In this chapter we present two case studies: one each from the private and public sectors. We have based these case studies on our respective experiences in these types of organizations. We have combined details from several organizations into each case study description. We see merit in blending together attributes of each organization for the purposes of analysis and discussion. The details are from real, living organizations that exist and thrive. We detail key features of each type of organization and discuss the benefits for designing service-driven organizations. Our descriptions are multifocused. We describe and discuss detailed attributes of organizational structures, human resources (HR), and employee competence development and leadership. We meld each of these features into frameworks for organizational development. At the heart of our descriptions are key attributes that, in combination, could form the design of a new type of organization. This organization would incorporate the best of both worlds. As such, the organization’s managers, executives, and staff would be well placed to shape the organization’s future by mobilizing, focusing, and aligning internal resources (physical capital, financing, and human capital, including explicit and implicit competencies). In concluding, we share our reflections on this new organization, the challenges it will face in an increasingly technological world from an operational standpoint, and the ways in which service design will enable organizations not only to meet these challenges, but also to continually reshape themselves for futures unknown, but certain to be turbulent.

Excellence in a Private and in a Public Organization

Below we describe three hypothetical organizations. One is a private sector organization, and the second a public sector organization. The third is an amalgam of the two. We have developed our ideas over time from many different locations and environments in which we have been privileged to work. In our careers we have worked in countries on several continents. We therefore draw on many different organizational and national cultures in which we have enjoyed working. These organizations might exist somewhere in the real world—at least we would certainly like to think so. In our current
context they are based on our own personal experiences over a number of decades with several dozen public and private sector organizations. Readers who feel that they recognize specific organizations are welcome to conjecture, but are likely to be wrong.

We have combined the two organizations into a third hybrid organization to represent a Socratic ideal of private-public organizations. We are certain that the optimal organization of the future needs to learn from excellence in both private and public organizations. In our experience, excellence is not the preserve of one type of organization. Certainly, each type of organization can offer valuable lessons in organizational structure and design, workplace practices, and management.

We first set out key attributes of each of the private and public sector organizations as a form of case study. As mentioned, these case studies are based on real, living organizations of which we have had direct experience over our working lives. We then discuss the traditional understanding of the strengths of each type of organization. As a way of making sense of the different organizations, we also discuss ways in which we can learn from the strengths of each sector organization and implement a combination of these strengths in the hybrid organization. Our intention is to construct an organization using the best of the private and public sector worlds. We conclude by discussing how to optimize the learning from the private and public organizations as inputs for the design of new types of organizations.

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**Service Excellence in a Large International Private Sector Organization**

Our private sector organization is a company whose operations are mainly in the area of logistics. The organization is rather large, has a global reach, and has tens of thousands of employees. Although its operations span the world, its main activity is in Europe, where it is headquartered. The organization has been in existence for many decades. During this time it has invariably been successful, although it has seen peaks and troughs of profitability. Over a period of about a decade, it was extremely successful in its business and achieved leadership in its industry as an exemplar of business excellence. Competitors tried to emulate its success. The organization has focused very strongly on providing very high levels of service for a segment of its customers who could (and were happy to) pay for added-value services. The organization also tried to provide a good basic range of services for all of its customers. In common with many large organizations, it has in the past been overloaded by a rather heavy bureaucratic structure. As a partial solution to this issue, the organization’s executives believed strongly in creating
business innovations. In the main, these initiatives were eye-catching and successful and competitors tried to replicate them.

A key area that received priority of management time and focus was the frontline (customer-facing) employees. The organization tried to reduce the number of formal rules and regulations that had built up over time so that frontline staff would become (of necessity) more empowered to make decisions without recourse to immediate line managers. The organization also aimed to break down its rather hierarchical structure, which was a corollary of its time-honored traditional bureaucracy. Executives and managers also tried to reshape the organization into a flat, low-level organizational structure. Reducing levels of reporting and spans of control was seen as a means to reform the perceptions of employees whose routines and daily work tasks focused on servicing customer needs. To this end an overlay matrix was designed and introduced in order to activate all functions. This matrix was used throughout the organization and affected all functional units, regardless of whether these were frontline (customer-facing) or traditional support services (such as information and communications technology (ICT) or HR, such as recruitment, training, and payroll services). Introducing the matrix as a way of representing and publicizing responsibilities helped ensure that employees were aware of their place in the organization’s structure and operations. The overarching aim of the new matrix was to aid workplace clarity.

A key and dominant feature of this service organization was its highly charismatic leadership. The leader was personable and able to speak to everyone, and made a point of doing so. This is usually referred to as having the common touch. The leader was high profile and an effective communicator. This leadership style generated a widespread feeling by employees of engagement, involvement, and participation. However, in reality, although this represented a change from traditional leadership styles, it was still not direct participation in a strictly democratic sense. The command structure remained top-down and activities were invariably initiated and driven by the top leader. That there was now a chance of increased dialogue between the workforce and its leader was a subtle difference over an autocratic style of leadership.

The focus of the leader and his executive team was clearly on the real and prime customers—real in the sense that the organization knew the profiles of its customer base and prime in that data generated by revenues figures clearly showed that around 20 percent of customers generated a high share of revenues and profits.\textsuperscript{1} It was therefore expected that frontline (customer-facing) personnel had priority. However, at the same time, the organization emphasized the importance of good internal service to internal customers, i.e., support functions and in-house services. Employees were constantly reminded that this too was a priority area. Of particular importance was the leadership at all levels and in all departments. This feature of organizational development emphasized the responsibility and roles of mid-ranking leaders (e.g., department heads and unit supervisors) in providing service to employees
in their units. In order to empower employees, and in particular frontline employees who were in daily contact with customers, there was a drastic reduction of rules and regulations. Rule books and lengthy guidelines were purposefully discarded. Thereby, frontline personnel gained more freedom to give the best possible service to the customer in every situation. Devolving decision making to frontline employees is a key component of service excellence. The award-winning international health resort and spa Chiva Som (Haven of Life) trains its service employees in a can-do attitude that in practice means that the resort’s healthcare professionals, therapists, and employees aim to do the best they can do for the guest.²

In our case study organization it was emphasized that every meeting of frontline personnel and the customer was a unique situation, and one that would shape the customer’s perception of the service. Success at this moment of truth received the highest possible priority. The success of this moment of truth had to be understood by everyone throughout this rather large organization. The objective was that each and every one of the tens of thousands of employees should be able to internalize the concept of the moment of truth. The rather high level of success in this objective was very much dependent upon the strong charismatic personality of the organization’s leadership. The concept of alignment of all its employees became very important and, to a large extent, was fulfilled. This form of top-down creation of alignment can be looked at in relation to the concept of a cadre organization.³

In the main, the organization was driven by top-down initiatives in terms of strategic direction and ambition. However, in practice it had many features that are associated with a more participative and democratic organization in terms of workplace practices. One example was a stated aim to move toward a flat organization structure by removing layers of control, supervision, and reporting. Another example was deregulation (removing what some employees saw as petty bureaucratic rules) to give more freedom to individual initiative and encourage personal creativity. Internal deregulation also facilitated stronger frontline staff-customer relationships.

In addition, the organization introduced an elaborate follow-up and evaluation system of the organizational functions at all levels. Particularly, the leadership was evaluated in a 360° feedback process. These evaluations (in effect, personnel/leadership audits) were conducted throughout the organization and used at all levels of responsibility to create action plans for improvements. To a large extent, the focus was on leaders’ success or difficulties in handling human relations. This was both internal (pertaining to staff and work teams) and external (relating to relationships with customers). Initially, customer relationships and personnel were separated into two types of internal audits. Over time, these two processes were merged to provide a holistic picture. These rather elaborate evaluations/audits combined with plans of actions proved to be a very successful method of improving the function of this large organization. Compared to traditional quality assurance (QA) types of studies, which may often become one-off exercises, this
process became a vital and ongoing part of a new kind of learning organization. It created a mutually supportive human relations (leadership personnel) process of organizational learning. This is somewhat rare. From year to year could be seen numerous examples of dramatic improvements in leadership skills and leadership outputs. In fact, experiences from these processes might call into question many traditional programs of leadership development. The types of audit put in place by this organization highlighted the development of each organizational unit. Each organizational unit consists of a unique set of individuals and their communal interactions. Learning has to be mainly based on this mutual process between unique individuals. This will always be different from training leaders at off-site events (e.g., so-called away-day seminars) and separated from their daily social milieu and workplace context of socialization. However, to be successful in the longer term, these types of processes need to be allowed to continue over prolonged periods of time. In this way, there will be an organizational context for the learning (rather than what might be termed learning in a vacuum). This will not occur if the process changes in the short term (e.g., on an annual basis). To ensure change momentum and robustness of learning, the processes need to be followed up over shorter-term periods (such as on a 6-month cycle). The dynamics of this organizational learning have some similarities to some of the concepts developed by the Tavistock Institute in its learning conferences.  

Year on year over a period of ten years, this private organization was very successful. Undoubtedly, one factor of this success was the quality of high-profile charismatic leadership throughout the organization. Most importantly, this leadership underscored the short-term success of the organization. However, a valuable supportive role was played by follow-ups and evaluations set in place by these leaders and used as a tool for a continuous process of organizational learning. This helped achieve sustainable success over a longer timeframe.

The top leadership and especially ongoing dialogue between top leaders and frontline personnel were important features in creating the driving force for continuous change and organizational evolvement. But at the same time, this also created a number of difficulties. Many high-level leaders experienced a loss of power and influence from what they had previously enjoyed. Many of these leaders were also actively critical of the evaluation processes as a tool for organizational and human resources (HR) development. Some high-level leaders believed that these types of processes represented a personal threat to their self-esteem, on both personal and professional levels. At times, this also created conflict between the frontline personnel and some high-level leaders. However, in the long term, such conflict can be avoided if the process of organizational learning can achieve an understanding that (in some cases) changes are allowed a longer timeframe. This requires a detailed examination of the issue on a case-by-case basis coupled with an acceptance by all concerned parties that local branches of the organization (i.e., subunits or outstations of the organization) are allowed to solve their
own operational problems (on their own initiative) in cooperation with other parts of the wider organization.

In any organization there are issues of succession and continuity. In this private organization when the creative and innovative leadership left to undertake other missions, some of the impetus and momentum also disappeared from this rather unique organization at a critical stage in a process of change. This notwithstanding, valuable lessons can be learned and used by other organizations in both the private and public sectors. Modern information and communication technology (ICT) can play a much larger role in this process of change. Through judicious use of ICT, organizations could make processes of auditing and organizational change into a fully decentralized process for each of their work subunits. This would then be a form of organic self-controlled, self-directed organizational learning. In practice, the employees and their leader in an organizational subunit (such as an operating division or functional department) would manage their own process of auditing, making department-specific plans of actions within the framework of the organization’s overall vision and missions. The department would also be responsible for implementing the necessary actions. This would include control of its own economic balance sheet.

As a multinational corporation (MNC), this organization operated in many different parts of the world. As such, it was exposed to the influences of many different national cultures. Initially, some employees questioned whether the types of methods put in place in Europe could be successfully transposed in many different types of cultural contexts. There is much here to describe and discuss, but to do so fully would require another book. In summary, the methods were applied without any major hiccups in all different countries involved. Naturally, while there was some adjustment to conform to local norms and expectations, the processes retained the key features of those developed at the European headquarters. Organizations often contain several different (and often conflicting) professional cultures. In this organization it was evident that the differences between individuals and local work units were much larger than the differences between units from different cultural areas. As an example, the differences in worldview and mind-set between, say, engineers and marketing and sales personnel (irrespective of geographic locale) were much larger than the differences of the people working in different geographic regions. Bridging the professional divide was more important than spanning the cultural gap.

Service Excellence in a Large Public Sector Organization

In recent years public service has undergone a shift in emphasis with a stronger focus on process effectiveness leading to mechanisms to deliver good
service to the nation at large. The public sector organization described here is proud of its long heritage and its proven service to the monarch and nation. This public sector organization claims its roots back several centuries, to the beginning of the development of the nation-state. In many countries (such as France, the UK, Sweden, China, and Japan) public service was traditionally to the crown, and subsequently to the nation-state. In this model the emphasis is less on public service (i.e., to the civil population) and more on service provided to authority figures within the state and to matters under their bailiwick (such as taxation and mobilizing armies). In this model of public service, the organization takes a pyramidal shape.

During the mid- to late nineteenth century in our case study example the public administration saw many reforms as the nation continued to develop and tackle the not insubstantial challenges of modernization. Reforms over several decades gave shape, structure, and functions to the nascent public administrative infrastructure. The present-day organization, structural configuration, and work ethos owe much to the many changes initiated in these reforms. Development of the public sector organization continued apace throughout the twentieth century. And although there have been periods of social and political upheaval, there have also been consistent programs of reforms introduced by politicians of different hues. The latter decades of the twentieth century and the first decade of the twenty-first century have seen further reform effort, much of this initiated within frameworks of new paradigms for public sector management.

In the early 1990s the book Reinventing Government delineated new public management (NPM). NPM imported ideas from private sector organizations with a view to transforming public organizations to resemble more closely the management styles, functionalities, and operational efficiencies of commercial enterprises. To this end, NPM envisaged refocusing public management effort in public service delivery from bureaucratic rigidity to cost-effectiveness. The former situation saw rule-based processes of service. Standardized (supply-driven) services were the norm, and work procedures tended to be overly bureaucratic and cumbersome with an emphasis on past precedent. The focus and content of public services has more often been decreed by politicians and ministers, rather than shaped by the civic needs of citizens.

In our case study organization, the past few years have seen reforms focused on developing the sector’s human resources (HR) competencies. The intention is to reshape the organization and its prevailing ethos to development, and reform the constituent organizations from a traditional model to one more focused on effective delivery of public services. In essence, this is a move from top-down organizational development toward initiatives generated from the bottom up. In common with its neighbors, the country in which this organization is situated was affected by the 1997 Asian financial crisis. In its aftermath, there were further reforms of the public administration, especially in articles contained in a new constitution. These reforms
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encompassed more public participation in the mechanisms of governance, including public debates of political and social issues affecting the nation’s citizens. For example, the subsequent national development plan was composed with reference to public forums conducted nationally.

The past few years have seen reforms to the organization’s infrastructure, in the main intended to push forward modernization (in part to comply with NPM principles, in part to engage a new type of career civil servant, and in part to address the needs of a developing society). Key emphases are to reinforce decentralization of the mechanisms of public governance, ensure that there are robust processes for engagement of the nation’s citizens in civil and social debate, and move closer to an optimal size of the public sector to be able to deliver timely public services (e.g., education, healthcare, care of an aging population). The renewed focus is effectiveness of resource use, and timely delivery of public services as needed (i.e., public services that are demand driven rather than supply driven).

Not surprisingly, this focus is driving changes in the workplace culture and philosophy in the public bureaucracy. The focus of resources is now to be driven by demands of public service needs. Organizational restructuring to achieve effectiveness of limited resources is beginning to replace the former emphasis on organizing resources for efficiency. In essence, effectiveness means doing the right things (in this case, serving society), while efficiency means doing things right (following rules and regulations). Underpinning each of these focuses is the reformation of organizational structure from a busy but unproductive bureaucracy to a service-oriented organization. This involves upending the shape of the organization from a strict hierarchy to one focusing on the competencies and service abilities of public servants. In practice, this means that rational decisions for the deployment of resources for public services by officials who can adapt to changing social needs replace knee-jerk reactions to rule-governed preplanned outputs. In the NPM model of public service, key people skills include flexibility (of both thinking and actions), empowerment, monitored performance outputs (transparency and accountability), and an ability to make decisions in team-based situations. This is a break with past thinking and behaviors. Whereas before the organization looked inward for resources and to the past for precedents of planning and resource allocation, it now looks outward to communities for appropriate levels of resources and to planning for the future in relation to timely data from national and local statistics.

Learning between Private and Public Sector Organizations

In many parts of the world, the public sector is looking with great interest at the private sector to learn about best practices. Examples of areas for learning
are suggested to include organization structure, project costing and budgeting, and management (including decision making and practices of personnel management). In many ways this is a gross mistake. The conditions under which private sector organizations operate are different from public sector organizations. In particular, in Scandinavia and throughout Europe, public organizations have played both copycat and catch-up. This can be a dangerous error of judgment.

In this chapter we have reflected on our own experiences of working in and being involved with public organizations. Our description of this very large public organization is an amalgam of many organizations of this type. We have been working in, employed by, and have conducted research in this type of organization in Europe, Asia (particularly Southeast Asia), and the southern parts of Africa.

Based on our experiences the learning between private and public sector organizations ought to be mutual and (at least) bidirectional. It is a necessity for public sector organizations to look for the best in the private sector that are suited to be applied in specific types of public sector. The key word here is *suited*. Not all public organizations are, on a broad basis, suited to learn from the private sector, more than from specific examples. Typical areas that it is difficult to generalize from private to public sector work include the law and legal matters, for example: issues involved in policing, prison services (correctional facilities in general), and similar public service organizations. Conversely, public enterprises such as electricity boards, water companies, railway systems, public transport, telecommunications, and similar public services offer possibilities to learn from the private sector. It is not unusual for services in these areas to be delivered by private enterprises, and even for public services in these areas to become privatized. Obviously, all moves to make public organizations fully private must be assessed and conducted with an understanding of the great importance of infrastructure requirements of a nation, province, or local community. To ignore this essential condition would be to risk reverting to a supply-driven model of public services.

Of course, infrastructure requirement needs of the public sphere can be met in many different ways. Theoretically, it could be relatively straightforward for a fully government-owned organization to arrange a fully public organization to meet the requirement needs of a public infrastructure. Widespread experiences (sometimes horror stories) of a public organization's inability to meet the public needs of infrastructure are not primarily a problem of public or private ownership. Rather, this is more a matter of inefficient management and decision making and (mis)allocation of available resources. In turn, this is in many cases related to a more formal decision-making structure due to general public concerns and formal legislations. What we have learned from Chapter 9 is that some private organizations are able to organize very flexible and decentralized decision-making processes. These processes are often designed to facilitate a decentralized process of learning and development. This type of organization can lead to a more decentralized faster decision
making without losing core governance mechanisms and control by those in authority, such as a board of directors. One would perhaps expect good governance to be of a higher quality in the public sector than in the private sector due to concerns about the “public purse” and the need for openness and transparency. This is not necessarily so.

One additional reason for the interest from the public sector to learn from the private sector is the spread of the market economy in almost all countries around the world. Recent history suggests that command economy principles have been heavily marginalized and find their adherents in a relatively small number of nations around the world. It is not always obvious or a fact that privatization of a public organization will lead to increased efficiencies and lower operational costs. In many cases it may be the opposite. In the past few decades privatization has taken place in many areas of previously public organizations. An interesting example is the health sector. Many cases indicate that publicly owned organizations in the health sector are more cost-effective than in the private sector ownership. We’ve each had opportunities to see firsthand examples of how public organizations in certain areas of healthcare can be improved by the learning from organizations in similar areas of the private sector.

In the public sector, preparedness for change varies to a very large extent. In many areas of the public sector organizational cultures inherently resist the process of change. This is often a facet of the organizational culture, as such, but is also many times an inherent feature of employees’ expectations of their organization (“change is not good and should be resisted”). On the other hand, in many types of public organizations it might be relatively easy to make changes. This is the case in what we call cadre organizations. A number of distinctive features define a cadre organization. Its members tend to share an ideology, there is often a lack of formal levers of control (members organize, direct, and manage themselves), and there is often a strong sense of mutual commitment. Whereas in many forms of organization the mission is set from the top down (i.e., from senior executives), in a cadre organization the members themselves exhibit a collective (mutually supporting) sense of the organization’s beliefs, guiding principles, mission focus, and ways in which the organization should be conducting itself. Cadre organizations display a strong sense of purpose and high levels of consensual behavior. Notions such as duty, service, and helping others are among the key propositions in a cadre organization. For these reasons, cadre organizations can be found in political parties, unions and professional bodies, religious groups, and charitable organizations. The characteristics of a cadre organization make it very easy to implement changes, as long as changes are in line with the guiding mission of the organization as understood by the membership.

The specific characterization of cadre organizations might, in turn, make them resistant to change if proposed changes do not accord with what the members feel are the guiding principles and their organization’s stated mission. Typical examples of cadre organizations can be found in some parts
of the Swedish government bureaucracy. Strong organizational cultures of employee solidarity can also be found in many government organizations and private organizations. In Thailand, for example, public sector officials are designated as servants of the monarch. Naturally, this can create a situation where employees have a very strong attachment to tradition and a tendency to resist change, especially if this is to threaten time-honored ways of working. Privatization of public enterprises or part of government organizations is nearly nonexistent in spite of a number of attempts to privatize public enterprises. Evidently, public and private organizations can learn from each other. Most likely, public organizations can learn from good examples from the private sector. In the long term, public organizations could probably benefit more than the private sector in creating decentralized learning organizations.

Endnotes

1. The Pareto effect (or Pareto principle), also known as the 80:20 rule, was conceived by Joseph M. Juran (1904–2008) and named after the Italian economist Vilfredo Pareto (1848–1923). The Pareto effect states that in any phenomenon, 20 percent of causes generate 80 percent of effects (such as that 20 percent of customers generate 80 percent of sales revenue). See discussions in Alan J. Dubinsky and Richard W. Hansen (1982), Improving Marketing Productivity: The 80/20 Principle Revisited, California Management Review, 25(1), 96–105; Bill Birnbaum (2004), Use a Pareto Diagram to Develop Strategy, Consulting to Management, 15(1), 15–16.


3. In essence, a cadre organization can be seen in mission- and ideology-driven organizations such as charities, religious organizations, and political parties. Such organizations tend to be non-profit seeking (at least in principle).


5. See, for example, Edgar H. Schein (1996), Three Cultures of Management: The Key to Organizational Learning, Sloan Management Review, 38(1), 9–20. Also see Edgar H. Schein (1996), Culture: The Missing Concept in Organizational


