Determining Critical Elements in Strengthening the Organisations: A Study on the Public Sector

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Abstract

This paper presents the results of a case study conducted on three public sector organisations. The main objectives of this study were to identify critical elements which affect the organisations' performance and to analyse competitive elements in organisations. The McKinsey 7S framework and the Kano Model were used to identify critical elements that need to be focused on in each organisation. The findings demonstrated that there are three elements that need to be finely thought-out in the formation and maintenance of the three public sector organisations. These elements are staff, structure, and skill. The results of the study can assist these organisations to clearly identify their organisational strengths and weaknesses. Accordingly, it helps in finding the middle ground to get all the elements into harmony that motivate the stimulation of highly effective functioning employees toward achieving better organisational performance.

Keywords: Organisational performance, corporate culture, competitiveness,

strategy **1.0 Introduction**

Organisations are facing challenges of a fast-moving environment at this present time. To make sure that they are relevant and competent they must adapt to the changes in the business environment and be able to act effectively in carrying out their everyday tasks, as well as co-ordinate with all activities relating to the business. Gradually more diverse markets have a wide variety of needs and expectations that must be understood if they are to have strong trades and find good collaborators. Concurrently, the scrutiny of stakeholders by the authorities and public has increased as some executives have been convicted of illegal actions in their companies, and the compensation of executives seems to be increasing while remunerations of others seem to be declining or flattening off.

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As a consequence, the ability to manage change, while continuing to meet the requirements of stakeholders, is a very important skill required by today's leaders and managers. Nevertheless, achievement in the past always becomes respected in the present by the over-valuation of the policies and attitudes or cultures which accompanied that success, although they do not adapt to the changes in the environment. Corporate culture is liable to blind the organisation to a need for change, until the organisation as a whole can accept the reality of the need.

Therefore, the problem that needs to be discoursed is when an organisation knows that changes have to be implemented within the organisation, what are the things to change to enhance organisational performance. Seeking the answer of these questions, this study adopted the McKinsey 7S framework and Kano Model of Customer Satisfaction. The objective was to identify critical elements which need to be considered in the formation and maintenance of three public sector organisations. The focuses were on the seven elements and satisfaction of the organisations' internal customers, which are the staff of the organisations.

2.0   Toward Better Organisational Performance

Organisational performance involves recurring activities to establish organisational goals, monitor progress toward these goals, and make adjustments to achieve those goals more effectively and efficiently. According to Lichtenthaler (2007) and Shieh and Wang (2010), corporate culture or the values of a company that would govern the activities and behaviour of the staff will influence the performance of the organisation. Those recurring activities are much of what leaders and managers inherently do in their organisations. To improve the performance of the organisation, change is unavoidable. For organisations to develop, they often must undergo significant change at various points in their development.

Generally, the axiom of the terms "organisational change" is about a significant change in the organisation, such as reorganisation or adding a major new product or service which is different with smaller changes, such as adopting a new computer procedure or using new equipment. Specialists accentuate that successful organisational change requires a change in culture. An example of organisational change which might change the corporate culture is transformational or radical change. The changing in terms of transformational change might involve the changing in the organisation's structure from the traditional top-down, hierarchical structure to a large amount of self-directing teams.

Change can be intended to remedy current situations or more general and vague like developmental projects (McNamara, 2015). Remedial projects often address a current, major problem, therefore it would seem more focused, as compared to developmental projects. For example, it is performed to improve the poor performance of a product or

the entire organisation, and reduce burnout in the workplace. It is also intended to help the organisation to become much more proactive and less reactive, or address large budget deficits. It is often easier to determine the success of these projects because the problem would be solved or otherwise. On the other hand developmental projects target to make a successful situation even more successful, for example, expand the amount of customers served, or duplicate successful products or services, depending on how specific the goals are and how important it is for members of the organisation to achieve those goals. However, successful organisational change can be quite difficult to accomplish. It can be like trying to change routines. Providentially, there is an increasing body of research, practice, and tools from which all can learn about how to make the change in an organisation successful.

3.0   Conceptual Model

The McKinsey 7S framework highlights the importance of organisational interconnection and their role in effecting change. In the McKinsey model, the organisation is divided into seven areas of regions "soft" and "hard" elements. Strategy, structure, and system hardware elements are more easily identifiable and manageable, compared to the soft elements (Alshaher, 2013). The relationship between each element "S" can be used to identify the strengths and weaknesses of an organisation. However, the strength or weakness of an S element cannot be viewed in isolation. It must be seen in terms of the level of support one element has for another element. Table 1 describes the elements in the McKinsey model.

Table 1

Definition of elements of McKinsey 7S model (Peters & Waterman, 1982)

Dimension	Definition
Strategy	Actions a company plans in response to changes in its external environment
Structure	Basis of specialization and co-ordination influenced primarily by strategy, size and diversity of organization
Systems	Formal and informal procedures that support the strategy and structure
Style / Culture	Consisting of two component as below: • Organizational culture: the dominant values, beliefs, and norms which develop over time and become relatively enduring features of organizational life. • Management style: more a matter of what managers do than what they say: how do company mangers spend their time: what are they focusing on
Staff	The people/human resource management processesused to develop managers, socialization processes, and ways of introducing young recruits to the company.
Skills	The distinctive competences- what the company does best
Shared Values	Guiding concepts, fundamental ideas around which a business is built- must be simple, usually stated at abstract level, have great meaning inside the organization even though outsiders may not see or understand them.

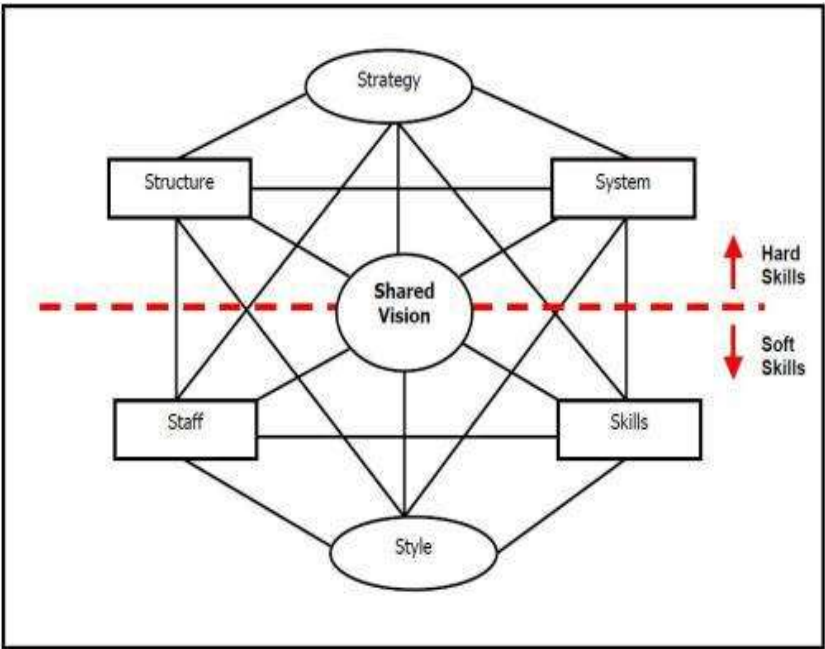McKinsey 7S model is illustrated in the following diagram (Figure 1).

Figure 1: The McKinsey 7S Framework

Based on this 7S model, for the organisation to succeed and fit with the external environment, the 7S elements must be in alignment with each other. Therefore the implementing strategy is to first ensure that all these 7Ss elements are working in a harmonious network. The organisations must realise that their staff's expectations and needs vary over time, for example, for the staffs or internal customers of the organisation to be efficient in accomplishing the activities in the organisation, they need a clear structure which specifies their role in the organisation. A good structure reduces internal uncertainty about their role in the organisation, and thus reduce random human behaviour within the organisation. The main facts to take into consideration are what excites customers in the past are now expected, and what is expected today will not meet minimum customer expectations in the future.

For an organisation to analyse the internal consumer needs, one powerful technique to address these enquiries is the Kano Model which has been developed by Noriaki Kano and his colleagues in 1984. According to Keder and Alhazza (2014), the advantages of classifying customer requirements using Kano method are various and clear, as it is able to provide priorities of the variables and better understanding on the criteria which have the greatest influence on customer satisfaction. These are accordance with the work by Zhang and Von Dran (2002), which specified that "the Kano model is suitable for discovering the categories of customer expected quality as well as it can help to

identify and understand the life cycle of quality element". Besides, Chen and Su (2006) approved that the Kano model can be used to extract tacit knowledge of customers, therefore it can help researchers to understand knowledge regarding customers.

The Kano Model was initially introduced to assess the level of customer satisfaction with a product. This model was later adopted by many researchers to measure customer satisfaction on service quality in the services sector. Through the user satisfaction model, it is divided into three sections: the quality expected, normal quality, and the quality of the unexpected. The Kano analysis helps to identify unspoken needs before prioritisation. It is intended to help prioritise customer needs and should be linked to a company's multi-generational project plan. Based on Kano's theory, "customer satisfaction is proportional to the extent to which the product or service is fully functional".
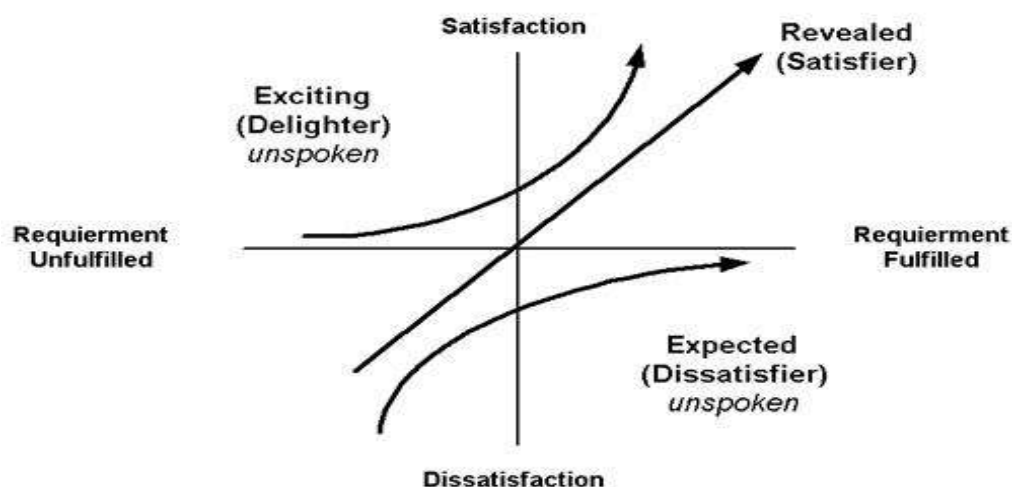

Figure 2: The Kano Model

The Kano model distinguished between the three types of requirements:

1)   Basic Needs

This requirement also is known as the "must-be requirement". It describes the expected features or characteristics of a product or service in terms of its basic functionality. Fulfilling the basic needs will only lead to a state of "not dissatisfied". These needs are typically "unspoken." If these needs are not fulfilled, the customer will be extremely dissatisfied as the customers regard this requirement as prerequisites. An example of an "unspoken" need is like working at an office equipped with elementary facilities.

2) Performance Needs

The next requirement concerns the standard characteristics that increase or decrease satisfaction by their degree (cost/price, ease of use, and speed). With regard to the performance needs requirements, customer satisfaction is proportional to a higher level fulfilment—level of performance, higher customer satisfaction, and vice versa, for example, having good Internet access or efficient technological support at the working place.

3) Excitement Needs

At this level, the businesses should deliver the unexpected features or characteristics that impress customers and earn the organisation "extra credit". The fulfilment of these requirements leads to more than proportional satisfaction; however, there is no feeling of dissatisfaction if they are not met. These needs also are typically "unspoken". Upon reaching this level, the organisation has a great chance to excel to be a world class organisation.

4.0   Methodology

To identify the critical elements influencing public sector organisational performance, a survey was conducted on three public sector organisations under the Ministry of Natural Resources and Environment in Malaysia. The aim was to make a comparison between these organisations in terms of the factors that influence their organisational performance. These organisations were selected as they have differences in structure and roles, although they are assigned under the same ministry. These organisations are briefly described in Table 2.

Table 2

General information about the Organisation P, Q and R

Organisation	P	Q	R
Year of establishment	1929	1932	2004
Number of Employees	850	1450	355
Description	The activities of this organisation focus on research and development on the sustainable management of resources and ecosystem services of natural, urban, and recreational locations; development of technologies and products based on biodiversity resources for forest and herbal plantations; provide and develop key scientific knowledge to safeguard biodiversity and system services, and etc.	This organisation's activities focus on water management such as river management, flood management, coastal management, storm water management, dams and also water resources management and hydrology.	This organisation is responsible for natural resources management such as forest management; irrigation and drainage management; wildlife management and mineral management; conservation and management of environment and shelters; management of land survey and mapping administration.

Considering the differences of these three organisations in terms of structure and functions, three sets of questionnaire were developed to capture the information needed in identifying critical elements of the 7S's McKinsey for each organisation. Basically, the general items used to measure the seven elements for each company are as follows:

Strategy
- the understanding about the mission of the organisation
- the effort of the organisation to achieve the objectives of the organisation
- the effort of the organisation in handling the requirements of stakeholders
- the responsiveness of the organisation to change in customers demand
- the responsiveness of the organisation to change in environmental issues

Structure
- the coordination between departments/units in the organisation
- the commitment among group members
- the decentralisation in decision making

- the internal power within the organisation
- the internal communication
- the effectiveness of the organisational structure

System
- the importance of financial resources
- the effectiveness of financial management
- the effectiveness of information system
- the effectiveness of human resource management

Style
- the involvement of the top management
- the effectiveness of leadership
- the commitment in strategic decision making activities
- the coordination among members
- the effectiveness of team work

Staff
- the enrichment of competency
- the intensification of determination and satisfaction
- the opportunity for training
- the influence of skill on the staff performance
- the effectiveness of mentor-mentee programmes
- the implementation of counselling activities

Skill
- the integration of skills among staff
- the performance in the main skill
- the comprehensiveness of skill assessment
- the influence of strategic plan on skill development of staff

Shared Value
- the integration of organisational culture in organisation's activities
- the embedding of corporate value (integrity, quality, punctuality)
- the integration of corporate value in decision making and accomplishment

The unit analysis of this study was the staff of the organisations. Three sets of questionnaires were distributed to the staff through the head department of the organisations. Cooperation from the head departments was very important to inform and remind their staff that they have to answer the questionnaire through online survey within two weeks. Data from the survey were analysed using statistical software SPSS. Descriptive data analysis was used to identify the critical factors, based on the 7S framework. The mean scores of the 7S framework were then classified based on the

Kano Model of consumer satisfaction. The results of the analyses are provided in the following section.

5.0   Discussion and Findings

The number of responses received from organisations P, Q, and R was 194, 180, and 178 respectively. Table 3 further shows the breakdown of the data. It is obvious that 55% of the respondents are female, while the remaining are male. The majority of them are in the management and professional group, and aged between 31 to 40 years old. About 80% of the respondents have more than six years tenure of service in the organisations, which reflects that most of them have ample time to see changes in the organisations.

Table 3

Demographic information of Respondents

Demography	Category	Organisation P	Organisation Q	Organisation R
Gender	Male	87	94	67
	Female	107	86	111
Age	Less than 30 years old	39	13	33
	31-40 years old	85	125	103
	41-50 years old	45	10	23
	More than 50 years old	25	32	19
Type of position	Management & Professional	148	106	96
	Executive (17-40)	45	70	79
	Executive (1-16)	1	4	3
Period of service	Less than one year	14	3	9
	1-5 years	33	24	30
	6-10 years	51	85	55
	11-15 years	39	23	50
	More than 15 years	57	45	34

The descriptive analysis was used to identify the critical elements from the 7s McKinsey framework for each organisation. Table 4 shows the mean score and percentage of the seven factors for each organisation. Overall, the table shows that the factor that has highest mean score is Strategy with a percentage score of 74.42%, followed by System, Style, and Shared Values with the percentages of 72.25%, 71.83%, and 71.33% respectively. However, three factors from the 7S elements had a low mean score which was below 2.8, namely the Staff, Structure, and Skill elements (68.92%, 68.83%, and 68.25%), respectively. In general, the average scores for the seven elements were around 68.25% to 74.42%. Therefore, the percentage illustrates that there is still a relatively large gap to make improvements by the organisations.

Table 4

Value of Mean and Percentage for Organisation P, Q and R

7S Elements	Mean score			Percentage (%)			Overall	
	P	Q	R	P	Q	R	Mean Score	%
Strategy	3.26	2.75	2.92	81.50	68.75	73.00	2.98	74.42
Structure	2.94	2.60	2.72	73.50	65.00	68.00	2.75	68.83
System	3.10	2.65	2.92	77.50	66.25	73.00	2.89	72.25
Shared values	3.07	2.65	2.84	76.75	66.25	71.00	2.85	71.33
Style	3.09	2.70	2.83	77.25	67.50	70.75	2.87	71.83
Staff	3.01	2.50	2.76	75.25	62.50	69.00	2.76	68.92
Skills	2.78	2.60	2.81	69.50	65.00	70.25	2.73	68.25

In most cases, the effective organisation strives to achieve a balance among the seven elements. A change in one element will subsequently affect the performance in other elements. Based on Table 4, the element that has the highest score in Organisation P, Q, and R is the element of Strategy. However, the element that has the lowest score in the three organisations are varied. The element with the lowest score in Organisation P is the element of Skill, while in Organisation Q and Organisation R, the elements that have the lowest score are Staff and Structure, respectively.

The 7S framework highlights important organisational interconnections which will help in bringing about the needed strategic shift. Figure 3 shows the level of each element of 7S for Organisations P, Q, and R which illustrates the organisational environment of these organisations.
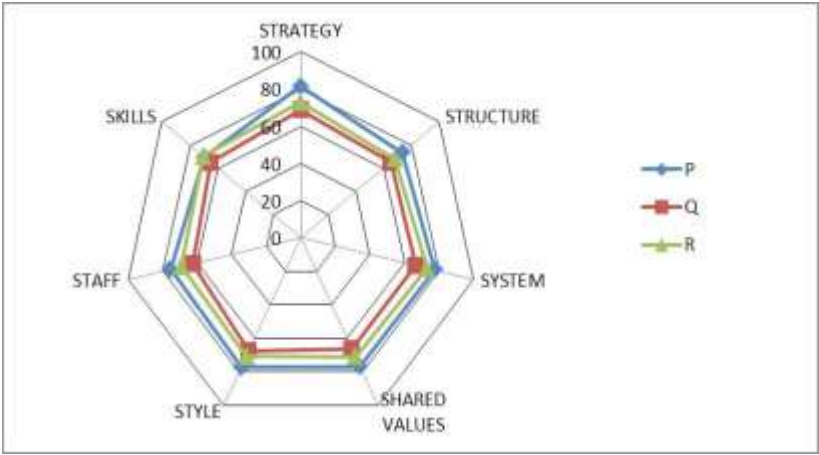

Figure 3: The level of 7S elements of Organisation P, Q and R

5.1   Kano Model

The mean score for each of the seven factors were then categorised based on the Kano Model. According to Seder and Alhazza (2014), all customers are different and have different priorities—what one describes as an excitement requirement may be described as a performance requirement by others. In view of this, for the purpose of this study the range of percentage to categorise the requirements was secured to a certain level as shown in Table 5. This range was adapted from several research conducted in the private sector.

Table 5

Range of Percentage for Kano Model

Range of Percentage	Category of Requirement
95 and above	Satisfying excitement needs
85 to 94.99	Satisfying performance needs
70 to 84.99	Satisfying basic needs
Below 70	Not satisfying (Below Basic)

Figure 4 displays the result as a percentage of the satisfaction of internal customers who experienced the elements at the organisations based on the classification of Kano Model.
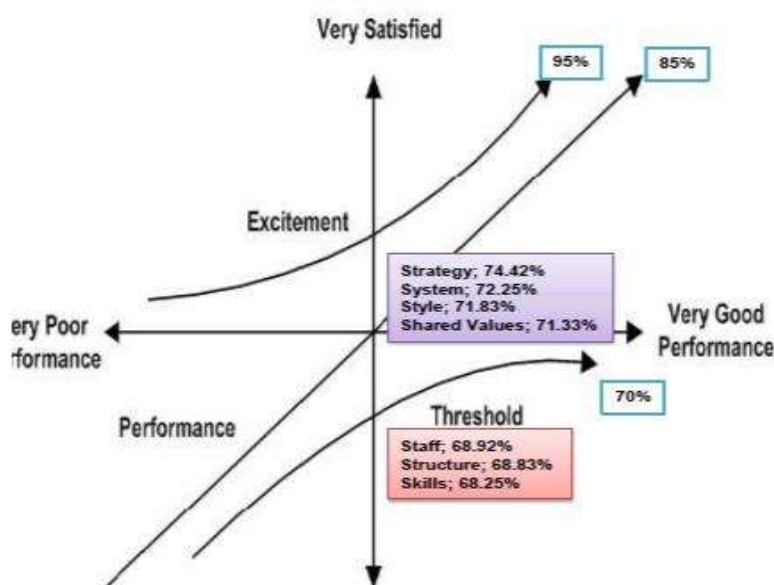

Figure 4: Overall Satisfaction on the Elements based on Kano Model

The level of customer satisfaction on four of the seven elements can be categorised as satisfying basic needs as they are in the range of 70% to 84.99%. The rating shows that customers are not dissatisfied with the quality of the four elements. However, three of the seven factors have been rated below 70%, which indicated that the staff of the organisation are not satisfied with the condition of these elements, namely staff, structure, and skills. Therefore, it can be concluded that these elements require more effort spent in order to improve the performance of the organisations.
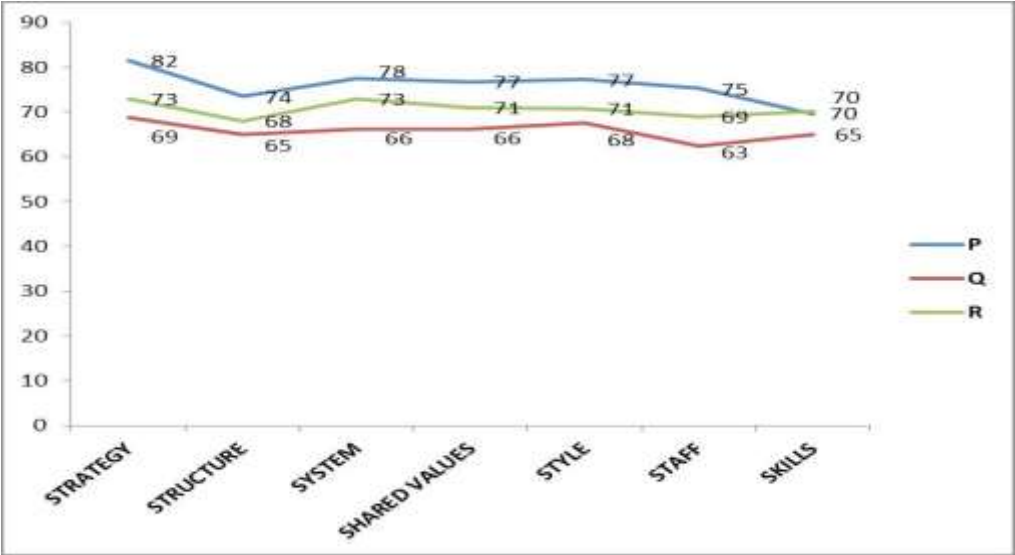

Figure 5: The Level of Satisfaction on elements for Organisation P, Q, and R.

The percentages of rate for the seven elements for each organisation are demonstrated in Figure 5. Based on the figure, most highest score of the elements is from Organisation P. All the scores are more than 70%, except for the skill element, which is 69.5%. This results indicated that the staff of Organisation P are quite satisfied with the organisational environment of their organisation. On the other hand, all scores for the seven elements of organisation Q are less than 70%, which is below the basic requirement of the Kano Model, while organisation R has two elements that fall under the below basic category, namely structure (68%), and staff (69%). These results indicated that the organisations require proper alignment of different activities and processes within the organisation, such as structure, staffing, resource allocation, skills, style, rewards and incentives, shared values and abilities, policies, and procedures in order to be more successful.

Moreover, the results of the study may be reflected by the nature of the organisations itself. Organisation P is an institution focused more on research and development, established since 1929 with a very specific area of function. Organisation Q also has been

established for a long time (1932), however, it serves the communities in the country. It has a department in each state of the country, thus the structure is more complicated as compared with organisation P and Organisation R. Conversely, organisation R is quite new, established in 2004, and organises and monitors all the departments and agencies under the Ministry of Natural Resources and Environment.

In a nutshell, the findings put forth a significant implication that capacity building remains as a great challenge in transforming the public sector toward achieving better organisational performance. Indeed, revitalising the government servants with the focus on competency and skills has been the prime concern, which was addressed in the first strategic thrust of government sector transformation plan (JPA, 2016). Practically, several strategies shall be embedded in the action plan of the studied organisations to address the issue, such as making a progressive career path available to the employees, empowerment, incentives for innovation, collaborative working, and excellent service delivery. The employees also should be equipped with the relevant skills to face the increasingly challenging work environment, for instance skills in negotiation, information technology, contract management, risk analysis, and strategic planning (PWC, 2007). This is because the reform of public services to deliver customer-centric services can only be achieved with the commitment of a highly-motivated, flexible, diverse, and skilled workforce, capable of providing high-quality and personalised public services (PWC, 2007).

6.0   Conclusion

Based on the results of analysis via the McKinsey 7S framework, it was found that among the 7S elements, three elements need to be considered in the formation and maintenance of the three public sector organisations, namely staff, structure, and skill. Besides that, the Kano Model analysis indicated that the staff of the organisations are not happy with the condition of several elements, especially in terms of staffing which refers to selection, placement, training, and development of appropriately qualified employees; the structure of the organisation or in other words the formal relationships among various positions and activities in the organisation; and skill, one of the crucial attributes or capability of an organisation, which is also referred as to the distinctive competence in the organisation.

The findings from McKinsey 7S framework and Kano Model can assist these organisations to clearly identify their organisational strengths and weaknesses. This study provides a number of information to organisations P, Q, and R and the Ministry of Natural Resources and Environment that will help in their strategy to improve these organisations. It gives a clear picture to the organisations in getting all the 7Ss into harmony to stimulate highly effective functioning towards achieving better organisational performance.

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