MANUAL FOR COLLABORATIVE

ORGANIZATIONAL ASSESSMENT IN

HUMAN SETTLEMENTS ORGANIZATIONS

**A Manual for Assessing the Effectiveness
of Human Settlements Institutions**

PREFACE

Increased attention is being paid by governments and other public agencies, both multilateral and bilateral, to organizational capacity-building. It is not surprising, therefore, that training and technical assistance programmes in all sectors and fields increasingly are emphasizing techniques of effective management. The human settlements sector is no exception. Trainers in the field are convinced that technical training alone is not sufficient to ensure the effective management of human settlements organizations.

Another term which appears in today's development literature is "sustainable development." Urban authorities and institutions in developing countries are directly or indirectly responsible for the consumption, production and management of human, natural, technical and financial resources. The resources under their management are often equivalent to those managed by the largest companies or corporations of their respective economies. it is not surprising, therefore, that the expertise required for efficient management of public resources is being examined closely by development specialists.

This manual is designed specifically for analysing the effectiveness and the efficiency of day-to-day performance in agencies and authorities responsible for providing public goods and services. As its title implies, the manual describes a process that is collaborative in design. Parallels between the proposed process and concepts of participatory management found in management literature are intentional. It is our belief that it is through the participation of people at all levels of an organization and a society that development goals are most likely to be shared and that the resources required to achieve them are most likely to be mobilized and used on a sustainable basis.

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SECTION I

Introduction

There is a growing demand throughout the world for human settlements organizations to be more accountable for what they do and how well they do it. The demand originates from many sources: the public as ultimate customer of the products supplied by these organizations; policy makers answerable to the public for the availability and quality of products; managers who are expected to satisfy consumer demand while containing costs; and donor agencies that expect competent execution and management of externally-funded projects. The need for accountability is complicated by the rapidly changing environments within which human settlements organizations must function.

Despite growing demands for accountability, human settlements organizations rarely examine how well they are performing. Systematic collection and analysis of performance data is virtually non-existent. As a result, officials, citizens and donors alike are frustrated in their attempts to find out how well human settlements organizations are performing in relation to their stated or implied purposes.

Organizational assessment

Organizational assessment is a process in which human settlements organizations gather and analyse performance data to determine whether or not and to what degree these organizations are doing what they are supposed to be doing and how well. To state it more precisely, organizational assessment is, ""the critical analysis of an organisation's performance to document discrepancies in effectiveness and efficiency and to design strategies to improve or restore performance to desired levels".

When human settlements organizations undertake organizational assessment, it is for one or more of the following reasons:

(a)   The organization is confronted with a problem it is unable to solve or0properly diagnose. The problem poses a serious threat to the organisation's financial or operational health.

(b)   Top management is committed to improving the organizational performance and the quality of the products that the organization delivers.

(c)   Owing to political, administrative, and/or legislative changes, the organization is required to modify its structure and/or operations.

(d)   The organization receives an opportunity for external funding and support that requires major changes in its operations as a precondition for funding.

Ordinarily, organizational assessments are undertaken by human settlements organizations with the help of experienced outside consultants. This is believed desirable for three reasons. First, internal personnel have less experience in data gathering and analysis than external personnel who are well trained for the task. Secondly, internal personnel normally cannot devote the time required to do a thorough assessment. Thirdly, internal personnel are often too close to the activities being performed to be objective.

It is an underlying premise of this manual, however, that employees from organizations being assessed should be involved in all stages of the assessment from the initial preparation of measures and data-collection procedures to the review of findings. Internal personnel are experienced in the ways of their organizations. It is on their shoulders that accountability

rests for making needed changes. Their involvement in carrying out assessment tasks under consultant supervision can substantially lower the overall cost of an assessment and improve its accuracy.

Last but not least, it is the internal personnel who are responsible ultimately for implementing the recommended changes. The participation of these personnel in carrying out assessment tasks will greatly increase the feasibility and ease of implementing these changes.

This manual provides a framework for the conduct of an organizational assessment through the collaboration of internal organization units and external management advisers. We call the process Collaborative Organizational assessment (COA). **(1)**

Conventional wisdom

When managers were asked to describe an "organizational assessment," most of them said something like this: "An organizational assessment is a detailed consultant report with recommendations delivered to management at the conclusion of an intensive investigation of the organization." In other words, there is the common belief that a proper organizational assessment involves hiring an outside consultant to study the organization and to recommend changes which, if implemented, will result in improved performance. The consultant in this scenario is viewed by management as a technical expert who is the best judge of what the organization should be doing and how it should be doing it. However, when asking managers that have taken part in organizational assessments to state what proportion of the recommended changes were made, their answers indicate that very few have been.

The collaborative approach

As suggested by the title, a different approach to organizational assessment is being proposed in this manual. Stated simply, organizations participating in COA undertake a process of self-assessment with the adviser serving primarily as guide and facilitator. This approach goes further than merely producing a list of improvement recommendations. COA has the additional objective of strengthening the capacity of an organization to evaluate itself.

COA is an attempt to overcome several important limitations in more conventional approaches to organizational assessment. These limitations, in turn, are rooted in several basic assumptions about the process of changing or improving the way organizations do things.

(a)   Most conventional assessments produce considerable information about an organization but provide little opportunity for involvement by the organization itself in gathering and interpreting that information. An often stated principle in the behavioural science literature is that people are more likely to support what they help to create. Let us assume, for the moment, that this principle is true with respect to people in human settlements organizations. If so, it follows that conclusions reached through data gathering and interpreting by members of the organization are more likely to produce action than conclusions reached by outside experts.

(b)   Most conventional assessments are expensive. Fees in excess of $250,000 U.S. are not unusual for an organization-wide study conducted by a major consulting firm. Fees of this magnitude represent a substantial portion of the funds available under a typical technical assistance project. Many donor agencies are reluctant to fund such undertakings. Moreover, few human settlements organizations can afford to pay these prices. COA, however, at a cost of one third or less of conventional methodologies, is affordable for most donor agencies and human settlements organizations alike.

(c)   Conventional approaches to organizational assessment have other important drawbacks.

    (i)   Many of them lack comprehensiveness. Some concentrate solely on the financial side of an organisation's affairs - payroll, accounting, budgeting, revenue collection. Others rely on a single source of information that may or may not be available in other organizations.

    (ii)   There is a tendency for conventional methodologies to be too quantitative. Complex cost/benefit indicators and similar ratios often are confusing and meaningless to management officials expected to make use of them. Russell Ackoff, a management adviser who has worked with hundreds of organizations world-wide says: "Managers should never use "solutions" that are extracted from models (or methods) they do not understand, nor should they stand in awe of mathematics. Rather, they should be aware of how awful its products can be." **(2)**

    (iii)   Finally, most studies undertaken by large, private management consulting firms are proprietary to those firms. The methodologies are rarely made public. Nearly all of the work is done by teams of experts trained in the firm's methodology. Little opportunity is provided for employees of the organization to play an active role in the assessment.

It is not the intention to discredit conventional approaches to organizational assessment. On the contrary, these methodologies should be continued where their use can be justified. COA simply represents an alternative with some important advantages over conventional methods. **(3)**

"There is nothing so useless as doing efficiently that which should not be done at all."
Peter Drucker

Effectiveness and efficiency

The terms "effectiveness" and "efficiency" are often used interchangeably to describe how well an organization is performing in relation to its goals. Peter Drucker, a recognized authority on management and organization, says that the two words, actually, mean quite different things. Drucker defines "effectiveness" as doing the right things and "efficiency" as doing things right. **(4)**

Drucker's definitions of effectiveness and efficiency have been adopted for use in this manual.

When the term "effectiveness" is used, reference is being made to whether or not, or the degree to which, an organization is doing the things it should be doing. In other words, an organization is thought to be effective to the extent that the right organizational components are supplying the right mix of products to meet the demand of customers outside and inside the organization.

For example, a housing bank which is engaged in tasks related to loans for contracts probably is doing "the right thing." If, however, that same agency engages in tourism development, it may not be doing the "right thing." In summary, an organization can be said to be effective to the extent that it is doing the things it needs to be doing to fulfill its mission.

"There is no right way to do the wrong thing"
Blanchard and Peale

A complete assessment also must seek to find out how well or efficiently these things are being done. When speaking of efficiency, the concern shifts away from whether or not the agency in the example above should be in the building loan business. That is an effectiveness question. A test of efficiency in this situation might be how well loan-related tasks are carried out by the agency as indicated by the satisfaction of those who are customers of the agency's products.

The term "efficiency," as used in this manual, is the extent to which the operations of a human settlements organization are being done right. The degree of efficiency can be measured by customer satisfaction with product quantity, quality, cost or timeliness of delivery.

Quantity

It is common to express the efficiency of a product in units of quantity or output (volume) and the time it takes to produce them (rate). Examples of such outputs include tons of refuse collected per day, kilometres of streets repaired per month, numbers of vehicles serviced per week, or numbers of complaints handled per day.

Quality

Sometimes overlooked in examining the efficiency of a human settlements organization is the quality of its products. If the quality of a product is not at least maintained, then a rise in quantity or output is not really an improvement in efficiency. For example, a payroll unit may report an increase in the average number of payroll checks processed per month. But, in achieving the record, the unit may have made considerably more errors than usual. This is not improved payroll efficiency. Improvements in the quantity of a product that are achieved at the expense of product quality do not reflect improved efficiency.

Three aspects of product quality, all indicators of efficiency, can be identified. They include timeliness, accuracy, and responsiveness.

- Timeliness. The degree to which a product is completed or delivered on time or ahead of schedule. Example: The payroll checks can be picked up at the payroll office after 12 noon on the first day of the month.

- Accuracy. The degree to which the delivery of a product is error free. Example: The payroll unit's error rate in processing payroll checks is less than 1 per cent for the past 12 months.

- Responsiveness. The degree to which the actions of those responsible for a product are carried out with sensitivity to the needs of the customer. Example: An employee on the payroll who is paid the wrong amount will have the error corrected within one working day after it is reported.

Cost

Also overlooked, at times, in examining the efficiency of a human settlements organization is the price of its products to the customer. If the price of a product is too high according to reasonable customer expectations, then the product cannot be viewed as efficient even if improvements in quality and quantity are evident.

Constant demand is a good indication of customer satisfaction with a product when the customer has a choice of suppliers. Stated another way, customer demand for a product tends to vary inversely with price when there is more than one source for the product. The demand for public transit, for instance, when this product is subject to competition from privately owned firms, is prone to fluctuate considerably according to the fares being charged, the location of stations, the times of day the service is available, and so forth.

Customer satisfaction with a product cannot be assumed, however, merely because demand for the product is constant. Many products furnished by human settlements organizations, like sanitation and water supply, are not competitive. The customer does not have a choice of suppliers. Evidence of dissatisfaction with the price of these products will not appear as a change in demand. In such cases, evidence of inefficiency due to price can be found by asking people who use the service whether or not they feel they are getting their money's worth.

Price is not a factor in determining efficiency when no charge is made for a product. Many work-units within an organization, for instance, furnish products to other work-units simply as a product without charge. This is a customary practice with administrative product units like finance and personnel departments. In these cases, efficiency must be found using quantity and quality measures alone.

Products and customers

Two other words used frequently in the manual may appear strange to the reader in the context of human settlements. The words are "product" and "customer." It is helpful to think of organizational units within human settlements organizations as providers or suppliers of "products." For example, refuse collection is usually a service or product provided by a municipal authority. A municipality which engages in refuse collection can be viewed, therefore, as effective - it is doing the right thing. If the cost per ton of refuse collected by the municipality is below the average cost nation wide or by municipalities of similar size, it might be said that the municipality is efficient with respect to this particular product.

Every product of a human settlements organization is intended to satisfy the needs of an end-user. In this manual, the end-users of the products of a human settlements organization are referenced as "customers." Clearly, one of the customers of a refuse collection department is a resident of the city. To a large extent, it is the customer to whom the organization must turn in order to find out how effectively and efficiently its various components are performing.

In this manual, a distinction is also made between organizational units that serve customers outside the organization, for example, the residents of a city, and units that serve customers inside the organization, other departments. For example, the payroll unit of a finance department in a municipality exists to serve customers inside the organization - its employees. The customers of the payroll unit are the employees of each department in the organization. The entire organization, therefore, can be said to be a customer of the payroll unit.

In summary, COA is a process of organizational self assessment in which the outside adviser serves as a facilitator and guide for a team of assessors who are employees of the organization participating in the assessment. The assessment focus is to find out whether or not and the degree to which the organization is doing what it should be doing to fulfill its mission (effectiveness) and how well the organization is doing it (efficiency). Data are gathered from end-users, customers, from inside the organization (work-units) and from outside the organization. Customers are questioned about their satisfaction with the services, products, they receive from the organization. The COA process is outlined below.

The collaborative organizational assessment (COA) process*

*Portions of the COA process were used in a study of needed structural and management changes in the Ministry of Education and Culture, HMG of Nepal, in 1991. This study is described in Section III of this manual.

The method of organizational assessment presented in this manual is carried out over a period of approximately 1 5 work days using the following five-step process.

Step One: Management sanction and preparation
COA begins with a firm agreement between top management and an external adviser or agency about the scope and duration of the assessment, the nature and extent of organizational participation, access to information and other resources, and organizational follow-through commitments. An assessment team consisting of capable and interested employees is formed. Managers who will benefit directly from COA participate in discussions of the process and how they and others will be involved in it. In accordance with local customs, the organization is notified that an assessment is about to begin and that it has management support.

Step Two: Scanning the work environment
This is the data gathering stage of COA. It begins with an inventory of the products of the work-units being assessed. The inventory is prepared through interviews with managers, section chiefs, and other officials knowledgeable about the products and customers of their respective work-units. The inventory includes proposals for improved work-unit effectiveness, i.e., adding, dropping, or changing the delivery system for existing products.

Scanning continues with an investigation of customer satisfaction with the efficiency (quantity, quality, and price) of the products received from the work-units being assessed. The investigation is undertaken in two stages. The first stage is a series of face-to-face interviews with a sample of people who live and work in the service area of the work-units being assessed. This is accomplished using a brief interview form consisting in the main of closed-ended questions. The service area is divided into segments. Each segment is assigned to an interviewer from the assessment team. People representative of the population of the segment are selected at random for interviews.

A second stage in the investigation of customer satisfaction is a survey of officials from work-units within the organization who are customers of the work-units being assessed and who use their products on a regular basis. Officials to be surveyed are selected by their unit managers and asked to attend meetings where survey questionnaires are administered by the assessment team.

Compilation for analysis of data gathered inside and outside the organization concludes the scanning step of COA.

Step Three: Analysing assessment data
The analysis of data gathered during the scanning step is carried out in two phases. To begin, product discrepancies are classified as "satisfactory" or "needing improvement" by the assessment team based on customer-satisfaction ratings. Results are discussed by assessment team members with product managers at scheduled meetings to verify that the reported discrepancies do exist and why. Product managers are also asked to describe the level of performance that would result in a high rating of customer-satisfaction for their products.

Step Four: Planning for implementation
From meetings with product managers, assessment team members prepare product improvement objectives. These are statements that describe the conditions needed to bring about the desired level of customer satisfaction with each product. Assessment team members are trained to lead "idea-generation" sessions with selected managers and supervisors from each of the work-units responsible for products in need of improvement. These sessions produce strategies that, in turn, form a basis for preparing action plans. Action plans specify who is to do what by when to achieve each of the product improvement objectives.