, and develop corresponding action plans, although action planning may be not seen as objective at the beginning of the process.

Successful intervention in practice requires a complex set of relevant skills. Partial improvement of one given skill may be sufficient, if all other skills of the complex are already acquired. If not – corresponding items should be included in the program. It creates additional problems with the training in transitional countries. There may be nothing to do in a too short course, but it may be not possible to have a course of at least 4-5 days, which is usually an optimum for the beginners.

6. Organisation

6.1 PLACE. In any case, it is better for training to be organised outside of the working place, although it is often more costly. Nevertheless, when discussing options it is worth referring to the objectives of the course. The place itself may be considered as one of key training resources (like in the case of a study-tour). The place may also provide additional resources (e.g. in some training courses organised by UNCHS-Habitat, domestic local authorities have been used as object for consultancy by trainees).

Our experience in managing training courses for local governments in Lithuania, Ukraine, and Russia unambiguously state, that training in host premises for top managerial personnel always creates problems, which rarely may be justified by the savings in costs. It is better to have really effective training for the total price of 20% more (travelling and logistic facilities in CEE are not very expensive, especially for local administration bodies).

6.2. TIME. Training process needs relevant time not in term of quantity only, but also in term of quality. Formally, certain topics in regular programme may require certain amount of time,

but it is not the same if this time is within working days, or weekend (top rank officials prefer to use weekends to save working time, other may prefer to keep weekends for themselves).

For part-day in-house training, it is worth to take in account that process is going differently when participants are invited for training in the morning or at the end of a working day. Morning time is easier to plan, so there is fewer treats for non-attendance Morning brains are usually better. Afternoon sessions are easy to agree with administration, but more difficult to make effective.

7. Facilities

7.1. ROOMS AND FURNITURE. We do not like to repeat here, what is usually good for training: calm and light premises; furniture that would allow maximum flexibility; sufficient, but not too big rooms; air conditioning, etc. In general, physical environment for training process is very important and shall be specially arranged in accordance with the objectives and content of the course. Trainer may need participants feeling very comfortable, or otherwise. The noise from outside may trouble or help, etc. Nevertheless, all these conditions should be controllable, not accidental, or unexpected. Training process itself is a challenge for trainer, and the task, whatever possible, should be not complicated additionally. When rooms and furniture are not good for this particular training – it may affect the process and bring to the results fare away from needed.

7.2. EQUIPMENT. In principle, training may happen without any special equipment, if it was designed to happen without equipment. Nevertheless, 2-3 decks with flipcharts and good overhead projector usually help a lot. For some training (Communications, Public Speaking, Negotiations, Assertive Behaviour, etc.) it is necessary to use video camera, recorder and TV-set, which would allow to master the film very quickly. Nothing is more convincing people to change themselves than seeing themselves in certain situations. It is also important to have a good audio-equipment with CD player and remote control.

8. Methods

8.1. APPROACH. In some training events, participants maybe told what and how they should do in their practice. They may have a repetition of using certain patterns and acquire corresponding skills. And forget it two days or two weeks later.

However, people never forget what they have discovered or understood themselves. In term of assurance following up changes, the approach based on prohibition of any statements from the side of trainer is more effective in many cases. Instead of telling people that co-operation is better than confrontation, trainer may organise the process in which those who are not willing to

co-operate will be frustrated and get a shock. Instead of starting with explanation, how meetings should be organised and conducting, trainer may allow participants to have a very realistic meeting with absolutely hopeless agenda, film it and demonstrate to them, just allowing to make their own conclusions, what was wrong.

8.2 FEEDBACK. Trainer should never forget that any change in mental thesauruses is happening only when getting feedback as the world responds to the certain choice of behaviour. If respond is different from what was expected – it means that certain settings or algorithms were wrong, and such experience may destroy these settings or algorithms. To insure this change, trainer should guarantee that all information, which is used by participants when making decision is correct and still the same as in the moment of making conclusion. Otherwise, they will blame wrong information, account on misunderstanding and do not change themselves.

The task is more difficult, when we should build in a new pattern of behaviour. It will happen, when this new algorithm is chosen as one of available alternatives and brings to trainee's positive feelings as a right way of action. For that, trainee should use this algorithm or procedure correctly, but it may be difficult to reach immediately.

8.3 MANNER. The process may be organised in a way, which would look to trainees like continuous collaboration, learning one from another, getting fun and making interesting conclusions. They learn from process, not from trainer, who is in a shadow, just facilitating the main process. It is most convincing and effective, but also most difficult to manage. Nevertheless, it is the only way to be successful for the trainer with the lack of practical experience in the field of trainees' activity.

Sometimes trainer can afford to be a "guru" (teacher, the one who knows all answers), but it is only in a case when he feels strong enough not in theory of the subject, but also in all corresponding fields and in the practical affairs close to the trainees' experience. His age and educational experience, in comparison with those in the group, should also be sufficient not to put participants in discomfort and feeling of dissonance. To be "guru" is also risky. Some participants may decide to challenge trainer, demonstrating their advantages (based on theoretical background or practical experience) against trainer's weaknesses in this or that particular matter. Then it may become a problem to keep a face, and some trainers may be not assertive enough to manage with such challenges.

Best results will be reached in a case, when trainer (or team of trainers) is able to vary manners, being "guru" in certain moments (sometimes good at the beginning of the course, to build respect and confidence), withdrawing in other moments (looking like facilitator or even servant). He should also be colleague or client, friend, man or woman, citizen or foreigner – all the time not far from what the group expects and what is needed by the process design.

8.4 RULES. "Free choice" is one of the essential conditions in the learning process. When there is no choice, and then there is no responsibility, no lesson, and no change. However, finally everyone should do what is necessary to do for the success of training and not to do anything, which may destroy the process. It cannot be reached through the direct control of participants by trainer; many of them would not allow this. Nevertheless, it may be ensured through the self-regulation of the group, if certain rules have been discussed and agreed at the beginning of the course. Usually, participants have no objection against the rules proposed, when these rules look reasonable and even a bit curious. Later, these rules help a lot to trainer in keeping control over the process (since following these rules is included in the design).

8.5 TRANSLATION. Naturally, the training process goes better, when trainer speaks the native language of trainees, but it is not always possible. It is also impossible to have an optimal result when using even very qualified professional interpreter. It makes a process too slow, and anyway, distortions inevitable. If interpreter is not very professional – it makes disaster. When trainees speak trainer's language and understand him well enough, trainer may still not understand the audience, especially when they collaborate in-groups or have an active general discussion. It makes control over the process hardly possible. Of course, if the process is well designed, something positive will happen, but not as much as would be possible to reach without 'language barrier'.

Any verbal communication acquires a sense only after transferring through the mental thesaurus of recipient. The culture, education, and life experience build up this thesaurus, which became very specific for the each given audience. Therefore, direct translation of words will never transmit the same sense. One, who would decide to make a correct transmission, should:

- a) Understand the message, which means he should not only hear the speech, but see the mental map of speaker, to make a right conclusion what these words mean for him;
- b) See the mental map of recipients and spell out what the message may mean for them;
- c) Design a new message focusing on the same content in a different form, which would produce the effect in recipient mind, which was expected by speaker.

To be able to do so, this one who decide to be interpreter, should have a thesaurus somehow 'overlapping' corresponding areas in sender and recipient mental maps. That is not possible if the interpreter is not an expert in the matter. In practice, it means that when one trainer do not know well the language and mentality of the audience, he should be accompanied by another trainer, speaking both languages. The second one could be not expert in this particular topic, but he should have sufficient theoretical background and practical experience to understand well both sides of communication. Then he will be able to explain what do they think, instead of translating what do 'they say'.

9. Tools

9.1 WARMING UP AND TUNING IN. One of specific features of the “transitional” audience is a very different background of officials who come for the course. There may be highly educated professor in one group with the worker or driver. Some are experienced national-wide known politicians and others are not interested in politics at all. Political belongings may cause quite hostile pre-adjustments. Ages are different also. However, they all are men and women, usually they are good people, they are all interested in what will happen, who are the neighbours and trainers, and so on. Therefore, good way to start is to tell trainees more about the organisers, why do they do it, who are trainers and what are their ambitions. For example, we always say that we consider ourselves far not so smart and experienced like our trainees, but we have some special skills in helping other people to exchange their knowledge and experience, probably to make their life experience a bit more conscious and operable, and so on. However, it is necessary to advice audience in indirect form about the relevant background and achievements of those who are going to teach them, just to diminish a cognitive dissonance of some participants, who could consider themselves older, better educated and experienced, than trainers.

There are many ways to become acquainted with trainees. A bad one is an official representing by each trainee of himself. In dependence from the kind of audience, general mood at the beginning and other circumstances, trainer should choose one of the methods like: talking five minutes in pairs and then representing neighbours (it works even when all group come from the same organisation – than we ask them to find out something new about his neighbour and share with others); playing with the small ball when each who get it should say his name and something about himself; and so on. We never know in advance, which way will be most suitable in the moment. (Ones we should start from dancing, just switching in very pleasant music, than trainers and organisers invited some less reserved participants, others joined us, and in 15 minutes very cold audience became very warm and ready to work together. In the other case, a bottle of cognac made the necessary effect.)

9.2 PRESENTATIONS. Oral presentation of the models and necessary theoretical materials is one of the most difficult things to do in training courses for adult professionals.

To tune in the topic, it is always better to start with the exercise of any kind, which would demonstrate to trainees, that they do not understand well enough some ideas (for example, it is not easy to explain what means word ‘politic’ or ‘quality’), or that they understand the idea very differently. Then the presentation of this idea by trainer looks like having more sense and will be meet with more consciousness and interest.

Taking in account very different background of trainees, it is a challenge not to say things, which are well known to the part of the audience, or at least to say them in a way, which would make these things interesting for everyone. One of the most important rules is never explain what

most participants probably already understand, before those who do not understand would ask to do so. Of course, they should be encouraged to ask. Then dissatisfaction of those, who are forced to listen well known things will be less, and not directed to the trainer.

However, the main challenge is making any statements. Any statements should come to participants' heads at least a second before trainer will say it. Alternatively, these statements should just reflect participants' experience, which should immediately proof the idea expressed by the trainer. For example, before saying that positive and negative emotions are necessarily balanced in human being, trainer should ask participants if they could enjoy drinking water when they are not thirsty. Starting courses on Personnel Management, we challenge trainees with the statement: 'There are no people in the world, who would like to work badly'. It is just not pleasant. No one can enjoy his actions without positive feedback, that they are successful. Everyone seeks for respect if not from others, then at least from himself. We have never meet people who would be happy doing something badly and understanding that they do it badly. Have you ever met them? [No...] Nevertheless, you have probably met some that works badly, haven't you? [Yes!]. Why do you think they work badly if they obviously [already...] do not like it? Do you agree that people should not be blamed for what they do against their willingness? Who should be responsible then?' [Now each trainee is thinking not about bad workers, but about himself or his boss... and they are ready to learn more about this.]

Very often trainees enjoy interesting lectures and they are ready to spend all the time for this entertainment. But trainer should not forget, that real changes in trainees' mentality and skills will happen not so much when listening trainer, as when doing hard intellectual work on applying new ideas (or well forgotten old ideas) in exercises very relevant to their real practice. To give them such opportunity through the questionnaires, groups' exercises, and discussions is much more important, than to demonstrate the erudition of lecturer.

9.3 DEMONSTRATIONS. The audience at training courses for local officials is usually very different from the audience at a church or university classroom. Officials are often suspicious to any sentences and statements, which require changing mental maps and consequently behavioural patterns. They would often feel and sometime express resistance to the ideas declared by trainer. They may start to argue and destroy the presentation. That is why demonstration may provide extremely valuable support to the trainer.

Demonstration means giving the fact, which trainees cannot deny. For example, trainer could ask one part of the group to ask, in pairs, two kinds of questions from the colleagues, who belong to another part, which was not instructed. When getting answers, 'interviewers' should indicate the first move of the respondents' eyes. After reporting results, it became clear to all groups that this movement depends from the kind of intellectual activity of respondent – if he just recalls the fact or designs the story. Trainer said nothing about this. It was demonstrated.

Then trainees may agree to believe in many things related to body language, just explained in a form of presentation. To confirm the effect it is great to show video record made in previous days of training. This record would demonstrate, that body language is not only language of others, which one could understand or not, but also his own language, which say some things to others, whether desired or not. In general the model: 'introductory demonstration' - 'explanation' - 'exercise' – 'feedback demonstration' works well for many topics. The challenge is that trainees should not accept demonstration as a kind of trick or miracle or the evidence of the participants' lack of taught. Any demonstrations should be carefully designed for the desired effect and gently implemented not to produce unnecessary complications.

9.4 EXAMPLES. There are two aspects, which put special requirements to using examples. Of course, it is necessary to use examples, but not the stories happened in other countries, or artificially designed 'cases'. Does not matter, if the stories or cases are absolutely relevant and give a best interpretation of certain ideas. If the idea is proofed by the strange story - it can be treated as a strange idea. For example, in one of our seminars the Chief Executive from London municipality gave the story to leaders of Lithuanian municipalities about certain way to solve a problem regarding financing new school. He said that they had no funds and had applied to consultants, who succeed to find a way to save \$2.000.000 through the more effective management of some other services. No one from 20-25 participating mayors and vice-mayors expressed any interest to this way. One asked, how much this municipality paid to consultants, and the answer was 'about \$300.000'. It made a lot of fun for Lithuanian audience. They say – 'you are very rich in London. We cannot afford to pay money to consultants. We have not enough funds even for the main services'. The guest from London repeated his explanations about the reason to use consultants and great effect of that several times, but almost nobody have understood him. Lithuanian local governments have not now and never had before free hands in generating and using their budgets in a most effective way. They have funding from the Ministry of Finance and have no headache about services, which are not financed, and, of course, no money available for consultants.

In some cases, trainer may use examples from the same or very similar country and the same or similar 'legislative period' (since legislation is often changing in transitional times). However, for all practical exercises, only real stories and situations presented by the members of the group have a sense. Any attempt to use a 'case' from Australia or a curious story designed for 'average European country' will make a fun for trainees in best cases, but often it would make them angry and de-motivated.

On another hand, some trainees may look for the pre-cooked recommendations for the direct usage (which is a main content of many 'trainings' done by state training institutions – just to give interpretation and guidelines on application of new legislative acts or governmental decrees), rather than for examples for explanation. They may accept example as a

recommendation that should be followed everywhere. It requires from trainer to be cautious and present examples of good or bad practices as illustrations of good or bad thinking out the matters, not as good or bad patterns for copying or denying.

9.5 CASES. The 'cases' for discussion in a course of training are among most powerful and dangerous tools of trainer. When given an irrelevant example, participants just lose some minutes of time and a bit of respect to trainer. When asking to do exercises with irrelevant cases, spending hours for discussing situations looking idiotic for them, they may become very angry. Irrelevance of the case to the current legislation, economic situation, culture or any specific local circumstances, would allow to some participants not to take the case seriously, while others would try to do so. Even if the conflict would not happen, the results would hardly be very encouraging.

The much better outcomes may be reached when generating all cases from original environment of participants, forcing them to solve exclusively the problems they face in their practice. It works very well and provides a great incentive to implement the solutions found in a training course. That produce a multiply effect demonstrating the practical impact of training, making attitude to the ideas given by trainer much more serious, rising trust to trainer and readiness to learn more. However, some conditions should be met.

First – trainee who raises the case should be ready to be very open and provide all relevant information to the group, which would make possible to find realistic solution. It is not always easy. Once we had a group in which some participants were from the same city, but not all of them from local administration. In one of the sub-groups the Chief Executive of this city had proposed a problem for discussion, they have started to do it, but the sub-group was very unsuccessful and after a day of hopeless efforts became almost frustrated, while other sub-group went well. Finally, it became clear, there were some circumstances, which Chief Executive cannot disclose for the wider audience, and it is impossible to find realistic solution without taking in account these circumstances. The group had to choose another problem and was quite successful in solving it.

Second – the problem should really exist as a problem. Sometimes one of participants may try to design artificial case and propose to discuss it as a problem. It is senseless, because then he should design a lot of necessary circumstances, and would always fail to do it. In other cases, participants try to propose for discussion the problem, which was already solved somehow in their local governments. In theory, it is possible to discuss such cases. However, it is always more complicated, since the decision that was actually made influences minding. Sometimes it is risky, because the decision, which was found at the training course and based on the partial information, may be used as an argument to make pressure on others when coming back to the office. Moreover, it is always not so effective, because the result of training event would not be actually useful for the practice and could not pretend to be implemented.

Third – the cases should not be too complicated, taking in account the possibility to process them to the successful end within the information and time available at the training event. Any exercise with the practical case should be completed to demonstrate the power, not the hopelessness of method, which is the subject of training. Trainers should come to the feeling that they can do it in this way, and that this way is effective. Even going through the utmost efforts and frustration, they should receive at the end of exercise positive emotions. Otherwise the new skill will not be fixed and the willingness to apply it will not appear.

9.6 INDIVIDUAL EXERCISES. This kind of exercises may produce a double effect – not only in developing certain target skill, but also developing the general skill of dialog with yourself. Best managers and politicians do it often. Others may benefit a lot from the training, which would accustom them to look on them, critically analyse the way of minding, background of decisions, place and role in organisation and so on. Individual exercises works well, when participants are motivated enough to put necessary efforts and to be earnest with themselves. To ensure it is another challenging task for trainer.

Before asking trainees to do something individually, trainer should be sure, that everyone is willing or at least agrees to do so and in the way prescribed. Of course, when they know that it will be mandatory to make the report of results to the whole group – they are forced to do well, if not the best (it depends from the composition of the group and the general mood in the moment of exercise). However, it does not work in all cases.

Some individual exercises are designed to provide feedback to the trainee himself and they may touch the matters, not suitable for publicity. Trainer cannot and should not require unacceptable disclosure. In such cases, only trainees are controllers of themselves. If they do not like to do what they asked to do – they will not do it. This may destroy the base for following activity and diminish following up effect of the training.

9.7 GROUP EXERCISES. It goes without discussion – group exercises are the most powerful instruments of training. However, it is necessary to ensure a sufficiently strong and positive experience for trainees. They should be impressed, and then they will probably make conclusions and change their attitude. For this effect to happen, the groups should be of a right size (4-6 person) and a right composition (which would allow both motivation and openness), they should have relevant and sufficiently difficult tasks to mobilise efforts and demonstrate advantages, and they should have enough time to get the necessary experience (but not more time).

9.8 GAMES. Game is a very powerful instrument. Adults love games. It is very tempting for some trainers to use games as much as possible. However, while keeping in mind all advantages of games, we should also take in account, that any game takes off some critical resources,

therefore – including game in the process should be justify by the effect it may produce in respect to the objectives of the course. It should be carefully prepared and effectively processed. Otherwise, there is a risk of not only wasting time, but also defocusing participants and destroying process of training. The game may be more or less fun, but in any case, it should bring to the serious conclusions for trainees.

9.9 VIDEO. Demonstration of pre-manufactured video films was not effective in our training courses. However, recording and demonstrating participants how do they behave in a course of training makes a great impact. It produces an excellent material for self-assessment and discussions, also gives some fun. Many ‘well proved’ conclusions come to trainees’ minds when looking on themselves, and that is a sort of experience, which they will never forget. It comes not from the side of trainer or colleagues as a kind of critic, but envisaged directly from the TV screen.

During the demonstration, trainer can stop a film, and make some actual remarks or explanations, exchange observations, and then go further. He do not need interrupt the process, which is often not possible, or repeat some moments several times, which is never possible without video record. Many other advantages of using video could be also mentioned.

However, it is not easy to make and use video records properly. It is an art. It also takes a lot of time and attention. Often it is not possible to do, when there is only one trainer. Qualified assistant is needed. Recorded time usually should be much longer than demonstration’s time. First reason is the necessity to accustom participants to the fact, that someone is making video records, while they are doing something. Then they will not pay too much attention to recording when most interesting events will happen. Another reason is the necessity to have enough recorded material to produce a film for demonstration using only relevant ‘highlights’, which are sufficient for the training proposal and not just interesting or fun. Producing such a film may not fit in a timeframe provided by the program. Since using video effectively and efficiently is difficult, it may be better not to use it at all, if there are no conditions to use it well enough.

9.10 DISCUSSIONS. Discussion is often needed in a course of training for many obvious proposals. It also provides opportunity to develop one of the most important skills for local officials. Therefore, does not matter, what is the topic of training and subject for discussion, the training design and the role of trainer should ensure, that all discussions would give participants very positive experience of highly effective collaboration. For that, certain rules (e.g. ‘never explain, before you are asked to explain something’, ‘fist questions, then opinions’, and so on) may be agreed and implemented.

9.11 ACTION PLANNING. There is a category of things that would never happen, if they were not planned. It is applicable to most of good intentions, which rise in trainees’ harts and minds in a

course of training. Therefore, it is important to provide them special time and frame for planning actions directed to implementations of these good intentions. It is better to do at the end of any theme, or at the end of a day, sometimes twice a day. In addition to better processing the subject, trainees develop one of most important skills – to think about and to plan how to implement the change. We have signed, that after one-two exercises of this kind trainees start to feel a need to do it in certain points. On the other hand, if trainees are not enthusiastic in this planning, it shows to trainer, that something is wrong with the training.

Action planning is most important not for the direct impact, but also for the multiplier effects of training. Any positive changes, which we were able to identify as the following-up effect of training, were caused not by good intentions, but by proper actions. The success of these actions became a main driving force for the multiplication and spreading out of the changes.

9.14 TRAINERS INTERVENTIONS. The main task of trainer is to design and conduct process in a way, which would require as fewer interventions as possible. Common practice of appointing to each group of trainees a trainer or trainer's assistant as 'facilitator' is not acceptable in most cases. This facilitator becoming a kind of 'legal leader' of 'the one who knows all answers' and prevents the natural process of finding the way when working in groups and confirming as a new skill the positive experience. However, trainer is responsible for this 'positive experience' to appear. Sometimes, it may be necessary to help a bit to the group to rescue it from the frustration, but it should be done in a way, which would not allow trainees to look for the support from trainer rather than to put all efforts in implementing a task, themselves.

10. Process design

10.1 INTRODUCTION. It is also important, before discussing programme and methods, to allow participants to express their expectations and wishes in respect to the course. They should not feel themselves victims, but the hosts. The actual programme will look later like a compromise between different expectations of the different people in the group, rather than a conflict between organisers' idea and each individual expectation. Still, it is necessary to explain, why the program is like it is what was the reason to include certain items and to put them in certain sequence.

Most people in CEE and CIS do not know what training means. It should be also explained. Moreover, it is the best moment to express the ambition to change trainees and change their practice after they come back to their organisation. Through the training they will not just receive knowledge, they will be equipped with the 'ready to use' skills, they will rise their capacity do deal with their problems, but... The success of training will very much depend from the trainees themselves. The skills, like in swimming or painting, will appear only when exercising. The capacity, like in heavy athletics, will rise only in a result of utmost efforts. Everyone is free do

follow or not trainer's orders, but he/she could not expect to acquire a good result without doing everything which is necessary for that, and in no case he has a right to trouble others to do what they agree to do. Sometimes (it depends from the topic) it is also worth to advice trainees that the training may be not always pleasant, but it will be useful. Good practical example of the training is the best way to complete the warming up and tuning in stage. For instance, Nominated Group Technique works very well (of course, if the object for discussion is interesting, challenging and relevant to the audience).

10.2 SEQUENCE. As in any live process, the sequence of the topics and activities has a crucial sense for training event. It is possible to teach communication skills after problem solving or otherwise, but it is not possible to teach negotiation skills before the problem solving and communication skills are given. Time management has no sense before the goal setting skill is developed enough. Persuasive speaking has no keys, if the rational behaviour is not understood yet. It is possible to process several topics during one training event, but the topics should be relevant one to another and to be placed in certain sequence. Additional topics that may be required by client organisation make training process more fragmental and less effective.

When the logic sequence allows a choice, the topic for the first session should be one of the most difficult. It should require more attention and concentration from participant to make right 'settings' from the beginning and to tune them into a right mood. Too easy beginning of the course may produce certain expectation for the rest of the event, which would create a kind of barrier to the execution of more difficult tasks.

10.3 BALANCE. The best training events we know were always balanced in terms of the topics (more theoretical, more practical, more general, more specific), activities (hard work, easy exercise, working in teams, individual tasks, energisers, recreation, etc.). Keeping these balances allows keeping attention of trainees and their commitment to training without breaks and losing control over the process. Optimal training design should take in account realistic assumptions of the time and efforts, which this given group would agree to contribute to the hard work and of the time it would agree to, spend for games, etc. In general, a good balance allows maximising the results of event.

10.4 EMOTIONAL SWING. Participants can not be always happy in a course of training. The driving force for change is the feeling of dissatisfaction with the current state of things (in respect to trainee – his ability to deal with the certain situation). If trainees are not really disappointed with what they are, how they do and what they do at their job – what is the reason to change something? Of course, positive emotions are important and they should finally prevail at the event. However, objectives of training are usually not the same as objectives for

entertainment. Normal process of training for change would look like: wrong practice – disappointment – negative emotions – motivation – efforts – better practice – more success – positive emotions – confirmation of better practice in changing mental settings.

10.5 DYNAMIC. In some countries children use to play with the small wheel, which is pushed forward by a hook. The children run aside of wheels and push them to keep moving. While a wheel is moving, it keeps vertical position. If the speed is not sufficient, or movement is interrupted by something, the wheel falls down, than it takes time to return it in vertical position and regain the speed. So, the one who was not able to keep a process moving with the necessary speed is likely to loose. The same is with training. The dynamic of the process should ensure that a group keeping in flight and would land at the end of the course only.

Any training that intends to change anything in practice should first change something in trainees' mind. It is a physiologically painful and resource consuming process, because information process is actually taking place only when mental thesauruses is changing, and the individual physiological resources of the amount of such changes are always limited within the limited period of time.

To produce a maximum planned effect organisers should take care that critical resources, even in a trainees' free time, are not used for non-relevant information processing or deteriorating due the non-relevant use. Therefore, when objectives of training course are serious, the entertainment should be also treated seriously. The success of whole process very much depends from what people do between the training sessions. The recreation time should be organised in a way, which allow participants to get a rest from hard intellectual work and psychological tension, which they may feel. Good music, dancing, excursions etc. may help to keep group together under the controlled conditions and have more harmony in internal settings and physical fillings at the beginning of the next day.

No newspapers, no television, no shopping, no endless drinking, smoking, and discussions at nights should be allowed. Of course, organisers or trainer cannot just prohibit all these things. However, they could take care, that each evening certain sufficiently attractive activity is organised. It may be walking together to the sea coast, listening to a live concert of good music, dancing as much as possible, playing kegelban, visiting sauna or doing something else – anything which would allow participants to switched out from the training program. A great work will continue in the sub-consciousness anyway.

Such activities allow keeping group together and improving informal relations, which may help later in managing with difficult working relations in the classroom. Moreover, it provides to trainer a unique possibility to take preventive and corrective actions in respect of small personal problems, which often arise with some participants. Just a glass of beer together may resolve a very serious problem and release from the necessity to find decisions that are much more complicated. Such recreation activity always meet implied expectations of many participants to

enjoy some social activity without taking much care about their official position and common restrictions. They enjoy it and they are much better next morning, which is most important.

'Free time' in facilitating environment is also very important for participants to learn from each other different things, to plan future co-operation, to establish actual networks. This additional effect may become the most important outcome of the training event, if there is a right mix of participants, properly motivated.

11. Training delivery

11.1.CONTROL. In some training events a priority will be given to the getting acquired certain knowledge or technical skill in a minimum time. It would require quite strong control over the content of the process from the trainer side. If participants shall discuss the quality of services – they should discuss just quality of services and nothing else. In other events, the priority may be just to allow participants to be acquainted and improve direct communications, or build a team. In such cases, it may be enough to ensure control over the situation in general – if the process of certain kind is going, does not matter what they do.

For example, if we need them being involved in discussion and provide opportunity to make a film which would demonstrate their roles in a group and body language – does not matter, what do they discussing, if it is a subject proposed by trainer or something else. A training program is not an end in itself. When the objectives require changing the pre-designed program, it should be done. If the objectives require keeping within the planned agenda, it should be ensured. Both over-control and the lack of control may be harmful and destroy training event. What should not be allowed to trainer that is to loose the control over the necessary extent of control.

11.1 REALITIES. Objectives of the course may require that training delivery would be based on processing real facts of local-governments life. For example, it is necessary, when developing Problem Solving skills. Nobody would express a lot of enthusiasm in solving artificially designed problem (on the other hand – such solutions are always senseless). When required to teach people how to act in real environment, trainer should be well informed about real circumstances of trainees' work, and have sufficient qualification to be able to assist them in solving their existing problems. The more close to the reality the training process is – the more chances to affect the reality through the changing practice after the training event. However, sometimes it may be dangerous to deep in real circumstances. For example, it is always tempting to deal with real conflict when teaching Conflict Resolution. However, trainer should be sure that he would be able to manage the situation. Sometimes trainer should be very careful and not to touch some painful for participants issues. For that, he should also be well informed.

Nevertheless, sometimes trainer can just 'come from the moon' and make a lot of fun for participants, playing games with fantastic situations. Sometimes it is the best, when objectives of the course are to have a fun, to be together, to improve interpersonal relations, etc. In other cases, such separation from the reality may cause an impression of irrelevance to reality. Where to be in a course of training course – in given city and country, somewhere in Europe, or even on the moon – it depends from where we are going to come at the end of the process.

12. Outcomes

12.1 PLANNED EFFECTS. Even on the stage of planning training event, objectives are never coinciding with foreseen outcomes. Along with the main products of the training, which, in a good case, should meet main objectives of the course, some co-products, sub-products and other following up effects may be considered as outcomes, whatever desired or not. It should be clearly defined in an agreement between client and training organisation, which effects of the course will inevitable accompany the desired outcome.

For example, when one group formed from officers of Property Department of one big Russian City have training, it made insulting impact to the relations between leaders and 'internal opposition'. One leader of sub-department should resign immediately after training; the position of another one has been drastically changed. Of course, that was not an official agenda of the training course. However, it could be foreseen.

The decision about doing or not that particular training should take in account all accompanying effects, which are indivisible from the event. Preliminary assumptions about such effects will depend from the information available to decision-makers and extent of uncertainty in any given situation.]

12.2 ACCIDENTAL EFFECTS. One may also be sure, that actual outcomes will never precisely coincide with the planned effects. Something may not happen, which was expected to happen. Something may happen, which was unexpected. Nevertheless, many threats or opportunities are already given at the beginning of the process, and they should not be ignored. Changing weather, absence of expected or presence of unexpected participant, sickness, curious combination of circumstances – all that should give no excuse to the trainer. This is an art of a trainer to be able to catch up any accidental opportunity and manage with accidental troubles. Still, the range of possible 'accidental' outcomes worth to be carefully thought out before the course. It will give to client an important information for more conscious decision, and will give a possibility to trainer better prepare himself to the following 'improvisation'. It is so well known that only improvisations that are well prepared in advance have a chance to be successful.

Notes: Authors do not think that everything or may be even anything is new in these recommendations. The history of training is long enough, and the experience is huge. However, we think it may be useful to attempt to draw out some recommendations based entirely on the experience of transitional country.

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We do think, that this paper may be considered as a preliminary contribution to the issue, a kind of discussion paper to facilitate thinking and exchange of experience among training institutions working for local governments in CEE and CIS. On the next stages, if happen, these recommendations should be enriched by the wide review of the contemporary literature on the topic and accumulate relevant experience gained in other countries of region.

We would like to invite all partner organizations in collaboration on this matter.

SUPPLEMENT 3

FORMS AND QUESTIONNAIRES

Organization Description

1. What is the organization?

2. Is it an independent entity or belongs to the bigger organization?

3. What is the mission (or missions) of organization?

4. Who are the main client(s)?

5. Who are the main consumers?

6. Who are the main customers?

7. What kind of system it represents? What are the main emergent features of it?

8. What is the structure of the organization? Do the members of organization know it? How formal and informal parts of the structure interrelate?

9. Which organizational form it represents (machine, divisional, professional bureaucracy, simple structure, adhocracy...., something else?)

10. What are the key procedures? How they supplement the structure? May they be organized in a different way? Is the way they organized is optimal one?

11. Does the structure fit the purpose and environmental conditions? If not, why you think so?

12. What can you say about sub-structural relations?

13. How synergy of elements is ensured within the organization? Which are the most characteristic cases?

14. Does it possess features of self-organization? How does it survive?

15. Do you think it is healthy? If not – what are the features of being unhealthy?

16. Does it have any problems? Which ones?

17. Does it see, recognize these problems? Is it motivated to solve them?

18. How it shall look like if the problems are solved?

Modes of Behavior (examples)

1. What is the organization?

2. How would you define the existence space?

3. How would you define the zone of comfort?

4. How homeostatic regulation works? What are its limits?

5. Examples of stereotype behavior? Is it still effective?

6. Examples of rational behavior? How decisions are made?

7. Are any politics involved? How you would describe it?

8. Are there any features of innovative behavior? How decisions are made? Is it pays off?

Organization of Control

1. What is the organization?

2. Who is the director? What he is responsible for? How his competence matches to the situation?

3. Is the control capacity of ruling organ sufficient?

4. How the control disaggregating is organized? What are specific responsibilities and related powers to control for each managerial position?

5. Is it possible to define 'controllers' and 'managers' for the organization?

6. Is the managerial capacity sufficient?

CUSTOMER SERVICE

Which quality aspects related to the product or staff behavior are important for your organization's clients (or consumers)	Please, evaluate importance of this aspect (from 1 to 10) through the eye of your client (or consumer)	Please evaluate (from 1 to 10) how your organization meets these expectation	Are any actions needed for improvement? If yes, what can be done, and when?

Interaction and Cooperation

1. What is the organization?

2. Which kinds of games do they play within organization? Do they choose the right games?

3. How collaboration and cooperation within organization is organized? Are there any features of commune?

4. How collaboration and cooperation with external bodies is organized? Do they utilize all opportunities? Which opportunities are missed? Why?

5. How political governance is organized here?

ORGANIZATIONAL CULTURE DEVELOPMENT

We should get rid of these norms:

We should introduce these norms:

How and when we will do that:

Problem Diagnosis

1. What is the organization?

2. Who, as a manager, has problems?

3. Why do you think there is any problem?

4. Which feature (factor aspect, parameter) of discomfort bothers you most of all?

5. Does it increasing?

6. Does it looks like a slump or like stagnation?

7. Does it looks like a disease or lag?

8. What are the immediate preconditions for this situation?

Decision Making

1. What is the problem?

2. What is the criterion for solving the problem?

3. How could you describe the parameters of the zone of comfort?

4. Do you see any alternative potential goals in this zone that in principal can be reached with more or less risk with given resources and for the acceptable time? List at least 3:

5. Fill in the table with possible ways of accommodating these goals, and evaluate parameters of rational choice

Goal	Trajectory	Parameters of rational choice					
		B	α	E	β	P	R

6. Which trajectory is the most rational one?

7. Which goal should be set now as an actual one?

8. What can be applied as criteria of achieving the goal?

9. What are the key driving forces on this way?

10. What are the key constraining forces on this way?

11. Who will support this undertaking?

12. Who may act against?

13. Who is 'neutral', but important?

14. What is to be done for implementation?
