

By O. Mark Marcussen

Managing Discontinuous Change *in the Water Industry: Part 2*

Part 1 of this article focused on the culture and strategy of an organization. This part looks at an organization's structures and processes.

Structure - The Means of the Organization

Structure plays an important role in the pursuit of excellence in executing selected activities. In most industries there are three types of players: the Innovators, the Imitators and the Inheritors. The former employs decentralized planning and controls to nurture responsiveness. The latter rely on func-

that creates new ways that evolve into generally recognized practices.

Within all of this, most organizational arrangements are compromises between immediate demands and available resources. Both change over time, sometimes over a very short period of time. People come, people go and assignments and requirements change, resulting in structures with short shelf lives. Organizations transition, refining their roles, their competencies and arrangements in ways aimed at ensuring their

effectively without duplication when units are joined.

The emergence of Federalism as an organizational form eases the search for solutions to many organizational paradoxes. This concept applies equally to large and small operations and to very different types of ownership. One aspect of Federalism that may apply mostly to large and medium-size organizations is the practice that power flows up. This is not delegation, but a determination that strategies and decisions are made at the front lines and that the executive level is responsible mainly for the proper allocation of finance and talent. Since the oversight role exists only with the consent of the parts, a federal concept is the opposite of the popular notion of empowerment. In most cases, empowerment turns out to be the benevolent granting of decision making in return for an expected level of performance. In federalism that power is assumed to be disseminated.

Another aspect is that federal organizations, small and large, have cores of life-supporting competencies and that other work can be hired out for fees either to



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tional arrangements with centralized decision making since their well defined, traditional service offerings are stable and standardized. The Imitators use matrix structures where project leaders draw on resource pools; their objectives being to improve on what has been initiated by others. Industries need all three types because they each contribute to the cycle

prospects for success given the environments in which they find themselves. Trends toward consolidation in the water industry will detract from the longevity of structures. The British discovered that regionalization led to many years of difficult integration. It demonstrated the complexity of arriving at organizational arrangements that operate flexibly and

contractors or to part time employees. Fees are paid for results as opposed to salaries that are paid for time.

The benefits of Federalism include the opportunity to be large and small at the same time, thus permitting both size and flexibility. It also battles bureaucracy that normally stifles innovation and stamps out individuality. Even in highly

professionally oriented organizations that live by sensitivity to the customer, creativity and process innovation; growth increases the influx of people who are too comfortable with command, controls and procedures. This hardens the organizational arteries and leads to preference of the familiar and safe over the more promising but perhaps a bit more risky. However, there are times when organizations must cannibalize what has been successful for the sake of creating new opportunities. This is often referred to as "creative destruction."

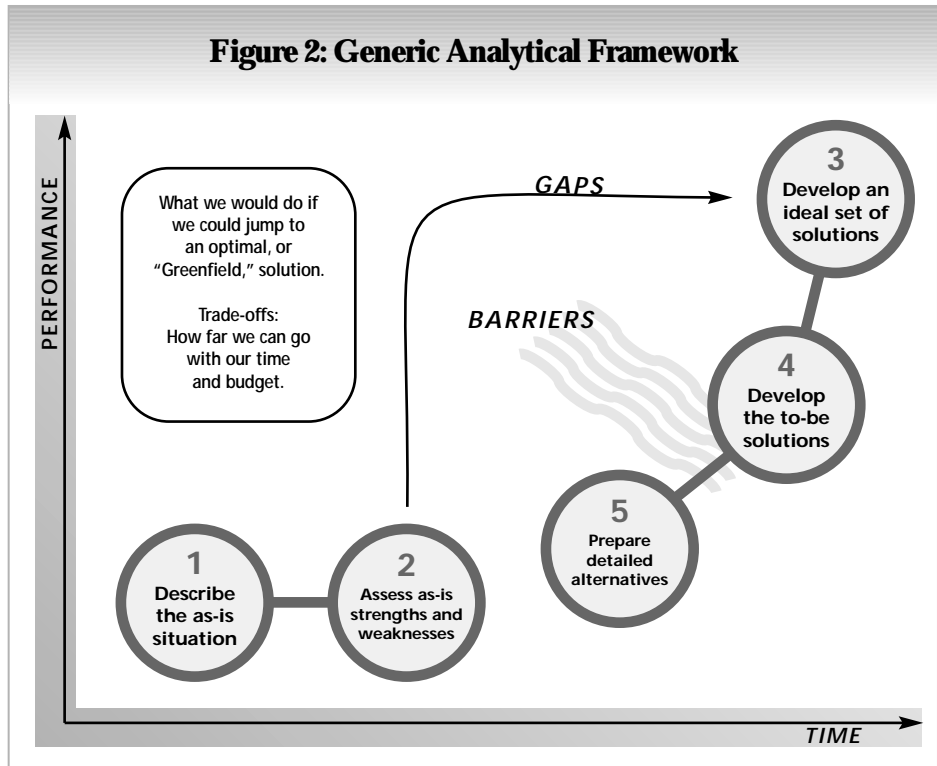
As a form, Federalism is clearly not a blueprint for all organizations. However, the concepts should be considered by most. They suit the requirements of today's and tomorrow's knowledge workers for independence of practice together with the organizational means to do it well. They also fit the need for economy on the part of organizations of any size.

**Processes –
The Methods of the Organization**

When work is compartmentalized, the compartments can be thought of as "silos." When improvements are sought, one of the most effective ways is to tear the silos down, to look across the organization rather than peeking down many separate holes. This process facilitates quick decision making, eases communication and allows for combinations of tasks. As a result, work can be accomplished in less time and less expensively. This process is known as reengineering.

Many water utilities are fields of silos. When part of municipal government, it is common that the technical skills reside in a general engineering department while operations are part of public works. Such bifurcation can reduce the ability to conduct coherent management, plan, coordinate and at times simply cooperate. It detracts from proper scheduling of staff and follow-up of work. Water providers, as many other service organizations, have uneven workloads. Overutilization translates to poor service, underutilization to poor productivity.

Beyond reengineering the activities to enable a horizontal view of the playing field and then to see more clearly where duplications and inefficiencies



occur, there are other well-practiced tools designed to improve the processes of an organization.

- **Activity Based Costing** is a practice that relates all costs that are part of a process to that process. Setting up this practice is tedious, but it does permit closer control of costs and allows for useful economic and operational analysis.
- **Customer Service Modeling** utilizes demand patterns and cycle times to balance resources to work loads in facilities where there is significant variation by time of day and over other periods. This modeling promotes more flexible staffing practices.
- **The Balanced Scorecard** facilitates a broader focus in measuring performance in an organization. Beyond financial results, this procedure extends reporting to other factors such as customer satisfaction and progress on managerial matters that include innovative methods and emphasis of development and learning.

Improving operational effectiveness has been a priority since Frederick Taylor introduced "scientific management" eighty years ago. The work and the work-

ers have changed from simple manual tasks performed by poorly educated people to today's educated staffs. Taylor's way, which was to have engineers like himself design work methods and establish the time for the work elements to be executed by others, belongs in the distant past.

The search for problems is another legacy of traditional organizational and operational improvement efforts. The quantitative training of most people who engage in this type of work (including this author)acerbates this. There is a linear logic to identifying, analyzing and synthesizing and then to formulate solutions. However, in defining problems, we also identify guilt by association and make people defensive. Recent thinking focuses on identifying positive accomplishments and then building on those.

Today's professionals, technicians and office workers do their work with knowledge that is an inherent requirement of the roles and positions they hold. Through training and experience they are best qualified to establish their methods and time requirements consistent with the standards in their fields and the expectations of the organization. "Tight and light" means that the organization sets expectations but that it does not provide suffocating direction and control. It does not need to when



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it seeks inputs along the way from those who do the work.

Seeking Congruence

Managers and their staffs can find many ways to seek and maintain congruence of the four elements discussed. Figure 2 illustrates one methodology that has proven effective for improvement projects in water provision and in many other industries. It often becomes a part of ongoing management review after such projects have been implemented. Consistent with the self-evident reality that the elements of strategy, structure and process act as dynamic factors under overall guidance of culture, it is both prudent and necessary to use all the real-time information and all the softer data that becomes available to regularly cycle through steps two through five of the model.

Working with water and wastewater organizations in this country and in the United Kingdom, and using this model, we have seen teams of client personnel find strategic, structural and process improvements that transcend the day-to-day problem solving that is the day job of managers everywhere. Issues may have been related

to strategic opportunities or risks, impact of technology on structural arrangements, the ability to take on new regulatory requirements or customer service demands, or the challenge may have been the launch of a quality program or a benchmarking exercise. The successful outcomes have in practically every case been the result of a holistic approach—one where culture, strategy, structure and process have all been duly considered. Congruence among those elements that make the organization tick have overcome much of the natural organizational resistance to change.

Conclusions

Few can feel secure about strategies, structures and processes that are built on the assumption that change will happen in the familiar, linear fashion. That change will move along paths that are known and that can be accurately projected. That we can use our past experience to deal with it because the rules are the same. They are not. The new ways will be different from the old, not just improvements on them. For emphasis, new images also are required.

At the turn of the century, agriculture was an entrepreneurial affair. Farming was

considered small business. Technology, markets, new methods and new forms of organization have changed this into agribusiness. For the most part, the water industry has been composed of small to medium size enterprises. Responsibility for customers and for provision has been in local hands. By combination or by other means it is evolving into larger, less accessible entities. The emphasis shifts to mastery of technical and managerial challenges.

There is no turning back, but there is no need for dismay. Organizations within the industry will help themselves when they continuously improve on the congruence of the key elements in their current operations while at the same time preparing for the more radical changes that are needed when the environment turns discontinuous.

This avoids the fate of the frog.

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