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## **Abstract**

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## **Keywords**

Ghana, Cultures, Public Organizations, Remuneration and hiring criteria

## **Disciplines**

Organization Development | Other Public Affairs, Public Policy and Public Administration | Urban, Community and Regional Planning

## **Comments**

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**Differences in the Performance of Public Organizations in Ghana:  
Implications for Public Sector Reform Policy**

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**Abstract**

This paper uses survey data from Ghana to examine whether there are significant differences in the characteristics of poor and good performing public organizations. The analysis show that good and poor public organizations differ in two respects: remuneration and hiring criteria. We argue that transforming poor performing organizations is more complex than simply addressing these differences – it requires fundamental changes in the cultures of the organization. We make recommendations for designing comprehensive public sector reform strategies that focus on changing organizational cultures of poor performing institutions.

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## 1. Introduction

*There is growing body of material on excellence in public management ... Leaders in government can increasingly draw on these examples for their own planning and thinking about cultural change. They can also hold these examples up to others in their organizations. They can point to them as evidence that while government settings may often impose obstacles to improving organizational culture, members of government agencies can overcome these obstacles and develop effective organizational cultures (Rainey, 1996:165 – emphasis added)*

After decades of downplaying the role of the state in development in Africa, there is now a shift in paradigm and a rediscovery of the importance of the state in the development process and the need for a more capable public sector. The renewed sense of urgency for creating an effective public sector in African countries can be observed both at the continental level and at the national level in many countries, including Ghana. For instance, the 4<sup>th</sup> Pan-African Conference of Ministers of Public Service, held within the framework of the New Partnership for Africa's Development (NEPAD) in March 2003 in South Africa, agreed to a Pan-African Governance and Public Administration capacity development program to strengthen the public institutions and systems of African states.<sup>1</sup> Public sector reform has also become a high priority for the government of Ghana. After a review of past reform policies, the Kuffour Administration (current government in Ghana) created a new department called the Ministry of Public Sector Reform (MPSR) in May 2005 to implement public sector reforms in the country. In sum, there is an active on-going search in Africa and in Ghana for ways of creating effective, efficient and sustainable public sector reform strategy (Report of the World Bank Task Force on Capacity Development in Africa, 2005).

The search for effective public sector reform strategy for Africa has been led by the World Bank and other international development agencies. Indeed, many African countries including Ghana, with the support of donor agencies—especially the World Bank—have since the 1980s experimented with various reform strategies. Although the policies have been successful in some countries in reducing the size of the public sector, in many cases, they have created a demoralized and unmotivated public sector, largely incapable of performing basic functions (Mutahaba and Kiragu, 2002). Several reasons have been advanced for the apparent failure of these policies.<sup>2</sup> But more importantly, the mixed record of the reform efforts has compelled African governments and the international community to critically re-evaluate the

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<sup>1</sup> NEPAD is a development framework put together by African leaders that aim at eradicating poverty and promoting growth in the region. See Owusu (2003) for a detailed discussion of the NEPAD agreement.

<sup>2</sup> See Nunberg (1999) for a discussion of the reasons for the failure of reforms in Africa.

policies. The result has been a sober realization that improving the performance of public organizations is a difficult and multifaceted task that must include strategies to fundamentally change the “rules of the game”. It also requires long-term, high-level commitment and extensive support by civil servants, national leaders and the international community (Stevens and Teggemann, 2004).

The failure of past reform efforts have led to a number of studies that argue that engagement with public sector reforms in isolation from the broader civil service culture would have only limited effect and stress the need for understanding the context as it affects the “enabling environment”<sup>3</sup> for capacity development (DAC Network on Governance, 2006). Booth, et al (2005) for instance, use “drivers of change”<sup>4</sup> approach to analyze how change occurs, the power relationships at stake and the structural and institutional factors underlying the often-observed “lack of political will” behind reform process (also see, DAC Network on Governance, 2006). These studies are important in explaining why reforms in some countries succeed while they fail in others (Stevens and Teggemann, 2004); however they ignore the question of why different organizations within the same “context” sometimes respond differently to reforms.

This paper contributes to the ongoing search for effective strategies for transforming the public sector in Ghana and Africa by focusing on differential performance of organizations *within* a country. It does so by tackling two-related issues. First, public sector reform policies implemented in the past have been based on the premise that all public organizations are ineffective. This assumption has become the norm because the public sector in Africa has historically performed poorly, and is generally perceived as an obstacle to development (Stein, 1994). Yet not all public-sector organizations in the region perform poorly; indeed, in almost every country, one can identify some organizations that perform relatively well (Grindle, 1997). Regrettably, the reasons for differential performance of public organizations *within the same countries* have not been systematically studied. Understanding the causes of the differences in performance in the public sector could have significant impact on public policy. This paper acknowledges the existence of good public organizations and it analyzes the differences in the characteristics between good and poor performing organizations within the same country. Second, the paper brings the concept of organizational culture, which has been used successfully in many private companies and has recently found widespread application in the public sector in many developed countries, into the discussion of

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<sup>3</sup> Enabling environment is defined as “the key features of the political and economic environments that shape the success or failure of public sector reform” (Stevens, and Teggemann, 2004:49)

<sup>4</sup> According to Booth, et al (2005) “drivers of change analysis” is useful in describing in a robust, evidence-based way, the underlying factors which shape the incentives for economic, social and political change. It is therefore helpful for understanding the context in which policies are implemented (i.e. the enabling environment) and helps answer the question “what might work here?” (DAC Network on Governance, 2006)

public organizations in Africa. It argues that every organization has a culture and therefore any strategy for reforming an organization should include efforts to change the organizational culture. The paper proposes broad outlines for designing a comprehensive public sector reform strategy, centered on changing organizational cultures.

The remaining of the paper is organized as follows. Section two discusses a brief history of public sector reforms in Ghana. Section three examines the characteristics of good and poor performing organizations. Section four makes the case for organizational cultural change as way of improving performance in public organizations. Section five presents a set of recommendations for designing comprehensive public sector reform strategies that focus on changing organizational cultures and section six concludes.

## **2. Public Sector Reform in Ghana – A Brief History**

The study is timely for Ghana's search for effective public sector reform strategy. Like many African countries, Ghana has since the 1980s implemented a series of public sector reform programs as part of its economic reform program with the support of the World Bank and other pro-reform institutions.<sup>5</sup> The country's initial reform program, the Civil Service Reform Program (1987-1994), was designed to reduce overstaffing and trim redundant civil servants as a part of the effort to reduce government expenditure and help achieve macroeconomic stability.<sup>6</sup> In 1994, the government changed the focus of the reforms with the creation of the National Institutional Renewal Program and the launching of the Civil Service Performance Improvement Program, which had broader objectives, including enhancing efficiency and facilitating the development of a proactive and motivated public sector. In October 1997, the government implemented the Public Sector Re-Invention and Modernization Strategy to help transform state institutions, their accountability and performance framework and their relationship with the private sector and civil society. Ghana's reform efforts have so far produced disappointing results.<sup>7</sup> The Kuffour administration came to office in January 2001, but did not show much interest in public sector reforms until the beginning of its second term in early 2005. As at August 2005, the Ghanaian government was still in the process of developing a new public sector reform strategy. In addition to

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<sup>5</sup> Since April 1983, Ghana has rigorously embarked upon World Bank and IMF-supported economic reforms. The program has evolved from the initial objective of reversing economic decline and stagnation to institutional reforms and poverty reduction.

<sup>6</sup> The Ghanaian programs have closely followed the World Bank public sector reform programs. See Owusu (2005)

<sup>7</sup> According to Stevens and Teggemann (2004), in comparison with Tanzania and Zambia, public service reform in Ghana has been the most disappointing case.

producing a new working document for the reform,<sup>8</sup> the government also created a new ministry in May 2005 – the Ministry of Public Sector Reform (MPSR) – to provide institutional home for all public sector reforms. The MPSR has already held a number of working sessions to establish the key focus of its reforms efforts.<sup>9</sup> Thus, this paper’s findings and the policy recommendations will contribute significantly to this on-going search.

### **3. Differences in the Characteristics of Good and Poor Public Organizations**

The paper is part of a larger project designed to document the experiences of good and poor performing public organizations in Ghana.<sup>10</sup> The data was collected between June and August 2003. The selection of organizations and employees for the study proceeded along the following steps. First, a list of 47 public organizations was compiled. Second, a list of 25 “knowledgeables”—persons who live in Ghana and are well-informed about the tasks of public organizations—were also compiled.<sup>11</sup> The knowledgeables included officials in government agencies, bilateral and multilateral agencies, non-governmental agencies, academic institutions, research organizations and the private sector. Third, using survey questionnaire, the knowledgeables were asked to rank the 47 organizations on a scale of 1 to 5 (1 for poor performer; 5 for best performer) based on their capacity to perform the major tasks for achieving their main functions. Fourth, the results from the survey of knowledgeables were tabulated and the mean score for each organization was determined. The organizations were ranked according to their mean score and the 13 top-ranked organizations and the 13 bottom-ranked organizations (i.e., a total of 26 organizations) were selected for the next phase of the study. In addition, the 13 top-ranked organizations were classified as good performers and 13 bottom-ranked organizations were classified as poor performers. Of these 26 organizations, 19 participated in the study, including 9 from the top-ranked and 10 from the bottom-ranked and a total of 223 employees in these organizations were interviewed.

In deciding on the questions to include in the survey, we drew from previous research. According to the literature, the factors that affect performance of public sector can be broadly classified into two: internal and external factors. Internal factors refer to factors that are under the control of individual organizations, such as hiring procedures and performance evaluation. External factors refer to influences beyond the control of each individual organization, such as political interference. Following this

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<sup>8</sup> The Office of the Senior Minister did put together a working document for public sector reforms titled: “Towards a New Public Service for Ghana” in June 2004.

<sup>9</sup> See “Public Sector Reform” presentation at Ministerial Retreat, Ministry of Public Sector Reforms, 4 – 6 August, 2005.

<sup>10</sup> For a detailed discussion of the methods and the analysis of the factors used in this study, see Owusu (2004a).

<sup>11</sup> Using “knowledgeables” as evaluators is very common in the field of sociology. See Henslin (1999).

literature, we group the responses into external factors and internal factors. These external and internal factors were measured using multiple items from questionnaire administered to employees, and the average for good and poor performing organizations were compared. Descriptions of the external and internal factors are provided in Table 1. For each factor, we compute the average response for good performers and poor performers. We then test whether the means for the two groups are significantly different— i.e., we test whether the difference in means are significantly different from zero. The means and the p-values for the test are also reported in Table 1.



Table 1: Description and the test of difference between means for indicators of good and poor performers

Factor	Description and Hypothesis	Range	Means		P-Values
			Good performers	Poor performers	
<b>External factors</b>					
Incentive system <sup>12</sup>	Includes wages and salaries received by employees for services rendered as well as discretionary payments (i.e. fringe benefits). Generally, better benefits packages promote higher performance (Kiltgaard, 1997).	0-5	2.480	2.214	0.023*
Specificity tasks	Refers to the consistency of instructions and policies that come from the government and its agencies. Organizations that have objective, measurable written standards of performance have been shown to perform better (Israel, 1987).	0-4	2.496	2.559	0.612
Political interference	Refers to the political context in which organizations operate, including the extent to which they are politically autonomous and operate free from intrusion from politicians. Political interference has been blamed for poor performance of public organizations in Africa (Sandbrook, 1993).	0-4	2.284	2.296	0.932
Client demand and oversight	A measure of the effectiveness of civil society in demanding high performance from public organizations. The importance of effective monitoring of public organizations by citizens and the media in influencing performance has been documented (Deininger and Mpuga, 2004).	1-3	2.264	2.273	0.900
<b>Internal factors</b>					
Organization mission	Refers to the general social contribution and purpose of an organization (in this case, a broader public-sector objective of poverty alleviation and service to citizens). Organizations whose mission is broadly shared and internalized by employees tend to perform better (Grindle, 1997).	0-5	3.458	3.339	0.410
Recruitment criteria	Organizations that use open and competitive recruitment procedures are more likely to get highly professional and capable staff than those that hire based on personal connections (Grindle, 1997).	0-5	.779	1.113	0.036*
Performance expectations and	Performance expectation refers to the degree to which employees are given clear signals about how diligently they should work and about the quality of work expected of them (Grindle, 1997). Performance	1-2	1.712	1.718	0.889

evaluation	evaluation refers to the degree to which employees know and understand, on a continuous basis, how effectively they are performing. Organizations that have clear and consistent performance expectations and evaluation procedures are expected to perform better.				
Employee sanctioning	Involves reprimanding employees who perform below expectations and/or disregard the organization's rules and regulations. A sanctioning system that is based on transparent, fair and unbiased criteria could discourage such practices and ensure higher performance.	1-6	4.964	5.011	0.634
Employee autonomy	Refers to the degree to which employees are offered the freedom, independence and discretion to make decisions pertaining to the substantive and other procedural aspects of their jobs. Since the impact of autonomy on performance varies depending on the level of organization under consideration (Rainey and Steinbauer, 1999), we would expect organizations with "responsive autonomy" to perform better.	0-4	1.962	2.043	0.516

\* = Significant at 95% confidence interval

### *Summary of Results*

Among the external factors, the only measure that showed significant differences between good and poor performers is the incentive system; for the other external measures, namely, client demand, oversight, specificity of task and political interference, we found no significant differences between two types of organizations. With regards to the internal factors, only one measure, recruitment criteria, was significantly different among the two groups; none of the other internal factors considered was significant in distinguishing between the two types of organizations. Based on the results, we drew the following inferences:

- i) *Effective organizations have better incentive systems.* An obvious, but important, finding of this study is that there are significant differences between good and poor performers in terms of their incentive systems: remuneration is higher in good performing organizations than poor performing ones. For instance, about 50 percent of employees in good performing organizations reported that their benefits were better than or similar to that of other public organizations. This compares to 40 percent of employees in bad performing organizations. Low salaries impact negatively on employee morale and productivity. Furthermore, it promotes a culture of absenteeism, employee disengagement, involvement in alternative employment, and rent-seeking, which characterize many poorly performing organizations.
- ii) *Open and competitive recruitment procedures help create effective organizations.* The analysis also shows that the recruitment practices of good and poor performing organizations in Ghana differ significantly: employees in poor performing organizations were more often hired based on personal (family and/or political) connections. For example, 10 percent of employees in bad performing institutions reported that most of the employees in their organization were hired because they had personal connections. In contrast, only about 5 percent of the employees in good performing organizations gave a similar response. Thus, the data suggest that organizations that employ open and competitive recruitment procedures, including skill tests, screening processes and a series of interviews, send an indirect but powerful message to new employees that they are the best among the competitors and are joining a professional group. Alternative organizations that hire people based on the political patronage system would have difficulty instilling a sense of professionalism and the expectation of high performance in the new employees and make it morally difficult for management to demand professionalism from existing employees.

#### **4. Organizational Cultural Change – A Prerequisite for Improving Performance**

The analysis, so far, leads to an obvious conclusion: since public sector salaries in Ghana are determined by the government, both the government and management must play important roles in order to improve performance in poor performing organizations – the government needs to boost salaries in poor performing organizations and the management of these organizations should employ open and competitive recruitment procedures. An important question that comes to bear is: will the adoption of a more transparent and competitive hiring procedure and an increase in salaries automatically transform a poorly performing public organization? We assert that addressing these problems would undoubtedly be an important step in reforming poor performing organizations. However, to tackle the problem of the poor performers in a more comprehensive way, one needs to confront the fact that sometimes reversing the causes of a problem is not enough solution to the problem. Thus, although the performance of public organizations is initially influenced by the incentive system and hiring practices, over time these factors would lose their significance as the practices they initiate become entrenched as “the way things are done here”. For instance, among the good performers, efficiency and professionalism will become the norm because they have skilled personnel and effective leadership. Such organizations would also develop a culture and corporate identity<sup>13</sup> characterized by professionalism, hard work and efficiency, —what Grindle (1997:488) calls “organizational mystique”—a sense among employees that society regards their organization as “competent, respectable and relatively free of the political entanglements characterizing most public-sector organizations.” Conversely, the poor incentive system and the practice of hiring employees based on nepotism would combine to starve the poor performing organizations of skilled personnel and the leadership needed to make them effective. They would also become the tools of political patronage that provide jobs for the middle class and supporters of those holding power and therefore had difficulty attracting qualified workers. The poor performing organizations would develop a culture that fosters commitment to political elites rather than professional expectations. Thus, changing the cultures of poor performers and encouraging the positive aspects of good performing cultures is often complex than dealing with the initial causes of the problem.<sup>14</sup> Specifically, shock-therapy public sector reforms that assume that addressing the initial causes of poor performance would necessarily lead to improved performance in the sector are likely to be unsuccessful. Thus, in addition to addressing the initial causes, public sector reforms in Africa must also include deliberate strategies to change the

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<sup>13</sup> Organizational culture refers to the underlying beliefs, values and the expectations shared by the members of the organization. This includes unwritten codes of conduct and behavior of organization, such as practices that are acceptable and practices that leads to a reprimand (Grindle, 1997).

<sup>14</sup> See Owusu (2005) for a discussion of the relationship between organizational culture and the performance in Ghana’s health and education sectors.

organizational culture. An important question here is can organizational culture be changed? Resistance to the organizational culture change as way of increasing performance often results from the use of the cultural analogy. The argument is that if organizational cultures are like societal cultures, then it would be futile to attempt to change them. However, as Wilkins and Ouchi, (1983) argue, organizational cultural change is difficult, but not impossible. There is overwhelming evidence from both private- and public-sector organizations around the world that show that organizational culture can indeed be changed (see Kotter, 1996; Rainey, 1996a).

## **5. Policy Recommendations**

We next discuss how an organizational culture can be changed. We note that a complete understanding of an organizational requires an in-depth study of the organization. Such a task was impossible in this study due to time and financial constraints. Below, we present strategies for changing organizational cultures based on results. We also draw from the literature on organizational cultures<sup>15</sup> and also from the comments and discussions by participants at the workshop for senior public sector officials in Accra where the results of this study were discussed (Owusu, 2004b).

### *i. Tailor reform policies to specific organizations*

The drivers of change studies argue persuasively that more attention be paid to country-by-country studies to provide a more sophisticated understanding of political and social systems, incentive structures, and sources of leadership and to incorporate these understanding into reform policy design (DAC Network on Governance, 2006). We take this argument further and suggest that one should avoid one-size-fits-all reform strategies and tailor reform policies to specific organizations. Since different organizations—even those in the same country or in the same sector— could have different cultures, it is critical that one take each organization’s culture or cultures into consideration in designing reform strategies. This point dovetails with a World Bank admission that we should “start with a thorough understanding of what exists on the ground and emphasize ‘good fit’ rather than any one-size-fits-all notion of ‘best practice’” (World Bank, 2002:17). Understanding what exists on the ground requires an understanding of the culture of each organization. Organizational change therefore entails a good understanding of the nature of the culture, an assessment of the culture – including the multiple subcultures, understanding the different cultural forms, and using those forms to facilitate change, where necessary.

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<sup>15</sup> For instance, see Kotter (1996) specific strategies for creating change and institutionalizing organizational culture.

*ii. Reforming the incentive system is a prerequisite for cultural change*

The importance of adequate salary and transparent incentive system in promoting efficient public sector organizations cannot be overemphasized. Increasing employee remuneration would not only stem the outflow of workers from the public sector but also reduce corruption. Salary-reform discussions must however, be open and honest; they must be based on dialogue between the government and the other stakeholders, especially the unions. Such a dialogue would help educate the stakeholders about budgetary constraints faced by the government as well as provide an opportunity for the government to press upon the stakeholders the need for increased effectiveness as a way of justifying higher wages.

*iii. Reforms should focus not only on management, but also on leadership*

Public-sector reform, as implemented in Ghana and other African countries, has focused on improving the management of organizations. Yet the problem of many public organizations is the lack of effective leadership to institute the changes necessary for creating effective organizations. Kotter's (1996) distinction between *management* and *leadership* is quite apt here. According to him, management involves a set of processes to help keep the complicated system of people and technology running smoothly, including planning, budgeting, organizing, staffing, controlling and problem-solving. Conversely, leadership involves a set of processes that create organizations in the first place or adapt them to significantly changing circumstances. Leadership defines what the future should look like, aligns people with that vision, and inspires them to make it happen despite obstacles. Lack of visionary leadership is a serious problem, particularly in Ghana's public sector where a poor incentive system, lack of resources, excessive bureaucratic rules and regulations make it extremely difficult to attract and retain such people. The often constraining civil service environment in many African countries can, and do, frustrate many reform-minded and visionary leaders, however there are examples of effective leaders who have succeeded in transforming some public institutions. For instance, the phenomenal transformation of the Ghana Institute of Management and Public Administration (GIMPA) demonstrates that, given a ripe environment in an organization and a right leadership, organizational change can be possible.<sup>16</sup> In sum,

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<sup>16</sup> The story of the Ghana Institute of Management and Public Administration's (GIMPA) transformation from an institution that was marked for closure within 24 months (Maastricht School of Management, 2001) to one that has become the pride of Ghana's public-sector reforms within a period of two years deserves to be documented and used as a model for other organizations in Ghana facing similar problems. Anecdotal evidence points to the critical importance of the support of government and the board of directors, and the relative financial autonomy of the institute. More important factor in the institute's transformation, however, is the timely *change in leadership*, which brought in an "outsider" who skillfully took advantage of the crisis and implemented very crucial reforms which laid

although there is often the need to improve the management of public organizations, it is equally critical for all public organizations to have a “collectively created” common frame of reference (Mahler, 1997), which can be effectively created only by a *leader*, not a *manager*.

*iv. Cultural change is a long-term process and therefore must be tempered with “quick wins”*

As drivers of change analysis have shown, initiating sustainable reforms requires the full commitment of the national political leaders and the international community, and the support of employees (Report of the World Bank Task Force on Capacity Development in Africa, 2005). Changing organizational cultures as a way of improving the performance of public organizations is no exception. Lack of commitment by politicians often results in lapses in policy implementation as happened in the case of Ghana between 1993 and 2000 (Kiragu and Mukandala, 2003; Stevens and Teggemann, 2004). The short-term demands of the foreign donors also “have sometimes compromised longer-terms goals of institutional building, with negative long-terms impacts” (World Bank, 2000: xiii). The commitment of public-sector employees to the reform effort is also necessary to create a sense of ownership and diffuse the so called “reform fatigue.” A better understanding of the enabling environment for capacity development and using the knowledge in designing reform policies is critical in all cases. In addition, instituting “quick-wins” can be helpful in making such a long-term approach to public-sector reform acceptable to political and administrative leaders. “Quick wins” is a way of providing a positive face to public sector reform by demonstrating that reforms are not just all about sacrifices and pains; it also involves significant improvements in service delivery.<sup>17</sup> Moreover, in situations where the enabling environment makes comprehensive reform unfeasible, it may be expedient professionalize the public service one agency at a time, responding to the most urgent needs for capacity (Report of the World Bank Task Force on Capacity Development in Africa, 2005).

## **6. Conclusion**

This paper has used survey data from Ghana to argue that good and poor public organizations differ in two respects: remuneration and hiring criteria. We caution that transforming poor performing organizations is more complex than simply addressing these differences – it requires fundamental changes in the cultures of the organization. We end by noting that in designing public sector reform policy, we

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the foundation for the turnaround (personal discussions with Professor Stephen Adei, rector and director general of GIMPA, and Mr. David Djanie, the executive director of operations, State Enterprises Commission).

<sup>17</sup> For instance, when reform fatigue among Tanzania’s political and administrative leaders threatened to undermine the reform efforts in the late 1990s, they shifted the focus to a set of “quick wins” to complement the long-term perspective of the program (Kiragu, 2002).

should begin by identifying which organizations perform well in a given country and attempt to understand why/how such organizations defy the norm. This approach would avoid the one-size-fits-all approach to public sector reform and open the way for an effective strategy based on the experiences of good performing organizations within the same country. It would also require that reforms focus on public sector employees. This means finding out from the employees themselves in terms of what makes them “tick” and designing policies to address those specific concerns. After all, investment in training and provision of modern technology as a way of revamping the public sector would only be justified, if they address the concerns of employees and improve the performance of the organization. We however caution that by arguing that some organizations within the same country are more effective than others does not mean that the wider culture of public services □the enabling environment□ is not constraining. Nor do we want to suggest that good leadership alone would be enough to pull up inefficient organizations. On the contrary, reforming public sector organizations should be multifaceted effort, with leadership a part of this effort. Thus, our study must be seen as complementary to the drivers of change analysis, since any effort in understanding of the relationship between organizational culture and the performance in public organizations and designing strategies for changing organizational cultures must necessarily based on an understanding of the “systemic factors” that hamper reform efforts, including a lack of high level political commitment to reform.



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