Lessons Learned From Project Closing - A Case Study in Greek Public Sector

Strategic Planning and Change Management

By

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Dedication

"Γηράσκω αει διδασκόμενος." (As I age I am forever learning)

Socrates 469-399 BC

To my whole family that encouraged and supported me to go back to school.

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Unless otherwise noted, the translation of all Greek language articles, laws and books in this study are my own work and responsibility for their accuracy is mine alone.

Biography

Dionysis Arsenis

Dionysis Arsenis is a dual U.S. and Greek citizen currently residing in Athens, Greece. Over his past thirty or so working years' experience, he has variously been employed in Wall Street banking and the Greek shipping industry. He has also run his own jewelery design and production business, and most recently works in the Greek public sector. This wide ranging background gives him a wealth of experience from which to draw valuable professional and cultural lessons.

Since 2001 Dionysis Arsenis has been managing projects at the Hellenic Culture Organization S.A. As department head, he is now engaged in developing the International Collaborations Department's strategic plan and wants to help support a more rigorous application of project management techniques throughout the organization.

Abstract

This thesis draws lessons learned from a major project closing by a state owned enterprise in Greece. The apparent failure of leadership to overcome the challenges and capitalize on opportunities is examined. The literature review focuses on the related areas of leadership, strategic planning and change management. Though significant shortfalls are noted in each of those areas during the project closing, none of these are found to be the fundamental cause for the organizational change failure. A PESTL, stakeholder analysis and interviews reveal numerous problems traceable to systemic Ministerial political interference in the governance of the organization. Assuming an end of political interference in organization governance, a SWOT analysis develops recommendations for new strategies for the organization.

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Chapter 1 Introduction

The Hellenic Culture Organization S.A. (HCO) was founded by Act of Parliament in 1997 with a broad fifty year mandate to support the Ministry of Culture in the promotion of Hellenic culture. Over time, a series of amendments and Ministerial decisions assigned the HCO new responsibilities including the opening and operation of retails shops in archeological sites and state museums throughout Greece, improving the quality of the Ministry's technological services, the production of DVDs with educational material pertaining to Hellenic cultural heritage, the organization of cultural events as well as public relations.

The company essentially lay in dormancy until 2000 when a law was passed assigning the HCO a major project, that of organizing the Cultural Olympiad of 2004 (C.O.). With a view to serving this short term goal, a generous budget was assigned and a large and capable staff was hired (The Hellenic Ministry of Culture, 2003). At the peak of the Cultural Olympiad of 2004 the HCO had grown into a large vibrant company that occupied four downtown buildings in Athens and had a budget of 137 million euros and a staff of 191 employees.

In the excitement of those days there was the often expressed hope that other countries would later adapt the concept of the C.O. and accept a Greek led institution for organizing all such future events. In 1997 an agreement to that effect had been signed between Greece, UNESCO and the International Olympic Committee (The Hellenic Ministry of Culture, 2003). Thus, it was hoped, the short term project would be transformed into a permanent institution at HCO. This concept, however, failed to gain acceptance from other nations and C.O. remained a one-off project. The funds dried up and the labor contracts expired.

With a view to the longer term survival of the company, one might have expected that there were plans to mitigate such a risk, and take advantage of the momentum gathered with the C.O. project, and leverage the accumulated knowledge and experience to support its other umbrella activities in order to achieve financial self-sufficiency. Yet, that did not come to pass. In fact today, six years after the conclusion of the C.O., the company still finds itself battling for its very existence.

Most recently the government announced that the HCO is to be part of a wave of mergers and closings of public organizations (Paschali, 2010). It is sometimes reported to be slated for closing and sometimes for merger with its mother company, the Archeological Receipts Fund (ARF). At present the ultimate fate of the HCO is unclear. There is still time to argue for its survival.

1.2 Summary

2004 was a critical moment in time when the organization needed to be clear in its answer to five questions: “what is our mission, who will our customers be, what do our customers value, what are our results, and what is our plan?”(Drucker, 2008). Given these answers, the administrative structure could be realigned, resources, such as the pool of existing experienced employees, could be retained, shrunk or fired to support the new direction.

The continued dependency of the HCO on Ministry subsidies indicates that the organization effectively failed to reinvent itself to meet the new challenges. To determine to what extent this could have been avoided or internal and external constraints were such that this was not practically possible is the purpose of this study. I focus on the closing of the C.O. project as a critical watershed event from which to draw lessons learned in the areas of strategic planning, leading and sustaining change. Consequently the literature review will focus on the areas of strategic planning, change management and leadership.

1.3 Determinants of performance

What led to the results that followed after 2004? The degree to which a leader is able to effectively guide the organization through a successful change is a function of personal traits and skills as constrained both by internal and external factors. Some of these factors are universal to all enterprises and others are specific to the Greek semi-public sector. The interrelationships of these factors are depicted in Figure 1 below.

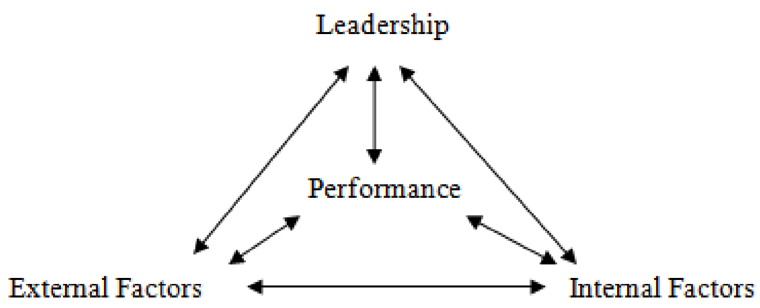

Figure 1: The major factors contributing to performance outcome

It is understood that this pyramid model is merely intended to be a snapshot in time of the main categories effecting organizational performance. It helps sharpen the focus on the key concepts under study in this case rather than serve as a strict representation of reality. It is recognized, for example, that factors narrowly defined as "external" may be brought closer under the influence of leadership over time. For instance, leadership may manage upwards to influence law makers and the Ministry to make changes in the external environment. Below I list those parameters and constraints falling under each of the above headings. Though listed separately, they form a continually evolving dynamic system of complex interrelations.

Leadership: personal skills and traits such as the level of personal mastery, confidence and optimism, ethics, motives, intellectual and emotional intelligence, his leadership and managerial skills, goals, visions, the two main change-related leadership tools strategic planning and change management (Yukl, 2006; Senge P. M., 2006). The level of executive involvement in project planning increases with the size and complexity of the project (Kerzner, 2006). The project under study fully satisfies these criteria and justifies the focus of this thesis on executive leadership. This same leadership had not only to manage the project but make strategic plans for its termination and manage the impending organizational change. It is this aspect of leadership that that is the subject of study in this thesis.

Internal: the personal skills, traits and interests of key stakeholders such as those in leadership positions the President, members of the Board of Directors, the Managing Director and the Executive Director, and union leadership. Additionally there are institutional factors such as the distribution of functions as defined by the organization chart; human resource factors such as the number and skill level of the employees; technological factors such as the state of the MIS system; financial such as the budget and yearly financial report; product and services offered and their quality and price (Yukl, 2006; Senge P. M., 2006).

External: the personal skills, traits and interests of key external stakeholders such as contractors, suppliers, competing public organizations, the Ministry and the purchasing public. There are also legal factors such as the terms of existing legally binding contracts with employees, suppliers and customers; the types and level of power at disposal of leadership; Financial factors include the state of the economy, market conditions, and limits on Ministry grants and European programs; laws (such as the given fact that a mega project with a four year time horizon was assigned to a nascent organization with a fifty year time horizon; the political situation (leading to a high executive turnover rate). One special external parameter is the culture and climate of the environment in which the organization acts. Culture is how things are done in the field of culture in the Greek semi-public sector and includes underlying values, tradition and such issues as transparency and accountability.

Chapter 2 Literature review

2.1 Introduction

Because of multitude and complexity of issues involved, I have chosen to approach the literature review in five sections. In the first section I offer definitions of the main concepts in this thesis. In the second section I discuss the special circumstances of the public sector in Greece in order to place this case in its proper environment. In the third section I examine the questions of what change is and what change related leadership is. In the fourth section I review two of leadership's basic change tools, strategic planning and change management. Care is taken to note the special factors affecting them in the public sector setting. Finally, in the fifth and final section, I briefly discuss how one may measure and assess leadership effectiveness in strategic planning and change management.

Throughout the literature review I seek answers to such questions as what is leadership, who exercises it in times of strategic planning and change management; what are the internal and external parameters and constraints impinging on full freedom of leadership action to plan for and implement change; and how these situational leadership behaviors may systemically both influence and be influenced by the wider environment in which they occur.

2.2 Definitions

I offer definitions of the four basic concepts applied in this thesis:

Leadership: "… is the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives" (Yukl, 2006, p. 8).

Culture: "… is pervasive and embraces everything that a group is concerned about and must deal with. Beyond these external and internal problems, cultural assumptions reflect deeper issues about the nature of truth, time, space, human nature, and human relationships" (Schein, 2004, p. 85).

Strategic Planning: "...may be defined as a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does, and why it does it" (Bryson, 1988, p. xii).

Change Management: "…is the planning, organizing, and controlling of organizational change endeavors…involves the dynamics of leadership, organizational structure, people, tasks, and technology at minimum and expands to include ongoing organizational operations, external environment, and organizational culture" (Rahschulte, 2007, p. viii).

2.3 The cultural environment: the Greek semi-public sector

State owned enterprises (SOEs) face certain challenges not encountered by their private sector counterparts. Internally, SOEs often lack a customer focus because they do not operate in a competitive field and their income is assured independently of end user satisfaction (Haines, 2000). Externally, SOEs come under the influence of the strong hierarchical culture prevalent in the public sector in which political agenda decisions flow downwards for execution. Oftentimes these decisions impose complex collaboration with many other institutions and stakeholders. As a consequence, SOEs are exposed to risks "generated by external factors, such as government or political direction changes" (PMI, 2006, p. 7).

This deliberate crossing of public and private sectors in SOEs is for the purpose of capturing the best of both the public and private sectors: publicly set goals supported by private sector efficiency and innovation. But for this mix to be successful there needs to be an adherence to the principles of governance by the supervising public agency. If the supervising public agency does not respect those rules, SOE performance is jeopardized. To jump ahead and anticipate one of this thesis' lessons learned, poor public service has systemic causes and has to be confronted directly at its roots, it cannot be sidestepped or entrenched interests are sure to organize resistance against the change that SOEs represent.

To counter this problem in the public sector, a new paradigm of public administration, called "New Public Management" (NPM) has been emerging over the past few years. Briefly put, NPM "highlights the adoption of a business outlook…manifested through a set of techniques and methods related to performance evaluation and measurement and by a set of values such as productivity, profitability, competitiveness, and quality…However, the major transformation that the reform agenda has brought is a consideration of the public administration from the citizen point of view" (Michalopoulos, 2001, pp. 40-41). The pressing need for this reform of a hierarchical bureaucratic system towards a customer oriented one is imperative in the new global economy and is the only way to reestablish public trust and legitimacy. This shift is a fundamental cultural shift representing a movement away from "bureaucratic paternalism" towards democratic values of "responsiveness, openness and accountability" (Michalopoulos, 2001, pp. 40-41). Clearly Greece has a long road ahead of it.

The Greek public sector is well documented in its failure to serve the public. Greece was recently reported by the OECD to be among those countries found with “little or no enforcement” of the convention to prevent foreign business bribery (Heimann & Dell, 2009). The world over, lack of political will to enforce the Convention are cited as the primary cause for a lack of progress. There is hope however. It has been argued that NPM can serve as an effective weapon to combat such inefficiencies as political corruption (deLeon & Green, 2004). Political corruption is “a co-operative form of unsanctioned, usually condemned policy influence for some type of significant personal gain, in which the currency could be economic, political, or ideological remuneration” and as such is not only unethical, because it undermines the public’s trust in government, but also is economically inefficient (deLeon & Green, 2004, p. 73). Political corruption, like the specific case of foreign business bribery, has strong systemic roots and there is credible evidence that a reorientation of public service to a customer focus with efficiency, transparency, performance and accountability will help stop them both.

Overcoming resistance to change of public bureaucracy is notoriously difficult the world over. As has been observed, “…public choice theorists have repeatedly cautioned us, government bureaucracies have for years thwarted their downsizing and re-organization as a matter of self-preservation; and, when forced to re-organize, the desired results have not always been realized. Such is the strength of established bureaucracies” (deLeon & Green, 2004, p. 87). Besides this inherent cultural resistance thrown up by the traditional hierarchical organization, resistance also comes from a lack of a real connection between the provider and the ultimate consumer (Milakovich, 2003). Whereas in the private market a failure to provide quality services results in measureable financial losses, the same does not occur in the public sector. There is a perception within government services that it is there to serve itself. The former Deputy Minister of Culture, Petros Tatoulis, recently observed "For six years I have been drumming that our culture is financially dependent on the state and that this is the equivalent of its destruction. The Ministry and its supervised organizations have evolved to become a heavy, self concerned, self serving system which fights tooth and nail for its self preservation…" (Editorial, 2010). A re-linking of performance with customer expectations would remedy that. The hierarchical structure also serves to obscure accountability and responsibility for performance. That too can be reconfigured into a flatter more flexible and responsive structure. Those are the aims and goals of NPM.

The OECD has published a useful benchmark for the governance of state owned enterprises (OECD, 2005). Among those suggested guidelines are that "… the state should exercise its ownership functions through a centralized ownership entity, or effectively coordinated entities, which should act independently and in accordance with a publicly disclosed ownership policy… The result would be healthier, more competitive and more transparent enterprises" (OECD, 2005, p. 3). Significantly for this case study, the OECD also notes that "SOEs also face some distinct governance challenges. One is that SOEs may suffer just as much from undue hands-on and politically motivated ownership interference as from totally passive or distant ownership by the state. There may also be a dilution of accountability. …More fundamentally, corporate governance difficulties derive from the fact that the accountability for the performance of SOEs involves a complex chain of agents (management, board, ownership entities, ministries, the government), without clearly and easily identifiable, or remote, principals" (OECD, 2005, p. 10). The same tract recommends that when the State acts as owner, that it should "clarify and prioritize objectives…avoid interfering in operational matters…be consistent in its ownership policy and avoid modifying the overall objectives too often…In developing and updating the state's ownership policy, governments should make appropriate use of public consultation…It is also important that relevant civil servants endorse the ownership policy and that at the SOE General shareholders meeting, the board and senior management endorse the corporate objectives statements" (OECD, 2005, p. 24). These principles are entirely consistent with and are a prerequisite for the successful implementation of NPM and customer oriented project management.

The OECD, GLOBE (Global Leadership and Organizational Behavior Effectiveness) and other studies typically have found Greece to have more in common with southeastern cluster countries than the US or Britain (Pryor, 2008; Bakacsi et al, 2002). One study found "clearly distinguishable from Anglo and East Asian Countries, but shares similarities with Latin, Eastern European and Arabic countries…akin to a typical bureaucracy…with a strong rule orientation, the inverse of the Anglo pattern" (Markovits, Davis, & van Dick, 2007). Greek public and private sectors share what has otherwise been termed as the "collectivist orientation of Greek society" (Markovits, Davis, & van Dick, 2007, p. 92). Within Greece, the private sector is distinct from the public sector. One study found that "…apart from the structural and environmental differences exemplified between the private and the public sector, there were also differences in the personality characteristics of the people attracted to each sector…Private sector employees tended to display higher levels of activity, a greater sense of competence, more tolerance of ambiguity, a stronger work ethic and higher growth need, all of which were believed to contribute to higher job performance" (Markovits, Davis, & van Dick, 2007, p. 82). In the Greek public sector, where opportunities for advancement and skill improvement are limited, managers typically believe that they can motivate their workers using extrinsic rather than intrinsic rewards (Journal review, 2008).

Nor should it be thought that the challenges thrown in the way of effective SOE management in Greece is solely attributable to a wider Greek culture, a preference for an autocratic and highly centralized decision making style. This common misapprehension is contradicted by a recent study that found that "… in order to survive and achieve long-term viability, Greek companies were forced to introduce changes in their management style, including a more team-based style of decision making. In such a context, personality characteristics of the CEO or any other single influential player may not decisively affect the SD [strategic decision] process"(Papadakis, 2005). In sum, in relative terms, in Greece, the private sector culture is less hierarchical than its government counterpart.

In sum, aligning government service to customer needs through SOEs is never an easy affair. There are a multitude of stakeholders involved in any government transaction and aligning all of these in a common vision of efficient and innovative service for the public is a very great challenge indeed. In the Greek public sector this challenge is made even greater by cultural values that do not favor efficiency and productivity. As an intermediary between the private and public sectors, SOEs in Greece have an especially large gap to bridge.

2.4 Change

2.4.1 Why change?

Organizational change is necessary because of pressures or pains (Rahschulte, 2007). The gap between reality and the desired state is the source of the pressure for change. Organizations exist to serve stakeholder needs and are not purposes in of themselves (Drucker, 2008; Bryson, 1988; Haines, 2000). Even assuming the perfect functioning of an organization, it cannot go on forever producing the same products and services as it has in the past. Environmental changes bring result in new stakeholder needs and the organization must realign itself with those new needs. This realignment requires the identification of the need, the making of a strategic plan and implementation of the changes.

In order for an organization to survive and thrive it must adapt to change, which means that it must learn. Because organizations and their customers are composed of people, the more empowered and creative its stakeholders are the healthier and more productive the organizations will be. Ultimately, an organization's only long term source of relative competitive advantage is in the relations of its people (Whittington, 2002; Carlisle, 2002). Peter Senge's theory of the learning organization builds on the principle that an organization can be flexible and responsive to changes in the environment and stakeholder needs if leadership and followers are empowered to embrace change (Senge P. M., 2006).

2.4.1.1 The five disciplines of the learning organization

Peter Senge has developed five guiding principles that support the empowerment of people at the individual, team and organizational levels: personal mastery, mental models, shared vision, team learning, and systems thinking. These principles also offer a conceptual framework for the dynamic relations between individuals, teams and the organization. The purpose of this framework is to find the most effective means for achieving organizational performance excellence through people. The learning organization is considered to be the ideal type of organization for coping with change (See Appendix A for more on learning organizations.)

2.4.1.2 Strategy vs. operational efficiency

When speaking of change in the context of strategic planning, it is important to recognize that merely making existing operations more efficient is not a strategic change, only operational efficiency (Porter, 2002). This misguided displacement of strategy by operational efficiency is at the root of much of today's destructive hyper competition. The new paradigm as presented by authors of emerging theories of strategy emphasize that "It is conventionally believed that companies can either create greater value to customers at a higher cost or create reasonable value at lower cost. Here strategy is seen as making a choice between differentiation and low cost. In contrast, those that seek to create blue oceans pursue differentiation and low cost simultaneously"(W. Chan Kim, 2005, p. 13). Strategic change is not fine tuning the implementation of an existing plan but creating an entirely new plan altogether.

2.4.1.3 Strategy as trade-offs

A strategy leading to a lasting competitive requires trade-offs between costs and differentiation. If it were not so then the field would be open to competitors and any advantage gained could be immediately captured by competitors. The trade-offs that effectively form barriers to entry are of three types: One is image or reputation. Because a company cannot be all things to all consumers, it has to decide who its customers are and what its products will be. There are also related "limits of internal coordination and control (Porter, 2002, p. 19)". Finally the processes of production themselves and the "inflexibility of machinery, people or systems" involved in the existing production are also a limiting factor (Porter, 2002, p. 19). The growing field of research in this area has sought to integrate research in the diverse areas of "…the management of R&D, product and process development, technology transfer, intellectual property, manufacturing, human resources, and organizational learning"(Teece, Pisano, & Shuen, Dynamic Capabilities and strategic management, 2002, p. 178). In sum, strategy is "…making trade-offs in competing. The essence of strategy is choosing what not to do [emphasis the author's]. Without trade-offs, there would be no need for choice and thus no need for strategy. Any good idea could and would be quickly imitated"(Porter, 2002, p. 21). This strategic redefining of an organization's mission, so that it is not trapped in the lose-lose red ocean of competition with similar providers, is the task of the executives leading change.

For those organizations using the Balanced Scorecard, strategy involves tradeoffs between four priorities: "financial, customer, internal business processes, learning and growth"(Kaplan & Norton, 2001, p. 23). In the case of government and nonprofit organizations, where those that pay for the services and those who are the users are not the same body, the financial priority may be modified to allow for three parallel goals: "create value, at minimal cost, and develop ongoing support and commitment from its funding authority (Kaplan & Norton, 2001, p. 137). To focus on any one of these components to the exclusion of the others is to miss the opportunity for optimizing organizational performance through a systemic approach to strategic planning. "Strategy-Focused Organizations" are also characterized by a performance-based organizational culture in which a longer-term strategic view crosses all departmental silos and is "at the center of its change and management processes" (Kaplan & Norton, 2001, p. 25). In identifying what to change in a timely manner, change leaders can call upon their traditional sources of information but should not neglect the organization's critics (Breene, Shill, & Nunes, 2007, p. 4). Pattern recognition and systems analysis turns the raw data into meaningful information for forming of a new strategy.

2.4.2 Systems thinking and the dynamics of change

Change in an organization is a systemic issue. "Without systems thinking, the seed of vision falls on harsh soil. If nonsytemic thinking predominates, the first condition for nurturing vision is not met: a genuine belief that we can make our vision real in the near future" (Senge P. M., 2006, p. 12). A change in one area affects others. For instance, very large projects with a high level of complex of relationships and tasks over a long period of time necessarily result in a high level of risk (Loch, DeMeyer, & Pich, 2006). Intervention in such a system therefore requires a strong conceptual framework of systems thinking.

Peter Senge has written that "Systems thinking is a discipline for seeing the "structures" that underlie complex situations and for discerning high from low leverage change" (Senge P. M., 2006, p. 69). Furthermore, Senge notes that "the real leverage in most management situations lies in understanding dynamic complexity, not detail complexity" (Senge P. M., 2006, p. 72). The dynamics of systems are succinctly captured in Peter Senge's eleven "laws" (See Appendix B for the full list of Peter Senge's 11 Laws.) These laws are a useful conceptual tool for a change executive struggling to recognize and communicate the dynamics of a situation to his stakeholders.

Leaders can also refer to Peter Senge's nine basic systems archetypes all of which build upon the reinforcing feedback, balancing feedback and delays (See Appendix C for more on systems thinking.) A reinforcing feedback structure may be a mechanism for organizational growth while a balancing feedback may be a limits to growth structure. Instead taking the low leverage approach of just "trying harder," leaders must seek out and confront the high leverage sources for the balancing structure or growth may be permanently blocked. Likewise leaders must exercise care in their effort to bring about change "now" and delays in the system must me recognized or leaders may "overshoot" which can lead to "instability and breakdown" (Senge P. M., 2006).

A purely analytical approach to a complex system may fail to reveal hidden interactions. Therefore, the change leader's set of tools, be they strategic planning or change management to name only a few, all reflect the need for a systems approach to organizational change. The next issue is to look at the types of change.

2.4.3 What are the types of change?

Theory has it that there are essentially four basic types of change: structural, cost cutting, process, and cultural (Harvard Business Essentials, 2003). According to the authors' Theories E and O, these types of change in turn fall into either one of two categories. Under externally oriented Theory E, the organization seeks to serve shareholders' short term interests in financial gains through cost cutting and structural changes. This category of change is typically driven from the top. Under the alternative, more inwardly oriented Theory O, the organization seeks to serve longer term gains through improved productivity by maximizing the participation of staff a creative learning culture with a minimum of hierarchy (Harvard Business Essentials, 2003, pp. 10-11). Typically the wise choice for organizations lies in some combination of these two orientations, depending on the situation (Harvard Business Essentials, 2003).

2.4.3.1 The strategic planning environment

The hallmark of a good strategy is that is achieves and maintains competitive advantage (Teece, Pisano, & Shuen, 2002, p. 177). Numerous theories of strategy have emerged over the past few years that are more robust than the classical model. In a recent book on the topic, Whittington has described these theories in terms of their increasingly complex underlying assumptions (Whittington, 2002). See Appendix D for more on this topic.

At one end of the scale there is the classical theory of the all powerful, all knowing leader who can foresee all the organizational needs, draw up a plan and implement it from above without the need for input (Whittington, 2002). At the other extreme is the evolutionary theory describing market forces so unpredictable that strategic planning, like all long term thinking, is in vain. In this Darwinian environment, organizations would do best to concentrate on launching many parallel solutions to see which one most selected by the environment. This same theory has also been put forward by other authors as a solution for dealing with environments of high risk and uncertainty (Loch, DeMeyer, & Pich, 2006).

Under normal situations the processual theory is a closer approximation of the imperfect reality of the circumstances governing strategic planning. This theory describes a chaotic world in which leadership, even with the support of a team and stakeholder relationships, cannot create an optimal strategic plan. Instead, experimentation and learning are the optimal approaches for this environment. Once more, this same theory has also been put forward by other authors as a solution for dealing with environments of high risk and uncertainty (Loch, DeMeyer, & Pich, 2006). A concomitant organizational structure must be optimized for flexibility and control. Strategic planning is an ongoing dynamic process with multiple participants all looking for ways to build on the organization's core competencies. The systemic theory further refines this to include the effects of sociological networks on the forming of strategies and recognizes that goals may not be purely financial and that many different strategies may lead to the same results. Working closely with all stakeholders will be the best approach to make the maximal use of the resources they can contribute to the formulation of a successful plan.

Ultimately, a firm's competitive advantage lies in "what is unique and embedded in its resources – these constitute its core, distinctive competences" (Whittington, 2002, p. 45). The internal factors, along with all their complex interactions between themselves and the external factors, are recognized as being the only sources for lasting competitive advantage because they cannot be readily copied by competitors (Carlisle, 2002). Key among these internal resources is organizational human knowledge and behavior and it is for this very reason that cultural change features so centrally in successful change initiatives.

2.4.3.2 Cultural change

A definition of an organization's culture has been offered as "shared assumptions and beliefs about the world and [its] place in it, the nature of time and space, human nature, and human relationships" (Yukl, 2006, p. 290). An organization's culture will either hinder or promote its ability to respond to the challenges of survival and growth as they are thrown up by the external environment and internal processes and procedures. In terms of systemic thinking, cultural change is the high leverage point for making changes. Peter Senge made the same point when he argued that "The central principle of systems thinking, that structure influences behavior and that the leverage for change increases as we earn to focus on underlying structures…[which are] made up of beliefs and assumptions, established practices, skills and capabilities, networks of relationships, and awareness of sensibilities"(Senge P. M., 2006, p. 286).

An organization's culture must continually evolve to meet new internal and external challenges. "A major function of culture is to help us understand the environment and determine how to respond to it…The internal and external problems are closely interconnected, and organizations must deal with them simultaneously"(Yukl, 2006, p. 290). Because an organization's culture is both a tool for implementing changes and the subject of change itself, keeping an organization's culture vital and responsive is a constant leadership task.

Given that meaningful long-term fundamental change requires cultural change, it is fundamentally dependent on stakeholder relations which are the primary responsibility of organization leaders. Though this is an issue to be developed separately at a later point, it is important to note here that leadership's involvement must reflect a genuine commitment to change. It has often been observed in business that leadership occasionally cynically espouses one set of beliefs while practicing another. Such cultural changes are not changes at all, only window dressing. Edgar Schein's said as much when drawing a distinction between espoused values (superficial and public and not necessarily truthful) and underlying beliefs (deep true and actual)(Schein, 1985). If leaders are to be effective, they must walk the talk.

2.4.3.3 Structure and culture

While most theorists seem to agree that structural change cannot be long lasting until it is cemented into an organization's culture, there appears to be an accompanying false dilemma of whether structural or cultural change should come first(Yukl, 2006, pp. 288-289). This is reminiscent of the proverbial chicken and the egg. Structure and culture are interdependent aspects of the same organization and do not exist in isolation from one another but in a dynamic give and take. For instance, does one change attitudes and skills through training programs or change roles by reorganizing work flows and job descriptions? In one case there is the hope that changed attitudes will lead to new behavior and in the other that new behavior will lead to new attitudes. "…the best strategy is to use them together in a mutually supportive way" (Yukl, 2006, pp. 288-289). Of course, it is important to be careful when making changes in one area that they are not offset by undesired changes in another.

Internal changes can be aimed at either economic gains or improved organization, usually both in combination. Economic gains can be achieved through downsizing, or restructuring while improved organization can be achieved through improved personnel productivity, itself the result of cultural change (Yukl, 2006, p. 289). Usually organizations need to do both of these but one can erase the gains of the other unless carefully managed. For example, it is a commonly observed phenomenon that downsizing often has a negative impact on productivity if morale is damaged by the process (Yukl, 2006, p. 289). The same interrelatedness can be observed in other areas such as technological changes which are rarely successful unless compatible with existing attitudes and roles or accompanied by attitude and role changes. Likewise, competitive strategy change as represented by new products, services, markets, needs the support of parallel changes in attitudes, skills and technology. In short, structure and culture must change together.

2.4.3.4 Organizational structure

With respect to structure and change, there are a number of issues worthy of discussion. The first of these is the question of how much centralization in organizational structure is necessary. This was discussed in a recent article describing agile organizations in which it was noted that "the bureaucracy that results from an overly centralized model can stifle innovation and result in delayed market responsiveness. Heirarchical organizations cannot said to be change ready(Harvard Business Essentials, 2003, p. 18). On the other hand, an overly decentralized model can result in inconsistencies in response, slower product development, organizational redundancies and excessive costs" (Cheese, Silverstone, & Smith, 2009, p. 3). Kerzner has similarly promoted the need for breaking down organizational silos for the free flow of information within organizations (Kerzner, 2006). For Peter Senge too, a traditional hierarchical organizational structure is anathema to achieving the collaborative culture of the learning organization (Senge P. M., 2006).

Decentralization and autonomy are necessary for promoting collaboration. Agile organizations, for instance, have placed learning squarely in the forefront of their strategic planning efforts. Enablement of the workforce through collaboration leads to the discovery of new capacities for adaptiveness and innovation. "In many cases, the innovation required to meet a new marketplace need exists somewhere in the organization; the challenge is finding it" (Cheese, Silverstone, & Smith, 2009, p. 6). Therefore, workforce participation is required early on in the planning phase for optimal results. The same view has been expressed by Ajit Kambil who wrote "Companies that are decentralized and allow significant autonomous decision making are much better candidates for internal markets than those with strong hierarchies or cultures in which information sharing is not recognized and rewarded" (Kambil, 2002, p. 25). Similarly, Constantinos Markides wrote "A company that wants to create a questioning attitude in its people must first ask 'What kind of culture, incentives, structure, and people do we need to create this behavior?'"(Markides, 2002, p. 253).

When leadership designs organizational systems and procedures, it does so to help "… reduce role ambiguity. A preference for formality reflects strong values about control and order" (Yukl, 2006, p. 292). The same preference can lead to a design of a centralized organization structure that "… reflects the belief that only the leader can determine what is best, whereas a decentralized structure or the use of self-managed teams, reflects a belief in individual initiative and shared responsibility" (Yukl, 2006, p. 293).

Cameron and Quinn's Organizational Cultural Assessment Instrument (OCAI) tool has been widely used to identify organizational culture profiles (Zaheer, ur Rehman, & Ahmad, 2006). The four basic culture types are the clan, adhocracy, bureaucracy and market. These cultures are the results of tradeoffs along two axes: one axis is internal maintenance and integration versus external positioning, differentiation and flexibility and the other axis is discretion versus control and stability (Elmes & Wilemon, 1998, p. 120). Each of these cultures has their corresponding leadership types. For instance, the clan hierarchical culture, with its internal outlook and emphasis on control and stability, has as its leadership prototype the coordinator, monitor and organizer.

There is nothing inherently right or wrong with any one of these cultures. What makes a culture right or wrong is the degree to which it supports or impedes organizational strategy success. A clan culture may be best suited for an academic research institute while a market culture will be best suited for a retail chain. What is certain is that culture is a choice that cannot be left to chance and it must be continually revisited to make sure that it supports organizational strategy.

Established companies moving from an existing competency to a new one face the problem of how to organize the transition from the old to the new. “Because the strategic innovation will be different from the status quo, it needs its own institutional supports. The organization cannot simply export its current strategy, culture, systems, and processes into the strategic innovation. A completely new setup is required, which raises the issue of harmonious coexistence of the old and the new” (Markides, 2002, p. 256). It is the problem of integrating a new strategy into an environment where there is an existing one. This challenge is sometimes met by the expedient tactic of setting up a separate unit for the innovation to grow in isolation. There are an abundance of similar tactics. In one case, a company sought to “ease” people through the change by extending it over time and gradually moving resources from the old to the new (Markides, 2002, p. 256). The problem with this tactic is that it gives time for sources of resistance to organize themselves against change. It is sufficient to note here that the problem of integration, in general, is fundamentally a matter of political will.

2.4.4 The timing of change

Ideally, the right time to change is ahead of time: “Too many companies wait too long to attempt transformations, doing so only when the signs of trouble have become obvious. But that’s almost inevitably too late. High performers, by contrast, change before they must, knowing that the best way to transform is from a position of strength” (Breene, Shill, & Nunes, 2007, p. 1). Doing so presents certain special challenges, however.

It is hard and time consuming to convince others of the need to change when the need is not obvious. Also, involving key stakeholders to develop a vision is difficult and may take a long time and much effort as stakeholders may be reluctant to state their true values(Yukl, 2006, p. 299). To overcome such problems, an organization has got to be made change ready, with a culture in which people have come to be comfortable with the “creative discomfort” of continually having to respond to the challenges of change (Breene, Shill, & Nunes, 2007). One method for building an organization’s capacity for large scale change is to continually undertake many small change initiatives so that these new values become embedded in the culture. Likewise, when changing ahead of the curve, the advocators for change will meet resistance from those currently satisfied with the still apparently successful old strategy. “At the heart of all successful change programs, and especially ahead-of-the-curve transformations, is the ability to first to see new realities and necessities, then to form insights and convert them into effective strategies, and finally to catalyze the new strategies – to get others to act on the vision” (Breene, Shill, & Nunes, 2007, p. 3). The actions of identifying the need for change, designing new strategies, and to forming a coalition around a new vision, are leadership roles to be explored in greater depth in later sections. The next section turns to the issue of the optimal speed of change.

2.4.4.1 Time constraint: how fast to change?

Is it best to implement change all at once or gradually? There are two opposing theories: one is to implement large change quickly to forestall threatening opposition to change; the other is gradual change in different parts of the organization at different times. The latter has greater support in the theoretical literature because it is an approach that is part of the larger recommended strategy to make change an ongoing and permanent process.

The gradual approach seeks to build up consensus for change over time and creates opportunity to build trust, the necessary cornerstone for long term cooperative solution solving. Gary Yukls wrote that the implementation of "…a major new strategy usually requires changes in the organization structure to make it consistent with the strategy" (Yukl, 2006, p. 302). Given time, alternative solutions can be developed and explored. "Demands and constraints limit choices in the short run, but over a longer time period, a manager has some opportunities to modify demands and remove or circumvent constraints, thereby expanding choices" (Yukl, 2006, p. 33). However there might not always be time to take the gradual approach.

Under normal circumstances the alternative approach of a quick rapid change without a supporting cultural commitment of is not the preferred one. This path is a low leverage change with poor longer term results (Senge P. M., 2006). Nevertheless, a short term fix of making structural changes before achieving cultural acceptance may be a practical necessity. It may be necessary to implement change rapidly through the use of temporary informal structures if the need for change is not immediately apparent or there are entrenched interests opposed to change.

The degree of complexity of the problems challenging the organization is another factor affecting the amount of time required. Complex problems with many opposing interests may take a very long time to resolve. Furthermore, for "…decisions involving major changes in organizational strategies or policies, the outcome will depend to a great extent on the influence skills and persistence of the individual managers who desire to initiate change and on the relative power of the various coalitions involved…" (Yukl, 2006, p. 26).

Another special circumstance supportive of the quick intervention solution is a crisis in which the organizational strategy needs to change. It is a common aphorism that crisis is an opportunity. But crisis is also a double edged sword. The urgency it represents can help overcome resistance to change but, if left to develop out of control, the same crisis can be fatal for an organization. The decision to exploit a crisis in order to promote change must therefore be tempered by the knowledge that delays can be very costly (Yukl, 2006, p. 380).

This issue of resistance to change leads us to the next topic, that of the role of leadership in change.

2.5 Change leadership

2.5.1 Change leadership responsibilities and skills

The matter of leadership selection is beyond the scope of this study and instead the focus is on what selected change leaders do and how they do it. Executive leaders are ideally positioned to act as catalysts for organizational change. Certainly, there can be no successful change without the active executive participation in strategy formation and execution (Breene, Shill, & Nunes, 2007; Kaplan & Norton, 2001). Executive leadership's responsibilities are "effective resource reallocation, shifting activities by shifting funding, and investment in proof-of-concept initiatives intended to demonstrate the wisdom of new directions" (Breene, Shill, & Nunes, 2007, p. 4). In his table "*What Leaders Can Influence*" Gary Yukl (2006) listed eleven areas that fall under the influence of leadership:

- The interpretation of external events by members
- The choice of objectives and strategies to pursue
- The motivation of members to achieve the objectives
- The mutual trust and cooperation of members
- The organization and coordination of work activities
- The allocation of resources to activities and objectives
- The development of member skills and confidence
- The learning and sharing of new knowledge by members
- The enlistment of support and cooperation from outsiders
- The design of formal structure, programs, and systems
- The shared beliefs and values of members (Yukl, 2006, p. 9)

An effective leader of change needs to have cognitive, technical and interpersonal skills necessary to meet the needs of the situation. Also, leadership behaviour, being a situational dependent behavior, must adjust itself to the life cycle of the organization and the parameters and constraints of the environment (Kerzner, 2006). If there is a single characteristic of effective change leadership, it is that it itself must be changeable.

In the area of cognitive and technical skills, the upper level executives, who face a multitude of complex tasks in an environment of uncertainty, must be armed with the ability to: "analyze vast amounts of ambiguous and contradictory information … have a long-term perspective … ability to comprehend complex relationships among variables relevant to the performance of the organization… able to anticipate future events and … plan for them"(Yukl, 2006, p. 205). To do accomplish these things, the leader must be not only technically competent but, even more importantly, have very strong interpersonal skills in order to be able to enlist the support of others (Yukl, 2006, p. 205).

At the level of interpersonal skills, in order to successfully lead change, leaders have to set the example; they have to walk the talk. It is absolutely necessary for change success that executive leaders are personally committed. “The commitment to personal growth is important – and it is most important for those in positions of leadership” (Senge P. M., 2006, p. 266). Self confidence, too, is a personal trait that is a prerequisite for effective executive leadership. Self confidence enables the leader to successfully influence others to follow plans. But it must be calibrated to fit the situation. Too little self confidence could mean a lack of aggresiveness leading to missed opportunities. Too much could lead to autocratic behavior and consequent poor decision making for the organization.

With regard to risk-taking behavior, it appears that most leaders are in general less aggressive than their position calls for. “We as executives have to resist our natural tendency to avoid or minimize risks…This instinct leads to choose to copy successes rather than to try to create something brand-new…If you want to be original, you have to accept the uncertainty, even when it’s uncomfortable…” (Cheese, Silverstone, & Smith, 2009, p. 8). This daring departure from traditional approaches is also a cornerstone principle the popular *Blue Ocean Strategy*: rather than beat competition, make it irrelevant through and pursue value innovation (W. Chan Kim, 2005). Successful change leaders take risks.

A leader of change must be aware of the larger environment and the systemic interactions of all its parts. The leader must have, in Gary Yukl’s words, “situational awareness”(Yukl, 2006). This awareness enables the leader to perceive the relevance of “processes and people within the organization…the shared values and beliefs that make up the organization culture, the prior events and decisions that determine how the organization got to where it is now"(Yukl, 2006, p. 240). The leader is must be able to implicitly understanding the systemic effects of proposed changes on the the organization and its stakeholders.

A change leader must be further adept at large scale or transformational change management where failure rates are variously reported anywhere in the 50 to 80% range (Cheese, Silverstone, & Smith, 2009). When organizations have a large number of nonaligned change initiatives and projects confusion among followers will result and resistance to changes emerges. It is therefore imperative that when dealing with numerous change initiatives and projects simultaneously, a change leader's skills include "…the ability to coordinate and manage multiple projects and change initiatives, ensure their coherence and ongoing alignment to what may be a changing business environment and evolving strategy, and have a strong communications capability"(Cheese, Silverstone, & Smith, 2009, p. 9). Gary Yukl (2006) neatly summarized the main change related leadership behaviors as being:

- Monitor the external environment to detect threats and opportunities.
- Interpret events to explain the urgent need for change.
- Study competitors and outsiders to get ideas for improvements.
- Envision exciting new possibilities for the organization.
- Encourage people to view problems or opportunities in a different way.
- Develop innovative new strategies linked to core competencies.
- Encourage and facilitate innovation and entrepreneurship in the organization.
- Encourage and facilitate collective learning in the team or organization.
- Experiment with new approaches for achieving objectives.
- Make symbolic changes that are consistent with a new vision or strategy.

- Encourage and facilitate efforts to implement major changes.
- Announce and celebrate progress in implementing change.
- Influence outsiders to support change and negotiate agreements with them. (Yukl, 2006, p. 66).

2.5.2 Building support for change

Gary Yukl stated that "The essential role of top management in implementing change is to formulate an integrating vision and general strategy, build a coalition of supporters who endorse the strategy, then guide and coordinate the process by which the strategy will be implemented" (see Appendix E for more on the topic of leadership and vision) (Yukl, 2006, p. 301). Gary Yukl suggested a brief set of guidelines for transformational leadership where the goal is to inspire greater follower commitment (Yukl, 2006, p. 274). The main characteristic of this list is its emphasis on the communication of a believable vision and the reinforcement of that communication with specific acts, both symbolic and practical, which result in follower commitment. Peter Kotter (1996) suggested another, similar, list for change management success. The significance of these guidelines is that they create a wider commitment for change across stakeholders with resultant synergy and collaboration.

Empowered supporters of change "… have a special sense of purpose that lies behind their visions and goals" (Senge P. M., 2006, p. 132). Therefore, leaders must be careful to nurture the conditions for empowerment or risk smothering support. Gary Yukl (2006) warned that leaders should not micromanage change; rather they should be the facilitators for it. This leads us to the next topic of how are leadership and management are distinct from one another.

2.5.3 Leadership vs. management

Leadership and management are two distinct though overlapping roles that are not mutually exclusive and vary with the circumstances. “Strong management alone can create a bureaucracy without purpose, but strong leadership alone can create change that is impractical. The relative importance of the two processes and the best way to integrated them depends on the situation at the time” (Yukl, 2006, p. 6).

As a participant on an online professional discussion group concerned with change recently put it, “Change Management is an oxymoron. You cannot manage change, only enable, support and nurture change”(Anonymous, 2010). Another participant in the same discussion wrote “It’s really just Leadership, isn’t it?” (Anonymous, 2010). When an organization undertakes transformational change, there is no question that what it primarily needs is leadership, not management.

The leader of transformational organizational change is at the top levels of the organizational hierarchy. The level in the hierarchy of a leader is a situational determinant of leadership responsibilities. Top executives are concerned with “the exercise of broad authority in making long-range plans, formulating policy, modifying the organization structure, and initiating new ways of doing things. Decisions at this level usually have a long time perspective because it is appropriate for top executives to be thinking about what will happen 10 to 20 years in the future” (Yukl, 2006, p. 35). Leaders at the executive level are more leaders than managers.

Of course, the size of the organization will be another deciding factor. The larger the size of the organization, the more time the leader has to devote to “…building group identification, promoting cooperation, and managing conflict” (Yukl, 2006, p. 37). For an executive of a large organization to set time aside for administrative duties problems may have to accumulate to crisis proportions before they can merit attention.

2.5.4 Who leads change?

In theory, the "leader" can be either and individual or a group of individuals, depending on how power is shared. There are two theories that represent the extremes along a continuum of leadership responsibility. At one end the role of leadership is assigned to a single person designated "leader" while the others are "followers". This is supported by the argument that "…responsibilities and functions cannot be shared too widely without jeopardizing the effectiveness of the group" (Yukl, 2006, pp. 3-4). At the other end of the continuum is the theory that leadership is "…an influence process that occurs naturally within a social system and is diffused among the members" (Yukl, 2006, p. 4). As for their relative effectiveness, Peter Senge strongly advocates against the centralized bureaucratic hierarchical organization. It is his contention that more power is diffused through all levels of a flattened hierarchy, the more the workers empowered and the greater commensurate the potential for synergistic effects of team learning and organizational success (Senge P. M., 2006).

Executive leadership is a necessary but not sufficient condition to guarantee change success. For a leader to ignore other stakeholders and try to lead an organization through change in a despotic fashion would be impractical and counterproductive (Kotter, 1996). Peter Senge agrees and writes "Leaders of change without partners are not only blind; they are dangerous, to themselves, to others, and to their dreams"(Senge, Kleiner, Roberts, Ross, Roth, & Smith, 1999, p. 201). Nevertheless, in practice, and "…despite its articulate critics, by and large, strategy remains the province of planners and top managers. Most companies still focus on "the plan," and the "budgeting and planning process" remains essentially mechanical and static. Few people in most enterprises feel they have any opportunity to even ask deep questions about the firm's strategy and purpose, let alone have any influence whatsoever on them" (Senge et al, 1999, p. 491).

A change project cannot be implemented successfully without empowering employees for broad-based action. The vision must be sensible and barriers to empowerment must be removed. These barriers are: structural barriers; lack of skills; unaligned systems and bureaucracy; and uncooperative supervisors. Likewise, members of the change coalition must not only be the right people but they must also be supported with the resources necessary for project success (Breene, Shill, & Nunes, 2007, p. 5).

The leader is the top executive but must work closely with the Board and other executives. Gary Yukl argues that there are two conditions that argue for the president or CEO not to go it alone and instead to rely on an executive team (Yukl, 2006). One argument is that an organization may have "diverse but highly interdependent business units" making it difficult for a lone leader to "have the broad expertise necessary to direct and integrate the activities of these units" (Yukl, 2006, p. 381). A single CEO may not be knowledgeable in all necessary fields whereas a team can be formed that includes leaders with the relevant expertise. Another argument is that today's complex and interrelated environment requires a diversity of opinion for creative strategy formation. A drawback of course is that reaching consensus is more difficult within a team context (Yukl, 2006).

2.5.5 Constraints on leadership effectiveness

The constraints on executive leadership, whether it be a lone CEO or an executive team, are so great that it has been questioned in the literature whether it can be effective at all(Finkelstein, Hambrick, & Cannella Jr., 2009). The amount of leeway an executive enjoys is described as "executive discretion" (Finkelstein, Hambrick, & Cannella Jr., 2009). Among the constraints limiting that discretion are “powerful stakeholders, internal coalitions, a strong culture, scarce resources, strong competitors, and unfavorable economic conditions”(Yukl, 2006, p. 380). Nevertheless, there is reason to believe that obstacles to change leadership effectiveness can be overcome. In terms of the force field theory, change can be achieved by increasing the forces for change, decreasing the resistance to change, or both (Yukl, 2006, p. 287). Typical resistance management measures along these lines might include “increase incentives, use position power to force change,” and “reduce fear of failure or economic loss, co-opt or remove opponents” (Yukl, 2006, p. 287). See Appendix F for a more extensive discussion of this issue.

Certain special issues considered to be the most pertinent to this study are discussed below. The issues singled out below concern the leadership and power, crisis situations, leadership turnover, culture, and communication.

2.5.5.1 Leadership and power

Because what is needed is organizational commitment, not mere compliance, endowing the leader with unlimited power is not an effective solution. Rather, it is the type of power that the leader wields which is a better determinant of change success. Gary Yukl (2006) proposed a list of seven types of personal and positional power (see Appendix G). Because this power will be put to use to overcome the resistance to change largely born of ignorance and fear, what is called for is less of the coercive type of power and more of the referent type (Johnson, 1999). As in Roosevelt’s famous motto, “walk quietly but carry a big stick,” there needs to be a balanced use of power.

Others in an organization yield power too. In a competing move, other stakeholders, such as critical departments and coalitions, may exert political power by leveraging their expertise to protect and augment their own positions over that of challenging rivals. Executive leadership can try to overcome such resistance by applying brute force of its own but this would be a low leverage strategy. Research indicates that effective leaders "…rely more on personal than on position power." (Yukl, 2006, p. 176). The abusive use of position power can backfire and lead to rebellion. The effective leaders "are likely to use power in a subtle, careful fashion that minimizes status differentials and avoids threats" (Yukl, 2006, p. 176). Effective leaders are open to, and encourage, feedback.

Tim Rahschulte found that "servant leadership is the silver bullet when it comes to planning, leading, and sustaining organizational change" (Rahschulte, 2007, p. 141). The ten attributes of the servant leader are: "listening, empathy, healing, awareness, persuasion, conceptualization, foresight, stewardship, commitment to the growth of people, and building community" (Rahschulte, 2007, p. 120). This amalgam of attributes leads, paradoxically, to the result of a less visible leader than the traditional type. Lao-Tzu is often quoted in this context by many authors as having said: "The best rulers are those whose existence is merely known by the people…The next best are those who are loved and praised…Next are those who are feared…And the next are those who are despised…Great rulers value their words highly. They accomplish their task; they complete their work. Nevertheless their people say that they simply follow Nature" (Rump & Chan, 1979, pp. 50-51).

Moreover, the optimal level and mix of power types for leadership effectiveness depends on the situation. If leadership finds itself in a Cassandra like situation, perceiving the need for change before it has become apparent to others, it is logical that the use of greater coercive force may be necessary to push it through. Likewise it will be difficult to promote a strategy that requires short term sacrifices for difficult to perceive long term gains. "In such situations, a leader will need sufficient expert and referent power to persuade people that change is necessary and desirable, or sufficient position and political power to overcome the opposition…A combination of personal and position power increases the likelihood of success, but forcing change is always risky"(Yukl, 2006, p. 162).

2.5.5.2 Crisis

Another source of resistance to change can be the situational limitations of time and resources available for fostering a new vision. In a crisis situation leadership is overwhelmed with a plethora of demands to solve short terms symptomatic problems. In such situations one strategy may be to develop a separate dedicated team exclusively devoted to the longer term vision (Senge P. M., 2006, p. 213).

A crisis situation can arise from the failure of the old culture to adapt to change. The resistance is especially strong if the need for change is not immediately apparent and the old culture is associated with past achievements that are a matter of pride. In such circumstances, "Drastic changes are unlikely unless a major crisis threatens the welfare and survival of the organization. Even with a crisis, it takes considerable insight and skill for a leader to understand the current culture in an organization and implement changes successfully" (Yukl, 2006, p. 295).

A powerful leader can take advantage of crisis situations to adapt a more authoritarian behavior. "…Subordinates expect the leader to be more assertive, directive, and decisive…"(Yukl, 2006, p. 38). In the case of a crisis, a politically savvy and powerful leader may elect to impose a change without first gaining a wider agreement. This gambit can be successful if the organization follows albeit reluctantly at first and then later, when the wisdom of the choice becomes apparent, then enthusiastically. Of course, leaders should make such a choice sparingly because the chance of success is lessened whenever there is less time to enlist support and coordinate efforts.

2.5.5.3 Change and leadership turnover

Too little or too much change in leadership can itself threaten organizational change. It may be that a successful change once made in the past is no longer the best model for continued organizational success and further changes are called for. Gary Yukl pointed out how internal power struggles and coalitions tend to force leadership in keeping to an existing strategy. "Major strategic change is less likely to be initiated by a chief executive who has been in office for a long period of time, or by an internal successor"(Yukl, 2006, p. 381). Under such circumstances "…major transformations of an organization often requires the replacement of top management by new leaders with a mandate for radical change…" (Yukl, 2006, p. 301). This is logical if the old management has become identified with the old culture now needing to be changed. Failure to change leadership may lead to the failure of change itself.

Leadership shake ups and job swapping at the top management level can realign top management personal goals with organizational success. But, this realignment of goals for collaborative success cannot itself hope to succeed if there is no trust. Building trust among top management has been tried through job security, but also, "…many high performers manage to create it through the carful establishment of shared values, objectives and rewards"(Breene, Shill, & Nunes, 2007, p. 6).

Leadership may also be hampered in leading change by limitations on its own expected period of tenure. If changes to leadership come too frequently, new visions may be introduced to the organization but without enough time for them to become "shared visions" and be effectively implemented. "Objectives and strategies cannot be achieved effectively without cooperative effort and reasonable stability of membership in the organization" (Yukl, 2006, p. 290). As we have already noted, time is needed to build a concensus behind a shared vision for fundamental change. It stands to logic that a leader who does not expect to be in power for a long time, unless altruistic, will not likely have a long-term perspective and will be unlikely to press for the short-term sacrifices necessary for the change implementation mentioned above. Because developing a shared vision takes time, if there is a high level of executive turnover, long term strategic planning is unlikely to be sustained.

2.5.5.4 Culture

The powerful impact of culture on performance is attested to by the observation that the most successful companies are identifies above all by having cultures closely aligned with its strategies. "…several scientific studies that report a positive relationship between dimensions of organizational culture and organizational effectiveness" (Cameron & Quinn, 2006, p. 6). The failure rate of most organizational changes is attributed to a failure to make parallel changes in organizational culture (Cameron & Quinn, 2006, p. 6).

Culture can be an obstacle to fulfilling an external mission, a strategy, if the two are not in agreement. "Mission relates directly to what organizations call *strategy*. From the point of view of an *outside* analyst of an organization, one can define what the strategy should be for that organization to survive and prosper. However, from the view of *insiders*, the strategic options are limited by the culture of the organization" (emphasis the author's, not my own) (Schein, 2004, p. 91). Strategies therefore have to agree with organizational values; or there has to be a cultural change. This addresses the philosophical question having to do with an organization's reason for being beyond economic survival. Thus it is important to develop a consensus on mission, goals, and the means to achieve them at all levels and in all departments of an organization. Similarly there must be consensus on how to measure success so that can be agreement on the corrective action that can be taken.

The job of the leader is to assess the organization's culture and make sure that it is aligned with organization strategy. One or the other must change if they are not in alignment. "Whether or not a culture is "good" or "bad," "functionally effective" or not, depends not on the culture alone, but on the relationship of the culture to the environment in which it exists" (Schein, 2004, p. 8).

Cultural resistance varies according to the stage of company life cycle. In the beginning, the leader operates on a blank slate and passes his vision on unimpeded. When dealing with a mature organization he has to overcome resistance. In the case of a mature organization, culture has been established and "the culture now influences the strategy, the structure, the procedures…Culture will be clung to even if it becomes dysfunctional in relationship to environmental opportunities and constraints" (Schein, 1985, p. 320). The leader charged with developing a new strategy must be adept at identifying which aspects of an organization's culture no longer serve the purpose and must be changed (Schein, 1985, p. 322). Each culture can be managed with strategies that vary with the needs (Elmes & Wilemon, 1998).

Today's leaders have at their disposal new methods and tools that have recently been developed to help organizations measure and manage culture as it impacts change management success (see Appendix H for more on the related topic of tipping point leadership.) The critical targets of these measurements have been "employee attitudes, skills development, behaviors, energy sources and employee engagement" (Breene, Shill, & Nunes, 2007, p. 8). These measurements help organizations identify those high leverage areas where changes culture could bring the greatest reward or risk in terms of organizational performance. For example social network analysis is useful for identifying those key individuals that can support or resist change, the so-called "energizers" and "de-energizers" (Breene, Shill, & Nunes, 2007, p. 8).

Building these gains into the momentum needed to win over the critical mass of the rest of the organization depends upon their being a culture of trust. Leaders must "…create a culture of trust and commitment that motivates people to execute the agreed strategy – not to the letter, but to the spirit. People's minds and hearts must align with the new strategy so that at the level of the individual, people embrace it of their own accord and willingly go beyond compulsory execution to voluntary cooperation in carrying it out"(W. Chan Kim, 2005, p. 171).

Senge listed seven attitudes toward a vision. These are in order from the highest to the lowest levels of participation: "commitment, enrollment, genuine compliance, formal compliance, grudging compliance, noncompliance and apathy" (Senge P. M., 2006, pp. 203-204). Traditional top-down hierarchical organizations may be wary of the uncontrollable enthusiasm generated by true commitment and may prefer lower energy compliance (Senge P. M., 2006, p. 260).

Traditional hierarchical organizations foster a culture of defensiveness and fear rather than openness and creativity (Senge P. M., 2006, p. 228). The energy a team might use to develop a common vision is blocked by this culture. Managers are trapped in a double bind that they must appear confident and know all the answers which in turn forces them into a rigidity to protect them from self-doubt (Senge P. M., 2006, p. 234).   In such a culture the need for learning is a tacit admission that one is not all knowing and this openness and this vulnerability is a threat to self preservation in the hierarchical culture. It is no wonder then that such teams may adapt defensive routines that lock organizations into strategies that are "internally inconsistent", preferring instead less painful symptomatic solutions rather than addressing the higher leverage underlying fundamental problems (Senge P. M., 2006, p. 235).

To help break the hold that old familiar routines may have on an organization, it is necessary to support a culture that admits mistakes. Otherwise the temptation to sweep errors under the rug will contribute to the conservation of the status quo. It has been noted that this is especially true in the public sector where "…accountability often has been interpreted to mean the minimization of mistakes rather than learning how best to achieve desired outcomes effectively and efficiently. The wise course of action for public leaders and managers therefore appears to be a strategy of small mistakes" (Bryson, 1988, p. 203). In an ideal learning environment, of course, the wise course of action would be to change the culture (see Appendix I for more about how leaders influence culture.)

2.5.5.5 Communication of vision

" Vision is distinct from value statements, slogans, strategic objectives, or project objectives because it is the outcome of prioritization, a non-trivial expression of values, has ideological content and is long term"(Yukl, 2006, p. 297). Communication of a vision is not an obstacle to change but the lack of communication can be. The change vision must be communicated to the rest of the stakeholders involved to get the 85% buy in necessary for success (Kotter, 1996). A change leader has to win over the hearts and minds of those who will otherwise resist it. The key elements of successful communication include: "simplicity; metaphor, analogy and example; multiple forums; repetition; leadership by example; explanation of seeming inconsistencies; and give and take" (Kotter, 1996, p. 90). Sometimes the power of a vision can be reinforced by a symbolic change (Elmes & Wilemon, 1998). Most importantly, communication must be real. It must be part of a general empowerment for participation. The communication mechanism cannot be of the traditional formal type that Chris Argyris criticized for only helping information flow upwards in a hierarchy but does not "get people to reflect on their own work and behavior…They do not encourage individual accountability"(Senge P. M., 2006, p. 260).

2.6 Strategic planning and change management

So far most of the review has been about leadership theories having to do with change and types of change. This next section is a more practical look at leadership's two tools for change: strategic planning and change management. It is beyond the scope of this thesis to review the history of the theories of strategic planning and change management. Instead, the intention is to describe these two tools at a sufficient level of detail to determine how they relate to each other and to record any special aspects of these that may be particular to change leadership in SOEs.

Strategic planning and change management overlap. One reason is that change management techniques are used in the strategic planning process. For example, strategic planning's wide and early stakeholder participation to better scan the environment is also a means for achieving change management's commitment for a common vision. Another reason is that planning is dynamic and responsive to changes in the environment. Consequently, continual reviews in the strategic plan over the course of the change project mean that an organizational leader will be simultaneously involved in both strategic planning and change management for the same project at the same time.

To sort these tools out from one another so as to be better able to understand them we review a model representative of each one: John Bryson's eight step model for strategic planning and John Kotter's eight step model for change management. For the sake of clarification, it should be noted that John Bryson's later model, in the third edition of his same book, added two more steps. Yet, for the sake of this study, both of John Bryson's models are equally valid references for making the key points needed.

It is purely coincidental that both John Bryson's and John Kotter's selected models have eight steps. The literature is replete with examples of both tools; those selected here were only chosen because they serve the purposes of illustrating the basic interrelationships between strategic planning and change management and to help establish certain useful general guidelines for later application in the case study. It is further understood that the leader in charge of change will select and modify these tools to fit the needs of the situations as they emerge. The selection of the two models, to the exclusion of others, is therefore only expediency and is not meant to imply that they are "better" in any respect to other such models.

John Bryson's model for strategic planning is composed of the following eight steps:

1. Initiating and agreeing on a strategic planning process
2. Identifying organizational mandates
3. Clarifying organizational mission and values
4. Assessing the external environment: opportunities and threats
5. Assessing the internal environment: strengths and weaknesses
6. Identifying the strategic issues facing an organization
7. Formulating strategies to manage the issues
8. Establishing an effective organizational vision for the future (Bryson, 1988, p. 48).

For the sake of easy reference, these eight steps are shown in Figure 2 on the following page in a reproduction of John Bryson's (1988) original diagram of strategic planning.

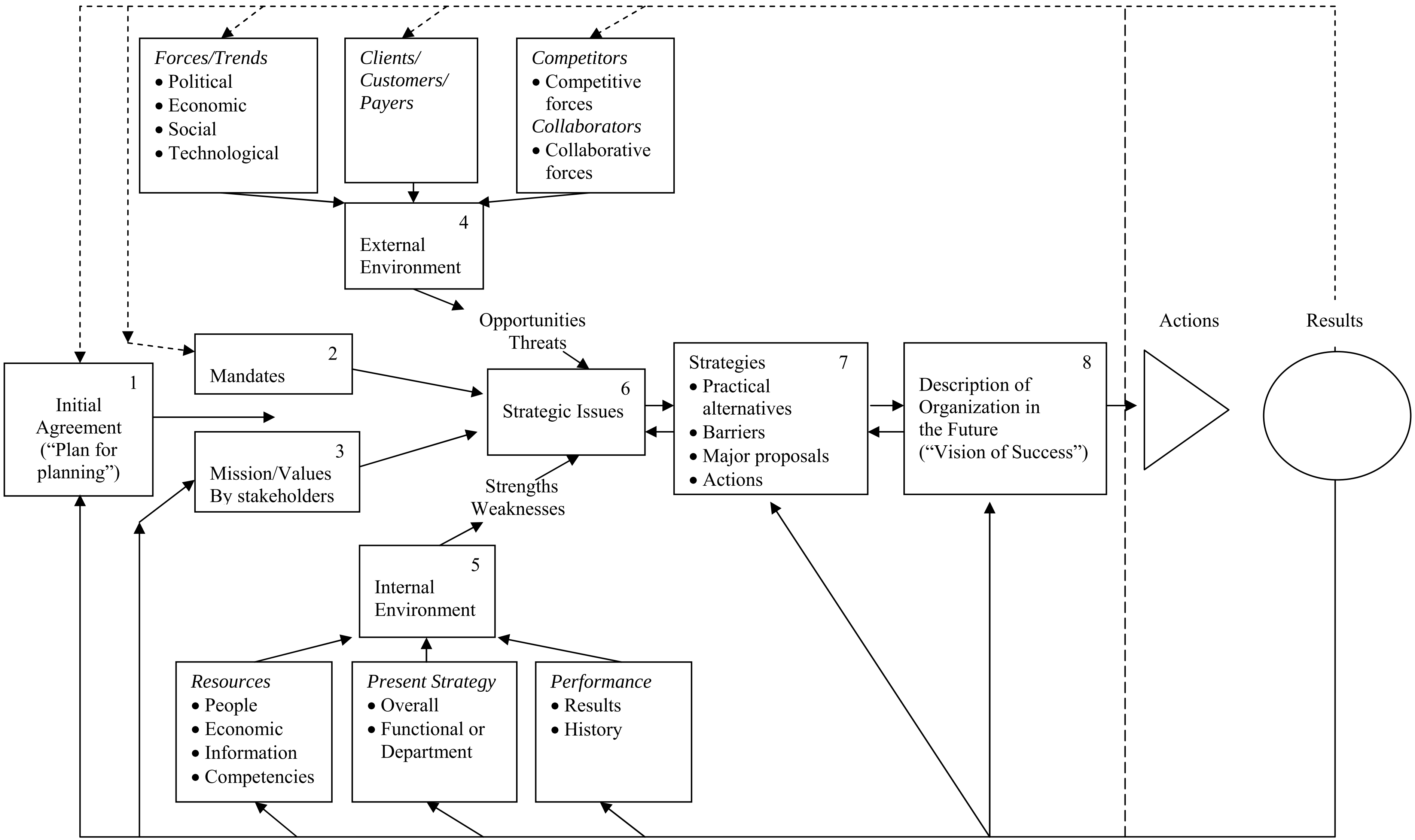

Figure 2: John Bryson’s eight steps of strategic planning
Source: (Bryson, 1988, pp. 50-51) Copyright 1988 by Jossey-Bass Inc., Publishers

The author of the above model did not tire of repeating that what is important is not the plan itself but the process, the mindset, of making the plan (Bryson, 1988). The same view has been emphasized by other authors (Kaplan & Norton, 2001). The strategic plan is not an end to itself, but a means to achieve a larger purpose, certain ends. The plan may change over time but the purpose will be stable (Allison & Kaye, 2005). Making the strategic plan is a reiterative process with multiple shareholders in dynamic environment. The same imperative of not confusing the plan with the goal has also been made with respect to risk management in project planning and reminds us of the tremendous importance that change leadership be characterized by robust open-mindedness and flexibility (Loch, DeMeyer, & Pich, 2006). The possible levels of complexity and interactions have already been elaborated in earlier sections. Just as is true of change management, those implementing a strategic plan must be flexible and have the authority to make changes in the plan in response to changes in the environment.

The point, that above model is an eight step process and not a linear process, therefore bears repeating. Over time, as more information arrives, as technology changes, as new alliances are created, new opportunities and threats arise, or as government mandates change, the loop of strategic planning is repeated. And yet, strategic planning is not a waste of an organization's time (Allison & Kaye, 2005). The exercise itself builds awareness among the participants and solidifies a common commitment to a vision of organizational success, hence the famous quotation of Sam Goldwyn's "For your information, let me ask you a few questions" (Bryson, 1988, p. 93).

John Kotter's model emphasizes achieving change through collective action. For him, as for John Bryson, the solution lies not in the plan but the making of the plan. That is why we noted earlier the importance of using the opportunity of making a plan to gain the good will and commitment of influential stakeholders. John Kotter's model of change management is composed of the following eight steps:

1. Establishing a sense of urgency
2. Creating a guiding coalition around a vision
3. Developing a vision and strategy
4. Communicating the change vision
5. Empowering employees for broad-based action
6. Generating short-term wins
7. Consolidating gains and producing more change
8. Anchoring new approaches in the culture (Kotter, 1996, p. 21).

Gary Yukl's guidelines for implementing change correlate to these steps very closely. Rather than citing them all here, it is useful to highlight certain principles of resistance management common to both but not explicitly cited in the above list. These are namely to act quickly to "fill key positions with competent change agents" and to determine who can oppose change and remove them quickly (Yukl, 2006, p. 303). Such an action both removes an obstacle to change and also has symbolic value signaling the leader's commitment to the purpose of change. Of course, in the wider public sector, a leader's ability to make such changes is limited by the extent of his/her political authority. Another valuable point worthy of emphasizing, because it too is significantly constrained by the typically political and bureaucratic public sector environment, is the need to "empower people to implement change" which requires a leader to both delegate authority and reduce bureaucratic barriers (Yukl, 2006, p. 304). See Appendix J for a detailed, step by step analysis of strategic planning and change management for SOEs.

2.6.1 Strategic planning for SOEs

Leaders undertaking strategic planning initiatives in SOEs face certain unique challenges. By definition SOEs are part of a more open system than their private sector counterparts. Gaining stakeholder agreement for change is a key to success and in SOEs this can be a very challenging and complex leadership task. Also, SOE leadership, both the executive and the board, are all politically appointed and as such they share their allegiance between their political masters in the Ministry and the organization to which they are appointed. “Partisan politics drive the timing and types of policy-making in government. And, since policy drives strategic planning – in terms of an organization’s identity, philosophy, values, and method of operation – then it is clear that strategic planning in government must reflect policy that has a political base” (Allison & Kaye, 2005, p. 61). Ministers are by definition political beings and come to their office with an agenda often designed without any consultation with SOEs over which they have absolute authority (Allison & Kaye, 2005, p. 61). SOE projects with great visibility are more likely to attract political intervention. With every change in Minister, it is customary for SOE boards to tender their resignations. While these might not always be accepted and the old board may remain in place, at least for a while, there is a clear need for the executive not to stray too far in its policy from Ministry directions. For SOEs reliant on the public coffers for their survival, the dependence is even more pronounced. In other words, there are political limits to the degree to which SOE leadership can manage upwards to educate and influence Ministry opinion concerning organizational strategies.

Generally speaking the SOEs’ strategies may be dictated by political agendas uninformed by organizational performance and efficiency. The timing of the election cycle is another external factor inhibiting strategic planning in SOEs. Even the threat of a possible election can be enough to delay a strategic planning initiative. Also leadership will be wary of committing itself to a new strategy that will take longer to implement than the length of the election cycle. As a net consequence, SOEs are less responsive to changes in their environment than their private sector counterparts(Allison & Kaye, 2005).

It has been suggested that, despite these obstacles, leaders of SOEs can nevertheless hope to have success with change. It is recommended that leaders enlist the support of the ultimate stakeholders that both purchase the organization's goods and services and vote the politicians into office, the public (Allison & Kaye, 2005). If an organization's leadership can accomplish that, then there will be a stable environment regardless of electoral vicissitudes. "Effective planning that targets and achieves results can build a base of support with constituencies outside of the agency, who in turn can advocate for continuation of services, assuming that the constituents' needs are being addressed" (Allison & Kaye, 2005, p. 62). Leadership can overcome the major problems that stem from the very nature of SOEs. If organizational leaders track customer satisfaction, encourages customer involvement in the setting of organizational goals, and make sure that the organization is quick to respond to those needs, then they will have succeeded in ensuring a powerful ally, stable in its support of organizational plans.

2.7 Summary of guidelines for implementing change

In summary, the ideal guidelines for implementing change are a learning environment with a servant leader. The leadership change tools are the eight steps of strategic planning and eight steps of change management reviewed above. Effective change leadership behavior can be summarized as serving the dual purposes of organizational survival and prosperity in a complex open system.

The relative success or failure of an organization to survival and prosper can be attributed to the relative success of leadership behavior and application of strategic planning and change management tools. With the caveat that there are no significant factors beyond the control of leadership, the above can serve as a list of guidelines for the later assessment of leadership effectiveness in this case study.

2.8 Assessing leadership effectiveness

Criteria for evaluation of leadership depend on the leadership process being examined be it at the individual, dyadic, group or organizational level(Yukl, 2006). The latter of these is the most germane to the case study. Leadership's primary role is to concern itself with the "external boundary management, survival, and growth…It is the successful management of these several functions that is usually the basis on which leaders are assessed. If they cannot create a group that succeeds, they are considered to have failed as leaders" (Schein, 2004, p. 109). In the case of the organizational level process of strategic leadership, the criteria will involve a comparison of actions taken and results obtained against the guidelines for behavior described above.

The integrative approach to leadership effectiveness seeks to be as close to the complexity of the real life situation as possible by considering as many of the relevant factors as possible at the same time. Such factors may include characteristics of the leader, the followers, the situation, and the outcomes (Yukl, 2006).

Most researchers traditionally have measured leadership effectiveness by looking at how actions impact stakeholders using either objective or subjective measures. Objective measures can be statistics measuring how well goals such as "…net profits, net margin, sales increase, market share, return on investment, return on assets, productivity, cost per unit of output, and costs in relation to budgeted expenditures. Subjective measures include ratings of effectiveness obtained from the leader's superiors, peers, or subordinates" (Yukl, 2006, p. 10). Interviews and questionnaires are good sources for such subjective measures.

When leadership responsibilities are concentrated in a single person, then the leadership selection process may come under evaluation but, when the responsibilities are diffuse and shared with other stakeholders in a dynamic environment, then the assessment of leadership effectiveness must include all influential stakeholders (Yukl, 2006).

Because the effect of leadership decisions can be delayed over time, a study seeking to assess the impact of such decisions on an organization is best done over a longer time horizon. Meanwhile, care must be taken to distinguish leadership caused effects from such external influences as changes in market conditions.

Chapter 3 Methodology and procedures used in the study

It has been established that the case under study involves the need of an organization to realign its business strategy to a new vision after the termination of a mega project. This type of change is of a transformational nature and requires strong change management leadership. The purpose of this study is to glean lessons learned from the events surrounding that event, to determine the extent to which leadership was able to implement the needed changes and to what extent the obstacles encountered may have been beyond its control. To make the lessons learned of practical value for today's HCO leadership, the methodology selected for this study deliberately follows some of the steps that would necessarily be followed for a renewed strategic planning and change management effort. A review of the case history is followed by a PESTL, stakeholder analysis, a series of semi-structured stakeholder interviews, and a SWOT analysis.

The case history is the first of the next sections and presents some basic background information. The second section is the PESTL analysis to put the information in its proper modern context. The third section is the stakeholder analysis which, in turn, serves both as a good instrument to identify the dynamics of the relationships affecting the situation as well as to identify the most important targets for the interviews. The fourth section are the intereviews. The fifth section incorporates all of the previous results in a SWOT analysis to develop the concluding recommendations the next change management and strategic planning effort. The reason the SWOT comes at this late stage of the study is because the main strategic issue facing the organization today is the need to clarify its reason for existence, its mission and mandate.

With regard to the interviews, the initial intention was to include at least one person from each of the ten identified stakeholder groups. This would have been, in accordance with accepted narrative research methods, a sample size of interviewees sufficient to assure reaching the point of information saturation where no new significant information is being discovered. This proved to be impractical not so much for practical purposes as much as for the need to avoid any activities which could be misinterpreted as being impolitic at this sensitive point in time. As of mid of April 2010, the HCO was six months without a new management. Given this power vacuum and the fact that the subject under study is my own employer, there was tangible danger of being misperceived as overstepping the boundaries between engaging in legitimate academic research and advancing my career. Instead, the interviews are taken from as many of the same group that would necessarily form the inner guiding coalition around which the leader today would develop a vision. An admitted weakness of this study is that this group is not as large as would have been desireable. Nevertheless it is felt that the findings would not have yielded a substantially different result though perhaps it might have been enriched with a deeper appreciation of a wider spectrum of views.

The interviews took place over the seven month period from November 2009 through to the end of April 2010. Yet, because of the rapid rate of change in the environment brought on by ongoing political and economic developments, some of the initial recommendations made by the interviewees were quickly made obsolete. However, the methodology of this study allows for follow up interviews to cross check new information as it arises, and a number of such follow interviews did in fact occur.

Chapter 4 Case study results

4.1 Case history

The Hellenic Culture Organization S.A. (HCO) is an unusual type of state owned enterprise (SOE). Created to serve the needs of the Ministry of Culture, it is a private law organization whose single shareholder is the public law Archeological Receipts Fund (ARF), an organization belonging to the same Ministry. The HCO has a Board of Directors and holds an annual Shareholders' Meeting.

Dating back to 1997, the decision to create the HCO as private law S.A. entity was a deliberate one. It was made with a view to capturing the greatest flexibility and efficiency of the private sector to serve the public sector at low cost and high quality while circumventing conventional administrative bureaucratic obstacles (Boudouri, 2003). Its mandate is broadly to serve the interests of the Ministry with whatever projects are assigned to it. Among the HCO's strategic advantages core competencies accorded to it by its special private law is its ability to act on short notice, bypassing much of the bureaucratic obstacles that encumber public services. A recent example was the successful and quickly arranged exhibition for the famed artist Tsoklis in Athens just last year. The HCO is currently the only ISO certified organization in the Ministry and as such is the only one that can at the moment submit project proposals for funding from the NSRF. While other organizations may later acquire the same certification, it is indicative of the proactive nature of the HCO that it is the first to have done so.

It is the ironic fact of this case that it instead ended up capturing the worst of the public and private sectors. In the post C.O. period, the HCO has devolved into a bureaucratic, political apparatus characterized by a culture of fear, inefficiency, poor quality of services and products, bad stakeholder relations and poor finances. A review of some of the published facts in these areas sets the background for the rest of this study.

4.2 Background legal history of the HCO

Leaving the Parlaimentary political debates and early laws establishing the HCO aside, the current structure and organization of the HCO essentially begins with its founding law in 2000. There followed a series of amendments which occurred as per my following translation of the HCO Legal webpage. It should be noted that this translation necessarily omits some Greek alphabet identifying reference letters:

- Founding law of the HCO article 6, paragraph 2 Law No. 2819/2000 (Government Gazette 84/A/2000) and amendments: article 1, par. 11, Law No. 2833/2000 (Government Gazette 150/A/2000); article 73, Law No. 3028/2002 (Government Gazette 153/A/2002); article 23a, Law No. 3057/2002 (Government Gazette 239/A/2002); and article 10, Law No. 3207/2003 (Government Gazette 302/A/2003).
- Appointment of the Board of Directors of the HCO (Government Gazette 152/Y.O.D.D./2010).

- Operational procedures (Government Gazette 1808/B/2003) and amended with (Government Gazette 475/B/2004).
- Procedures for assigning, monitoring and purchasing of services and the execution of contracts (Government Gazette 1025/B/2001) and amended (Government Gazette 148/B/2003) and (Government Gazette 339/B/2003).
- Procedures for purchase, delivery and receipt of goods, materials and products and the creation and execution of relevant contracts (Government Gazette 1025/B/2001).
- Procedures for the assigning, monitoring and receipt of projects, the creation and execution of relevant contracts as well as the creation of projects under supervision (Government Gazette 1500/B/2002).
- Statute of the HCO bi-Ministerial Decision Culture-Finance 3576/3-11-2000 (Government Gazette 1386/B/2000). (Hellenic Culture Organization, 2009)

4.3 Administrative flexibility and governance

In theory, its legal status, gives it a number of advantages such as that any project undertaken by the HCO with European funding cannot be challenged in the public administrative courts but must go to the private sector courts. The private sector courts are much less likely than the public sector to freeze a project in progress. An example illustrating the frustrating legal delays that can beleaguer public sector projects is the twenty years it took to complete the Attiki Odos, the ring road surrounding Athens. A similar status is shared by the nationally owned television station ERT. The law creating the HCO further provides that it can also act as a non-profit organization.

Yet, there are limits to this flexibility because of the need to preserve transparency and accountability for its use of public funds for the public good. It is accountable to the Ministry and the European Union for its use of funds. But its flexibility and efficiency is also hindered by its relationship with the bureaucratic and politically minded Ministry. A look at its heavily bureaucratic organization chart in Figure 3 below confirms this point.

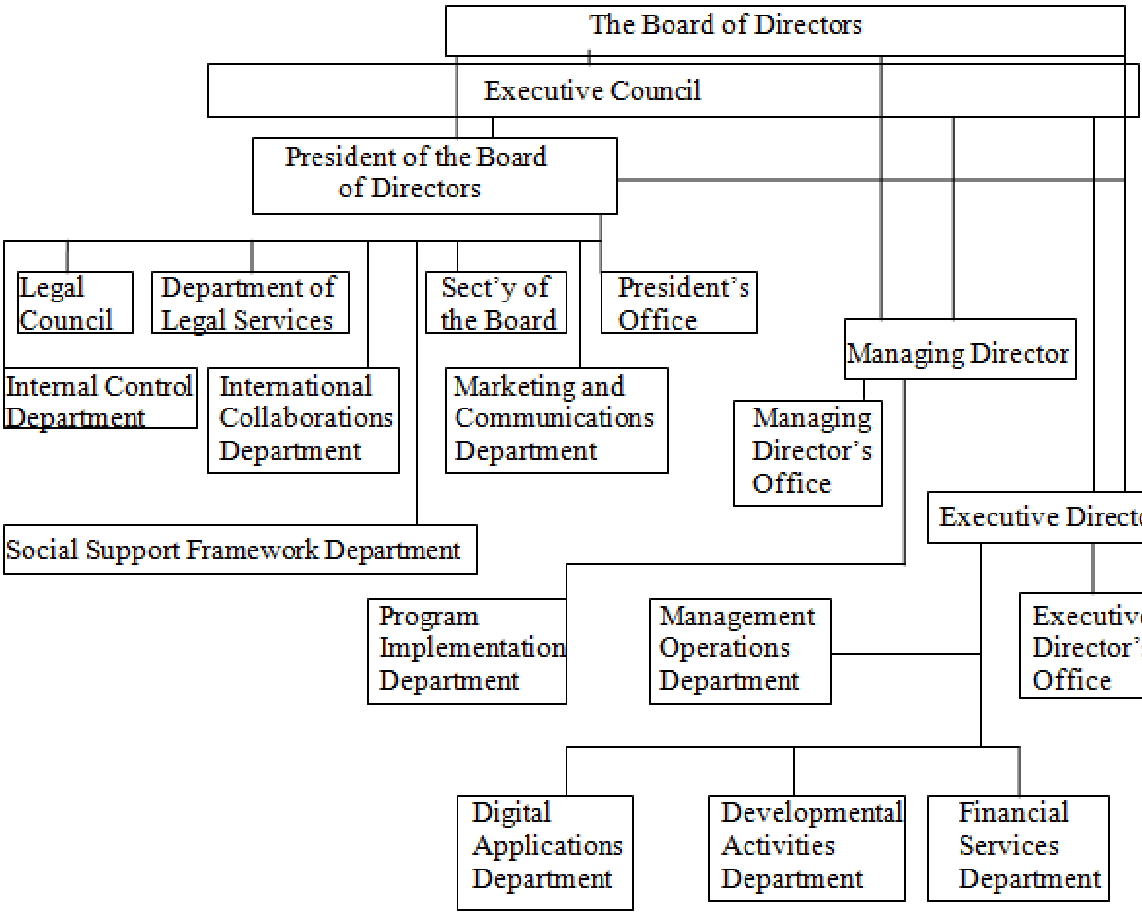

Figure 3: Hellenic Culture Organization S.A. organization chart
Source: My English language translation of same published in the Government Gazette in November 2003 (Law 24729, 2003).

Further, I believe that there is enough evidence in the interview references to control and stability to support this view that the HCO is a hierarchy. This makes sense in the larger political and cultural context of the public sector that the HCO served. I felt that it would be politically unwise in the current climate of distrust and uncertainty at the HCO to openly gather information for a formal Organizational Culture Assessment Instrument (OCAI). Such an effort might have been misperceived as a challenge to the current management. Therefore no questionnaires or poles were taken.

Throughout the life of the HCO there has been a high rate of turnover both in organizational leadership as well as in that of its key stakeholder, the Ministry. Below is a table with the approximate periods of service of HCO leaders and Ministers, rounded to the nearest year. It is apparent that HCO leadership stability is dependent on external political stability at the Ministerial level.

Table 1: Changes in HCO leadership and Ministers over time

Time Period	President of the Board of Directors	Managing Director	Executive Director	Minister of Culture
2001	Titos Patrikios	Emmanuela Pavlidou	Andreas Vougogianopoulos	Evangelos Venizelos
2002	Evenios Giannakopoulos	Emmanuela Pavlidou	Andreas Vougogianopoulos	Evangelos Venizelos
2003	Evenios Giannakopoulos	Emmanuela Pavlidou	Andreas Vougogianopoulos	Evangelos Venizelos
2004	Evenios Giannakopoulos	Emmanuela Pavlidou	Andreas Vougogianopoulos	Kostas Karamanlis
2005	Stamatios Mavros	Georgia Iliopoulou	Nikolaos Nikolakopoulos	Kostas Karamanlis
2006	Stamatios Mavros	Georgia Iliopoulou	Nikolaos Nikolakopoulos	Giorgos Voulgarakis
2007	Mihalis Siopsis	Georgia Iliopoulou	None	Michalis Liapis
2008	Vasilios Giannakopoulos	Ioannis Anastasiadis	None	Michalis Liapis
2009	Christos Giannaris	Vasilios Sgouros	None	Antonis Samaras
2010-Present*	Dimitrios Tsitos	Konstantinos Balafoutas	None	Pavlos Geroulanos

Sources: (HCO SA, 2001-2) and (Hellenic Ministry of Culture and Tourism, 2007).
*The new HCO management of 2010 arrived in May 2010.

In sum, though set up to be have flexibility of administrative action the HCO found itself burdened with a bureaucratic structure and a politically dependent executive.

4.4 Financial independence and growth

Ministry needs were not initially framed in financial terms. The emphasis early on was on providing quality services that could not otherwise be efficiently be provided by other organizations such as the ARF. Of course, the Ministry's needs changed over time and its openhanded generosity in the period leading up to the HCO later gave way to close-fistedness. During the C.O. cash flowed freely as if finances were of no matter and the emphasis was on expensive cultural events. Nowadays the HCO is trapped in a dependence on the Ministry to meet its basic monthly overhead costs. A review of some of the related published data is instrumental.

The organization's financial reports are not of the standard private sector type and they make it impossible to sort out the cost of commercial revenue generating activities from those non-profit activities such as cultural projects(Hellenic Culture Organization, 2009)(Hellenic Culture Organization, 2008)(Hellenic Culture Organization, 2007)(Hellenic Culture Organization, 2006)(Hellenic Culture Organization, 2005)(Hellenic Culture Organization, 2005)(Hellenic Culture Organization, 2003)(Hellenic Culture Organization, 2002). Traditional private sector indicators such as ROI, cannot be meaningfully calculated in this case. It is in itself instructive that the organization's financial reports present information in conformance to public sector reporting criteria rather than true private sector criteria. This imposed necessity that comes from having to report the use of public funds may turn the attention of the organization's financial managers from commercial measures of success to more bureaucratic ones. Even if such data were available it is not certain that it would help evaluate if public funds were well spent in project management activities because, in the case of public sector projects, success is often better "measured in benefits to the public rather than revenue or cost savings to the government body" (PMI, 2006, p. 6).

A quick look at the financial statistics presented in Table 2 reveals a startling event: the sudden decrease in subsidies from the Greek government after 2004. There are the expected accompanying changes in costs of sales and services, and distribution costs. Administrative costs remain more or less stable because staff levels do not change significantly. The year 2004 was the end of the C.O. and the beginning of a new government. Table 3 below shows the abrupt end of the C.O. projects in 2004 while Table 1 above shows the change at the Ministry. It is noteworthy that the new Minister of Culture in 2004, the year of the Olympic Games, was none other than the Prime Minister and head of the new government. Yet, this and many other changes combined signaled an end to the endowments and ushered in a period of fiscal constriction. Suddenly the organization had to fend for itself or go begging for funds from the Ministry.

Table 2: Financial statistics in non-adjusted euros.

Year	Sales	Subsidies	Cost of Sales and Services	Administrative Costs	Distribution Costs
2001*	302.943	14.247.982	6.502.627	1.209.430	2.107.374
2002	208.198	26.464.688	15.273.422	2.552.108	8.307.246
2003	1.007.855	51.543.861	32.295.136	4.065.923	15.773.679
2004	1.811.827	46.027.061	22.239.064	4.252.167	13.979.070
2005	1.591.628	2.724.624	4.316.252	3.912.157	2.893.731
2006	1.643.527	5.117.330	4.838.968	3.846.635	2.613.177
2007	1.757.753	6.802.874	4.021.705	4.225.801	6.591.064
2008	2.145.299	11.571.745	2.993.770	3.298.896	10.236.430

Year	Sales	Subsidies	Cost of Sales and Services	Administrative Costs	Distribution Costs
2009	N/A	N/A	N/A	N/A	N/A

Source: Combined annual reports published in the Greek newspapers cited earlier.
*Year 2001 includes statistics from December of 2000 when operations first began.

Table 3 presents the various activities of the HCO over the same period as above. The C.O. activities show their intense period of implementation and abrupt ending. Reviewing the statistics there does appear to be an orderly transition from C.O. projects to other types of projects with a longer time horizon. This is evidence that the early strategic plan was being implemented as planned. In the last year of the C.O. there are four other categories of projects active. Unfortunately, what is also apparent is that, with the exception of the retail shops and cafes, there isn't a continuance of their initial growth. It is as if a strategic plan is initiated and then later abandoned. Interview testimony confirms that this is in fact what happened. Even the continued growth in the number of retail shops and cafeterias is disheartening when compared to the number that could have opened.

It should be noted that while the staff levels do not show a corresponding drop after the end of the C.O. there was a large number of contractors that worked during for that project and were let go. Specific statistics on the number of those contractors are not included in the table because that information is not available in the published sources. This information is, however confirmed by participants in the stakeholder interviews. Similarly, anecdotal testimony testifies to the fact that there was a high level of turnover in the permanent staff. This fact too does not appear in the table because those who were let go were replaced by new employees. Instead there are other noteworthy things to note about the staff levels.

Table 3: Number of major organizational activities and staff levels over time

Year	Active Cultural Olympiad projects	Active European co-funded digital technology projects	Active European co-funded cultural projects	Retail shops in operation	Rented café spaces*	NAM cafe and restaurant in operation	Full time staff employed
2001	140	0	0	0	0	0	77
2002	140	21	0	0	0	0	135
2003	140	21	0	2	0	0	174
2004	140	21	2	6	4	0	191
2005	0	21	3	7	5	0	191
2006	0	21	3	9	5	0	157
2007	0	21	2	9	6	0	177
2008	0	18	1	9	6	0	136
2009**	0	0	0	10	6	1	274

Source: End of year statistics from interview and organizational site information
*With the exception of the NAM, all cafes are rented out to third parties
**Year 2009 staff level includes the approximately 90 NAM retail shop and café/restaurant workers

Full time staff figures do show two noteworthy trends. The first is the early rapid increase in the period leading up to the C.O. followed by the later gradual decline. The second is the 2009 leap in staff figures. The first trend is explained as a gradual adjustment of staff levels to the reduced needs in the post C.O. period. An end of project activities for the C.O. was not offset by added needs in other activities in the later period. Those activities show a gradual decline in number over time. The second event, the exception to this downward trend is explained later in the interviews by both the needs for salespersons and waiters for the new NAM retail shop and restaurant and also to the need to make do some pre-election hiring for political favors.

I would like to note a curious observation I made while doing my literature review and engaging in some preliminary informal interviews with people involved with the HCO. There was an utter lack of a formal lesson learned file at the HCO. Nor was there any serious concern taken for the preservation of lessons learned beyond the official bureaucratic tracking of files. Discontinuities in management over time only make the recovery of such institutional memory even more difficult and important. In the face of this lack of formal institutional memory I was forced to rely on published financial records and interviews to reconstruct the situation that led to the outcomes presented in the introduction. It is my belief that such a file is fundamental to institutional learning and the lack of it handicaps leaders by denying them lessons learned from their predecessors. Therefore, it is my hope that this research may itself serve to help establish at the HCO the habit of maintaining such a lessons learned file.

4.2 Political economic social technological and legal analysis

The challenge for HCO leadership today is not a matter of dusting off and updating the old strategic plan for implementation today. There have been many changes over the years that elapsed since that plan was filed away and forgotten. While the stakeholders of 2004 remain the same today, six years later, the environment has changed radically.

There has been a sea change in many externally areas over the past few years and a review of these will serve to highlight the new challenges and opportunities the new strategic plan must consider.

4.2.1 Political

While 2004 saw a change in change in government from the long standing socialists to the conservatives, 2009 saw a return to power of the socialists. Being as how the HCO was a creation of the socialists, this change appears to represent an opportunity for the organization.

HCO leadership is more likely now to gain access to influential political players in the new government.

In a recent interview on *The Newshour with Jim Lehrer*, the Prime Minister of Greece pointed out that the country cannot expect to recover from the current economic crisis without putting an end the old politically corrupt practices based on clientele relations which had worsened over the past five years: “In this way corruption increased, transparency in the way funds are used decreased…You may have debts but everything depends on where you invest…If you invest, for example, to help some friends, voters, that investment which is not productive, results in the swelling of the public sector and then the problems begin…We want to fight corruption, to fight the clientele system, to introduce a new development model. We want Greece to become a country that encourages investment…”(PASOK, 2010). A Wall Street Journal report cites both Transparency International and Brookings Institute studies finding that corruption, graft, government-procurement bribery, tax evasion, and political patronage are extensive. The same article quotes an expert in the field as saying “The core of the problem is that we don’t have a culture of civic society…In Greece, complying with the rules is a matter of dishonor” (Walker, 2010).

In this context it is plain to understand that possible such practices of that type, at the HCO like the pre-election hiring of staff well in excess of any apparent increased needs, were part and parcel of the old political business culture (see later interview section for more on this.) A recent blog article on a popular refers to a similar situation in the Athens metro system where some 300 extra staff were hired, using “illegal and for political favor” means, in the period just before the elections (Press-gr, 2010). This example is not cited for its factual reliability but as an example of the prevailing culture. It has been estimated that last year there was a wave of such pre-election hiring numbering some 27,000 people and that “many had no position to fill, and not even an office to go to”(Walker, 2010). These examples serve to illustrate that SOEs in the Greece today are commonly victims of a type of political strategy which “involves the organization as one of the spoils of partisan political contests. Organizational positions, structure, policy, and program changes are viewed as rewards for individual supporters and important constituencies. This type of strategy occurs most frequently after changes in governmental regimes”(Bryson, 1988, pp. 259-260). The new government has vowed to put an end to such practices.

However, the government has been widely criticized in the press for the slow pace of implementation of its austerity and restructuring measures. Most pointedly for the HCO, comments have been made especially with respect to delays in “cleaning out the stables of Augeas” of such “useless organizations” as the HCO (Aggelopoulou, 2010). Other articles tell of a large (though yet uncertain) number of public organizations which “are unproductive and keep staff that can be better used elsewhere” (Kehagia, 2010). Yet others report frustration over delays with privatizations and urge Ministries to push ahead faster with mergers and the closing of public organizations. Often specific mention is made to the Ministry of Culture and Tourism (Antipas, 2010).

This slow pace of implementation left the HCO with the old lame duck executive in place for a half a year. The members of the new Board of Directors and management were not officially announced until May 2010 (Press Release, 2010). After the elections of 2009, the old executive management dutifully submitted their resignations but these have yet to be accepted. The old managing director has stayed on and has been working under the close supervision of the Ministry to tend to daily operational needs of the HCO until a new executive is assigned. As a result there has effectively been no leadership for six months. There has been no one in a position of authority and power to respond to the attacks in the press. A recent newspaper article announcing the availability of 42 million euros worth of funds through two new National Strategic Reference Framework (NSRF) programs in Central Macedonia did not make any reference to the HCO -- even though the organization is ideally positioned to plan and execute such projects (Makedonia, 2010). Once in place, the new leadership must immediately act to reverse the harm of negative press and broadcast the new vision of the strategic role the HCO can play in the country's economic recovery.

4.2.2 Economic

Today, in 2010, the global economic environment has vastly deteriorated and Greece's long term structural weaknesses have deepened even further the effects of the current recession. In a recent report by the European Commission, Greece was singled out for special comment:

> Greece is in a league of its own here, combining large and persistent fiscal imbalances and protracted losses of competitiveness. Its current account deficit has swollen to above 10 per cent of GDP and its net external indebtedness is around 90 per cent of GDP. At the same time, fiscal deficits have exceeded the 3 % limit set by the Stability and Growth Pact in every year but one since the introduction of the euro, and also
> public debt at 110 % of GDP is very far above the 60 % limit. Clearly, significant policy action is needed. Greece's measures announced on 3 March were welcomed by finance ministers meeting in the Eurogroup and Ecofin Council earlier in the month. They should be conducive to increasing fiscal consolidation while at the same time contributing to the necessary competitiveness adjustment. The statement of euro area Heads of State and Government on 25 March should pave the way for lower tensions in the financial

> markets. (European Commission Directorate-General for Economic and Financial Affairs, 2010, p. 5)

In response, the new government has taken both austerity measures and made structural changes which include drastic cutbacks in public sector spending (Bournas, 2010). Hundreds of government organizations and SOEs are to be merged or closed. This bad economic outlook has also impacted the culture at large. The public has lost its tolerance for the misuse of public funds for private enrichment or political gain.

Another significant trend is the sustained decline in the number of visitors to Greece's museums and archeological sites since 2002 up through to today (Voultpsi, 2010). The economic downturn promises only to further accentuate this trend. The net combined effect can be expected to be fewer visitors with less money in their pockets. The market for HCO retail goods and services is shrinking.

It is regrettable but the crisis is so profound and the need for immediate results so great that the window of opportunity open for so long for change at the HCO may now have closed. If there is to be any hope of survival for the HCO, it must be able to put its best foot forward and argue that it can transform itself and become a strategically important asset for achieving government goals of increased competitiveness and productivity.

Ironically, this crisis also represents an opportunity. If the need for change was not so pressing in 2004, it is eminently so today with impending huge government cutbacks in every sector of the public sector. The crisis can be the "urgency" or "burning platform" that can galvanize the HCO's stakeholders to find ways to break the old deadlock of counterbalancing interests.

4.2.3 Social

The HCO's public image has suffered terribly over the last few years. Having had the misfortune of being assigned a highly visible mega-project for one government, it found the results of its work automatically the target of criticism by the next (Ministry of Culture Press Office, 2004). With each successive change of ministers, the political patronage system placed members of the board and staff that were not necessarily the best qualified for the job. Sometimes the remuneration for these positions was excessive and exposed the HCO to further criticism. Meanwhile, the Ministry's archeologists' union has continued its attack the privatization model the HCO represents through a steady stream of press releases and union mobilizations all seeking the closure of the "wasteful" HCO. A recent, typical, such article comments "The HCO is a wound from which flows national and European Union funds…founded in 2000 to organize the C.O.. Over the last four years is has collected from national funds 17.287.969 euros and from European funds 8.453.476 euros. It employs a staff of 300 workers but beyond its 11 retails shops…it doesn't have any other work to show. To the contrary, it became the most fertile ground for favors for political leaders…"(Myrilla, 2010). While this article, and many more like it, should not be accepted at face value for the accuracy of its facts, the tone and intent of the article is instructive.

With the notable exception of the two new retail shops and cafeterias at the New Museum of the Acropolis, there are no countervailing positive forces at work to improve the HCO's image. There are no more large free cultural events hosted by the HCO to win back the public opinion. Its publicity is limited to the occasional communications sponsor role, with the HCO logo appended to an advertisement; that and, of course, the retail shops. The HCO does not have any official means of tracking customer satisfaction nor has it established a formal means of communication with its consuming public. The HCO is doing well on this front only by comparison to its mother company competitor shops, those of the ARF, which every so often get terrible reviews in the press (Editorial, 2010).

4.2.4 Technological

On the technological front HCO is no longer at the cutting edge as it once was. Unable to offer competitive wages or hold out the promise of permanent contracts, while under the pressure to hire the latest group of political favorites, there has been a very high rate of turnover at the HCO. Most of its original highly skilled technological staff has left for the private sector. As part and parcel of this same problem, the HCO has failed to complete some big culture related technological projects funded by the EU. Meanwhile other organizations abroad have pushed ahead with similar projects and are actively pursuing the technological leads the HCO has had to drop.

The technological aspect is important not only because the HCO produced products for public sale and support services for the Ministry but also because technological competence is vital to support the retail operations. The HCO in 2004 was developing an ERP for its chain of retail shops. The person responsible for its development was among the key staff to be lost over this time period. With him the ERP development was dramatically set back with a concomitant loss of productivity. Likewise other key technological support staff working on increasing the internet sales was lost and growth in this area is reported in the interviews to have remained stagnant.

4.2.5 Legal

On the legal front, besides the growing number of suits by suppliers pressing for payment, there have been few notable developments since 2004.

The HCO's mandate, as that of its external fellow public sector stakeholders remains unchanged. Its mandate still today refers to its role and responsibilities for the long concluded C.O. One might have expected some updating in view of the changes that have since occurred. This lack of attention most likely reflects a continuing ambivalence at the Ministerial level as to how to best sort out overlapping responsibilities among its competing public sector organizations.

One change was the emergence on the scene of the New Acropolis Museum (NAM) whose retail shops and cafeterias are, by Ministerial decision, currently under an uncomfortable arrangement of shared management with the HCO. The reasons for the awkwardness of this arrangement are discussed in the stakeholder analysis of the NAM.

In a positive development, it should be noted that, since 2004, the organization gained ISO certification and is the only such certified SOE under the Ministry to date. ISO certification is a prerequisite for participation in NSRF funded programs. Other organizations are certain to follow but it is significant that the HCO was the first to obtain the certification.

Another positive development since 2004 is the Ministerial decision assigning the HCO with seven more retail shops. These have yet to be built but can be included in the new NSRF program just now becoming available.

Even the clouds on the horizon have a silver lining. Looking to the future, shutting down an SOE is not a simple matter, as the Minister himself recently noted in a television interview (MegaTelevision, 2010). There are many obstacles in the way of such a course of action, not least of which in the case of the HCO, is the legal obligations brought on by ongoing European funded projects. These projects involve a commitment to follow up on some ten European funded programs with support services for a required three year period following implementation to guarantee performance. The HCO may take comfort in the fact that it has at least another year and a half before it can close its doors. But there are other legal options to shutting the organization down. The government may, instead, merge of the HCO with another entity so as not to threaten the continuity of the European programs while still being able to push ahead with cost cutting and other restructuring measures. A law is expected to be enacted later next month that will list those publicly owned companies that are to be merged and closed by name.

In a last minute development, the new executive management appointed to the HCO also holds parallel positions in the ARF. The President of the HCO is a member of the Board of the ARF and the Managing Director of the HCO is the President of the ARF. This appears to be part of a promising Ministry strategy to resolve conflicts between the two bodies. Just what this move will translate into for the future of the HCO is still unclear but it is heartening to see this positive development ahead of the expected new law. There is still an open window for influencing events.

4.2.6 Summary

There are new pressures for change on the organization. Meanwhile there have been changes as well. Many of these were noted in the interviews. Change is no longer an abstract concept in a strategic plan but a tangible need. Gone are the days of big government budgets for the Olympics. Today the economy is in deep depression and there are government cutbacks everywhere. Now the HCO is in danger of being shut down. No one doubts the sense of urgency. But, there is doubt as to as to whether the change can be managed at this late date. Had the HCO made its transition back in 2004 it would certainly be in a much better position to confront the economic challenge than it is today. It could even have been part of the government's recovery plan today instead of being one of the government's current problems.

With the passing of time not only has the HCO lost valuable skilled workers, on the external front it has also lost public good will and the opportunity to bring about changes in a favorable economic environment such as that which existed in 2004. The news is not all bad, however. Political developments have restored to power the same government that sponsored the creation of the HCO. HCO leadership can therefore expect to find government doors open for a reexamination of the strategic role the HCO can play in the government's overall policies. The economy is in a terrible state but crisis is opportunity and the new government has captured the popular need for a unifying vision of a new more responsive and productive public sector. If the HCO can develop a new strategic plan aligned with this new outlook, the government may be able to muster the political power to help it overcome resistance to change.

4.3 Stakeholder analysis

Beyond the standard list of stakeholders which holds in the private sector, the *Government Extension to the PMBOK* suggests other key stakeholders (PMI, 2006). Among these are the general public, regulators, opposition stakeholders, the press, sellers, future generations and the private sector. Using this as a guide, the HCO's main external stakeholders have been identified as the Ministry of Culture and Tourism, the Archeological Receipts Fund, the Hellenic Foundation for Culture, the New Acropolis Museum, the HCO's suppliers, and finally the retail public. Internally, the HCO's main stakeholders are the board of directors, the top executive management, middle management, and the staff.

The separate interests of each of these groups are examined separately. Therefore, special care is taken in this section to identify the extent to which stakeholder interests are threatened or supported by the HCO, and to gauge their influence over decision making affecting the policies, activities and funding of the HCO.

4.3.1 External

4.3.1.1 The Ministry of Culture and Tourism

The Ministry is a key stakeholder deciding and funder not only for the HCO but also for many of the HCO's competitors (Hellenic Ministry of Culture and Tourism, 2007). The Ministry is the HCO's primary key decision making stakeholder (Boudouri, 2003). The Ministry is the HCO's primary customer and decision maker. Recently the Ministry has assigned the HCO the right to open six more retail stores in what promise to be very lucrative locations. As the creator of the HCO, it has often been a supporter of HCO activities. In its initial decisions it was both demanding and generous. Yet, it has not always been consistent in its policy or even handed in its dealings with the HCO.

In 2004, just before the elections, it pulled 10 million euros from HCO coffers and lent them to other Ministry organizations suffering a cash crisis. Were that loan repaid to the HCO, its outstanding debts could be repaid in full. The Ministry also was the source of a huge pre-election influx of new employees in 2009. While the public sector has long been the employer of last resort and a commonly used tool for political patronage, in today's financial climate the results have crippled the HCO's finances by saddling it with overhead costs several million euros per year above the level it can hope to cover through its retail activities. Also, the Ministry sets the prices at the cafeterias in the New Museum of the Acropolis and these are based on political criteria to make the museum a cheaper and more popular destination. However that decision impacts the HCO which is unable to cover operating expenses at this price levels. It has been suggested that an increase of 30% would bring the cafeteria out of the red while still having prices below comparable cafeterias elsewhere.

4.3.1.2 Archeological Receipts Fund

The Archeological Receipts Fund (ARF) is most known to the public as the Ministry of Culture and Tourism's public sector organization responsible for collecting tickets for entry to the country's archeological sites and museums. The ARF is also the HCO's single shareholder and as such has a permanent seat on the HCO's fifteen member board(Boudouri, 2003).

On its website, the ARF describes its primary activities:

> The ARF collects, manages and allocates its resources in the interests of the aims of the Ministry of Culture, which are: …. the creation and running of laboratories to produce casts and authentic copies of items in museums …the production and distribution of authentic copies and applications of archaeological motifs produced by the ARF (casts, wall-paintings, Byzantine icons, jewellery, etc.) and items produced by third parties for sale on consignment…the organisation of displays and shops in museums and archaeological sites in Greece, for the distribution of items produced by the ARF. (Archeological Receipts Fund, 1998)

The ARF has a government granted monopoly in the production of authentic copies of ancient artifacts which it sells through a parallel chain of retail shops similar to those of the HCO. No other organization in Greece may produce such artifacts and label them as being authentic. This policy is to protect Greece's national heritage from the dangers of unregulated commercialization. The same issue was raised in the Parliament with respect to the need for and the extent of HCO commercial activities (Boudouri, 2003).

From the above description of the ARF's purpose, it is clear that there is an overlapping of responsibilities in the area of retail activities with the HCO. Both organizations maintain a parallel chain of retail shops in national museums and archeological sites throughout Greece. In this respect they are both granted a monopoly on key locations and access to tourist spending not available to private sector competitors. Yet the two organizations compete with one another. The ARF is antagonistic towards its subsidiary the HCO.

Many of these same high quality artifacts sold in ARF retail shops are also sold at HCO shops. Other ARF products, such as ARF publications, are sold in both sets of retail chains. Because the HCO is a subsidiary of the ARF and they both serve the same public, the duplication of products on sale are accompanied by the duplication of prices even if there isn't a duplication of cost structures between these organizations. The value of this parallel activity is questionable when the organizations lose sight of their common larger purpose, to generate income for the state while providing quality products for the public, and do not support each other towards that same end.

The supply of retail goods from the ARF to the HCO has been spotty at best. Often items made by the ARF are more often than not missing from HCO shelves. As a result, the HCO has moved over time away from the sale of ARF products and has emphasized its own line of new innovative products instead (Hellenic Culture Organization, 2005). The ARF has copied some of these innovations but with much less zeal and energy: "…bad management at the ARF: of the twenty four retail shops, ten are closed. And those that are in operation don't open on weekends because of a lack of staff. A source of ridicule is also the lack of basic products for visitors such as guidebooks…" (Editorial, 2010).

Many, both in the Parliament and in the press, have questioned wisdom and efficiency of such an antagonistic, inefficient competitive relationship between two organizations, one purely governmental and the other semi-private, serving the same market niche while filling the same government coffers (Papaspyrou, 2010; Boudouri, 2003). Nevertheless and in all fairness, it must be noted, questions of efficiency aside, the quality of ARF services and products has visibly improved since the HCO began its retail activities. By extension, there must be at least some merit in the argument that the ARF had been capable but unwilling to improve until moved to do so by the threat of competition.

A powerful stakeholder in the ARF itself is the archeologists' union. This union has long exercised a powerful influence over Ministerial decisions. Though often couched in terms of protecting the country's cultural heritage from the harm of uncontrolled commercialization, one easily suspects that the archeologists' primary concern has been the less lofty need to protect their jobs and privileges in the Ministry. In this context, the privatization model represented by the HCO is a threat to their interests. In a recent television interview with the current Minister of Culture and Tourism, the systemic root of this problem was identified, namely that of the dependency of the archeologists on the Ministry as their sole source of employment and the parallel lack of control over the number of archeologists trained by the national university system. The minister said he would "look into" the suggestion that the number of archeologists trained every year be linked to the market need for their skills (MegaTelevision, 2010).

4.3.1.3 The Hellenic Foundation for Culture

The Hellenic Foundation for Culture (HFC) also falls under the umbrella of the Ministry. Like the HCO it is a private law entity belonging to the state but it has no shareholders, no board. As such it enjoys a lesser degree of freedom than that enjoyed by the HCO to pursue its activities. The HFC site describes the aim of the organization as being "… to promote the Hellenic culture and to disseminate the Greek language all over the world… offers Greek language courses, organizes cultural events, publishes books and operates lending libraries in its Branches, open to the public….is head of the Greek network of the Anna Lindh Foundation for Euro-Mediterranean Partnership and Dialogue between Cultures, and is a member of the European Union National Institutes for Culture (EUNIC)"(The Hellenic Foundation for Culture, 2010).

Meanwhile, the HCO also has organized cultural events abroad especially in the period leading up to the C.O. It has also been a member in numerous foreign institutions active in the arena of culture. Yet there has been no policy of coordination of these activities between the HCO and the HFC (Boudouri, 2003). This apparent overlapping of responsibilities in the area of cultural activities abroad represents a relationship that could be troubled by antagonism and wasteful competition instead of by supportive collaboration. In short, the HFC is a problematic stakeholder and while it has relatively little direct influence over HFC policies, it represents a potential ally of antagonists.

While the HFC has had better reports in the media than the HCO, it too has recently come under fire as another potential target for merger or closing. "What regular citizen knows of its existence? And while one would expect a cutback in its work, so that the institution could justify its existence, the grant for 2010 doesn't even cover its operating expenses. Towards what purpose, then, an organization for which there isn't a spare euro for even a single project?" (Myrilla, 2010).

4.3.1.4 The New Acropolis Museum

The New Museum of the Acropolis (NAM) is a new entrant on the scene. It was only recently completed and opened its doors to the public to much world-wide acclaim and publicity on June 21, 2009. It was constructed, in part, with the purpose of promoting the return of the Marbles of the Parthenon, which are now in the possession of the British Museum. One can visit the NAM's site, read more about its activities, and appreciate the beauty of its award winning modern design (Acropolis Museum, 2009). Fulfilling all expectations, since its opening there has been a steady stream of visitors from the world over.

With respect to its legal status, the NMA is an independent public law legal entity, in contrast to other state museums such as the National Archeological Museum. Normal state museums are a direct extension of the state and not independent of the Ministry in any way. The NAM is an exception to this rule and has a special status which eventually will give it greater flexibility of action in a number of areas. One of these is in the area of commercial activities (Papaspyrou, 2010).

The NAM's two retail shops and cafés are currently staffed and managed by the HCO. Both the income and expenses from these enterprises are the HCO's. This arrangement is expected to be a temporary one, intended only to lend HCO technical knowhow to the NAM until it is ready to take over their operation. However, the large number of visitors passing through the museum on a daily basis means that the retail shops and cafes are potential cash cows and it can be expected that there will be some behind the scenes tussling between the HCO and the NAM over their ultimate control. The NAM is a potential antagonist but is currently an uncomfortable collaborator.

The current set-up includes the overlapping of decision making authority in important areas and has led to some inefficiency in the operations of these businesses. At present the prices at the cafeteria is set by the ministry while the choice of retail products is made by the NAM. This too has led to some acrimony over unwanted external interference by all parties involved and the press has not hesitated to take sides. A natural ally of the ARF in wanting to reduce the role of the HCO, attacks on HCO “waste” have often been accompanied by calls for it to withdraw from its activities in the NAM (Papaspyrou, 2010).

4.3.1.5 Suppliers and contractors

The HCO’s suppliers and contractors are numerous and include leasers of HCO canteens and cafes, suppliers of specialized services outsourced to support cultural events, and producers of retail items for resale at the HCO shops. While some of these providers are large domestic and international enterprises most are small local family companies. These are natural supporters of the organization.

From the beginning, many suppliers were eager to work with the HCO, as they were to work with the Greek public sector in general. This is because traditionally there has been a lower risk of payment problems when selling to the public sector as compared to the private sector. This has been changing recently with the decline of the economy. Many of the HCO’s suppliers are increasingly reluctant to provide the HCO with goods and services on the same payment terms as before (Papaspyrou, 2010). This cycle of tightening credit and delayed payments has been made worse by the less frequent and smaller government grants to cover ever growing expenses.

The net effect has been a growing mistrust in the marketplace of the HCO, at times to the point of outright hostility and threat of legal action. Supporters have been pushed into taking antagonistic positions vis-à-vis the HCO. The provision of goods and services has been correspondingly increasingly difficult to secure and the retail stores' shelves have been at times disappointingly empty of advertised products. This has also been the subject of recent negative press coverage (Papaspyrou, 2010). These lost sales have in turn fed the cycle of lowered consumer expectations and worsened prospects of future growth.

4.3.1.6 Public

The wider public that purchases HCO retail products on line or at the retail shops, frequents its cafeterias, or attends its occasional cultural events, is the HCO's customers and natural supporters too. The public pays for those goods and services either in cash or in taxes and demands good governance, accountability, transparency and quality services in return.

Customers continue to want government certified quality goods they can trust are historically accurate and faithful to the originals. The HCO and the TAP are the only organizations with the authority to certify authentic copies and as are in a highly desirable situation. No private sector retail competitor can make similar claims. Also, the location of the retail shops is unsurpassed. No private sector competitors may sell their goods in museums or archeological sites in Greece. So from a qualitative and geographic point of view, the HCO should have a very strong appeal to the public.

The largest portion of the retail public is tourists with a preference for items in the 35-50 euros range. It prefers small to medium sized items that can easily be carried onto the tour bus and airplane. While there is a dedicated local following that purchases larger more expensive items but it remains, for the time being, a small minority. The large mass of HCO's buyers are looking for small, quality goods that can easily be carried back with them to their homes, wherever they may be, around the world.

The other smaller portion of the customer base is the Greeks themselves. They represent a potential year-round market and tend to be more interested in the high end larger items suitable for wedding gifts. A lack of items in this category has kept this following to a small group but other museums in the same market have found it to be a lucrative niche. The HCO would do well to follow their example.

There is no formal mechanism for directly gathering and compiling public sentiment about HCO products and services. Domestic press reviews are notoriously biased because of the influence exercised by competing stakeholders. Press reviews do more to form public opinion than to report it. The ERP system is still not developed enough to enable the automatic recording of the rate of returns. There is no formal customer service representative assigned the duty of collating and monitoring customer complaints. There are no complaint boxes in the retails shops. Feedback related to internet sales are handled informally on an ad hoc basis by the staff at one of the stores. Nevertheless, certain departments at the HCO attempt to gauge overall public satisfaction by monitoring sales trends normalized for business and seasonal cycles, or by comparing attendance at cultural events relative to other like events organized by other organizations.

4.3.2 Internal

4.3.2.1 The executive leadership

Appointees of the Ministry, HCO leaders have necessarily sought short term visible achievements, not long term strategic alliances that might take years to mature. To be exact, there is a triumvirate leading the HCO: the President of the Board, the Managing Director, and the Executive Director (HCO SA, 2001-2). These same three, with the further support of two advisors, also formed the Executive Board. The Executive Board appears to have functioned in the role of a PMO. Since the conclusion of the C.O. the Executive Board has been inactive. Future leadership may wish to consider reviving that useful tool.

The triumvirate proved to be an unwieldy tool after the conclusion of the Olympiad. As per testimony in the interviews, the reason for this was the acrimonious disagreement stemming from irreconcilable visions of future role of the HCO. It was vulnerability in the governing structure that exposed the HCO to the risk of multiple leaders at cross purposes to one another, serving different masters, fighting for control of the helm. Perhaps to reduce the likelihood of a repetition of such intractable conflict, the number of leaders was gradually reduced to two: the President and the Managing Director. Of these, signing power, the effective leadership, has usually resided in a single hand.

4.3.2.2 The Board of Directors

Anecdotal evidence and interview results indicate that after 2004, the members of the board were much less involved in framing HCO policies and promoting its needs externally. Perhaps this is the outcome of a lack of agreement over immediate goals. Certainly it is true that like the executive leadership, the fifteen members of the board of directors are political appointees (Boudouri, 2003; HCO SA, 2001-2). Nominally appointed for a term of service of five years, they too customarily submit their resignation to each new Minister. That is to say that the executive and the board of SOEs necessarily serve both internal organizational and external political needs. Among the primary responsibilities of the members of the board is to help support the alignment of these two purposes (OECD, 2005). It is logical to expect that, in the case that there is no agreement on the organizational vision, short term political pressures will supersede the organizational needs in importance. As discussed earlier, if uncontrolled, political intervention can distort organizational performance.

This is obviously a signal that in Greece the board of directors and the executive of SOEs are still vulnerable to such external political pressures (PASOK, 2010). A recent newspaper article reports the some of the OECD's soon to be published recommendations to help the Greek government in its implementation of the Stabilization and Development program includes measures for public enterprises: "Depoliticalization of the board governors and management bodies; Cease of daily intervention of the Ministries in public enterprise matters; Strengthening of the requirements for accountability of the board of governors for the financial results of the company"(Stergiou, 2010).

With regard to the number and skill level of board members, it has been suggested that it could be reduced to a more economical and efficient "magnificent seven" who would be and more accountable and focused on their responsibilities.

4.3.2.3 The middle management

Today there is no formal interdepartmental exchange of information beyond that of the need-to-know-basis. Departments jealously guard their knowledge from poaching by other departments competing over the same resources. This environment is fueled by fear. In the past these alliances were often based on a common reference to external clientele relationships. Yet, today, in view of the common threat facing the very existence of the HCO, the value of these has been eclipsed. As in any organization facing downsizing or merger, the political alliances are to protect turf against the expected onslaught of cut backs.

A key factor feeding this fear is the uncertainty over the future role of the organization and each department's role in that vision. The lack of a current vision, a leadership to lead it, and a sponsor to support it, has left the department heads without a sense of purpose greater than mere survival.

There was, during the period of the Olympiad, an informal but effective institution at the HCO that is worthy of revival. It was the weekly department head breakfast meeting headed by a member of the executive leadership. It helped with the coordination of projects across departments and helped maintain a team atmosphere. Its revival would reestablish that informal means of communications and help reinforce the sense of common purpose and reestablish a supportive attitude for change.

4.3.2.4 The staff

There are today approximately 280 full time employees working at the HCO. They have never had a seat on the HCO board but since 2003 they have a union to represent their needs to the management. The legislation creating the HCO does not permit permanent labor contracts and all employees are on short term job contracts of one type or another. Wages are negotiated on an individual basis and there are known to be wide discrepancies for people holding similar positions across the pay scale. Contracts do not specify job responsibilities nor do they foresee pay incentives or other forms of recognition for productivity.

The union has long demanded formal job descriptions and assessment procedures. While this lack of clarity with respect to individual responsibilities may serve the executive's need for flexibility in assigning, hiring and firing staff, it has come at a high cost. The staff morale has understandably suffered from the ever present threat of dismissal every time contracts expire and come up for renewal. Often changes in the board and executive have been followed quickly by an influx of new employees and the exit of an unfortunate older group. The result has been a high rate of turnover, especially for those whose skills are in demand in the private sector. Nevertheless, it is commendable that many of the surviving staff remain committed to their tasks and find satisfaction in work well done. The staff strongly believes that its own survival is linked with the success of the HCO. Its union has a list of recommendations to help the new executive in it work, when it arrives.

Despite the high rate of staff turnover, there remains a steady skeleton of skilled employees that stubbornly remain faithful to the so-far unsuccessfully championed vision of a retail future. Their level of internal integrity has been challenged over the years as proposals and projects lay abandoned in the aftermath of leadership changes. And yet they continue to come in on time and produce reports and make more suggestions whenever asked. They are keen to see the organization prosper. In a way, one can say that these survivors are acclimatized to change and can be counted upon to support strategic change in a new learning organization. The whole staff body is aware that their own survival depends on the organization's being able to survive in the new economic climate. The sense of urgency is easily sensible. Buy in won't be hard to achieve if lead by a leadership aligned with that same vision.

Though it is a potential supporter for change, union eagerness to support it has often been met with resistance by executive leadership. This is logical because short term political exigencies are such that HCO executive leaders have often had a shorter term vision than the HCO staff who has always hoped to stay on working there for years. Meanwhile, the union has also met with hostility from its fellow public sector organizations who feel threatened by the HCO privatization model.

In short, the HCO staff has lost many of its most skilled members and is demoralized and politically weak. Nevertheless it can be expected to be ready to lend its creative input to any executive effort to make a new strategic plan. Its commitment to change can be assured so long as its basic needs for security and recognition are directly and honestly discussed. Convincing action on this front would necessarily involve an amendment of the existing law governing hiring practices at the HCO.

4.3.2.5 Summary of stakeholder analysis findings

The new HCO leadership has a number of stakeholders that span the gamut from supporters to antagonists for change, some with more influence than others. None of these rank as highly as the Ministry itself which is the key funder and decision maker for all of the other public sector stakeholders. As such it is in both the source of most of the problems as well as the solutions. At the Ministry, first of all, it has to be determined if there is a political will to support the continued existence of the HCO. To the extent that such participation is possible, the HCO leadership will have to do its very best to manage up and win over the Ministry to a new vision.

4.4 Interviews

4.4.1 Introduction to the interviews

The purpose of the interviews is to highlight the pains, pressures, trends, underlying systems and mental models at work that contributed to the observed HCO performance results. Following the results of the stakeholder analysis, four people were interviewed. As a whole, the interviewees' experience spans the full time frame under study. They include influential internal decision makers, less influential opinion makers, potential allies and resistors. To protect the anonymity of the interviewees, they are referred to by their positions and affiliation rather than by name. The four interviewees were: a senior member of the HCO staff union; one member of the HCO middle management; one former member of the HCO executive management; and a high ranking Ministry official.

In the style of "trigger interview" as suggested in *The Fifth Discipline Fieldbook,* after a brief introduction as to the purpose of the thesis, all interviewees were asked a few loosely framed questions (Senge et al, 2009, pp. 280-281). Posing neutral open ended questions engaged them in an open and candid conversation and encouraged a review of their experiences with the benefit of hindsight. Each interviewee was asked about the need for change in 2004, the related successes and failures, the roles of other players in the effort, and to make recommendations for the organization today.

Following the storytelling technique, as developed by Peter Senge, the interviews and their results naturally group themselves into the four time periods of initiation, planning, implementation and closing of the C.O. project: 1997-1999, 2000-1, 2001-2004, and 2004 up to today, correspondingly. These are the same periods over which a strategic plan for change should have been developed, implemented and sustained (See Appendix K for the interview text.)

The recounting of the "story" of the HCO is made easy because of the level of agreement in the views expressed by the interviewees. I refer to individual views only to highlight the perspective being expressed, be it union, Ministry, or otherwise. There were no points on which there was a significant divergence of opinion, only some stakeholders tended to emphasize certain issues more than others. In my view this unanimity of results is in part attributable to the fact that the interviewees were encouraged to look upon the interview process as an academic exercise and were not made to feel charged with having defending particular actions in the past. Another factor, earlier identified as a weakness in this study's methodology, is that external stakeholders identified in the stakeholder analysis as being most likely to resist change were not among the group interviewed.

Chapter 5 Discussion, conclusion and recommendations

5.1 Lessons learned

Reviewing the history of the case, the PESTL, stakeholder analysis and interview results, in the context of what the theory proscribes for leadership, strategic planning and change management, there emerges a picture of a general failure of failure in all three areas. The reality observed is one of a bureaucratic and hierarchical environment with very change management and strategic planning.

Most of the serious problems observed, however, can be traced back to a single cause whose influence trumps all others. This single cause is the ever present Ministerial political interference in organizational governance. Had the HCO applied the Balanced Scorecard method, it is fair to assume that all the indicators would be depressed because of this single cause. Financial: the organization is in perpetual debt; Customer: there is no systematic tracking of tax payer or consumer satisfaction; Internal Business Processes show logistics inefficiencies; Learning and Growth: there is very little training and retention of skilled employees. Using this tool, the HCO could measure the effect that the continued financial dependence on the Ministry has. For instance, delays in grants translate into delayed supplier payments which in turn mean poor inventory control, customer dissatisfaction, and declining income from retail sales. The uptake is that the indicators are depressed due to a constraint beyond leadership control. It is useful at this point to see how this happened in detail.

Visually, Figure 4 below presents the problem in terms of the polarity of pursuing a political versus a business strategy. Though these two can coexist in an SOE, in their current form they are incompatible strategies.

Advantages

Protected status
Support of Ministerial needs
Collaborate across government departments
Collaborate with other SOEs abroad
Increased visibility and exposure
Social focused activities
Support national strategies

Long term time horizon
Strategic planning and progress tracking
Low executive turnover
Involved Board
Quicker and more efficient management
Development and retention of skilled staff
Renumeration linked to productivity
Empowered staff
Financial independence
Flattened matrix without departmental silos

Political Strategy ← → **Business Strategy**

Short term time horizon
No effective strategic planning
High rates of leadership turnover
Lack of Board involvement
High rates of staff turnover
Loss of skilled staff
Strict legal framework
Disempowered staff
Selection of leadership on political basis
Selection of staff on political basis
Financial dependency on Ministry
Poor relations with customers
Poor relations with suppliers
Antagonistic relations with other public services
Lack of focus on income generating activities
Project selection with political criteria
Hierarchical structure and culture
Pricing policy vulnerable to political interference

Non-income generating cultural projects are of secondary importance
Vulnerability to market fluctuations
Selection of products and services does not occur with a view to educating public
Needs for skilled staff
Increased uncertainty in the market
Viability depends on business success

Disadvantages

Figure 4: Polarity of political versus business strategy

Referring back to the eight step strategic planning model presented earlier and beginning with the first step, the need for initiating and agreeing on a strategic planning process, it is clear that the original planning for the transition to the post C.O. period was done under crisis conditions. Organizational leadership had no say in the fact that it had been assigned the C.O. Operational issues surrounding the C.O. must have continually diverted the attention of Board members and the executive from attending to the long term planning process. The primary focus of resources and energy was not on the long term business survival of the organization. The Ministry too had its primary focus on the short term success of the C.O. and the political gains that could be achieved. Influential stakeholders were not involved in the planning process and potentially valuable input lost and their support and commitment for change was not gained. Most notably the ARF had no sense of urgency to change. To the contrary, it was able to mobilize early and build alliances to resist change.

The structure and culture of the HCO was too hierarchical to support enduring change. In a crisis a hierarchical approach to decision making may be effective but for long run success it is counterproductive. Though, to leadership's credit, a plan was developed, it was not achieved in a dynamic process of planning that would have built commitment and clarity of purpose. Changes were imposed from above, without key stakeholder involvement and commitment. There was to be no accompanying change in culture could protect and freeze new values into place before the next inevitable leadership change came along.

What made the hierarchical culture a necessity at the HCO was the need to insulate its leadership from the consequences of disappointing any of its other stakeholders but the politically oriented Ministry. The HCO's nominal mandate may have been to provide the Ministry with support for cultural activities but practical reality dictated an incompatible purpose to first serve political clientele needs. The HCO leadership was, in short, assigned a schizophrenic role of trying to run a business using political criteria, a patently unworkable model.

The electoral cycle imposed a short term time frame on the HCO leadership which precluded significant attention to the longer term goals of the HCO. The critical success factor which necessarily took priority over the forwarding of strategic business goals was to serve the needs imposed by the election cycles. Without a long term horizon, leadership does not have time to study the situation, learn from past actions or wait for delayed impact of changes. A short time horizon undermines the potential contribution of leadership to strategic planning and change management. It reinforces the tendency to lower organization goals to nonstrategic short term goals and without a strong leadership at the reins the strategic direction of the organization drifts away from desirable goals such as building a stronger competitive presence in the retail market. These did not allow for sufficient time for leadership to manage upwards and argue for any other strategy from the Ministry policy makers. The organization's vision of success could not be based on a long term strategy for business survival and growth. All actions and results had to be for short term partisan political purposes.

There were legal issues beyond leadership control as well. One of the organization's longer run mandates, the opening and managing retail shops and cafes, was itself problematic. This mandate put the HCO into conflict with its sole shareholder, the ARF which had the same mandate. Resulting "bad" competition practices included the lack of collaboration towards a common higher purpose, unfair discrepancies for those working in the same jobs in the two organizations, and bad press exposure for the HCO and the Ministry.

Similarly, another mandate assigned the HCO overlapping responsibilities with another public organization the HFC. Though less influential than the ARF, this still meant the loss of a potential supporter in the area of organizing cultural events for the Ministry. The failure to involve the HFC in developing the HCO strategic plan only served to further alienate the two from one another.

More recently the HCO was assigned the task of setting up and running the retail shops and restaurant at the NAM. The retail shop falls within the HCO's area of competence and makes business sense. However, running a restaurant is not within the HCO's area of competence and does not make business sense. The HCO would have been hard pressed to meet the challenge under normal circumstances but it was further burdened by having its pricing policy set by the Ministry at levels much lower than the competitive market. For the Ministry this pricing policy may have been good promotion for the new museum but for the HCO it was an unfair burden it had no power to avoid.

One final mandate problem was the legal constraint imposing short term employment contracts at the HCO. The inability to offer permanent employment status obviously created a strong disincentive for employee productivity. It led to uncertainty and fear rather than creativity and long term commitment. It also made it difficult to retain valuable skilled employees.

While the huge infusion of C.O. cash may have jump started the HCO, it came at the high cost of losing site of its longer run mandates. This is reminiscent both Peter Drucker's warning to "never subordinate the mission in order to get money" and Harold Kerzner's admonition to avoid mega projects. The HCO mission fell victim to the confusion that was the natural outcome of the organization's necessary and intensive dedication to the C.O. mega project. The leadership was, of course not responsible for having to take on the C.O. but it could have chosen a different communication strategy to better support the longer run goals of the organization.

It is characteristic of the leadership of a hierarchical culture to believe that not communicating can be a winning strategy. Withholding information as a means of conflict management through avoidance is not a good strategy. Because the plan for the post C.O. period foresaw some layoffs, this was kept secret. But not telling the staff about post C.O. plans led to some confusion about the HCO's longer run mission. Staff was disempowered and didn't have a clear personal idea of where they would fit into the future organization. Likewise, trying to avoid criticism in the press for early mistakes by avoiding publicity came at the cost of lost opportunities for building public support. Such support would have been a valuable counterweight to ARF attacks on HCO activities.

A realistic assessment of the Greek public sector shows that orders can be imposed on the unwilling from above but it creates lasting resentment, the withholding of creative collaboration and even possibly sabotage. The leadership may have made the pragmatic decision to serve the political party in power at the Ministry as if it were the only important stakeholder. Being political appointees, HCO leadership was bound to put the Ministry's short term interests above all others'. But HCO long run survival required a broader support that leadership failed to build. To have built such a bridge across political lines was clearly beyond HCO leadership's power. However, it might have reached out more effectively to the other key players, especially the ARF. In sum, the leadership was wanting in the area of communication both internally and externally. Though this was not a deciding factor in the change failure, it nevertheless was a leadership deviation from what the theory proscribes.

The lack of clarity about the HCO's mission and an absence of stakeholder support for it also brought about a weakening of its internal core competencies. The loss of skilled staff in key areas resulted in an inability to deliver quality products and services. This cost the organization its credibility with the Ministry and the public. The HCO leadership did have a policy of firing "unconnected" staff even if it had skills needed by the organization. But leadership was merely acting as the political arm of partisan politics, which was something beyond its control.

A strategic problem that arose as a result of this political strategy was the poor financial performance of the organization and its resulting growing dependence on Ministry subsidies. In terms of an archetype, the post C.O. period can be described as a case of "shifting the burden to the intervener" structure (Senge P. M., 2006, pp. 61, 105). For the HCO, the low leverage change and short term quick fix became to ask the government to provide periodic subsidies. The HCO leadership was not motivated to find the high leverage change, to look for innovative ways to bring costs into line with income by cutting costs and/or generating more income through increased product sales. The subsidy culture became firmly entrenched over time and a sense of urgency for creating business success was notably absent.

In light of information concerning government debt owed to the organization, it is clear the dependency is a two way street: the government is also trapped insofar that it can't wean itself off the company as an easy source for political favors, even if this comes at the cost of derailing company from long term strategic orientation. Instead of paying off its debts to the company, it pays the debt service needs, and keeps the company going for the purpose of serving clientele needs.

5.1.1 Summary of lessons learned

Is the future of the HCO termination by extinction? The answer to this question can be found by referring to the wisdom of two of Peter Senge's laws of change "Today's problems come from yesterday's "solutions" [and] Cause an effect are not closely related in time and space"(Senge P. M., 2006). The roots of today's problem go back to when there was first a failure to change and no apparent exit strategy was implemented.

A long list of facts emerges from the PESTL, stakeholder analysis and interviews. Chief among these is that there is the fact a strategic plan for the end of the C.O. had been developed and its implementation had in fact begun. That plan had a clear vision of business success for the organization and foresaw specific steps for the achievement of that goal. The question then is why the change stalled. A partial answer lies in the fact that the failure occurred in sustaining the change through the subsequent changes of leadership. And there were many such changes and they came at frequent intervals. Though a later executive leadership did in fact draw up a new plan and begin its implementation, that effort too, was cut short with the next change in leadership. One lesson to be learned is that frequent leadership changes in small SOEs must be avoided during periods of strategic planning and change management. In other words, you can change your leadership and you can change your strategy but you can't do both at the same time. But there is a yet bigger lesson to be learned here.

All the observed events point back to a single overriding problem as the root cause, namely that of Ministerial politically motivated interference. If it were not for such interference then, for example, the size of the staff would not be so vastly out of line with organizational needs and the organization would have support when dealing with hostile stakeholders. The pressures of the clientele system and the electoral cycle appear to have dictated a short term political strategy for the HCO instead of one based on organizational core values and competences. The fact that, in the six years that have passed since 2004, no leadership was able to overcome that barrier indicates that the cause for the failure of change management at the HCO cannot be blamed on a lack of leadership skills, traits, or knowledge. This is corroborated by the fact that none of the interviewees mentioned this factor at all. Even though some executives may have better equipped than others, it was clearly not a deciding factor. Good leadership, strategic planning and change management are necessary but not sufficient conditions for business success for SOEs. This finding confirms the theory that SOEs require a limit to government interference. In terms of Peter Senge's eighth law change, the "small changes can produce big results – but the areas of highest leverage are often the least obvious," this identifies the high leverage solution to ending the HCO's chronic inability to learn and change is to limit the effect of the political patronage system in HCO governance (Senge P. M., 2006, p. 63). Now the public can no longer foot the bill of the consequences of these practices which saddled the HCO with the political and financial costs of serving partisan clientele needs.

In that context it is fair to say that the early success of the HCO in the period leading up to 2004 was the outcome of a temporary alignment of Ministry support and internal leadership cohesiveness around a highly visible project. In this period of time the political strategy of a highly visible C.O. success managed to accommodate the relatively less ambitious strategy of building longer run business success. Being a narrow and passing alliance at the top leadership level, without the long term support of other internal or external stakeholders, the longer term business strategy was left vulnerable to the effect of a change in leadership. In 2004 there was a change in government, a change of Minister and a change of HCO executive leadership. Being a partisan change in government in a culture of clientelism, the HO predictably failed to follow up on its longer run strategic plans which were treated either with indifference or hostility. Only the political strategy lived on. The results were internal division, mistrust, fear, inefficiency, hostile relations with external stakeholders, financial dependence on the Ministry, a degrading of resources, a loss of public support and generally diminished ability to detect the need for change and implement it.

Therefore, if any future strategic plan at the HCO is to have any chance of success, if the HCO is to have any valid business mission, it must begin with a commitment by the Ministry to adhere to such principles of governance of SOEs such as those laid out by the OECD. This is a necessary precondition for project change management success for SOEs. Given such a commitment by the Ministry, the leadership and staff turnover can be reduced, a coalition can be built around a vision, stakeholder needs can be managed, and a strategic planning process can be initiated. The next section assumes this Ministerial commitment and a SWOT analysis is used to develop recommendations for a new strategy for the future.

5.2 The future of OPEP: the need for strategic reorientation

5.2.1 SWOT analysis

Who does the HCO exist to serve? The HCO the shareholder is the state and its customer is the public that buys its cultural products and attends its cultural events. Are these interests compatible? In the past they were not. If in the future the Ministry ceases its politically driven strategy of clientelism then there is no reason why Ministry and public interests cannot be compatible. Serving the interests of the final users should satisfy the needs of the Ministry. After all, the state exists to serve its citizens as should the HCO as an arm of the state. The threats of clientelism and the weakness of a leadership dependent on partisan politics are not referred to in this SWOT. The new strategy offered assumes an end to the old political strategy of clientelism and a willingness and commitment by the Ministry to support the HCO develop a business model based on the principles of the satisfaction of customer needs and fiscal responsibility.

Table 4: SWOT

	Supportive of Change and Growth	Not Supportive of Change and Growth
	STRENGTHS	WEAKNESSES
Internal Parameters and Constraints	• Sense of urgency • Staff union eager and ready to help • Legal status as private law entity • Established presense in ten retail shops • Established relations with six café rentals • Experience running retails shops and cafes • Experience in efficient organization of cultural events • Experience in running european co-funded projects • ISO certification • Shared monopoly on use of archeological sites and museum spaces for retail and cafes • Shared monopoly rights to sell authenicated official reporductions of ancient artifacts • The HCO can survive with current level of shops and cafes and reduced staff • Physical and technical resources in part already in place • Established collaboration with networks and partners world wide • Willingness of past employees, management, Board members and executive leadership to offer input in new strategic planning effort	• Lack of clarity of vision and purpose • Clannish and heirachical culture • Climate of fear and mistrust • Contracts short term only • High level of staff turnover • Loss of skilled staff and middle management • Heavily bureaucratic structure • Too much middle management • Interdepartmental turf feuds • Financial dependency on Ministry • High rate of executive leadership turnover • Lack of systematic qualitative and quantitative measures of customer satisfaction • Too large a staff for HCO needs • Staff not in positions corresponding to skills • Staff unmotivated, without job description, training, appraisal • Large wage discrepancies unrelated to performance • ERP and MIS systems not fully developed • Fifteen is too large a Board • Board uninvolved • Three is too large a number for top level executives • No lessons learned file

	Supportive of Change and Growth	Not Supportive of Change and Growth
	OPPORTUNITIES	THREATS
External Parameters and Constraints	• Compteting ARF retail shops badly run • NAM lacks know how to run retail shops • New government formed by same party which founded HCO • Public supports big changes • NSRF funding available for development programs • Willingness of suppliers to work with HCO for payment terms • Potential retail growth through e-sales • Can open another six retail shops • European programs available for HCO participation • There are models for success both domestically and abroad • Retail shops have exclusive use of prime locations in state museums and on archeological sites • Potential for growth in local market to balance seasonal tourist demand	• Conflict with ARF over mandate overlap • Opposition of Ministry's archeologists' union to privatization model • Conflict with HFC over mandate overlap • Conflict with NAM for retention of retail shop and restaurant • Public unhappy with HCO services and history of financial waste • Ministry disatisfied with quality of HCO services • NAM restaurant and cafeteria not among HCO core competencies • Prices at restaurant and cafeteria set by Ministry • Key decision maker and financer, the Ministry, has deep government culture • Delays due to governement bureaucracy • Economic crisis • Attacks in press • Ministry non payment of old debts • Fewer visitors to museums and archeological sites means shrinking pie • Globalized Economy • Technological develoments and competition from abroad • Delay in appointment of new leadership

The slight preponderance of the negative challenges and threats over strengths and opportunities is not so much a reflection of my pessimism, as a reflection of the fact that the foundations for business success have suffered six years of neglect and abuse. Nevertheless, there is much reason to be optimistic about the outlook for the HCO. It serves an important purpose. It provides the Ministry, and through it the public, contemporary and innovative products and services not otherwise available. It has a lasting core competence that grows out of its values and beliefs in the advantages the private sector can bring to public services. In the retail area it enjoys certain competitive advantages over the purely public or private sectors which help it satisfy its customers and the Ministry both. In the area of cultural events, it has a rich history of successful projects and many valuable contacts eager to resume collaborative work. Of course, it first has to resolve its most urgent problem.

5.2.2 Strategic issues

An immediate pressing strategic issue is the HCO's financial dependency on the Ministry. Its continued dependency on Ministerial handouts must come to an end. The Ministry's budget is being cut back and there is no slack for bailing out an old friend. Luckily, the HCO has the potential to stand on its own feet if it is allowed to restructure, downsize, and refocus. A leaner, less bureaucratic and hierarchical administrative structure and culture will benefit a move towards developing a learning environment dedicated to a new vision collaboratively achieved.

One solution is for the HCO to increase its income generating retail activities. It can improve the shops it has with a greater selection of goods; open more shops; and expand e-sales. It would help if the Ministry paid it back debts to the HCO of around 10 million euros. Realistically, that is unlikely and it still that wouldn't be a long term solution. If the HCO can increase sales, increase quality and reduce costs, then there should be a profit for reinvestment in non-income generating activities such as organizing cultural events. But in order to achieve that increase, requires a wider commitment to support the HCO in this direction.

The other internal and external shareholders must be satisfied as well. Internally the long standing HCO staff issues must be resolved. Externally, the conflicts with the ARF, the HFC, and the NAM, must be also resolved. Only then will there be a context for collaborative efforts. There must be some corresponding legal changes made in the organization mandates.

The question "what" the HCO does is an open question best resolved in the context of an open dialogue with the Ministry and the other stakeholders. A guiding principle in clarifying this question should be the "why," the unique advantage the HCO has because of its legal status as a private law company. No other public or private sector entity can have the flexibility of the HCO while serving the public interests at low cost. It is this principal behind the growing number of SOEs worldwide and a model of development Greece should not forsake.

In my view, a natural "what" for the HCO is the retail business. It would solve the financial problem while serving the Ministry and public. Running the retail shops makes sense because it does it better than its parent company and it can do it at a better price than the private sector proper. Of course, there is room for improvement, especially in the area of technology sensitive e-sales. On the other hand, it doesn't make sense for the HCO to be in the restaurant business in which it has no expertise and should be contracted out or handed back to the NAM as soon as possible.

A related strategic problem is the weakened state of the HCO to respond to these challenges. "How" the HCO can best achieve the best retail results requires an improvement of its relations with its stakeholders. Much talented staff has been lost and technology development has been stagnant. Unfortunately there are simply too many people working there today for the HCO to pay for. Some will have to be let go. Some will have to be retrained. The key staff will be retained and motivated. The Ministry will have to change the HCO law to allow for full time contracts, raises and promotions based on performance appraisal.

This is part of the larger problem of HCO bad relations with its stakeholders. Public opinion of the HCO is at ebb. Empty shelves and bad press do not make for good marketing. The ARF, and through it the Ministry's archeologists' union, sees its own subsidiary the HCO as a mortal enemy rather than as a strategic partner. Likewise, the HFC is wary of the HCO and there has been no notable collaboration despite evident opportunities. The NAM is also in conflict with the HCO. It is in a tug of war with the HCO over who will get to retain the income generating retail shops and cafeterias. And none of this need be. All of the public organizations theoretically serve the same public and shouldn't be in conflict over that purpose. That is why there needs to be a change in mandates to sort out the overlapping areas of activity.

The very economic crisis which is pressuring the Ministry with the decision to merge or shut the HCO down has also armed the Ministry and the HCO itself with the resolve to implement the long delayed changes needed to set these problems right. A series of Ministry supported measures can help correct these and many other problems.

The staff and middle management should be offered the basic security of open ended contracts; clear job descriptions; periodic objective appraisals; performance incentives; education; and a seat on the Board to improve communication. In an open and honest exchange over the needs of the organization and the contribution the staff can make, there needs to be an acceptance that cutbacks in the number of staff may be inevitable.

Bureaucracy must be reduced to streamline communications and facilitate teamwork. Organizational silos must be broken down. People may need to be moved to new positions. Departments may need to be merged. The number of middle managers may need to shrink.

The executive itself can be reduced in size. The Board can be reduced from fifteen to seven members. Those members of course should be respected and knowledgeable in their fields and have networks of contacts to help the HCO work more closely with the market. Also there is no longer a need for the C.O. triumvirate of President, Managing Director and Executive Manager. Only two are necessary for the efficient functioning of the HCO.

The longer run vision for the HCO could be “a retail shop in every major national museum and archeological site by the year 2015.” That would be a clear and achievable motivating vision. I offer it up only as an example of what it might be. What is important not the plan but the planning. The vision needs to be the outcome of a cooperative effort with HCO stakeholders for a common mission.

As to the question “when,” there is no question that time is short and there is room for further delay.

5.3 Recommendations

The recommendations listed below are made with a view to resolve the immediate financial crisis of the HCO and to put it on a solid independent basis from which it will be better able in the future to undertake other activities as yet to be defined. These goals are intended to support the strategy of retail growth. It is a strategy born out of an immediate need to secure financial independence that is based on the organization’s proven expertise and advantages in that area. Down the road there will be room for other missions and strategies.

Both to survive now and to grow later there needs to be active leadership in improving stakeholder relations. There is no doubt about stakeholder willingness and creativity available to the HCO should it first remove the obstacles to better relations. I would recommend that the future strategic planning team to be open minded and think outside of the box for new ways it can serve the present and future needs of its customers. What they might be should be the outcome of an ongoing open dialogue between the HCO and its stakeholders both internal and external.

Innovative ideas might be developed in cooperation with the archaeologists and curators to respond to the demographic trend of decreasing visitors. A revamping of the old model of what a museum and archaeological site is can be changed to include the interactive participation of children and adults in learning experiences involving 3D technologies. Such initiatives already exist in the minds of its stakeholders. Ideas abound, the leadership needs only ask. Given leadership, commitment and stakeholder participation, there is much reason to believe that the HCO can resume strategic planning and mange change successfully.

I recommend that the first steps in that direction should include measure in each of the areas of stakeholder relations, governance, administration, and finance:

5.3.1 Stakeholder relations

1. Establish open communication with all stakeholders; invite their input; ask for their needs and how to measure them qualitatively and quantitatively
2. HCO gradually pays suppliers for past goods and services
3. Continually report back to stakeholders on progress
4. Ministry separates overlapping mandates
    a. HCO runs all retail shops, including former ARF shops, and negotiates to keep NAM shop
    b. ARF retail employees absorbed by HCO
    c. ARF produces authentic reproductions and HCO sells them
    d. HFC and the HCO work in close collaboration to promote Hellenic culture abroad – when the finances are available

e. NAM takes over restaurant and perhaps retails shop with corresponding staff and outstanding debts to suppliers

5.3.2 Governance

1. Develop staff training program in line with future HCO needs
2. Include a union representative on HCO Board
3. Shrink size of HCO Board to seven members; each respected experts in their fields
4. Reduce number of Executive from three to two
5. Executive and Board to serve for a minimum three year period
6. Link Executive and Board pay to organizational performance
7. Board members to form cross governmental committees in subject matter areas for collaboration and coordination
8. Reduce number of departments and managers
9. Revive informal weekly department head coffee meeting with the participation of at least one member of senior management
10. Seek best practises in cultural retail from other similar organizations abroad through established contacts
11. Keep official lessons learned file
12. Adopt a systemic strategic planning method and track progress using the Balanced Scorecard method

5.3.3 Administration

1. Change the HCO law to remove outdated reference to C.O. and allow for long term employment contracts for its permanent staff

2. Set up MIS and ERP to track progress on stakeholder satisfaction
3. Track progress down to department levels
4. Revive old idea of electronic paper flow. Abolishment of cumbersome and bureaucratic printed paper system and replacement with electronic files that whose progress and status can be monitored in real time
5. Rotate staff to positions where there are needs
6. Assess organizational staff needs and let go those not needed
7. Assess staff skills and fill gaps with new hires and training programs
8. Make job descriptions for all staff members with periodic objective assessments
9. Tie pay levels to skills and performance

5.3.4 Finance

1. The Ministry pays off outstanding debt of 10 million euros dating back to C.O. or at least agrees to servicing that debt
2. Raise NSRF funds to open six more HCO retail shops
3. Seek European funded programs to support retail activities
4. Investigate possibilities of new approaches to make greater inroads into year-round domestic market

5.4 Recommendations for further study

The failure to manage the project closing and the subsequent business transition of the HCO in 2004 cannot be fairly blamed on its leadership, strategic planning or change management. The recommendations listed above are the necessary but not sufficient conditions for leading future successful strategic planning and change management at the HCO. They are meant to contribute to a better execution of future project strategic planning and change management but they cannot correct the deeper problem. The failed project closing of 2004 had fundamentally to do with forces beyond the control of HCO's leadership.

A theory of constraints approach to the multitude of problems observed reveals a single deeper underlying cause, namely that of the destabilizing effect of uncontrolled politically driven government intervention in the governance of the HCO. The resolution of this problem is the key high leverage solution which needs to be achieved before the HCO can complete its change to a new business model. This result should not be a surprising discovery as it has long been recognized that the uncontrolled government intervention in governance is the Achilles' heel of SOEs world-wide.

In order to serve the public interests with transparency, quality and efficiency, SOE effectiveness presupposes the state's ability and willingness to decentralize traditionally held responsibilities, authority and power. Many authors have warned about this particular challenge that SOEs face (Allison & Kaye, 2005). It is why the OECD annually publishes its recommendations for governance of SOEs and frequently monitors and reports on progress in this area (OECD, 2005). The successful implementation of the recommendations made above, therefore assumes that this chief external hindering factor will be removed. Otherwise, the same system can only be expected to reproduce the same obstacles to success as it has in the past.

Because successful project management by SOEs has been achieved in other countries with significant results, it is worth pursuing its implementation in Greece. One could argue that in the current economic climate it cannot afford not to. It is therefore suggested that there is much value to be gained from extending the research beyond this case study to determine the specific steps the Greek government could take to plan for and manage the change towards better project management practices in its SOEs in general. A salient approach might include comparing successful models from countries with similar cultural and economic backgrounds as Greece to develop best practice benchmarks.

Afterward

After a long hiatus of inactivity, the last few weeks of writing this thesis has seen a flurry of activity at the HCO. The newly arrived management has begun to get informed about the organization's history and potential future. Likewise, it has been a time for the staff to get learn about its new leadership.

I find it especially heartening that both the President and the Managing Director come with a long history of executive leadership experience in the private sector. It is noteworthy that the President also teaches business classes in an Athens university. Among his most recent academic accomplishments are a recent article on "paradigm shift" and a soon to be published bilingual book on negotiation techniques entitled *Negotiations Analects*. The article *Changes, stagnation, and entrepreneurship – A paradigm shift is more needed than ever* appeared in Kerdos magazine on April 7, 2010(Tsitos, Changes, stagnation, and entrepreneurship - A paradigm shift in more needed than ever, 2010). The book is due out this June (Tsitos, Negotiations Analects, 2010).

Likewise encouraging is the fact that the new Board of Directors includes two former employees of the HCO, both experts in their field and familiar with the potential that the HCO represents.

I have had the opportunity to exchange view points with both members of the new executive leadership. We have exchanged views on some of the major challenges and opportunities facing the HCO. It is my hope that the research and findings of this thesis that I shared with them will be of use to them as they lead the organization forward to its new future.

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Appendices

Appendix A

Learning organizations

The extent to which executives find themselves in learning organizations, or are able to recreate those conditions and values, the greater the latitude they will have to effectively lead organizational change. This approach enables them to gain maximum input from all stakeholders and overcome resistance.

The three underlying essences of these five principles are "skills and abilities", "awareness and sensibilities", and "attitudes and beliefs"(Senge P. M., 2006, p. 284). These form the basis for what Peter Senge calls the "deep learning cycle" (see Appendix C on Systems Thinking for more on this issue) (Senge P. M., 2006). These principles produce less visible but more significant changes. They are the high leverage points for organizational learning. They are the foundations for a learning organization culture.

"Personal mastery is the discipline of continually clarifying and deepening our personal vision, of focusing our energies, of developing patience, and of seeing reality objectively" (Senge P. M., 2006, p. 7). Related actions are meditation and exercise. This help the individual develop the capacity for living in the creative tension that is the result of regarding the gap between reality and personal vision. A guiding principle is that individuals create the reality they live. This is an empowering principle because it puts the individual in the position of power to change reality. It is a critical step for building up to empowered teams and organizations.

Mental models are the underlying assumptions and beliefs that guide individual, team and organizational thinking. These mental models are generally frozen in time and if they are allowed to go untested and unchallenged they will inevitably fall out of sync with reality which is itself in a constant state of flux. Consequently, interactions with reality will be less fruitful. Related learning actions are to become self conscious of our abstractions using such tools as the ladder of inference; to become willing to face inwardly and outwardly those communications withheld through the use of the left-hand column; and balance inquiry with advocacy for effective collaboration (Senge et al, 2009) “The goal is not to win an argument but to find the best argument” (Senge P. M., 2006, p. 185).

Shared vision builds on the principles of personal mastery and answers the question “What do we want to create?” (Senge et al, 2009, p. 337). For teams, it creates a “commonality of direction…resonance or synergy” (Senge P. M., 2006, p. 217). People with a shared vision “own” their projects, they are not complying with a vision imposed from above but are committed to that vision.

“Team learning is the process of aligning and developing the capacity of a team to create the results its members truly desire. It builds on the discipline of developing shared vision” (Senge P. M., 2006, p. 218). It is based on the proposition that a collective group of individuals acting innovatively through coordinated action can achieve a synergy of intelligence greater than the sum of its individual members’ intelligence. Through team learning the potential of the team is expanded. Related actions are balanced dialogue and discussion in a trusting environment where individuals’ faulty mental models may be exposed and the collective thought can be better aligned to reality and purpose.

Systems thinking is “seeing interrelationships rather than linear cause-effect chains, and seeing processes of change rather than snapshots” (Senge P. M., 2006, p. 68). The purpose of this perspective is to find the high leverage points for intervention in a system. Related tools are the eleven laws and the nine system archetypes.

In summary, one can easily identify the recurring underlying values of trust, openness, honesty, and the belief in the ideal of the alignment of personal growth with organizational growth. These values are not merely "good ideas," they are the necessary preconditions for an organization to prosper through change.

Appendix B

Fifth Discipline laws

1. Today's problems come from yesterday's "solutions."
2. The harder you push, the harder the system pushes back.
3. Behavior grows better before it grows worse.
4. The easy way out usually leads back in.
5. The cure can be worse than the disease.
6. Faster is slower.
7. Cause and effect are not closely related in time and space.
8. Small changes can produce big results – but the areas of highest leverage are often the least obvious.
9. You can have your cake and eat it too – but not at once.
10. Dividing an elephant in half does not produce two small elephants.
11. There is no blame. (Senge P. M., 2006, pp. 57-67)

Appendix C

Systems thinking

Despite the complexity of change there exists an effective tool for understanding current reality called systems thinking. “Systems thinking reveals how we have created what we currently have” (Senge P. M., 2006, p. 214). It is one of the requisite five technologies for successful learning organizations as developed by Peter Senge. When looking at the wider environment in which an organization is acting, as when looking at a rain storm, one sees that “…all these events are distant in time and space and yet there are all connected within the same pattern. Each has an influence on the rest, an influence that is usually hidden from view. You can only understand the system of a rainstorm by contemplating the whole, not any individual part of the pattern” (Senge P. M., 2006, p. 6).

In systems thinking, the root cause of a problem must be identified or one risks falling into the classic trap of treating the symptoms rather than the problem itself. Such an approach can actually result in a worsening of the problem over the long term despite short term apparent improvements. The leader therefore must use both his reason and intuition and focus on the long term deeper causes while resisting the temptation for the quick and easy short term fixes (Senge, 2006). The leader must also be aware of his own personal mental models that may bias his reason to only selecting those facts which fit into a predetermined model of how things work. Ideally the leader acts in an environment of integrity and takes the time to engage shareholders in an open dialogue in which both inquiry and advocacy are combined (Senge P. M., 2006, p. 185).

One of the fundamental principles of systemic thinking to include ourselves and the consequence of our actions on the system we are examining. Putting ourselves within the structure empowers us to act upon it. As Senge puts it, the “enemy” is not “out there”, crisis are built into the structure of the system itself. Leaders of organizations, when they sense that "all is not quite right," have to be willing to fight their "instincts [which] are to more strongly defend their traditional ways of doing things rather than to question the traditional ways of doing things rather than question them…" (Senge P. M., 2006, p. 26).

For Senge, the ideal application of this discipline of systems thinking occurs in learning organizations where the other four disciplines of personal mastery, mental models, building shared vision and team learning also exist. The essences of a learning organization are skills and abilities, awareness and sensibilities, and attitudes and beliefs. These form the basis for what Peter Senge calls the "deep learning cycle." They produce less visible but more significant changes. They are the high leverage points for organizational learning. They are the foundations for a learning organization culture.

It is my personal view that systems thinking is available only in a much less effective form to leaders of the Greek public sector. Executive leaders in that traditional hierarchical top-down environment are denied the advantages of working in a learning organization. "Hierarchy is antithetical to dialogue…Can those in authority really 'level' with those in subordinate positions?...Everyone must truly want the benefits of dialogue more than he wants to hold onto his privileges of rank…Fear and judgment must give way"(Senge P. M., 2006, p. 228). Change initiatives in the wider Greek public sector are therefore much less likely to be successful.

Appendix D

Theories of leadership strategy

The following is a brief presentation of Richard Wittington's theories on leadership strategy (Whittington, 2002).

The classical theory

The classical theory, according to Richard Wittington, assumes that the organizational leader is, like god, both all knowing and all powerful (Whittington, 2002). Strategy consists in rational decision making based on objective assessments of external threats and opportunities which in turn leads to a realignment of internal structures for the optimization of production efficiency. This theory appears to be a close parallel to the Smithian theory of the invisible hand featuring a perfect market. It is also borrows from the military in that supporting organizational structures are hierarchical so that top management can dedicate itself in isolation to the task of strategy formulation while assigning execution to lower levels of the management pyramid. This concentration of power on a super rational leader assumes that this single person is intelligent enough to appreciate all the complexities and details of the market and internal organization and powerful enough so that all that remains for the leader to do is issue the marching orders and strategy is executed flawlessly and automatically without encumbrance.

The evolutionary theory

The evolutionary theory of strategy posits that markets are too unpredictable for successful long term strategizing efforts and they are best served by focusing their efforts for survival on building efficiency. This pessimistic assessment is founded on the underlying belief that managing change is too complex for sustaining any long term strategy of market advantage through differentiation and adaptation. It offers up as a sole recommendation that an effective strategy for survival is to continually launch many small change initiatives, letting the market forces choose from among them which is the most promising.

The processual theory

In a further refinement of classical theory to better approach market reality, the processual approach to strategy calls into question the abilities of organizations' leaders and staff. In this model, strategists cannot reasonably be expected to faultlessly perform their duties of environmental scanning and developing strategy options. Also, organizations are recognized as complex social environments in which decision making is more the result of political compromise than rational choice. The market itself is, by extension, not the ideal world of perfect competition in which inefficient performers are rapidly selected out. A suggested winning strategy for survival in this chaotic environment is for the organization to continually make small incremental adaptive adjustments through experimentation and learning rather than rely on long term strategic plans.

This same theory requires an organizational structure that balances the need for flexibility with the need for control. (Part of this paragraph is repeated in the main text of this study.) Likewise, planning and execution are no longer discrete separate processes but a dynamic shared responsibility of upper and lower management. This model's incremental approach to strategy means that strategy is "emergent" and provides only a general direction or "strategic intent" (Whittington, 2002, p. 45). A further refinement of this model asserts that a firm's competitive advantage lies in "what is unique and embedded in its resources – these constitute its core, distinctive competences" (Whittington, 2002, p. 45). The internal factors, along with all their complex interactions between themselves and the external factors, are recognized as being the only sources for lasting competitive advantage because they cannot be readily copied by competitors (Carlisle, 2002). Key among these internal resources is organizational human knowledge and behavior and it is for this very reason that cultural change features so centrally in successful change initiatives.

The systemic theory

The systemic theory of strategy posits that sociological networks “influence both the means and ends of action, defining what is appropriate and reasonable behaviour [sic] for their members…according to the local criteria and modus operandi of the particular social context”(Whittington, 2002, p. 47). What is being optimized both by customers and within organizations is therefore no longer necessarily purely financial and there is no single correct model for strategy. All strategists should therefore bear in mind the complexities of internal and external cultural values and norms and “…free themselves from exclusive reliance on the capitalist resources of ownership and hierarchy, and open up the political resources of the state, the network resources of ethnicity or, if male, the patriarchal resources of masculinity” (Whittington, 2002, p. 51).

Appendix E

Leadership and vision

Leaders in traditional top down organizations are those charged with the responsibility of producing a vision and a strategic plan and they usually do so in relative isolation, at best working with the help of outside consultants. In Peter Senge’s view, without shared vision, strategic planning is a sterile exercise of upper management. “Strategic planning, which should be a bastion of long-term thinking in corporations, is very often reactive and short-term…With its emphasis on extensive analysis of competitors’ strengths and weaknesses, of market niches and firm resources, typical strategic planning fails to achieve the one accomplishment that would foster longer range actions…'a goal that is worthy of commitment’” (Senge P. M., 2006, p. 191). When the leader imposes his personal vision, top down, on an organization, he must not assume that it will automatically be warmly adopted as the organization's vision. "This is not to say that visions cannot emanate from the top. Often, they do. But sometimes they emanate from personal visions of individuals who are not in positions of authority. Sometimes they just "bubble up: from people interacting at many levels. The origin of the vision is less important than the process whereby it comes to be shared. It is not truly a "shared vision" until it connects with the personal visions of the people throughout the organization" (Senge P. M., 2006, p. 200). It is for the same reason that top-down visions often fail, that top-down strategic planning often fails to produce a vision. They are both creations of upper management with little input from the rest of the organization.

An enduring and effective vision cannot be imposed on an organization from above. That would at best elicit compliance, not commitment (Senge P.M.; 2006; Markides, 2002). Nevertheless, under dire emergency situations it may be expedient to take the top down approach but leaders must then take care to acknowledge that this is an exceptional situation (Senge P. M., 2006, p. 207). A "shared vision", as Peter Senge terms it, is "exhilarating…creates a common identity…establishes an overarching goal…fosters risk taking and experimentation" (Senge P. M., 2006, p. 194). In short, a shared vision builds commitment to the long term.

Peter Senge points out that there is such a thing as the negative vision. This type of vision can mobilize wide support in an organization but, by its very nature, it is doomed to be short lived and cannot support a long term sustained outlook for growth. "The power of fear underlies negative visions. The power of aspiration drives positive visions. Fear can produce extraordinary changes in short periods, but aspiration endures as a continuing source of growth and learning" (Senge P. M., 2006, p. 209).

Appendix F

Resistance management

Citing Lewin's force field theory, Yukl posits that each of the three phases of the change process must be fully completed before proceeding to the next: unfreezing, changing and refreezing.

In terms of structural conflict, a new vision automatically generates tension by virtue of the observed gap with reality. Under ideal circumstances this gap creates at a human level what Senge terms "creative tension." To the extent that an organization is not a learning organization and does not embrace opportunities for change, there will be resistance. One such source of resistance commonly comes in the form of "negative" emotional tension expressed as anxiety and fear. Both the leaders and followers are prone to this.

"Resistance at the individual level is compounded by system dynamics at the group and organizational level. Changes in one part of the system may elicit a reaction from other parts that nullifies the effect of change. The interlocking nature of social systems creates tremendous inertia" (Yukl, 2006, p. 286). The following list is from the same source and includes some of my comments in brackets:

- Lack of trust
- Belief that trust is unnecessary
- Belief that the change is not feasible
- Economic threats
- Relative high cost
- Fear of personal failure
- Loss of status and power

- Threats to values and ideals
- Resentment of interference (Yukl, 2006, pp. 285-286)

According to Senge, an unaligned team without a shared vision lacks coherence and wastes energy. As another author puts, it, rival groups and fiefdoms “must be broken down, because if today’s barons are not aligned with tomorrow’s agenda, they will with-hold resources, secreting away budget and skilled employees that would be better used in the new initiatives. They become implicit if not explicit resisters of change”(Breene, Shill, & Nunes, 2007, p. 6).

A team with a commonly shared vision develops synergy and each team member knows how his actions may best complement those of the other team members (Senge, 2006, p. 217). Incoherence of action leads to unwanted consequences of actions. Only though a free and open dialogue can team members become aligned. Three preconditions for such dialogue are: “suspending assumptions, seeing each other as colleagues, and having “a facilitator who “holds the context” of the dialogue” (Senge P. M., 2006, p. 229). Senge emphasizes that these are very difficult conditions for traditional organizations to meet because they are antithetical to the existing model of control.

From a systems point of view, the leader’s role is to resist adopting the coping strategy of the quick fix which promises relief of emotional tension by lowering the goal or standards and must instead enlist support for the longer term, higher leverage, fundamental changes originally envisioned. “Leaders who attempt organizational change often find themselves unwittingly caught in balancing processes. To leaders, it looks as though their efforts are clashing with sudden resistance that seems to come from nowhere. In fact…the resistance is a response by the system, trying to maintain an implicit system goal. Until this goal is recognized, the change effort is doomed to failure" (Senge P. M., 2006, pp. 86-87). Resistance "…almost always arises from threats to traditional norms and ways of doing things. Often these norms are woven into the fabric of established power relationships. The norm is entrenched because the distribution of authority and control is entrenched. Rather than pushing harder to overcome resistance to change, artful leaders discern the source of the resistance. They focus directly on implicit norms and power relationships within which the norms are embedded" (Senge P. M., 2006, p. 88). These norms are otherwise described as the organizational culture and it is why successful technical changes are almost always accompanied by cultural changes (Senge P. M., 2006). As technical changes displace the old way of doing things and control is redistributed there arise resisting forces in defense of the status quo.

The role of a leader is to recognize these defensive mechanisms and overcome them through accepting responsibility for their own part in their existence. Only then can a leader hope to foster a climate conducive to what Senge terms reflective openness and dialogue; otherwise leaders must forfeit the benefit of team synergy. Phrasing the discussion in term of systems thinking puts the team in the position to act upon what otherwise was an external problem "out there" and met with defensive thinking. "The conversation becomes about 'the structure,' the systemic forces at play, not about personalities and leadership styles" (Senge P. M., 2006, p. 251).

Appendix G

Types of power

- Legitimate power
- Reward power

- Coercive power
- Information power
- Ecological power
- Referent power
- Expert power (Yukl, 2006, p. 149).

Appendix H

Tipping point leadership

In terms of systems thinking, the change leader must identify the high leverage point for intervention to overcome internal sources of resistance to changes in the status quo. This “tipping point leadership” involves overcoming the four major organizational hurdles to strategy execution: “One is cognitive: waking up employees to the need for a strategic shift…The second hurdle is limited resources…The third is motivation…The final hurdle is politics” (W. Chan Kim, 2005, pp. 147-148).

The most effective way a leader can surmount the first hurdle quickly and at least cost is by forcing others to see current reality as it truly is. Just as Peter Senge prescribes, the resulting gap between vision and reality will cause a mind shift and get key shareholders to buy in to the new strategy. The second hurdle of limited resources is overcome not by reducing goals or fighting for more resources but multiplying the value of the key resources that are available by redeploying from “cold spots” to “hot spots” (W. Chan Kim, 2005). The third hurdle of motivation is most effectively overcome by focusing initial efforts on the key shareholders, the “kingpins” who, once on board, can in turn influence those under their command (W. Chan Kim, 2005). The tactic employed for influencing kingpins is to highlight their action (or inaction) so that the cost of resistance is exposed and a new performance culture emerges. Then, the new vision is made more easily adopted as achievable by breaking it down into smaller units with actionable steps for all levels. Finally the final hurdle of politics is overcome by identifying the potential allies, or "angels", as well as the potential resisters, or "devils," and quickly creating alliances to build support and isolate detractors (W. Chan Kim, 2005). A strong leader will not ignore the power of politics and will devote time and effort to understanding the organization network structures (Loch, DeMeyer, & Pich, 2006). An experienced and respected advisor can be very helpful in identifying these key people quickly.

Appendix I

How leaders influence culture

As observed earlier, organizational culture is among the most significant determinants of change initiative success. Agile companies are an example of learning organizations that have found a most effective means for supporting organizational change by embedding change into the organizational culture and making change a natural, everyday part of organizational activity (Cheese, Silverstone, & Smith, 2009).

Aligning culture and leadership with organization objectives is fundamental for organizational survival in the current environment of uncertainty and change. It is therefore is important to note that research data indicates that the more successful agile organizations have the following characteristics: "…adaptability, creativity and innovation, aggressiveness and risk taking…leveraging of technology, minimizing bureaucracy and managing talent with the long term in mind…" (Blanchard, 2009). In general, leaders can exert influence over company culture to either strengthen or change it through a variety of means including "…communicating a compelling vision or leading by example…changing the organization structure or reward systems…" (Yukl, 2006, p. 8).

Furthermore, because responsibility for major changes also critically relies on executive support, it is important to relate culture to desired leadership characteristics: the mentor or sage for the clan; the entrepreneur or innovator for the adhocracy; coordinator or organizer for the hierarchy; and the producer or hard-driver for the market culture (Elmes & Wilemon, 1998, p. 120). Generally speaking, change leaders have leadership traits which include "the ability to execute and to be an agent of change…visionary thinking, dealing with resistance and taking initiative…Other necessary traits – creating meaning and buy-in, open-mindedness and assertiveness – may be more challenging to executives operating under older sets of rules" (Blanchard, 2009, p. 7). Other leadership characteristics, also mentioned earlier, include the willingness of leaders to "walk the talk," to model for others through their behavior and in their exchanges with others, the values they wish to encourage. Gary Yukl refers to another way that leaders can influence culture: through changes to "cultural forms such as symbols, slogans and rituals" (Yukl, 2006, p. 239). Such changes, if backed by a true commitment, can signal to employees a new direction and helps them identify with new vision and values.

Appendix J

Strategic planning model

> "The primary responsibility of management is to determine how to adapt and survive. New strategies must be identified, members of the organization must be influenced to support them, resources must be found to finance the changes, credibility must be reestablished with external stakeholders, and the structure of the organization must be

changed to be consistent with the new strategy. The success of this effort will determine whether the organization declines or is revitalized…" (Yukl, 2006, p. 39).

Reffering back to John Bryson's (1998) diagram of strategic planning and using that diagram as a guide, there follows a brief review of the eight steps of strategic planning and in parallel, the eight steps of change management in the order in which they might be expected to occur and overlap in a change project.

Step one

Beginning with step one, the initial agreement, or "planning to plan" there is the issue of organizational readiness. Schein notes that "…the kind of change that is possible depends not only on the developmental stage of the organization but on the degree to which the organization is unfrozen and ready to change, either because of an externally induced crisis or because of internal forces toward change" (Schein, 1985, p. 271).

It has already been established that successful strategic planning and change management require the commitment and active involvement not only of the executive leadership but also the wider participation of both internal and external stakeholders. Special time or resource constraints aside, it is generally accepted that a hybrid of the two extremes of a top down or bottom up process yields the best results (Allison & Kaye, 2005, p. 48). Such a combination captures both the executive level larger picture view of the scheme of things as well as invaluable commitment and approval of staff and clients. The first decision leadership must make is who the planners will be and how much decision making power they will have.

Much has been written about the advantages and disadvantages of delegating portions of the work of strategic planning, and no one questions the absolute need for visible tangible executive commitment to the overall process. It does not really matter, for instance, who writes the plan so long as it reflects the commitment of the stakeholders to the new vision (Allison & Kaye, 2005). In smaller companies with limited resources it is not unusual for the executive leadership to write the plan. This is especially so if that leadership has both the skills and time to commit to the process. When skills or time are unequal to the task, members of the board and capable staff members may be called upon to form a team and support the effort. Some stakeholders may have better access to information than the executive and delegation can lead to a better result. Some may offer a valuable alternative point of view. Consultants may be brought in not only for the skills they have but for the moderating effect of their disinterested role. If a planning committee should be formed, its members are typically selected by the leadership and that committee will have to continually report back to the leadership as to the ongoing status of the planning progress. “Usually, either the board president or the executive director will lead the strategic planning process, but sometimes a board member may be appointed chair of the planning committee, or a senior staff representative may hold the leadership” (Allison & Kaye, 2005, pp. 53-54). Thus, however many people participate, the decision to delegate portions of the work, and the ultimate responsibility for making that work happen, remains immutably on the shoulders of the executive leadership.

Hand in hand with this issue of who is charged with planning is the issue leadership readiness. A planning initiative is be counter indicated if an assessment of readiness finds, internally, that an organization’s leaders are not ready. Among leadership skills necessary for change enumerated earlier, continual scanning was mentioned. If leadership should fail to notice a looming threat or opportunity, there would be no effective external pressure to change. This is a good reason for including staff in this function; being close to technologies they may be in a better position to detect trends. Scanning works better when more stakeholders are involved and leadership is in a unique position to encourage or discourage this participation. Another reason leadership may be unprepared to support change is that it expects to be replaced itself as a result of a state political decision (Allison & Kaye, 2005, p. 16). Leadership stability is therefore another desirable condition for the support of change. While some authors have argued that in very large organizations leadership turnover has a limited impact on performance, the same is unlikely to be true of strongly centralized hierarchical small organizations. Likewise, crisis situations in general also prohibit strategic planning. In other words, short term operational issues must be resolved before the organization may proceed with strategic planning (Allison & Kaye, 2005, p. 34). Furthermore there is the important question of whether an organization is culturally ready and whether the existing governance structure is capable of supporting change (Rahschulte, 2007, p. 45). In the case of an SOE, the question of governance implies and assessment of whether the board, appointed by the state, is itself ready. If the organization is not ready then the result of a strategic planning process is not going to be the creative product of a collaborative bottom-up process but the inefficient product of a "top-down formal process"(Yukl, 2006, p. 28).

Externally, because change success requires the wider involvement of many stakeholders, it is imperative that at least the key stakeholders, especially the decision makers, are also ready (Bryson, 1988). It would not do, for example for an organization to initiate a strategic planning process while the supervising Ministry is preoccupied with other matters or facing political uncertainty brought about by imminent elections.

From John Kotter's point of view, a change project can't be initiated if there isn't a sense of urgency. Without it, people won't be moved out of their comfort zones, there won't be sufficient backing and the project will fail for lack of momentum. This the major reason for change project failures (Kotter, 1996). This same view is made often elsewhere in the literature (Yukl, 2006). Also, "When change programs don't succeed, the failure can often be traced to the lack of management alignment, buy-in and active support. This is especially true for companies whose attempts to change are not driven by desperation" (Breene, Shill, & Nunes, 2007, p. 5).

An often used tactic for overcoming resistance when the need for change is not immediately apparent is to create a positive crisis as in the "stretch goal"(Markides, 2002, p. 251).

In sum, the organization and its key stakeholders must be both willing and able to initiate, implement and sustain change by committing the time and resources necessary for the effort.

Step two

Step two, an examination of the organization's mandate is an enquiry into what the organization must do. This is easily accomplished by reading the law establishing the organization as well as any later amendments to that law that may have occurred. A review of legislative discussions and reviews of organizational performance and independent audits can all help clarify the mandate when needed (Reed, Shedd, Morehead, & Pagnattaro, 2008). As a rule of thumb, it is recommended that organizational leaders follow the spirit of the law rather than the narrow letter of the law to avoid the common trap of curtailing an organization's field of activities more than intended (Bryson, 2004).

Step three

Step three is the clarification of the organization's mission and values. Though step three normally occurs in this sequence, it does not necessarily have to occur at this point, especially if the strategic issue in question is what the organization does and why it does it. In such a case, this step would logically come after the SWOT analysis(Bryson, 1988). Gary Yukl wrote as much the same: “The development of a vision is an interactive, circular process, not a simple, linear progression from vision to strategy to action. Indeed, an intensive review of strategy may provide ideas for a new vision, rather than the other way around” (Yukl, 2006, p. 300).

Developing the mission is to clarify the organization’s purpose. It is important to bear in mind the distinction between vision, purpose and goals. “Purpose is similar to a direction, a general heading. Vision is a specific destination, a picture of a desired future. Purpose is abstract. Vision is concrete. Purpose is “advancing man’s capability to explore the heavens.” Vision is “a man on the moon by the end of the 1960s”” (Senge P. M., 2006, p. 138). “A company that lacks a purpose worthy of commitment fails to foster commitment. It forces people to lead fragmented lives that can never tap the pasion, imagination, willingness to take risks, patience, persistence, and desire for meaning that are the cornerstones of long-term financial success” (Senge P. M., 2006, p. 263). A relevant and currently popular saying ,variously attributed to Lewis Carroll and Peter Drucker, is “If you don’t know where you’re going, any road will do.”

“The primary external problems are the core mission or reason for existence of the organization, concrete objectives based on this mission, strategies for attaining these objectives, and ways to measure success in attaining objectives” (Yukl, 2006, p. 290). In Senge’s terms, vision is the why, purpose the why, and goals the how. Though separate and distinct, the one cannot exist without the other: neither will a vision without purpose nor a purpose without vision galvanize the energy of an organization to some measurable goal. It is important to link the vision to core competencies because “a vision that entails new and difficult types of activities is more credible if the core competencies of the organization and the skills of the members are relevant for these activities…” (Yukl, 2006, p. 299). For SOEs the clarification of purpose, the reason for the organization's existence, means identifying the "…social or political needs that the organization seeks to fulfill…[because] organizations must always be considered as a means to an end, not an end in and of themselves"(Bryson, 1988, p. 49).

A leader can't go it alone. Being a cyclical process, at the early phase of strategic planning, the vision is still unrefined. To refine it and to build the support of a team the leader must get stakeholder input and support (Kotter, 1996). Without the support of a team the leader may be tempted to make less than rational decisions. Such decisions are "characterized more by confusion, disorder, and emotionality than by rationality. Instead of careful analysis of likely outcomes in relations to predetermined objectives, information is often distorted or suppressed to serve preconceptions about the best course of action or a self-serving interest in a particular choice" (Yukl, 2006, p. 26). The work of change is so complex a group is also later needed to get the vision out, and see it through to implementation. The members of this group must command respect within the shareholder community and have earned trust for the implementation of the common objective to succeed.

Peter Drucker, in his book *The Five Most Important Questions You Will Ever Ask About Your Organization*, recommends five guiding questions organizations must ask themselves when planning their future actions: "What is our mission? Who is our customer? What does the customer value? What are our results? What is our plan?"(Drucker, 2008). These questions have as their focus the customer. Without a customer there can be no business, no reason to exist. In a recent take on the same question "who is my customer," an article in *The Economist* quoted a successful business man in saying that his business orientation is not the satisfaction of shareholders but that of the customers. "I do not work for the shareholder, to be honest; I work for the consumer, the customer…I'm not driven and I don't drive this business model by driving shareholder value" (The Economist, 2010). The thought is that achieving both of these goals is not incompatible, that serving the customer leads over the long run to better shareholder value. The contribution other stakeholders can make to this same goal should not be ignored. For instance, the same article argues that a focus on retaining talented staff through a "devotion to employees…has helped increase revenues and profits, may be the best way to maximise long-term shareholder value" (The Economist, 2010). The same holds for the contributions other stakeholders such as suppliers can make. Thus, in agreement with Peter Senge's learning organization theory, it is possible that through dialogue a way can be found to get many stakeholders to agree on a shared vision that both serves their diverse individual interests while serving the customer's as well (Senge et al, 2009).

Discussion of an organization's purpose builds agreement among stakeholders, a necessary precondition for excellence. The purpose of the stakeholder analysis is to "uncover issues related to the satisfaction of key stakeholders, and to areas in which stakeholders' criteria for evaluating organizational performance are complementary, in conflict, or nonexistent" (Bryson, 1988, p. 252). Therefore, as the first part of this step, all the stakeholders must be identified, categorized, and their needs prioritized. Then the decision can be taken as to who to include in the planning process and the role each will assigned. A good guiding rule when making this selection is to remember that "*the key to success in public and nonprofit organizations is the satisfaction of key stakeholders*" (emphasis the author's, not my own) (Bryson, 1988, p. 52). It is logical that a proper stakeholder analysis should precede the formulation or modification of an organization's mission statement (Bryson, 2004).

Stakeholders may be internal or external; they may be decision makers or opinion providers; they may be supporters or resisters of change; they may be in positions of power or not. A complete stakeholder analysis will identify what the stakeholders want of an organization, what their criteria and measurements of success are, and will establish the degree of their influence. Likewise, it must be recorded what the organization wants from each of its stakeholders, be it financial, human resources or political support (Bryson, 1988). While stakeholders are ignored at an organization's peril, care must be taken to balance the tendency to gain the widest possible agreement against the need to effectively focus efforts to gain the support and manage resistance of influential stakeholders efficiently. In other words, an organization can't be everything to everyone. Some activities, and hence, some interests are simply beyond an organization's interests to serve. Who an organization serves and who it doesn't serve both delineate the borders of what it does.

With respect to stakeholder conflict management and influence, the stakeholders can be categorized in terms of whether they support or oppose an organization's course of action and how important these stakeholders are for the organization. The resulting matrix seperates the stakeholders into four groups: low priority, problematic, antagonistic and supporters (Bryson, 1988, p. 269). Their position in this matrix will determine the corresponding tactics the HCO will apply in its relationship with them. For example, recommended tactics that can be used effectively with supporters include: "Provide information to reinforce beliefs; Coopt by involving key supporters in some or all of the strategic planning team's deliberations; Ask supportive stakeholders to sell the strategy to those who are neutral" (Bryson, 1988, p. 269). Reminiscent of the negociation tactics made popular in *Getting to Yes*, there are similar guiding approaches for each of the categories (Fisher & Ury, 1999). For antagonistic stakeholders: "Identify potential coalitions by determining neutral actors in the problematic an low priority categories who are closely aligned or related to the antagonistic stakeholders; Take steps to block formation of coalitions among antagonistic and neutral stakeholders; Prevent antagonistic stakeholders from undermining support of supporters; Determine which antagonistic supporters must be surprised (kept in the dark) to delay or prevent the mobilization of their opposition; Anticipate the nature of antagonists' opposition and develop counterarguments in advance; Engage selected anatgonists in negociations to determine and perhaps adopt changes in the proposed course of action that would change antagonists into neutrals or even supporters" (Bryson, 1988, p. 268). For low priority stakeholders: "Use low-cost education with those stakeholders who almost fall into the high importance category; Find ways to promote involvement of low priority stakeholders with supporters to expand the size of the coalition in support of the proposed strategy" (Bryson, 1988, p. 270). For problematic stakeholders: "Prepare defensive tactics to be used if a coalition of problematic stakeholders with antagonists becomes possible or likely, or if a problematic appears likely to take a public position in opposition to the strategy; Moderately problematic stakeholders can be targeted for education or lobbying efforts; Redefine the strategy to assuage the concerns of strongly negative stakeholders" (Bryson, 1988, p. 270).

The next phase in this step is to define the organization's mission. That is why stakeholders must first be identified. The organization exists, after all, to serve their interests. It may emerge that different missions and strategies must be followed in parallel to satisfy the various stakeholders. Internally stakeholders may include be "the executive director, the members of the board, the staff and the advisory board," if there is one (Allison & Kaye, 2005, pp. 41-43). External stakeholders may include "clients, funders, government regulators, community leaders and partner organizations, individual donors, competitors and potential collaborators, other agencies in parallel or related fields, previous staff and board members" (Allison & Kaye, 2005, pp. 43-45).

The mission helps keep the organization focused on its purpose. Whatever one's approach in deciding what actions to take and not to take, core values must come first. Opportunities exploited must be subordinated to the greater organizational mission. Peter Drucker warns "Never subordinate the mission in order to get money. If there are opportunities that threaten the integrity of the organization, you must say no. Otherwise, you sell your soul" (Drucker, 1999, pp. 14-16). That cautionary note is fully in agreement with the Stacy Blanchard's report that that agile organizations' success has been found to be negatively correlated with an opportunistic fixation on finance. The lesson to be learned, she urges, is "a profound need to recognize that the focus and assumptions appropriate for the past 12 months will not be the ones needed for the next 12 months" (Blanchard, 2009, p. 7). Similarly, it has been found that "a sound strategy is undermined by a misguided view of competition, by organizational failures, and especially, by the desire to grow" (Porter, 2002, p. 26).

Step four

The external environment is what is generally outside the organization's direct control and represents possible future threats and opportunities. A good assessment of the external environment, supported by an external stakeholder analysis, will reveal the organization's "critical success factors" (Bryson, 2004, p. 40). These are the things an organization must do, and must excel at doing, because they are dictated by its mandate and are a condition for the satisfaction of its key external stakeholders.

The planning team is charged with scanning and monitoring the environment and external stakeholders for trends and events, as well as proactively engaging in the creative development of alternative future scenarios (Bryson, 2004). The composition of the team may include members of the board, employees or outside contractors, depending on their separate abilities. A common weakness in many organizations is the failure of the team to identify what is meaningful to measure. The planning team should turn to the key stakeholders for clear criteria of how they measure the organization's performance. Without such objective measures, conflict is sure to ensue and resulting strategies may "serve narrow partisan interests… in ways that don't serve the organization's mission" (Bryson, 2004, p. 41).

Step five

The assessment of the internal environment faces similar challenges as that of the external. A good review of the internal strengths and weaknesses reveals the organization's "core competencies"(Bryson, 2004, p. 41). These are what give an organization its competitive advantage over others in the field. These core competencies are the result of a dynamic relationship between the organization's culture, values, resources and technology that cannot be replicated by the competition.

Step six

Given the mandates, mission, values, strengths, weaknesses, opportunities and threats identified in the previous steps the strategic issues that are at the base of the organization's pains are the next step (Bryson, 1988, pp. 56-57). The new strategies will seek to leverage the strengths to capture the opportunities while minimizing and neutralizing the weaknesses and threats (Development of a Strategic Management System (no. 3230/2004), 2007). In other words, this exercise helps the organization identify what is important for its long run survival. "Strategic issues, virtually by definition, involve conflicts of one sort or another. The conflicts may involve ends (what); means (how); philosophy (why); location (where); timing (when); and the groups that might be advantaged or disadvantaged by different ways of resolving issues (who)"(Bryson, 1988, p. 56). These are essentially the same questions Peter Drucker emphasizes in *The Five Most Important Questions You Will Ever Ask About Your Organization* (Drucker, 2008). For SOEs this is complicated by a number of special factors.

Directly deriving the strategic issues from a SWOT analysis is the best approach to uncovering the strategic issues in the "pluralistic, partisan, politicized and relatively fragmented worlds of most public sector organizations (and communities), as long as there is a dominant coalition strong enough and interested enough to make it work" (Bryson, 1988, p. 58). For the case study, that last proviso is a very important condition that may not always hold. The next step of creating a vision will not otherwise succeed.

Developing a vision and strategy is critical for change success. The six main characteristics of an effective vision are that it be: "imaginable, desirable, feasible, focused, flexible, and communicable" (Kotter, 1996, p. 72). But in the public sector, these are not always a given. In fact, the lack of clarity surrounding public policy often creates strategic issues for organizations charged with implementing it. John Bryson writes "The ill defined nature of much public policy creates conflict over organizational goals and purposes. While key decision makers may not actually make the policies, they are often charged with implementing them without clear guidance about what to implement" (Bryson, 1988, p. 246). Without clarity to mobilize people, the change will be blocked by the forces backing the status quo.

Another special problem is the added exposure public sector organizations have to the external environment. This makes the creation of a leading coalition a bigger challenge. The coalition is necessary to refine the vision. It is not enough for the executive leadership to hold the vision.

Yet another special problem is "the artificial time constraints in the public sector, particularly those imposed by periodic elections, can create strategic issues, such as the need for elected officials to demonstrate tangible accomplishments in a restricted time frame" (Bryson, 1988, p. 246).

Also, organizational mental models' underlying assumptions must not go unchallenged in this process lest the organization become trapped in less than optimal strategies. For instance, there are six assumptions that are commonly and erroneously adopted by most organizations which keep them trapped in the competitive framework of red oceans: "Define their industry similarly and focus on being the best within it; Look at their industries through the lens of generally accepted strategic groups (such as luxury automobiles, economy cars, and family vehicles), and strive to stand out in the strategic group they play in; Focus on the same buyer group, be it the purchaser (as in the office equipment industry), the user (as in the clothing industry), or the influencer (as in the pharmaceutical industry); Define the scope of the products and services offered by their industry similarly; Accept their industry's functional or emotional orientation; Focus on the same point in time – and often on current competitive threats – in formulating strategy" (W. Chan Kim, 2005, p. 48).

Another key resource helpful in clarifying strategic issues is the organization's historic file of lessons learned and any other documents that relate to mission, finances, administrative capacity, and governance (W. Chan Kim, 2005). A poorly kept formal historic file is commonly known to be a detriment to the organization's efforts in this area; and can only be even more so the case for SOEs where executive institutional memory is often cut short by the electoral cycle.

Step seven

Next, a strategy must be developed to deal with the strategic issues identified in the order of priority accorded to them. A strategy is “a pattern of purposes, policies, programs, actions, decisions or resource allocations that define what an organization is, what it does, and why it does it” (Bryson, 1988, p. 59). Strategic planning requires open mindedness and a daring to look at grander visions of what the organization might be. An unwillingness to do anything more than fine tuning of existing strategies is to miss the opportunity that strategic planning opens up. The planning team should identify the barriers to the achievement of those greater visions (Bryson, 1988). Input from other stakeholders in this process may be useful to the planning team. In one case a city government identified the need to overhaul its “archaic civil service system” before it could begin to make progress on its strategic goals (Bryson, 1988, p. 60). Finally, a strategy must be aimed at the strategic issues identified and be “technically workable, politically acceptable to key stakeholders, and must accord with the organization’s philosophy and core values. It must be ethical, moral and legal” (Bryson, 1988).

Step eight

Developing a vision of success is a clear picture of what the organization will look like in the future having achieved its goals. It is a specific destination. Arriving at this vision may take several cycles of planning until issues are clarified and conflicts resolved.

Implementation and Reassessment

In his later version of this same model John Bryson adds steps nine and ten named “Implementation and Strategy Planning and Process Reassessment” to develop the original actions and results phases of implementation (Bryson, 2004, p. 33). The first of these steps corresponds to the execution and monitoring phases of project management. A good tactic to employ for building support for change is to chunk the change project for generating short-term wins (Markides, 2002). The role of these wins is to: “provides evidence that sacrifices are worth it; rewards change agents with a pat on the back; helps fine-tune vision and strategies; undermines cynics and self-serving resisters; keeps bosses on board; and builds momentum” (Kotter, 1996, p. 123).

The second step is a learning function of the organization, involving dialogue with all stakeholders, to terminate old defunct strategies and replace them with new ones. It is the time for consolidating gains and producing more change. Consolidation of change is critical for project success. Producing more change links the closing of the change project back in a loop to Initiation. The lurking forces of complacency and tradition are a threat to the momentum of change. Change, or learning, must become the accepted and desired norm. Anchoring new approaches in the culture must be done or gains made risk being lost.

This involves moving the organization towards becoming a learning organization where change is embraced. “To succeed in this turbulent environment, organizations need to have people at every level who are oriented toward learning and continuous improvement” (Yukl, 2006, p. 308). This type of organization is characterized by a flattened organizational structure, openness, trust, and a strong commitment to innovation, the delegation of authority so that problems may be identified and solutions developed at all levels rather than at the remote top.

Appendix K

Interview notes

1997-1999

The organization was created in 1997, long before it was decided that Greece would host the Summer Olympics of 2004. The law establishing the HCO was proposed and modified over a course of intense debates in the Parliament. Subsequent changes in Ministers also brought further changes to the purpose the HCO was to eventually serve.

The Ministry official recounted how the HCO began with Minister Venizelos' law 2557/1997. That law foresaw that the newly created private law organization would absorb the ARF. It was expected that this would improve the flexibility of management in serving the public, especially through the use of competitive bidding. The middle manager interviewee agreed and emphasized the HCO's ability to act on short notice, bypassing much of the bureaucratic obstacles that encumber public services. An illustrative example was the successful exhibition quickly arranged, in Athens just last year, for the famed artist Tsoklis. Many of the other interviewees also offered examples of past actions that illustrate similar points. The former HCO executive interviewee emphasized more the role of the HCO as a commercial platform for the Ministry to generate income through the sale of cultural retail goods. By Ministerial decision, the HCO, along with its mother company, the ARF, share a monopoly on the use of state owned museum and archeological site spaces for commercial activities such as retail shops and cafeterias. The union interviewee similarly pointed to how quickly and successfully the HCO was able to set up and put into operation the cafeterias and retail shops at the NAM. Earlier the HCO was able to quickly secure European program financing to upgrade the retail shop in the National Archeological Museum; a project it quickly completed.

The Ministry official continued that, even from these early days, there was strong resistance from the Ministry trade unionists who perceived the privatization model represented by the HCO as a threat to their long term job security. The middle management interviewee agreed with this interpretation of those early events. Consequently, from 1997 to 1999, no further progress made. For lack of funds, over the period 1997-2000, the HCO never did more than call the occasional Board meeting. For a more detailed discussion of the evolution of the HCO's legal framework, see Boudouri (2003).

In 1999 the new Minister, Elisabet Papazoi, added the C.O. to the HCO's list of purposes. The Ministry official identified this as "the big mistake." The HCO was assigned a program disproportionate to its abilities with the result that it was no longer an organization that would and could support other Ministry needs. Instead, its main focus would now be the C.O., a unique very large and ambitious creation, never having been organized before. The former executive appeared to agree with the Ministry official and said that the company had been wrongly saddled with a mega project that would have been better handled by a separate entity. In the discussion that ensued I compared this observation with Kerzner's warning that a mega project risks derailing a company from its long term strategic interests. He agreed and said that the project should have been assigned to a dedicated company that began and closed with the life of its project. The Olympiad itself, for example, was organized by a company that was created for that sole purpose and it shut down with the end of the Olympics. Given no choice in the matter, however the leadership of that period decided to convert this weakness into an opportunity.

Summary of findings for 2000-2001

- ARF and public sector trade unionist change resistance is evident early on.
- The HCO brought flexibility of management and retail income to the Ministry.
- The HCO should not have been assigned the C.O.

2000-2001

The Ministry official further recounted that when Theodoros Pangalos became Minister in 2000, the HCO was already saddled with the C.O. and he dutifully accepted that fact and tried to make it work. As per Table 2 earlier, the HCO was granted a generous endowment with which to begin its work.

In 2000 the Ministers changed and Venizelos, the original sponsor, was back in office again and in February of 2001 the HCO was assigned the leadership which would see it through to 2004, the longest period of stability the HCO would know. The new leadership immediately moved to find permanent headquarters for the HCO and staff it with qualified and experienced professionals. The Executive Director worked closely and harmoniously with the President, Evenios Giannakopoulos. Together they organized the C.O. while in parallel developing longer term plans for the post C.O. period. The executive interviewee described the time available for both of these tasks as being very short; this was crisis management. The leadership had to simultaneously manage the mega project C.O. while setting the foundations for an effective project termination with a strategic transition to the HCO's longer-term purpose of generating retail income. The strategy was to leverage the opportunities presented by the mega project to support the long term company growth through retail activities.

The executive interviewee noted that one of the complicating factors imposed on the HCO by the C.O. project was that the company would be relying on the government for over

50% of its income. This would force it to adhere to public sector rules governing the procurement of services as set by the European Union. Ironically, one of the very reasons the company had been set up was for was to be able to take advantage of the flexibility the private sector offered and this was threatened by the mega project. Under the initiative of HCO leadership, a slew of innovative solutions were drafted into regulations for overcoming these and many more such bureaucratic impediments.

Summary of findings for 2000-2001

- The Ministry acted as a strong and effective HCO sponsor.
- The HCO had a strong unified executive management.
- The HCO leadership had a vision, strategy and plan for project transition.
- The CEO had to plan to manage long term company growth and a mega project at the same time.

2001-2004

The executive interviewee explained that the long term plan was to gradually and quietly build the chain of retail stores and stock them with an attractive product line backed by packaging, branding, name recognition, house style and support it with skilled staff at numerous sales points. It is important to note the “quietly” in the previous sentence. There was a 300 page plan but it was effectively a secret. The strategy was to avoid calling too much attention to this apparently secondary aspect of the HCO’s activities. The idea was to avoid putting the retail activities prematurely in the limelight so any mistakes made could be made in relative safety. This was a strategy to gain time to make incremental changes and experiments and measure the impact of those changes. The executive interviewee cited as an example the experiment to open a shop in Florida to test the export market. This experiment failed to generate the income projected but it did produce valuable information. Another aspect of the plan that was known was the vision for a paperless company. This vision foresaw that all incoming documents would be scanned into electronic files whose progress could me more easily monitored. This too failed when it met the resistance born of a culture steeped in bureaucratic paper work. But this too is a valuable lesson for future reference.

Significantly, the union interviewee did not refer to this strategic plan. Staff was not involved in its creation and most knew nothing about it. The executive interviewee explained that the leadership wanted to manage expectations both internally and externally. Internally, with respect to the staff, there was some wariness of creating unreasonable expectations of continued employment with the HCO after the C.O. There were many staff members whose skills would later be untransferable or too expensive for the new retail strategy. Leadership did not make any official declaration of its post 2004 vision to HCO employees. At best, it could be assumed that the HCO vision would automatically revert to its pre-mega project vision.

On the external front the strategy was to wait for the best moment for a public transition which would capture the maximum limelight. The target date was set for the opening of the Olympiad in the summer of 2004 to capture as much of the glory of the Olympic Games and the C.O. and transfer it, by association, to the new HCO activities.

One interesting bit of information rarely mentioned by any of the interviewees is the fact that there was a hope that the HCO would keep the C.O. project alive beyond 2004 and indefinitely operate the institution. This hope was not an unreasonable one because such a formal agreement had in fact been signed with the Olympic Committee. Though not mentioned to me by the executive interviewee, it must have been a part of the HCO strategic plan for the post C.O. period. The executive interviewee, perhaps with the benefit of hindsight, placed the greatest emphasis on those HCO activities which would ensure the HCO long run financial independence.

Likewise rarely mentioned by any of the interviewees were the traditional annual New Year's company gatherings which including President and staff. This tradition reinforced the sense of a common purpose and was abandoned in the post C.O. years. Another similarly comforting early tradition was that early changes in management were accompanied by corresponding corrections in the large plaque with the company roster in the headquarters' lobby. In the post C.O. years and when changes in management became too frequent, the plaque was simply removed.

The middle manager repeatedly stated that the HCO can be financially independent and even be a source of income for the Ministry. The executive interviewee did some rough calculations proving the same point. It is beyond the scope of this paper to extend to a financial analysis of the business case and accepts as its premise the contention that the HCO can develop a solid financial basis for its business model. The executive went on to say that the HCO leadership of the time had been able to make savings in the execution of the C.O. projects and others found additional funding in the Third European Framework Support Program. These savings and investment funds were funneled into HCO retail activities projects. Though there were plans to open twenty retail shops over the long run, the leadership decided to focus its immediate attention on moving up the opening dates of just the ten most profitable retail shops. Resources were dedicated to this more focused goal. One reason for the need to reduce the number of the planned shops was the cost of delays from bureaucracy. Opening a retail shop in Greece required at that time 47 different permits.

The union interviewee recollected how the competing ARF retail shops had been in notoriously bad condition before 2002 and improved because of the contrast with the HCO shops. The HCO had acquired a very high level of professional staff demonstrated by the fact that, with perhaps one exception, it successfully implemented all the C.O. projects.

The executive interviewee said that by 2003 the HCO had gained public recognition for quality, price and innovativeness of products and was beginning to set up an MIS and ERP system capable of supporting the eventual world-wide e-sales. The HCO had the technical know-how from its C.O. personnel to undertake this parallel project. There was likewise an experienced expert staff in the public relations department that could support that effort. These efforts were beginning to pay off in 2004 with 1-1,5 million euros in annual sales with a staff of 192 people. Though e-sales would not be ready for launching until 2006, the conditions for its eventual success were being built. The strategic plan projected that 2006 was to be the year in which company culture would be mature enough for one more change, a transition over to a less hierarchical one with decentralized decision making.

Because the executive interviewee's comments about decentralization were thrown up in response to a question on that same topic, it is unclear as to whether there truly was an intention to follow that course of action or whether this response was made to impress me. There is no question that there was a friendliness to the idea of creating a climate of trust and a culture of learning but it is not clear that this reflected any firm commitment by the leadership of that time in that direction. The executive interviewee related the need to carry over, for a limited time, the use of the hierarchical structure which had been a necessity for the crisis management of the C.O. He believed that its highly centralized control would help overcome expected resistance to the changes planned for the post 2004 period.

Summary of findings for 2000-2004

- A 300-page formal strategic plan outlining a vision for the post 2004 period existed.
- The plan was being implemented over the time period.
- The outlook in terms of staff skill levels and retail sales was good.
- The technical foundation for future e-sales was being built.
- The plan was made without staff input and the post 2004 vision was not clearly articulated to the staff.
- Leadership planned to cut staff with untransferable skills or that were too expensive in the post 2004 period.
- Leadership planned to overcome external resistance by surprising it with a strong market presence and popular appeal.
- External public sector bureaucracy slowed the rate of retail shop openings.
- The organization could be solvent and quite profitable.
- ARF retail shops improved in response to HCO competition.
- The hierarchical structure was still in place, being used to impose change from above.

2004 and beyond

The executive interviewee stated that 2004 was to be the year in which he would have began to make changes in the staffing; culling from the HCO those whose skills could not be transferred to retail projects. As things would have it, there were national elections and, following a change in government, another Minister took over and a whole new executive leadership took over at the helm at the HCO. The Ministry official interviewee recounted that after the changes that followed the election, the original vision of the HCO was lost and with it, the enthusiasm and opportunity for value added.

The executive interviewee pointed out that, unlike the previous executive triumvirate which had been appointed by the same Minister with a clear common vision for the HCO, the new leaders were a mish-mash of political compromises from across the new political ruling party. Their collective visions were at odds with each other. Though the new Executive Director seemed to understand what the commercial strategic interests of the HCO were, he was stymied in his attempts to continue in that direction. Tragically the organization itself was immature; it had not yet firmly established itself as a retail enterprise.

The executive interviewee explained that if the Minister does not happen to have a clear vision for the HCO, and he is poorly informed or misinformed about the HCO and its potential, he cannot but act poorly himself. This was not through any sinister intentions but because, the wrong people were appointed to the wrong posts. The new executives stalled the momentum gained in the direction of retail development and diverted its resources in other directions. One glaring such error was the appointment of the new Managing Director, who was from the performing arts field. That new Managing Director naturally continued in the old tradition of the C.O. to recommend and push for more cultural events. These events drained important resources away from the retail projects. The new Managing Director should have been instead a business manager, someone with the retail stores in mind instead.

The executive interviewee summed up that, in general, the later executives had as their primary vision the serving of political favors for their political bosses and they hired numerous new employees, some with inflated wages, with skills unrelated to the needs of the HCO. This only served to further burden the HCO budget with more expenses that did not serve the retail strategy.

The union interviewee added that, after the elections of 2004, partisan politics derailed the HCO from pursuing the idea of continuing the C.O. as a permanent institution. This vision was effectively scuttled by the new leadership which had no reason to support an idea that could only benefit politically its political rivals.

The HCO became a "shop for political favors." Despite the symbolic change in organization logo, the HCO just coasted along. It didn't complete any of its programs previously underway and only the retail shops survived because they were already well established. The outside contractors that had been numerous during the C.O. were much reduced in number in later years. That was to be expected. But, because the HCO law allows does not allow for permanent contracts, only time contracts, a lot of the older staff was also lost when their time contracts expired. The middle management interviewee and the union interviewee, both, said that in many cases these could be termed expulsions. Many skilled and experienced employees were lost, to be only replaced by repeated waves of new political appointees. Of the original 200 employees of 2001, only 27 remain among today's nearly 280 employees.

The change in leadership introduced an internal culture of fear. Given this high level of turnover the employees' everyone's primary concern turned to personal survival and less thought and creativity was devoted to organization growth. The department heads worked on the principle of divide and conquer. Secrecy was a highly valued means for gaining control of information and access to greater power. Many staff members worked in departments in which they had no idea what projects fellow colleagues were working on. Employees learned very little from each other. This internal climate of fear and mistrust only served to reinforce the organization's drifting.

The middle management interviewee referred to another consequence damaging to the organization's long term survival. The weakened the perception Ministry of any urgent need to support the HCO led it to routinely delay paying off its financial commitments to the organization. As a result, the HCO was forced to maintain a steady high level of indebtedness which it transferred over to its suppliers in the form of payment delays. Naturally this damaged the organization's credibility among suppliers and this resulted in frequent discontinuities of key products. Predictably, it became common for buying customers to be turned away from the HCO's retail counters for a lack of products.

The executive interviewee also explained that the effect of the countervailing visions among the executives was to reinforce a drift in organizational effectiveness which in turn left the HCO vulnerable to external sources of resistance to change. This is logical, because why should the Minister defend the HCO from attacks when it serves no valuable purpose? The union interviewee completed that there is today also a related problem of overlapping responsibilities for retail shops with the ARF. The Ministry must solve both these problems to reestablish a clear focus for the organization.

The executive interviewee recounted additional significant areas in which efforts made to capitalize on the Olympiad project gains were negated: the retail shop in Florida was a failure as no products were ever shipped over to it; the e-shop was opened prematurely and doomed to failure by a lack of technical support, and a dearth of product availability.

The middle management interviewee added that there was one further later effort to develop a new strategic plan but that effort was abandoned with the turnover of the executive leadership. The number of retail shops is today less than it might have otherwise been. Also, the retail sales shops and canteens program did not perform up to expectations. When previously only run by the ARF, they had come under the effect of the "deep public sector" and were in ruin. But HCO services came under pressure from the workers at the ARF, who feared the threat of a competing model of privatized services, with the result that the number of shops and canteens are less than hoped for. Likewise, only a part of a digitalization of art objects program was successfully completed. The union interviewee added that though 18 of the 21 digital technology projects begun in 2002 were nominally completed, the quality of the final deliverables was disappointing. This result came as consequence of the loss of skilled employees.

The Ministry interviewee similarly noted that much of what the HCO had done after 2004 was without a focus on quality. The Ministry's web site "the gates of Odysseus", DVDs, and others, were either wrong or never completed. An example of this point: ten out of fifteen professional text authors reported being appalled when they saw the final published texts in English and Greek because they were both unrecognizable to them. Inexperienced people in key positions did that. The selection of staff, and their assignment, was not made with a view to the quality they could deliver.

Summary of outlook findings for 2004 and beyond

- Change of leadership brought end of old vision
- Notable lack of handover dialogue between old and new leaderships
- Opportunities lost by not following through on old plans
- Leadership appointment by diverse sponsors with different interests
- New leadership was not united in a new vision
- Leadership has political strategy to use the HCO for clientele purposes
- Much old skilled, especially technological, staff was lost

- Climate of fear and distrust
- People assigned to wrong positions
- Quality of support services to Ministry and projects completed declines
- The Ministry delays payments to the HCO
- The HCO delays payments to suppliers
- Lack of supplies on HCO shelves
- ARF resistance to HCO role becomes more effective in absence of Ministry support

Interviewee recommendations for the future

The executive interviewee pointedly remarked that in the future, new strategic plans will not be written on a tabula rasa. There will be many complicating factors not existing when the first plan was drawn up. Many of the interviewees concluded the interviews with specific recommendations for inclusion in such a future organizational plan.

Union recommendations

Even at this late date the organization can move quickly to exploit opportunities if institutional issues are resolved. An area it can immediately work to support the Ministry is in the Mediterranean Games of 2013. Another is in the creation of an annual Cultural City of Greece institution for cities with populations under 100,000 inhabitants. The HCO has proven its usefulness and is worthy of existence. But, the purpose of the HCO must first be clarified.

With respect to labor issues, it is important for the Ministry to correct the contracts problem. Some people have been working at the HCO for nine years without job security. Labor contract renewals should not be at the arbitrary discretion of each passing leadership. Instead the contracts should be long term, specifying specific responsibilities and providing for periodic performance assessments based on objective criteria. Salaries should be set accordingly. People should be placed in jobs that match skills with organizational needs. A restructuring of the organization can reduce the number of departments to four and thereby reduce the corresponding overhead costs. This would also reduce the amount of turf fighting and put the focus back on work. The union has a detailed plan ready with these proposals ready for the new executive leadership when it arrives.

Further, in response to my question on the topic, the union interviewee said that, to protect these reforms, executive management should be stable for a minimum of three years to shield it from changes at the Ministry. Also, to strengthen the Board, there should two employee representatives included among its fifteen members. These members can advise and guide the new management in finding solutions based on the employees' collective long memory.

Middle management recommendations

The HCO has a great deal of potential. Its failure, in the post 2004 period, to capitalize on its advantage as a private law organization to successfully complete many of the projects entrusted to it by the Ministry, is due to the same institutional rigidities ("aggeiloseis") that plagued the Ministry itself.

The HCO has failed to achieve its goals not because of any fault with its founding vision but because of the policy of serving political clientele relations and the downgrading of its staff. The solution is to reset the goals. Assuming the political support of the Ministry, the new management should refocus on organizational goals and discard unneeded staff and realign the remainder to organizational needs.

All presidents that have passed through the HCO were told that they would be unable to overcome the constraining effect of the public political clientele relations. The recent hiring of 200 people is a typical example of this. If the organization hadn't been saddled by the extra costs of those people and the associated approximate two million euros in extra associated costs accrued over the period October-March, then it would have been able to pay its suppliers and fill the shelves with products and secure a profitable existence.

A further suggestion is that the cafeteria at the NMA be allowed by the Ministry to reset its prices upward, still below market prices, but enough to generate a profit rather than today's loss.

ARF resistance to HCO run retail shops was successful for two reasons. First, because the Ministry acts politically to serve clientele needs, and secondly because the downgraded HCO staff is unable to meet organizational needs. I noted that as the latter is fundamentally a result of the former, i.e. ministerial clientele interventions in HCO operations, we are really discussing a single problem. To escape this effect there needs to be a major change in the relationship between the organization and the Ministry.

Ministry recommendations

The new management will need to review the records to draw lessons learned from the past and develop best practices. There has to be an accounting. This isn't easy because it's not purely financial. There are both financial and cultural factors to consider. In the past the activities were not correct and the HCO lost its way.

Of the three HCO, ARF and the HFC, only two should remain.

Today the HCO should go back to its founding purpose and combine its activities with those of the ARF. There is bad competition now stemming from a confusion of responsibilities which in turn has also led to a bad working situation. The ARF and the HCO could each restrict themselves to those sectors where they work best, the ARF could focus on making certified reproductions while the HCO could focus on the inspired commercial products -- all this without workers' rights being lost for either group. There are people in these organizations doing the same work with different contract and pay terms. There need to be distinctive and precise job descriptions with a focus on quality. In this way both the State and the public will win.

Another reform should be the reduction in the number of the members of the Board from fifteen to seven. This would be more economical. What are so many people meeting for so often? Doing what? We need a few people with experience. They can help develop a master plan. They need to be appointed for maybe a definite time period, perhaps three years. Also, this plan needs to be worked out, after a due internal accounting in the HCO, in participation with the ARF and the EIC.

Another confusing issue is the matter of the NAM. It is proper that the HCO is responsible for the national museums but that does not necessarily apply to the independent museums.

Summary of interviewee recommendations

- Ministerial support to protect the HCO from the effect of clientele relations is essential
- The HCO purpose must be clarified
- There has to be an accounting
- A reduction of the HCO, ARF and HFC to just two organizations
- The ARF and HCO should separate areas of overlapping responsibilities
- There are Ministerial needs for HCO services
- Political clientele relations with consequent downgrading of staff is the cause of HCO poor performance
- Extra staff should be released

- Legal framework needs to be changed so employment contracts give workers sense of security
- Job descriptions, assessment and incentives
- Staff should be assigned to positions that match skills with organizational needs
- Staff participation on the Board will bring valuable experience input
- Executives and Board should be assured a minimum three year service
- The Board should be reduced from fifteen to seven members
- A reduction in the number of departments and department heads for lower costs and more efficiency
- The NAM will likely take over retail shops and cafeteria operations from the HCO