

ESSENTIALS OF PUBLIC SECTOR REFORM: A CASE STUDY OF CROATIA

Farhad Analoui*

Abstract. *This paper explores the challenges faced by developing countries and countries in transition in their attempt at reforming the inherited bureaucratic public service. The paper explores how the public sector in Croatia has managed to come this far after the turbulent years of political and technocratic dislocation. Croatia is determined to reform its public sector to become eligible for joining the European Union (EU) in near future. This has posed a major challenge for top senior officials and consultants alike. Adopting 'action research' as both a methodology and a strategy, a programme of intervention for change was designed and implemented in the Ministry of Finance. The overall results suggest that for the successful implementation of public sector reforms in the 21st century, attention should focus on strategic issues including systems thinking, HRMD, behavioural and attitudinal change, skills and competencies development and, above all, honest and responsible transformational leadership.*

Keywords: *Croatia, Public Sector Reform, European Union, Leadership, Open System, Human Resource Management and Development*

INTRODUCTION

There is an implicit agreement, in the public management literature, that the two decades spanning 1975-1995 witnessed a near universal re-definition of the relative roles of the government, business and the market in both developed and developing countries. Evidence from the United States, United Kingdom and Europe suggests that the New Public Sector Management (NPM) is but the latest response to the on-going process of change in public administration and governance since 1770. This period, up to present, has witnessed three great transformations in the context of governance and public administration. First, the transformation from the era of mercantilism to that of laissez-faire capitalism (1770's-1830's - 60 years), second, from the laissez-faire capitalism era to modern mixed economies

(1830's-1970's - 140 years), and finally, a third great transformation with a significant change in the scope, culture, management and economic roles of governments (1975-1995 - 20 years) (Rosenthaler and Thompson, 1998). Indeed, the HRM-reform envisaged under NPM has been highlighted as a doctrine and set of practices that are compelling governments and public sector organizations to become learning organizations.

This paper draws on the experience of the author in his endeavour to establish a state of reform in the Ministry of Finance (MoF), a flagship Ministry in Croatia. First, it reviews the different paradigms and their necessity for an effective reform, then uses the author's experience to describe how the intervention for reform was planned, implemented and how it yielded results in MoF. Based on the experience, a practical model for the use of practitioners and the academia will be

* Farhad Analoui is Professor in International Development and Human Resource Management, the Center for International Development, University of Bradford, UK, e-mail: F.Analoui@bradford.ac.uk

introduced. Finally, relevant conclusions will be drawn.

NEW PUBLIC SECTOR MANAGEMENT

Historically, two doctrines, namely 'the Public Interest' and 'the Public Choice' have influenced the changes indicated above. The Public Interest or Market Failure paradigm stated that the market failed to provide socially and/or economically acceptable results. Thus, alternative instruments or working rules were sought: regulation, taxation, subsidy, public ownership, competition policy, self-regulation and civil law - government are seen generally as supporters and fixers (Dunleavy, 1991).

Generally, the public interest model has been criticized for failing to provide systematic, historically acceptable explanations for many failed public policy interventions in the economic realm. Thus, by the 1960's, the theoretical and empirical foundations had been laid for an alternative model: the public choice paradigm (Buchanan and Tullock, 1962). The new model sees public sector failure as an expected consequence of self-interest behaviour in individuals, interest groups, political parties, politicians, governments and public administrators or employees.

The pursuit of 'unearned wealth' is described as 'rent seeking' and mimics the traditional or conventional 'tragedy of common problems' (i.e. that individuals can freely dip their hands into the public purse- a situation quite common in many post-colonial independent African countries) (Down, 1957, 1967). The change in the relationship between government and the market during the first two transformations was less noticeable, because they focused less on their change, were much more spread in time among nations and were not documented afterwards.

However, the third great transformation that ushered in the NPM reform is quite

different from the previous two. In the case of the current change, the fundamental forces are all quite similar, virtually all industrialized and advanced developing countries are affected, though the rate and extent of change vary considerably, and the time frame is very short: 1975-1995. This has been the case because

"While rapid technological, social and economic changes have occurred in the past, the failures of government were not so quickly, so closely, so measurably, so visibly, so pervasively, and probably so selectively observed by and analyzed for the public at large. The communications or the information revolution has dramatically reduced the information cost disadvantages often faced by stakeholders likely to be the losers from public policies in place or propose" (Rosenthaler and Thompson, 1998: 69-70)

As the world moves on with the fourth transformation epoch (i.e. from 1995 onwards), and in the 21st century, the new mindset is one of increased skepticism as regards the government. Many observers believe that governments, on account of the systemic-learning disability reason, lacked the ability, the will or the commitment to learn and/or adapt to circumstances of rapid change such as those experienced during the last twenty years. This has been partly due to governments suffering from another learning-failure-described as *'the parable of the boiled frog'* (i.e. Because the frogs internal apparatus for sensing threats to survival is geared to sudden changes in its environment, not to slow, gradual ones). Evidently, governments tend to experience difficulties in early diagnosis of the problems, selecting policy directions, designing effective and efficient programmes, rectifying problems, and avoiding what is commonly referred to as public sector failure. This has been the problem of many poor countries pursuing donor-driven reforms since the 1980's.

CROATIA AND REFORM

Croatia is no exception to this rule. After years of destruction and economic depression, it has begun to develop as a new state. It has largely been successful when compared to some other developing countries, however, the political leaders have recognized that in order to recover and become fully integrated into Europe, Croatia has to join the EU and necessary begin the reform process of its public sector to become eligible for membership. Nevertheless, as mentioned by a senior figure, this “[...] has not been and will not be easy”. Croatia has inherited a bureaucratic public sector from its troubled past. Faced with internal and external demands, the process of reform began in the public services sector. A large EU grant was meant to facilitate the reform. However, the reform has been extremely slow. Whilst one or two Ministries, such as “defense”, have begun to show some improvement, others have lagged behind. These setbacks however have not deterred the “visionary leaders” to bring about reform, using their own initiative. What follows is the account of such an 'intervention' in the Ministry of Finance (Analoui, 2001; 2007).

SCOPE OF THE WORK

Modernising the Directorate of International Relations

The Government of the Republic of Croatia received several loans from international Banks and Aid Agencies to help finance the Technical Assistance broad Project for Institutional and Regulatory Reform for the Private and Public Sector Development with emphasis on the former rather than the latter. The visionary top management of the Ministry of Finance, following consultations with a 'Management Consultant', decided to modernize one (out of 18 Directorates in the Ministry), of the

important and high profile Directorates (International Relations) in order to improve the organization and performance of the staff in line with the principles of public sector reform, and in anticipation of joining the EU.

The vision for change belonged to a member of top Management (Secretary) who supported the recruitment of a young, well educated and visionary senior manager (Assistant Minister). The Assistant Minister (thereafter referred to as AM) had just returned from the USA after working in an International Finance Institution and had realized the need for change in her Directorate and the Ministry as the whole. She understood that the single most crucial challenge to be addressed is, and will be, the establishment of a learning public sector with the capacity, both in terms of systems and human resources, and especially the management, to successfully and effectively embrace the “accession” to the European Union.

Since the Directorate for International Relations, with its new and inspiring leadership acted as a flagship for the rest of the departments in the Ministry of Finance, the decision was made that the reform of the structure and performance should begin in this Directorate so that it could provide a role model for improved effectiveness and efficiency for the entire ministry, and maybe the public sector as the whole.

METHODOLOGY AND SCOPE OF THE WORK

Reform in its wider sense means planned change, thus all aspects of the change management are also applicable to reform. However, as acknowledged by writers in the field, there are multiple dimensions to organizational change. The two most important ones are the different levels and time scales on which the change operates

within the organization (Buchana and Huczynski, 1985; Wilson, 1990). As Analoui aptly explains, 'when considering levels besides individual, team, organization and sectors, other nationals and cultural contexts need to be considered' (Analoui, 2007, p. 262). The author (the consultant and researcher) acknowledged the importance of one factor, namely Culture. As suggested by Hofstede (1991, 2001) issues such as 'Power distance: Acceptance of power', 'Uncertainty Avoidance', 'Individualism', and 'Masculinity' are treated differently in different cultures. In Croatia these issues had to be considered in detail.

Constrained by the time and scope of this project, based on past experience, a simplified form of action research model was adopted. Hayes (2007, p. 291) asserts that 'action research' a form of intervention, is widely acknowledged as an effective means for bringing about change'. The action research model he describes comprises five steps: data gathering for diagnosis; data feedback to the client team; discussion of the data and diagnosis of the problem; action planning; implementation of action plan.

Preparation

To begin with, a workshop of all senior management concerned was organized, in which the plans for modernization of the Ministry and its departments were discussed. The aim was to allow involvement and participation and to create 'commitment' on the part of the stakeholders involved (Analoui, 2007).

1. Department of International Relations (DIR) headed by a progressive and proactive AM was selected as a point of entry. DIR is a high profile department where most foreign investments, loans, development programmes are dealt with.

The consultant first carried out a survey of

the management and staff of the department as well as an assessment of the organization/management system, in order to:

- Identify the present "constraints and opportunities" perceived by the staff which would inhibit or facilitate change.
- Design and organise a series of interventions in the form of consulting/training workshops for the staff and the management of the department.

The analysis of the information generated concerning the "Constraints and Demands" indicated that there were a number of difficulties, not uncommon in the public sector organizations. However, the conclusion reached was that the most challenging aspect of change in relation to reforming a public sector institution into a learning and effective organisation was not listing the difficulties and/or even implementing the systems, but rather the change of attitude and culture of the organization in which the work is carried out (Analoui and Karami, 2003).

In all four categories of constraints and demands were identified. These were:

- Lack of inadequate or inappropriate work related and management *systems* and standardized procedures to deal with operations and human resources.
- Lack of planned opportunities for the staff (especially in the past) to embrace new responsibilities with clear lines of accountability in the context of an open system management and organization.
- Lack of an established *HR system* (in particular HRD and Performance Appraisal) to provide the *ability, skills and competencies* necessary for utilising opportunities within a well established training and career development scheme.
- Inappropriate work-related culture resulting from past managerial

inadequacies, lack of vision and the inability to act as managerial role models for others to follow (This is the most fundamental issue at the heart of any reform and change, and the department has only recently benefited from its presence).

The consultant then carried out interviews to determine the opportunities present in the department which would support and facilitate change. This is based on the assumption that "in any change situation there are always factors for and against change. The important step is to find them". During the interviews the staff commented on the opportunities which have been made available to them under the new management practices and that would encourage, empower and enable them to contribute to the envisaged programme of reform for a modern organisation. The findings were particularly revealing. The main categories of opportunities which have recently been initiated or created by the new AM were reported as follows:

- *Quality of work relationship with senior management.* This is particularly striking since all comments made referred to the lack of a positive and supportive attitude on the part of the senior management in the past. The staff felt that this one single factor most encouraged them to move towards achieving better results.
- *Opportunities in training and development, secondment, attending seminars, and the opportunity to learn English and IT.* Again, it was reported that almost all such opportunities have been initiated by the new management of the department and they are highly appreciated by the staff of the department.
- *Working overtime and attending seminars.* The combination of these new opportunities indicated that there is a need for finding a solution for the

existing inadequate reward system. The staff perceived receiving overtime and attendance to professional seminars as new initiatives by the new senior management.

Action plan for implementing change

It was evident that the establishment of Human Resource Management was a necessity in order to achieve reform (Wilson, 1991; Analoui, 2007). This required, on the one hand, system intervention and creation, while, on the other hand, it required empowering and enabling staff to work effectively under new management systems and more importantly maintaining the work flow. While the HR and Management needed to consider new standardized procedures and practices, it was simultaneously necessary to train and develop staff and management to enhance the department performance. Therefore, it was recommended that a combination of the establishment of systems, targeted training and development programmes is considered. The proposed actions to be taken were the following:

- The senior management of the department should *restructure and establish* four divisions including an HR Unit.
- A *Management Core Team* consisting of the Chief (Assistant Minister), three heads of departments and an HR task manager should be formed to deal with strategic issues related to the present and future work of the Directorate.
- Establishing *Division Teams* to meet regularly and function as *Quality Circles* to enhance the communication, allocation of work, resources and responsibilities amongst the members with a clear line of accountability, with the aim of continually improving the quality of work and life for the members.

- Establishing a system and procedure for meetings, both at department and division levels to deal with all issues related to work.
- Establishing an integrated HRM system to monitor and operate the total activities of the department and to act as guidance for the management to formulate policies and procedures for new opportunities and/or the routine tasks.

This involves:

- Establishing and monitoring the working of the new structure and communication systems (see below).
- Establishing plans for short, medium and long term HR.
- Monitoring the process of "Recruitment and Selection" and creating a system for for this purpose
- Putting in place a comprehensive HRD (training and development) strategy, policy and procedure to cover the entire department.
- Establishing a fair system of career development, and encouraging staff and management to relate these plans to other aspects of work.
- Monitoring reward and opportunity system at departmental level.
- Creating and maintaining a modern appraisal system to replace the "evaluation" as has been exercised in the past.
- Providing documentation to achieve Total Quality Management.

To achieve the above the CORE MANAGEMENT TEAM (including the HR manager) were expected to work closely together to simultaneously implement the following short and long-term interventions. These included:

- Implementing and enabling the programme by organising a series of

management training workshops, seminars and individual coaching.

- Preparing documentation to establish the HR system with the potential to be reviewed, revised, maintained and duplicated in other parts of the ministry if the top management wish to do so.
- Communication of the changes made and other departmental achievements to all staff and stakeholders.

Implementation

The result of the survey was first discussed with AM in order to assess the required degree of intervention. Then, in a general meeting, the proposed steps to bridge the gap between the present and desired situation were discussed. The consultant asked each member to make comments on the changes in order to ensure the commitment of the staff and management, as well as to reduce the uncertainty and resistance commonly associated with the phenomenon of change. After several meetings with the management and key organisational members, the following actions were undertaken.

1. A series of training seminars were designed and carried out to improve communication and establish new procedures for conducting effective meetings.
2. A team building program was established which included the creation of new teams and quality circle procedures in the context of the new structure in the department.
3. A proposal for implementing a new "integrated" appraisal system involving 'development' issues was prepared and submitted to the management to supplement the traditional annual evaluation exercise.
4. A training workshop held for both *staff*

(appraisees) and the *Core Management Team* as appraisers.

5. The Core Management Team was established to meet regularly to deal with strategic and operational issues including the review of the results of the implemented change.
6. Preparations were made for the documentation to establish HR management systems.
7. A programme was designed for achieving effective incremental and planned training in HR and career development for the staff.

In order to facilitate the effective implementation of the change, the management and consultant agreed to a programme of collaboration consisting of regular meetings with the Core Management Team and consultation with heads of departments, teams and staff throughout the process of the reform.

Cascading the Results

The Ministry of Finance has a special position amongst the other Ministries since it deals with the issues of finance and, as such, the Directorate of International Relations plays an important role in dealing with international and European organisations concerning the forthcoming "accession" and the need for closer co-operation with the EU and all that this entails. The staff of the Ministry, in particular the staff and management of the International Relations Directorate, are implicitly and explicitly charged with the responsibility for modernisation of the whole system.

Not surprisingly, change, in whatever form, especially within the public sector creates anxiety and requires careful planning, implementation and management. The detailed consultation with the staff, ensuring their active participation in the process of

planning and implementing the necessary steps, training and development of the staff and management in all aspects related to reform, and finally, the creation of the HR Unit ensured that effective and efficient human resources and systems began to emerge and operate side by side. The management also discussed with the staff the related issues and the vision and challenges ahead and ensured that a sustainable programme of capacity building for performance improvement was available to the staff and management of the Directorate.

The close co-operation and collaboration between management, consultant and the staff achieved the required high commitment and continuity on the part of the members involved.

A year on, the programme of reform has been successfully implemented. The Directorate operates as an efficient and high performance organisation. The changes to the structure of the department and the formation of the divisions, team structure and communication system have proved beneficial and have been cascaded to other departments. The HR Unit has been established and the HR task manager is working closely with the Core Group Team to prepare the HR functional documentation to ensure the necessary future learning. A recent report by the HR managers has indicated that staff morale is high and that they have successfully completed their first round of appraisal in their Directorate. This is the first time that a Directorate within a Ministry has incorporated a performance appraisal system with their traditional evaluation.

SUSTAINED REFORM

One of the most challenging aspects of reform is paying attention to its sustainability. It is all too often reported that the process of reform has begun in earnest but lost

momentum there after. In 2006, the Ministry adopted the 'good practices' learnt and:

- Modernized the HR department
- Created a new performance appraisal system that could be run along side the traditional system and could complement it.
- Considered a reward system to reform the old salary structure
- Received funds to modernize the Ministry and transform it into a learning organization and an example.

EMERGENCE OF A MODEL FOR REFORM

The authors' work with MoF over a period four years has been based on the incorporation of a new set of organizational realities with associated assumptions into action research and intervention in reforming public sector. The experience in MoF in Croatia formed the basis for construction of a model (See Figure One). In constructing this model the following issues were given particular attention. It is believed that a realistic approach to reform requires, as shown by the model, that the following components are taken into consideration;

1. Dissatisfaction with the present state.
2. Preparation: Creating Awareness, Adopting Strategy, Forming an Action Plan
3. Intervention (Implementation): Establishing New Systems, Enabling (Competences) and creating new perceptions and value systems
4. Apprising new work practices, Attitude & behavior, and finally
5. Maintaining the desired state: Satisfaction with employee relationship, QWL, constantly maintaining and improving services to clients (public).

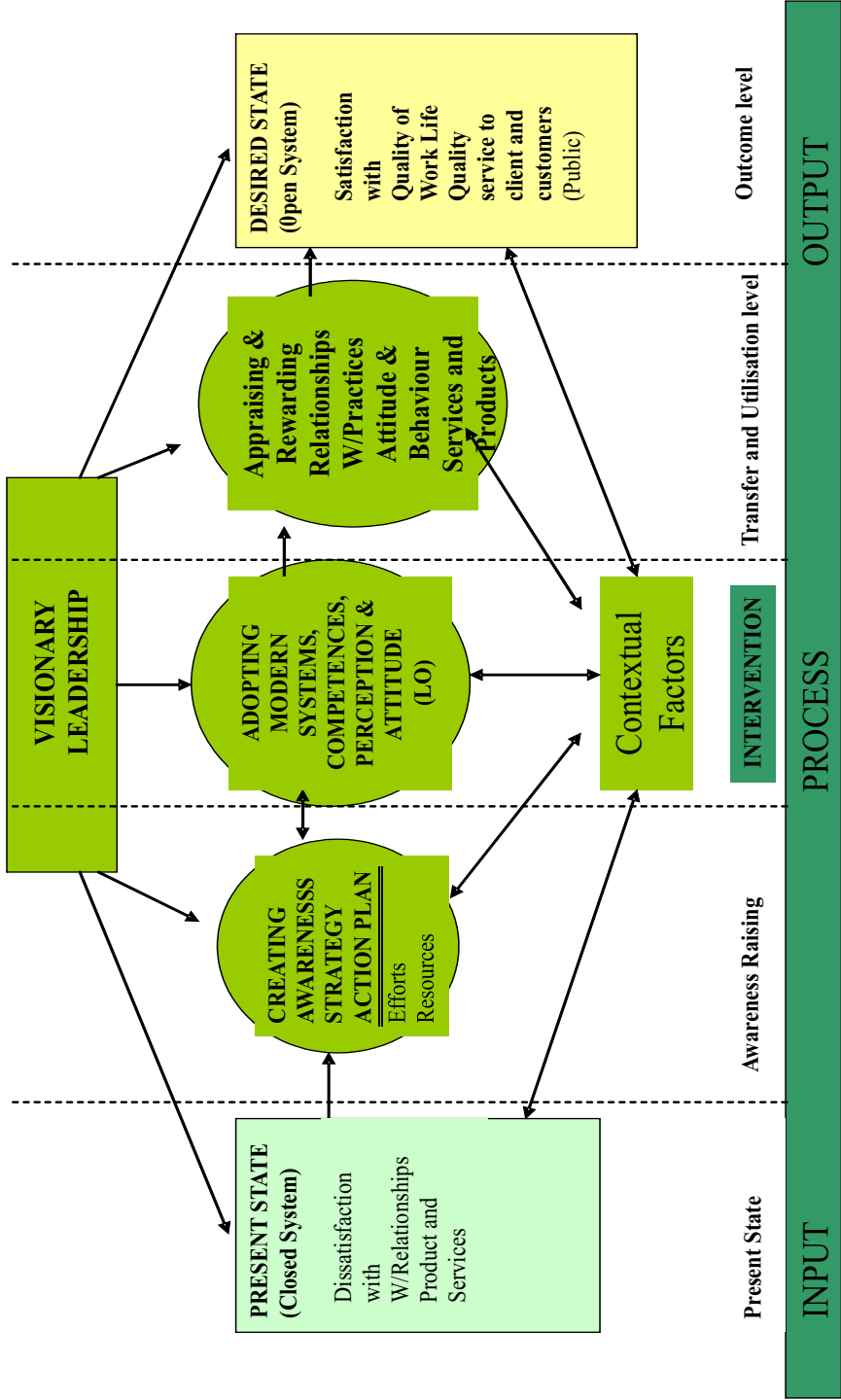
OPEN SYSTEMS THINKING

As shown in Figure One, there is a need for adopting a system approach, which incorporates the internal and external factors and sub-systems. In using a system approach to understand a phenomenon, it is important to begin by identifying the individual parts and then seek to understand the nature of their collective interaction in order to make the whole unique - it is the whole, not the parts alone that count (See Figure 2).

Systems theory is premised on the assumption that organizations, private or public organizations, have similar characteristics with other living organisms (Hanna, 1997). A system is generally defined as an arrangement of interrelated parts. The words *arrangement* and *interrelated* describe interdependent elements forming an entity that is the system (Jackson and Schuler, 1999; von Bertalanffy, 1950). In the same way that the public sector in Croatia is comprised of Ministries, Agencies and Institutions, the MoF itself is comprised of Directorates which form its subsystem. Creation of Teams was an attempt to extend system thinking to all parts of the Ministry.

An open system depends on its external environment for inputs that are transformed during throughput to produce outputs that are exchanged in the environment. The dissatisfaction with the present services, quality of life and work is the trigger for reform. Equally, there is a need for 'Effort' and 'Resources' to bring about the change. Both the dissatisfaction and resources required come from within and outside environment and are necessary for reform. However, as discussed earlier, without vision and understanding, transformation does not take place. Within the MoF, the visionary management and the consultant provided the impetus for change.

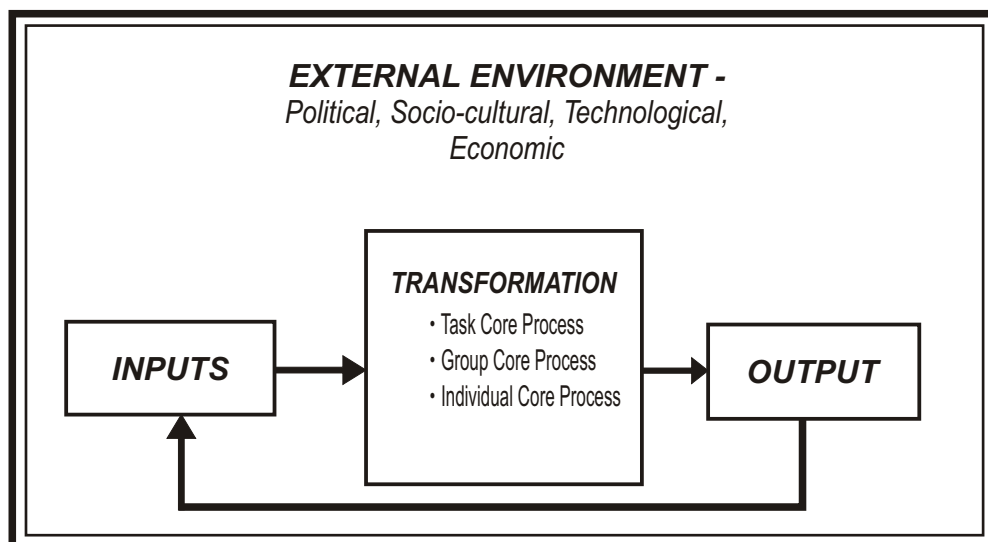
Figure One: Open System Model of Reform through Planned Intervention



The awareness raising was obtained by involving the senior management and gradually the entire organization through workshops, discussions and seminars. Within

the context of organizational theory, HRD is conceptualized as a sub-system of HRM, which is embedded in a larger organizational system.

Figure 2: Model of an Open System



Wright and Snell (1991) have used it to describe a competent management model of organizations. They treated 'skills and abilities' of employees as inputs from the environment; employee behaviours as throughput and their satisfaction and performance as outputs. Chalofsky and Reinhart (1988:31), argue that an effective HRD function as a sub-system should have a highly professional staff; close relationships with line and staff management; and a track record of high quality products and or services. This implies the capacity to acquire, utilize, train and develop, retain and displace the needed competencies for the organization concern.

The intervention in MoF clearly showed the importance of the role of the HRD in the realization of both awareness and the

necessary competencies required for new behaviour and practices at work.

CREATING A LEARNING ORGANIZATION

In the management literature, it is generally agreed that in order to be effective over time, an organization must have the ability to adapt to the dynamics of change. It is within this context that Peter Senge argues that the organization must achieve some 'reasonable level of competence in five learning disciplines to become a learning organization' (Peter Senge (1990). The need for transformation of the Ministry into a Learning Organization was acknowledged at early stages of the project and the strategy adopted was formed by it. Learning organizations, as originally proposed

by leading management thinker, Peter Senge (1990) and his colleagues, were the results of over a decade of persistent, painstaking studies with the 'Systems Thinking and Organizational Learning Programme' at the Sloan School of Management, the Massachusetts Institute of Technology (MIT). Learning organizations are simply defined as *Organizations*:

- Where people continually expand their capacity to create the results they truly desire;
- Where new and expansive patterns of thinking are nurtured;
- Where collective aspiration is set free; and
- Where people are continually learning how to learn together.

It was recognized by senior management that creating a learning organization goes beyond provision of training for the staff. A learning organization facilitates the learning of all its members and continuously transforms itself (Peddler, et al, 1986). In a practical sense, building a learning organization is possible because humans have the natural capacity and potential to learn, to grow and to develop. Thus, learning is seen as an essential ingredient to the very survival of organizations and society at large (Armstrong, 2001). However, as it is aptly argued by the proponents of developing learning organizations, this will not happen as a matter of course. Rather, conscious efforts must be made to identify five new 'competent technologies', which provide the vital dimensions in building organizations that can truly learn. These are commonly referred to as five-learning disciplines, namely '**Systems Thinking, Personal Mastery, Mental Models, Shared Vision and Team Thinking**'. These formed the basis for creating a HRD strategy to ensure both the realization of the new behaviours, practices and attitude at work and its sustainability in order to ensure a

successful reform. Indeed, it was believed that reform is only sustainable in context of a learning organization.

In an effort to help public sector employees acquire the necessary level of competencies, the five-learning disciplines outlined above should be considered and adhered to earnestly as inter-related and systemic, in the context of pursuing NPM-style HRM-reform. Experience of living and working in a world of increasing change, has justified the need for continuous effort to become 'learning' or 'intelligent' organizations' (Pinchot, 1993). Most NPM writers are of the view that people in the public sector organizations must become adept at learning, be able not only to transform their institutions, but also invent and develop institutions that are 'learning systems' capable of bringing about their own self-sustaining transformation. Even moving further towards opening avenues to exploring the extent to which private and public organizations; social movements and governments could become transformed into effective learning systems (Schon, 1983; Broad and Newston, 1992).

Empirical studies of senior public management effectiveness in Zimbabwe (Analoui, 1990), India (Analoui, 1997), Ghana (Analoui, 1988) and more recently in Iran (Analoui and Hosseini, 2002) confirm the need for revitalization of the role of training and development to include creating "awareness" of one's own and others' perceptions, knowledge, skills, weaknesses and strengths in order to achieve managerial effectiveness. Given the tremendous importance of learning, as highlighted, leaving the necessary learning to random opportunities would be acting irresponsibly. This is what the learning organization model seeks to profess. By integrating and applying the five-disciplines together, public organizations would be setting the appropriate leadership precedent as guidance of the state common property. The

situation in Croatia is not far from those experienced in other developing countries. However, it was observed that 'increased awareness was shown by management and employees towards adopting the learning disciplines and arriving at 'Desired Stage', which is a reformed organization with reformed systems, practices and, most importantly, reformed people.

LEADERSHIP CHALLENGES

It has been noted earlier that one of the critical factors for success in developing a learning organization is 'building a shared vision'. Nurturing a shared vision has for centuries depended on 'leadership', with the capacity to clearly articulate such a future, which can bind people together around a common identity and a sense of destiny. The effectiveness of leadership is contingent upon the leader's style and situational favorableness, the degree in which the situation offers the leader potential power and influence over the followers' behaviour (Hersey and Blanchard, 1982).

Many commentators have observed that the leadership literature has a rich tradition of categorizing different leadership types. For example, the path-goal theory has suggested four distinct styles of leader behaviors *supportive, directive, achievement-oriented and participative leadership* (Kakabdse, et al, 1987). In recent years, the transactional-transformational leadership concept has formed the most popular explanation for the differing behaviour of leaders based on their style and gender in different work-related contexts (Bass, 1985). However, the adequate evidence that is available suggests that generally effective leaders need to develop certain skills, competencies and styles in five areas of management, including ***directive-leadership-skills, transactional-leadership-skills, transformational-leadership-skills,***

empowering-leadership-skills, and change-management-leadership-skill (Pearce, et al, 2000).

The challenges faced by the leadership of the MoF were many. In the first place, they themselves had to realize the need for adopting a more pro-transformation, enabling and empowering style before sharing their vision of reform with others. It was on account of this reason that a series of workshops were designed and provided for the senior management of the MoF. These included:

- Strategic Management
- Transformational Leadership
- Empowering others
- Strategic HRM for Reform, and
- Communication and relating to others.

EFFECTIVE LEADERSHIP: A KEY REQUIREMENT FOR MANAGING REFORM

Change is often perceived as going against the vested interests of powerful entrenched individuals and groups in a society. Genuine sustainable reform, therefore, cannot be imposed on a society from outside, but requires domestic champions. This must come from within and be advanced by home-grown or indigenous sincere leaders with a vision of how to transform their nations into creative, innovative, adaptive and flexible competitive societies (Weisenfeld, 2003: 326).

In a way, the reform at MoF has provided the Champion and role model for other public sector organizations. It is not surprising to hear that the office of Central Civil Service has already adopted some of the principles of performance management which was developed in MoF. These changes have been incorporated into a new version of employee annual evaluation form. Indeed, developing nations need visionary, well-balanced strong leaders at this critical time in the 21st century to bring the people together with a common

vision to achieve a common goal.

The author's as well as the MoF's visionary leadership conviction is that educated people already have the drive to pursue and support reform given their level of enlightenment. The reality is that we either act sincerely and carry the people through or perish in perpetual under-development.

CONCLUDING REMARKS

Public sector reform has been regarded as a necessity for creating the conditions to achieve better efficiency and effectiveness in the sector. There is no doubt that despite the cynicism there is an urgent need for reform. However, many attempts have ended in failure. Whilst there are numerous reasons for such failures, it is often observed that the process of reform is not taken in a holistic and open system context. Mechanistic reform is not sustainable and therefore as much as it is necessary to bring about desired change, it is also imperative to maintain the established systems, attitudes and behaviours.

The work in MoF in Croatia adequately illustrates the need for adopting a holistic

approach, one which is based on planned intervention founded on the principles of the open system.

The adopted Action research strategy involved the stake holders in the reform process while also creating the basis for establishing a learning organization. This success however could not come about without the support of a visionary and supportive leadership. It was this conviction to change and reform that led to efforts for achieving a better quality of work relationship, service and improved quality of life as the whole.

Finally, it must be remembered that since no two organizations are alike and their resistance to change is also different, there is a need to adopt a tailored made approach, one which recognizes the cultural and organizational realities as a prerequisite to embarking on a change programme.

** Although this case study is real and the writer has been directly involved in the case in the capacity of consultant, attempts have been made to protect the identity of the individuals involved.*

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