

**A STRATEGIC APPROACH FOR IMPROVING
GOVERNMENT ORGANISATIONS'
PERFORMANCE TO ATTRACT FOREIGN
DIRECT INVESTMENT: A CASE STUDY OF
IRAQ INFRASTRUCTURE**

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TABLE OF ABBREVIATIONS

MNCs	Multinational Corporations
FDI	Foreign Direct Investment
GOI	Government of Iraq
EFQM	European Foundation for Quality Management
MBNQA	Malcolm Baldrige National Quality Award
TQM	Total Quality Management
PROBE	Promoting Business Excellence
UNCTAD	United Nations Conference on Trade and Development
JAPU	Joint Analysis Policy Unit -United Nations -Iraq
JAU	Joint Analysis Unit -United Nations -Iraq
BEBA	Bureau of Economic Business Affairs - US Department of State website
USDC	U.S. Department of Commerce,
OECD	Organisation for Economic Co-operation and Development

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DECLARATION

This thesis is submitted under the University of Salford rules and regulations for the award of a PhD degree by research. While the research was in progress, some research findings were published in refereed journals and conferences prior to this submission (refer to Appendix 4).

The researcher declares that no portion of the work referred to in this thesis has been submitted in support of an application for another degree of qualification of this, or any other university or institution of learning.

To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made and acknowledged

Khaldoon Al-Tameemi

ABSTRACT

Infrastructure development is considered a key facilitator for achieving economic growth in developed as well as developing world, and has a direct impact on the growth and overall development of an economy. Iraq, similar to many developing countries, has a considerable lack of infrastructure. Nevertheless, it has been found that attracting Foreign Direct Investment (FDI) can play an important role in addressing this lack. A vital step for governments to attract FDI is to create an organisational environment attractive to Multinational Corporations (MNCs).

Iraq is internationally recognised as a country whose government organisations are highly corrupted and hard to do business with, a situation which has also significantly contributed to the underdevelopment of infrastructure in the country. A number of organisational performance improvement models, such as EFQM, Baldrige and PROBE, can identify and improve organisational practice and reduce performance weaknesses. However, these approaches are lengthy and their implementation can thus jeopardise any improvement due to the lack of quick wins. Given the urgency of addressing Iraq's infrastructure needs, this research focuses on developing an approach to help Iraqi decision makers create an organisational environment attractive to MNCs in a step-change fashion.

To achieve this goal, four research stages were established. The first was conducting an extensive literature review; this identified six critical steps in creating an organisational environment attractive to MNCs. The second, or exploratory, stage applied these steps, assessing Iraqi organisational practices, comparing them to world-class standards and identifying key weaknesses and strengths. The third, development, stage focused on using the findings from the exploratory stage and the literature to develop and propose an approach to creating an organisational environment attractive to MNCs. This framework was validated in the fourth stage, using case studies.

The key results of this research showed that an effective and quicker approach for decision makers of Iraqi government organisations to creating an organisational environment attractive for MNCs is by establishing separate spinout organisation(s) dedicated to working exclusively with MNCs throughout the lifecycle of infrastructure development programmes. Their successful implementation will pave the way for large-scale reform for government organisations in Iraq. However, such an approach is entirely dependent on achieving top management support and commitment to change. This research contributes to knowledge by

providing an alternative approach to the existing improvement methods that can help government organisations similar to the ones in Iraq, overcome their performance weaknesses and create effective organisational environment in the short term.

CHAPTER ONE: INTRODUCTION TO THE RESEARCH

1.1 INTRODUCTION AND BACKGROUND

This research has been triggered to answer the general question *Why are so few multinational corporation (MNCs) accepting work in Iraq, and how to attract them?*. This question comes as a result of the researcher's observation of the lack of necessary infrastructure in Iraq, supported by a number of reports, such as those by JAPU (2013), Sait and Nkuuhe (2013) and WorldBank (2012). Infrastructure development in Iraq is conducted as part of the public procurement by the state of Iraq, acting through ministries or federal agencies, government units including regions and governorates, and all other subdivisions of the state that may commit public funds. Given the recent crisis in the price of oil in mid-2014, the 2017 Iraqi budget deficit has increased to more than \$19billion, about 21% of total expenditure (Neely and Fenton, 2016; Rudaw, 2017), which has made it more difficult for the country to address its infrastructure investment needs (Bowler, 2015). In response to this problem, the government of Iraq (GOI) has passed a new regulation that allows government organisations to enter into contracts with MNCs to build the infrastructure projects in Iraq, improving services like water supply, power and education (USDC, 2013). This new regulation allows government agencies, such as ministerial offices, local governments or any government agency responsible for the development of infrastructure, to basically take out loans with MNCs tasked with the jobs, and then repay them annually, in a form similar to Public Private partnership (PPP), Private Finance Initiatives (PFI) and Build, Operate and Transfer (BOT) contracts. Contracts such as PPP, according, to Thomsen (2005) and Kadarisman (2015), have provided a principal vehicle for Foreign Direct Investment (FDI) in public utilities and infrastructure in the developing world. In the case of such contracts, the function of government organisations is to regulate and facilitate public service developments. Related government ministries and agencies are responsible for identifying strategic development programmes as well as project execution, beginning from the planning stage, devising the project tender and contracting procedures through to supervision of the execution stage. This reflects the tremendous impact that government organisations' performance can have on the number of MNCs accepting to work in the country. However, since 2003 and despite the government efforts to attract MNCs to FDI, Iraq still have unattractive organisational environment compared to elsewhere in the region (BEBA, 2016; WorldBank, 2012). Given the urgency to address the infrastructure in Iraq, this research looks at the relation between

FDI and the performance of government organisations of the host country, such as Iraq, and aims at developing a solution that can help decision makers in Iraq facilitate the development of an organisational environment attractive to MNCs in a step change fashion to foster FDI inflows to address the country's infrastructure investment needs.

1.2 RESEARCH PROBLEM

The literature review was conducted with the aim of understanding the facts surrounding FDI and the factors that can attract or hinder MNCs from working and/or investing in any country. A number of government/country-level and organisation-level factors have been found to have a considerable impact on attracting/deterring MNCs and thereby affecting the flow of FDI to host countries. Government/country-level factors include, but are not limited to, political, social and economic stability, market size and business conditions (OECD, 2008; Asfour and Murphy, 2006; Shapiro and Globerman, 2001; Globerman and Shapiro, 1999; Dunning, 1993). At the organisation level, three interrelated factors have been found to increasingly deter MNCs and thereby reduce FDI inflow: non-transparency, bureaucratic red tape and corruption. These factors are considered by researchers as indicators of the quality of government organisations of the host country and have been found to have a significant impact on the level of FDI inflows into the developing world. Moreover, it has been argued that even in the presence of a conducive macroeconomic environment, such organisational factors can deter foreign investors from investing in any country (Smarzynska and Wei, 2000; Wei, 2000; Rivlin, 2001; Drabek and Payne, 2002; Habib and Zurawicki, 2002; Onyeiwu, 2003; Johnson, 2006; Dahlström and Johnson, 2007; Al-Sadig, 2009; Tingvall, 2011). Thus, it has been argued that a significant step towards attracting MNCs and quickly fostering FDI inflows, is for governments in the developing world to strive to improve the overall performance of their government organisations in a step-change fashion.

There are numerous research studies that have discussed factors related to the government/country level, providing recommendations for decision makers in the developed and developing world, such as Iraq, on how best to address such factors to help create an environment attractive to MNCs to foster FDI inflows. However, no research has provided recommendations (such as an approach, model or framework) for decision makers in the developing world, or elsewhere in the world, to help them expeditiously overcome their performance weaknesses and create an organisational environment attractive to MNCs.

Given this gap in the literature, and because the quality of government organisations' performance is considered one of the significant factors that can deter/attract MNCs from investing in any country, this study focuses on understanding the organisational environment of government organisations in Iraq; it aims to identify an approach that can help them overcome their performance weaknesses and create an organisational environment attractive to MNCs.

The research has found that Iraq is seen by the international community as a country whose government organisations are highly corrupt and hard to do business with, (TheWorldBank, 2016; TransparencyInternational, 2015; BEBA, 2016). Moreover, most Iraqi government organisations, such as local government and ministerial offices, have also been reported as having a very poor performance when executing their allocated investment budget to address the infrastructure needs within their jurisdiction. However, only a few of these reports and studies have touched on some of the reasons behind this poor organisational performance, such as public corruption, poor planning, poor procurement processes and poor project management (Al-Tameemi, 2009; JAPU, 2013; JAU, 2014m).

Thus, it can be argued that, the overall organisational environment in Iraq is weak and not attractive for MNCs to come and work with Iraqi government organisations. However, this argument is based on the very few data available in the literature and thus, *an exploratory study was required to further assess the overall practice and performance of government organisations in Iraq and identify key weaknesses and strengths*. In the light of this, it is imperative for decision makers in Iraq to follow an approach that can help improve their organisational environment in a step-change fashion. This should become a priority for Iraqi decision makers. Thus, the question raised is *What can decision makers in Iraqi government organisations do in order to overcome their performance weaknesses and create an organisational environment attractive to MNCs in a step-change fashion.?*

The literature does not offer solutions capable of overcoming such organisational problems in the short or even the medium term. Nor does it provide a framework or an approach that can guide decision makers in the developing world on how to overcome their performance weakness and create an organisational environment attractive to MNCs in a step change fashion. However, it does emphasise the role of using a family of innovative tools for continuous improvement in the public sector, that fall under the umbrella of Total Quality Management (TQM), such as EFQM, Baldrige, Lean and Six Sigma, to improve the

performance of organisations, and in turn help to streamline their problems and develop a capacity for continuous improvement. Such models focus on leadership, people, service processes, performance management and results which could have a significant impact on the improvement and achievement of their organisational goals. In doing so, it is important to assess the organisations' overall level of practice, in terms of leadership, people, processes and performance management, and their impact on performance/results, compared to those of world-class organisations, working in the same field, in order to identify the areas for improvement. To do that, a standard practices and performance benchmarking tool (excellence model) could be used to identify and prioritise the overall organisational weaknesses and strengths. Having identified the gaps, the traditional solution is to adopt an organisational performance improvement technique for conducting incremental improvements to the identified gaps. However, depending on the organisation's level of maturity, this approach can be lengthy, and its implementation therefore can jeopardise any improvement due to the lack of quick wins. This is because numerous factors hinder the implementation of such approaches within the public sector, as identified by Guo (2004), Woodard (2005), Radnor and Bucci (2007), Radnor and Walley (2008), Radnor (2010) and Sokovic, Pavletic and Pipan (2010). Moreover, there are no solutions to bridge the gap between these existing performance improvement methodologies and the speed at which government organisations need to transform their performance sufficiently to attract FDI.

Accordingly, since the situation in Iraq calls for immediate FDI to engage in the development of the country's infrastructure, an alternative approach applicable to the Iraqi context is required, to act as quickly as possible.

In this context, examination of the performance improvement approaches (e.g. business excellence, innovation and change management models, as well as effective tools such as strategic planning, project management and integrated IT solutions), should suggest a solution to facilitate attracting FDI within a reasonable period of time. The literature does not cover these solutions collectively, hence the need for this research.

1.3 RESEARCH AIM AND OBJECTIVES

This research study aims at developing a strategic approach to assist decision makers in Iraqi government organisations to overcome their performance weaknesses and create an organisational environment attractive to MNCs in a step-change fashion.

The objectives are to:

- Develop an understanding of the concept of FDI: its definition, contribution to economic growth and how the host country's organisational environment may deter MNCs and thereby fail to attract FDI;
- Identify, understand and evaluate the available organisational improvement approaches and highlight the critical steps to follow in creating an organisational environment attractive to MNCs;
- Explore the overall practice and performance of a government organisation in Iraq and identify key weaknesses and strengths;
- Propose an approach that can help decision makers in Iraq create an organisational environment attractive to MNCs in a step change fashion;
- Validate the applicability, suitability and effectiveness of the approach using case studies; and develop the final strategic approach.

1.4 METHODOLOGICAL STEPS

To achieve the research aim and objectives, three main stages are followed:

Stage 1: Literature Review

- Develop an understanding of the concept of FDI and its contribution to infrastructure development; and to identify and evaluate the factors that can attract or hinder MNCs from working and investing in a given country. The research highlights the impact of the performance of the host country's government organisations on the flow of FDI;
- Develop an understanding of the available approaches, tools and techniques for effective organisational performance improvement;
- Identify the critical steps guiding the development of an approach to address the aim of this research;
- Explore the status of Iraq's infrastructure and its organisational environment;

- Identify the philosophical stance of the research and suitable research design and data collection methods

Stage 2: Exploratory and Development Stage

- Conducting an exploratory study to assess the overall practice and performance of a government organisation in Iraq and compare it to world-class standards, identifying key weaknesses and strengths. This study is conducted for two main reasons: first to help identify key organisational practice and performance weaknesses influencing the development of the required approach; second to close the gap in the literature about Iraq's organisational environment;
- Using the findings from both the exploratory stage and the literature to develop and propose an approach to assist decision makers in Iraqi government organisations to establish an organisational environment attractive to MNCs in a step change fashion.

Stage 3: Validation, Discussion and Conclusions Stage

- Validate the feasibility of the proposed approach using three case studies. The aim of the validation process is to present the proposed approach to the decision makers and solicit their opinion about its applicability, suitability and effectiveness within their organisational context.
- Conduct cross-case discussion to identify the general findings, including common features and differences among interviewees and amend the proposed approach accordingly. This will lead to the development of the final strategic approach that is intended to address the research aim and establish conclusions and recommendations for its successful implementation.

These stages are illustrated in Figure 1.1.

1.5 CONTENTS/STRUCTURE OF THE THESIS AND RESEARCH PROCESSES

The thesis consists of **Nine** chapters: (see Figure 1.1)

This chapter gives an introduction and background to the research, the research aims and objectives and a summary of the work undertaken to achieve the aim and objectives. It also provides a brief explanation of the methodological steps used to carry out the research, along with a guide to the content of the thesis.

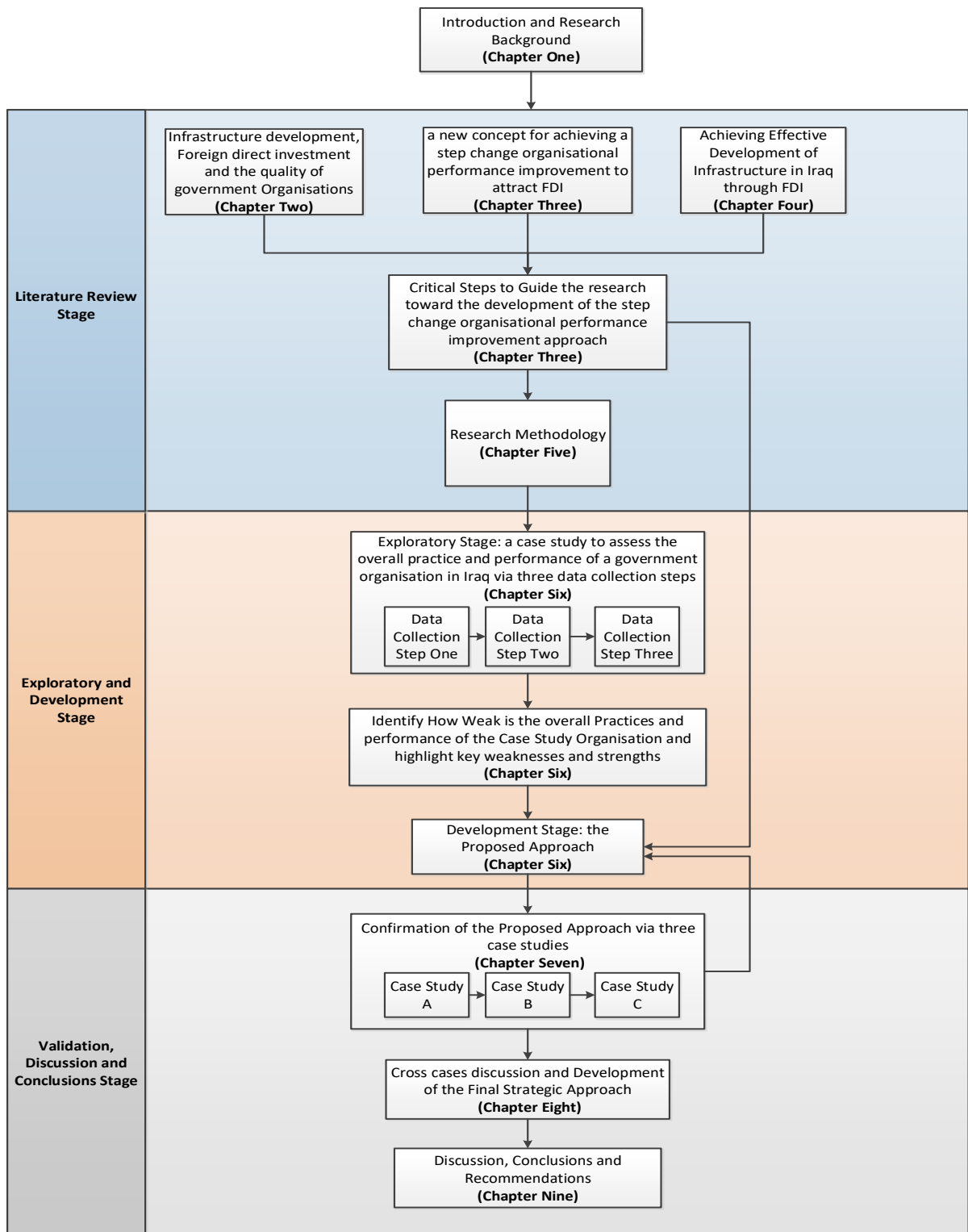


Figure 1.1: Research Structure and Processes

Chapter two discusses the concept of FDI in a number of aspects, including its benefit and role in economic and infrastructure development, as well as the factors that deter/attract MNCs and foster the flow of FDI to developing countries. It highlights the impact of the quality of government organisations’ performance on attracting MNCs. It also emphasises the

need for decision makers in the developing world to understand their performance weaknesses and follow an effective approach to overcome these weaknesses. This has become the aim of this research. In the quest for such an approach, the chapter sheds light on the available organisational performance improvement approaches and on their benefits in helping to improve performance., The chapter also stresses that such approaches are lengthy; organisations, especially in the public sector, require a long time to fully absorb the concepts and standards encapsulated in these models and to emulate world-class performance. Thus, the chapter concludes by expressing the need for an alternative approach to fulfil the aim of the study.

Chapter three seeks an alternative approach to help decision makers in the developing world attract MNCs. It reviews existing models, frameworks and approaches, such as innovative implementation approaches, tools and techniques to step change the performance of organisations during project delivery, and change management factors to ensure successful implementation of improvement approaches. The collective understanding of these approaches, factors, tools and techniques identifies six critical steps to guide the research toward the development of the intended step-change performance improvement approach. The first step requires understanding and assessing the overall practice and performance of a government organisation in the host country, Iraq, as well as highlighting key weaknesses and strengths and comparing them against world-class standards.

Chapter four provides a background about Iraq and the status of its current infrastructure. It discusses the GOI's approaches of addressing the lack of infrastructure and its need for FDI. It also explores the country's organisational environment, the performance of its government organisations and how they are perceived by the international community.

Chapter five presents the research methodology. It discusses the philosophical stance of the research and the research design and data collection methods adopted.

Chapter six focuses on the analysis and interpretation of the data collected during the exploratory stage, assessing the overall practice and performance of a government organisation in Iraq and identifying the weakness level in its overall practice and performance. The findings of this stage and the literature review provide the basis for developing and proposing the approach for the Iraqi decision makers.

Chapter seven presents the results of three case studies carried out to obtain the perspectives of decision makers in Iraqi government organisations on the applicability, suitability and effectiveness of the proposed approach for achieving the aim of this research.

Chapter eight offers a cross-case discussion to identify general results and key findings, including common features and differences in the interviews. Finally, it validates the elements of the proposed approach and develops the final strategic approach.

Chapter nine discusses how the aim and objectives of the research have been achieved, what are the main conclusions and contributions of the research, together with its limitations and recommendations for future work.

CHAPTER 2: INFRASTRUCTURE DEVELOPMENT, FDI AND THE QUALITY OF GOVERNMENT ORGANISATIONS

2.1 INTRODUCTION

The majority of countries in the developing world suffer from a considerable lack of infrastructure: transport networks, water and sanitation facilities, telecommunications and energy distribution, as well as schools and health centres. Their governments have insufficient financial resources to address their infrastructure investment needs. Infrastructure development is considered a key facilitator for achieving economic growth in the developing world.

Meeting the significant infrastructure investment needs will require greater involvement of Foreign Direct Investment (FDI). However, attracting FDI is not an easy task, and governments must create an environment attractive to Multinational Corporations (MNCs) to foster FDI inflow.

Accordingly, this chapter discusses the role of infrastructure development in economic growth; it defines FDI and discusses its benefits and the kind of environment that will attract MNCs. It also underlines the impact of the performance of government organisations in attracting MNCs and FDI. The potential of existing schemes to improve the performance of government organisations in a step-change fashion is then discussed. The chapter finally highlights the scope and main aim of this research study.

2.2 INFRASTRUCTURE DEVELOPMENT AND ECONOMIC GROWTH

Economic growth helps raise people's income, reduce poverty, create jobs and build a more stable future in the developing world. However, a number of challenges hinder these countries from successfully stimulating and sustaining economic growth. These include weak institutions, a high unemployment rate, poor infrastructure, no access to a wide range of financial services, and unsuitable laws and regulations (Greening, 2014b). Several studies show that the underpinning causes for these challenges are corruption and bureaucratic red tape, poor education systems, inefficient use of resources, lack of resources and excessive government intervention (Pearson, 2014; Cuaresma, Doppelhofer and Feldkircher, 2012; Trpkova and Tashevskaja, 2011; Looney, 2005; Onyeiwu, 2003).

According to Pearson (2014), countries worldwide have followed different approaches to improve their economic growth, with various degrees of success. For example some countries, such as the former Soviet Union, Argentina and Uganda, relied on their abundant supplies of natural resources. However, this approach was not effective as their economic growth was slow compared to other countries. In contrast, a more effective approach to economic growth was followed by countries such as Switzerland, Japan and Singapore. These countries, despite having fewer natural resources, have enjoyed rapid rates of economic growth based on investment in education and entrepreneurial ability. More recently, countries such as the People's Republic of China (PRC) and East/Southeast Asian nations have rapidly achieved economic growth (as reflected in their investment, exports and employment over two and a half decades) because of their considerable investment in infrastructure (Chatterjee, 2005; Straub, Vellutini and Warlters, 2008). The latter case highlights that infrastructure development can be a key facilitator for achieving economic growth in developing countries (Greening, 2014a).

In fact, the success of a country's economic growth entirely depends on the efficiency and effectiveness of its infrastructure (UNCTAD, 2013), which contributes to growth by stimulating economic activity, productivity and enhancing the quality of life (WorldBank, 1994; Nataraj, 2012). Conversely, Sahoo (2011) argues that lack of infrastructure creates breaks in sustainable growth and poverty reduction, although having adequate financial resources is a significant factor in developing their infrastructure.

According to Fay and Toman (2010), infrastructure development has been very limited in the developing world except in certain parts of East Asia, largely because of the lack of finance (UNCTAD, 2013). UNCTAD (2008) asserted that meeting developing countries' significant infrastructure investment needs will require greater involvement of FDI through MNCs. Therefore, governments in the developing world are required to understand the common needs of international investors and how to successfully attract FDI to address their infrastructure investment needs. The next section looks at FDI in more detail: its definition, benefits and the factors affecting its flow.

2.3 FOREIGN DIRECT INVESTMENT (FDI)

FDI can play a significant role in economic growth and development of a healthy infrastructure in the developing world. This section defines FDI definition, discusses its

concepts and benefits and identifies the main factors that contribute toward attracting FDI to developing countries.

2.3.1 Definition

FDI is a key component of international capital flows worldwide (Protsenko, 2004). The literature provides a number of definitions. For example, the IMF (1993) and OECD (1996) defines it as “a category of international investment that FDI reflects the objective of obtaining a lasting interest by a resident entity in one economy (direct investor) in an entity resident in an economy other than that of the investor (direct investment enterprise). The lasting interest implies the existence of a long-term relationship between the direct investor and a significant degree of influence on the management of the enterprise”. Protsenko (2004) explains that a significant degree of influence and a long-term relationship are the key terms distinguishing FDI from other types of investment, specifically short-term activities undertaken by institutional investors. Moran (2012) explains that “FDI takes place when a corporation in one country establishes a business operation in another country, through setting up a new wholly-owned affiliate, or acquiring a local company, or forming a joint venture in the host economy”.

Interestingly, Protsenko (2004) classifies FDI into two main types: horizontal and vertical. Horizontal FDI is applied when it is too costly to serve the foreign market by exports because of transport costs or trade barriers. For instance, “Ford assembles cars in the United States. Through horizontal FDI, it does the same thing in different host countries such as the UK, France, Taiwan, Saudi Arabia and Australia. Vertical FDI takes place when a firm performs value-adding activities stage by stage in a vertical fashion in a host country; in other words, when a MNC fragments the production process internationally, locating each stage of production in the country where it can be done at the least cost. For example, if Peugeot (the French automaker) assembles cars but does not manufacture components in France, but in the UK, it can be said that the company enters into components manufacturing through FDI. This pattern is called upstream vertical FDI. In a similar vein, if Volkswagen (the German car manufacturer) does not engage in car distribution in Germany and, instead, invests in car dealerships in Saudi Arabia (a downstream activity), it can be said that Volkswagen is engaged in downstream vertical FDI” (KB, 2013).

FDI also takes the form of service provision to governments in the host country, similar to public private partnership (PPP) or private finance initiative (PFI) contracts. This form of FDI

involves a contract between a public sector authority in the host economy and a private party, in which the latter provides a public service or project and assumes substantial financial, technical and operational risk in the project. In return, the public sector authority will agree to repay the cost of the service or the project over a fixed period of time. This form of investment has provided a principal vehicle for FDI for public utilities and infrastructure in developing countries (Thomsen, 2005; Kadarisman, 2015).

Given the above, and the aim of the research, this study defines FDI as a form of investment whereby an MNC establishes a lasting interest in the host country's infrastructure assets, giving it a satisfactory return on its investment over time.

Having established that FDI can be a successful vehicle for developing countries to drive their infrastructure development, a general understanding of the key benefits of FDI to the host countries follows.

2.3.2 Benefits

FDI has been a stimulus to the economic growth of developing and developed countries in both the short and the long run (Freckleton, Wright and Craigwell, 2012). Many countries have realised that it is essential for effective economic growth and the prosperity of their citizens (Asfour and Murphy, 2006). "This is because the very essence of economic growth is the rapid and efficient transfer and adoption of best practice across borders. FDI is particularly well suited to effect this and translate it into broad-based growth", particularly positive spillovers such as productivity gains, knowledge and technology transfer and human capital enhancement (Klein, Aaron and Hadjimichael, 2001b; OECD, 2002; BKPM, 2010; Akinlo, Akinsokeji and Oziegbe, 2013; Wang, Gu, Tse and Yim, 2013). "It lays the foundation for local investors, SMEs and entrepreneurs to prosper in a more efficient, market-driven and professional atmosphere, enabling them to add value to their economies" (Asfour and Murphy, 2006).

Wang et al. (2013) explain the ways in which FDI contributes to the host country economy. They argue that as well as the provision of investment funds, FDI triggers economic growth in the host country via the transfer of advanced technologies and human capital development, having a first-level effect on the host economy. The second level occurs when these advanced technologies, management systems and skilled labour force are transferred to local firms. This, in turn, makes the environment of the host country able to absorb more FDI, helping to create clusters of FDI and pools of skilled managers and labours. This is supported by the

empirical evidence of Long, Yang and Zhang (2015), who confirm that the presence of FDI leads to institutional improvement in the host region.

To summarise, FDI is an effective means for development, being not only an effective source of finance but also a mechanism for developing countries to benefit from the advanced technologies and expertise of MNCs. Nevertheless, “the benefits of FDI do not accrue automatically or evenly across countries, sectors and local communities. National policies and the international investment architecture matter in attracting FDI and reaping the full benefits” (OECD, 2002). Thus, in order to formulate a favourable environment for MNCs to foster FDI inflows, it is important to understand their own common needs and requirements. The next sub-section answers to the following question: *What should developing countries do to create an environment attractive to MNCs to foster FDI inflows?*

2.3.3 Factors Affecting the Flow of FDI

In order to formulate appropriate investment strategies and policies, governments in the developing world must understand the requirements of international investors. The literature shows that many factors contribute to the formation of a favourable investment environment, classified here on two levels: the government/country level and the organisation level; see Figure 2.1.

- **Government/Country Level Factors**

According to Asfour and Murphy (2006) the Multilateral Investment Guarantee Agency (MIGA) classifies these factors into three categories:

- Political and social stability, labour costs, utilities costs, labour availability and utilities reliability;
- Real estate, business conditions, infrastructure, market access, e-taxes;
- Living conditions.

The OECD (2008) included market size and real income levels, skill levels in the host economy, the availability of infrastructure and other resources that facilitate efficient specialisation of production, trade policies, and the political and macroeconomic stability of the host country. The OECD argues that the significance of these factors differs depending on the type of investment.

FDI may also be influenced by various incentives offered by governments to attract MNCs, including tax incentives, financial incentives (such as grants and preferential loans), market preferences and monopoly rights (OECD, 2008).

- **Organisation Level Factors**

The literature highlights a number of other interrelated factors concerning the organisational environment of the host country: non-transparency, bureaucratic red tape and corruption of government organisations (Drabek and Payne, 2002; Onyeiwu, 2003; Dahlström and Johnson, 2007).

- **Transparency** is a mechanism that facilitates the release of information about policies, capabilities and preferences to outside parties or the market (Finel and Lord, 1999). Particularly in the public sector, it also implies outside access to the mechanisms by which decisions are made and implemented (Lebovic, 2006). The lack of transparency facilitates arbitrariness and helps to mask bribery (Zurawicki, 2003). For example, it imposes transaction costs on a business when additional information important for making an investment decision has to be secured at extra time and cost (Seyoum and Manyak, 2009). Bribery is non-transparent not only because it is normally illegal but also because payments to the host country officials do not have a market value, and hence raise the cost of goods/services when compared to a competitive market. (Drabek and Payne, 2002; Wei, 2000; Smarzynska and Wei, 2000). This can be a major disincentive for foreign investors (Habib and Zurawicki, 2002).

Drabek and Payne (2002) confirmed that transparency in the activities of government institutions is vital in attracting foreign investment. They found that “on average a country could expect a 40% increase in FDI from a one point increase in its transparency ranking, while non-transparent policies translate into lower levels of FDI”. This has been seen in number of countries such as Indonesia, Nigeria and Slovakia, where the lack of transparent policies has been suggested as one of the main reasons why foreign investors have demonstrated extreme caution. This reflects the growing suspicion of investors about the intentions of governments and their commitment to policies (Drabek and Payne, 2002).

- **Bureaucratic red tape** and **corruption** also deter investors. “If the quality of government service is unpredictable, companies’ exposure to additional risks is

increased, and their ability to cover against these risks is hindered by the unpredictable nature of government service” (Drabek and Payne, 2002). The OECD (1997) and Onyeiwu (2003) show that bureaucratic inefficiency hinders economic activities by imposing additional costs on investors. It affects investment effectiveness and efficiency in a number of ways, such as delaying the process of licensing, and leading to unpredictable and arbitrary enforcement of rules and regulations.

Onyeiwu (2003) added that corruption and bureaucratic red tape are a significant factor in explaining why MENA (Middle East and North Africa) countries receive less FDI than other countries. In fact, even in the presence of favourable government policies and incentives, corruption and red tape can deter foreign investors (Rivlin, 2001). According to Al-Sadig (2009), a one-point increase in the corruption level leads to a reduction in per capita FDI inflows of about 11%. This is supported by a number of other studies, including Habib and Zurawicki (2002), Egger and Winner (2006), Johnson (2006), Hakkala, Norbäck and Svaleryd (2008) and Freckleton et al. (2012), which all found corruption to be detrimental to FDI. The impact of these factors is summarised in Figure 2.1.

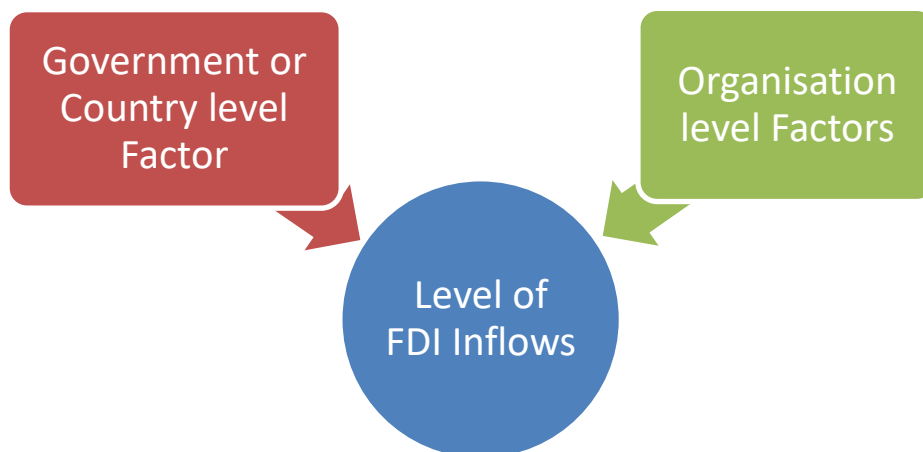


Figure 2.1: Factors affecting the flow of FDI in developing countries

It is clear that organisation level factors act as indicators of the quality of the host country’s government organisations. This has a considerable impact on attracting MNCs and fostering FDI inflows, and thereby on infrastructure development. This understanding is further explained in the following sub-sections.

2.3.4 The Quality of Government Organisations, FDI and Infrastructure Development

The organisation level factors, discussed above, are considered in a number of studies to reflect the institutional quality of the host country, e.g. Mocan (2004), Caetano and Caleiro (2005), Abramo (2007) and Dahlström and Johnson (2007). In fact, such factors are considered to be “a result of, rather than a cause for, an underdeveloped institutional framework” (Dahlström and Johnson, 2007). Therefore, by acknowledging that such factors “can be viewed as a general index of institutional quality, evidence suggests that weak institutions hamper incoming FDI” (Tingvall, 2011). According to Al-Sadig (2009), the quality of a country’s institutions is very important in encouraging FDI inflows. He stressed that, “*ceteris paribus*, a country with sound institutions is able to attract as much as 29% more FDI than one with poor institutions”. Hence, it can be argued that the quality of government organisations in the developing world has a significant impact on the flow of FDI. Thus, having government organisations that emulate the very best is a key ingredient not only for fighting non-transparency, bureaucracy and corruption, but also for the creation of an organisational environment attractive to MNCs and FDI, as depicted in Figure 2.2.

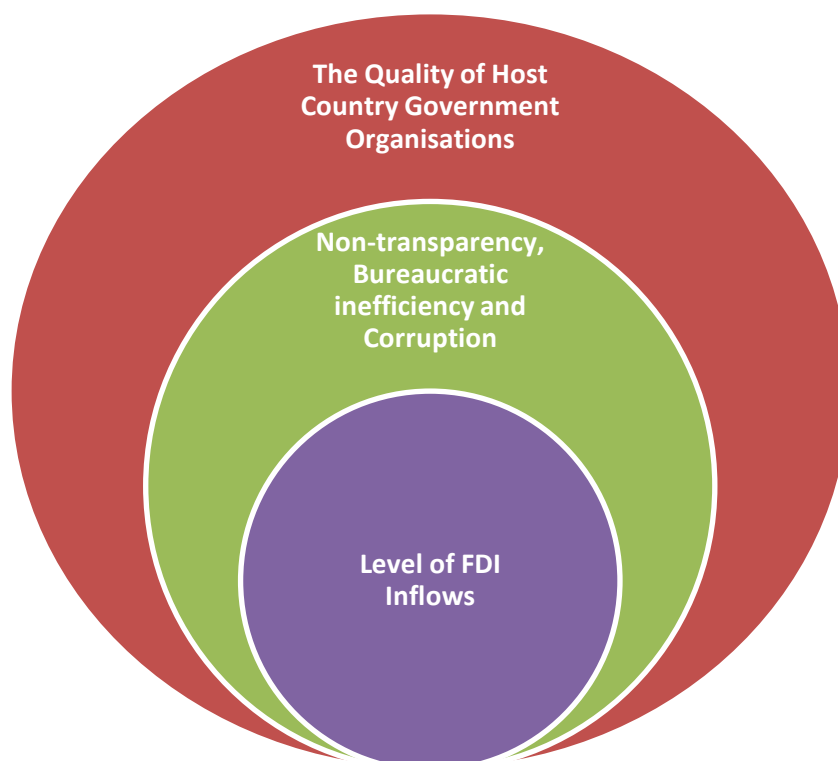


Figure 2.2: Spheres of Influence of the Organisational Factors Affecting FDI Inflows

In the light of this argument, and as discussed in section 2.2, attracting FDI is an effective means for developing countries to address their infrastructure investment needs. Effectively, a

country's infrastructure development is a government activity normally conducted by government organisations through government procurement.

In brief, government procurement is an important economic activity involving large amounts of public money (OECD, 2010b). It is the “acquisition of goods and services from a third party on behalf of a public agency”, such as public sector organisations or local government (Brack, 2013). Government procurement includes “much that supports the work of government and ranges from routine items” (e.g. stationery, temporary office staff, furniture or printed forms), to complex spend areas (e.g. construction, PFI/PPP or supporting major change initiatives) (OGC, 2008). Government procurement is also a principal vehicle for FDI to enter the developing world and it can also be affected by public procurement policies (WBG, 2012). This is supported by the cross-section analysis of Mardas, Papachristou and Varsakelis (2008) which indicated that it is a statistically significant determinant of FDI. As a government activity, government procurement is, therefore, particularly vulnerable to corruption (OECD, 2010b). In the Cameroon, for example, “high-level officials in charge of the execution of public investments declared that administrative and bureaucratic red tape was the reason for the insufficient financial execution rate of the investments. The insufficient qualifications of the employees in charge of the follow-up of the contracts was included in the description of administrative red tape” (Le messenger 2008 cited in OECD (2010b)).

Thus, in addressing their infrastructure investment needs through FDI, in forms such as PPP, PFI or similar, the function of government organisations is to regulate and facilitate public service developments (Kadarisman, 2015). Ministries and related agencies are responsible for identifying strategic development programmes as well as project execution, from the planning stage, the project tender and contracting procedures through to supervision of the execution stage. MNCs contact government organisations as soon as they start their activities in the host country, and the latter naturally have a large effect on the continuing operations of the MNCs (Dahlström and Johnson, 2007). Therefore, poor-quality government organisations will not only affect the flow of FDI by deterring MNCs; they will also affect governments' ability to efficiently and effectively execute infrastructure development programmes, which in turn will have an impact on the quality of the infrastructure, as illustrated in Figure 2.3.

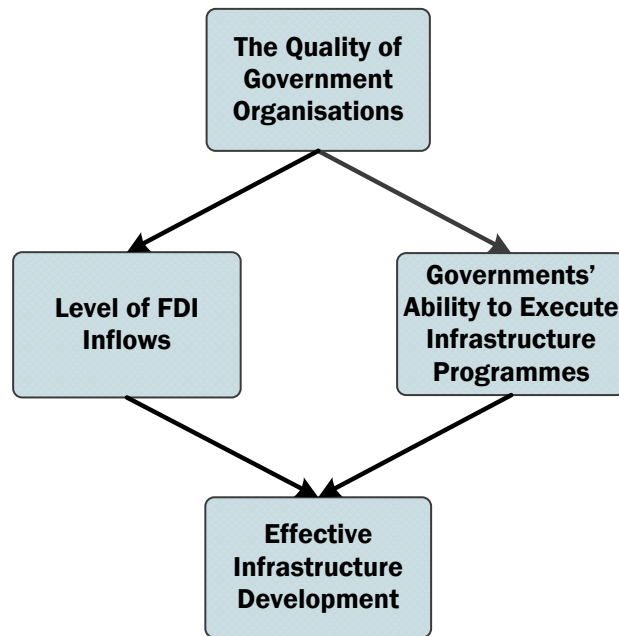


Figure 2.3: The Impact of the Quality of Government Organisations on the Infrastructure

Accordingly, in order to attract FDI in the short-term and achieve effective and efficient infrastructure development, governments in the developing world are required to find ways to improve the overall quality of their government organisations, in line with international standards, in a step-change fashion.

2.3.5 The Need for a Step-Change Organisational Performance Improvement Approach

The studies discussed in sub-sections 2.2.3 and 2.2.4, and others (Jadhav, 2012; Akinlo et al., 2013; Méon and Sekkat, 2004; Teixeira and Grande, 2012; Jude and Levieuge, 2013), have investigated, identified and discussed the factors that affect MNCs' decision to work/invest in various countries. These studies provide valuable recommendations and insights for policy makers in the developing world on the sort of policies and incentives they are required to adopt to create an environment attractive to MNCs. These studies also emphasise the need for governments to fight corruption, increase transparency and reduce bureaucracy.

The review of these studies has shown that, to create an environment favourable for MNCs to foster FDI, governments in the developing world must not only legislate appropriate policies, incentives, regulations and procedures. They also need to improve the performance of the government organisations responsible for executing them. Without such interrelated efforts it will be difficult to achieve their aim.

However, none of these studies has suggested an approach to guide governments in the developing world on how to overcome their organisational performance weaknesses and create an attractive organisational environment. This research therefore focuses on developing such an approach. The following sections/chapters of the literature review will attempt to answer the following question: *What can decision makers in government organisations in the developing world do to deliver effective and efficient organisational performance to MNCs in a step-change fashion?*

2.4 ORGANISATIONAL IMPROVEMENT METHODOLOGIES

There is universal agreement in the literature that a fundamental approach for organisations to survive in any market is by continually improving their organisational performance. In the quest for achieving performance excellence, Boyne (2003) argued that “analysis from sixty-five empirical studies of the determinants of public service performance suggests that the most likely sources of improvement are extra resources and better management”. The literature describes a number of approaches to achieving organisational improvement, including Management By Objectives (MBO), Balanced Scorecard (BSC) and Total Quality Management (TQM).

According to Dinesh and Palmer (1998) MBO, “introduced by Drucker (1955) more than six decades ago, is a system of management based on goal congruence as a means of improving performance. BSC, which Kaplan and Norton (1992) introduced almost 40 years later, is also based on goal congruence as a means of improving performance”. These are management systems that align tangible objectives with an organisation’s vision. On the other hand, TQM is a “strategic management approach that aims to improve business as a whole and add value for customers. TQM interventions, such as statistical process control and failure analysis help identify and eliminate mistakes, reduce waste, and improve productivity, leading to continuous improvement of organisational processes and products, and enhancing the efficiency of people and machine” (Nayab and Bowen, 2013).

A major difference between TQM, MBO and BCS is their scope of application. “TQM is wide in scope and extends to reducing defects, eliminating waste and improving quality throughout all processes in the organisation, for long-term benefits. The others are narrower in scope and aim at setting and evaluating specific short-term targets for individual employees. Although MBO objectives usually relate to corporate goals and vision, the scope of the targets framed to meet such objectives remain confined to day-to-day applications, and need not

necessarily relate to quality or eliminating waste” (Nayab and Bowen, 2013). The use of MBO and BSC has been reduced since the introduction of TQM in the early 1980’s (Dinesh and Palmer, 1998), as TQM is a more comprehensive approach to organisational improvement and provides holistic solutions to organisational performance weaknesses.

A number of studies have shown that organisations can achieve effective performance by adopting the principles of TQM, including Ahmad, Zakuan, Jusoh, Yusof and Takala (2014); Valmohammadi (2011); Baird, Jia Hu and Reeve (2011); Bou-Llugar, Escrig-Tena, Roca-Puig and Beltrán-Martín (2009); Rahman and Bullock (2005) and Klefsjö, Wiklund and Edgeman (2001)). TQM is a fundamental approach that shows organisations how to utilise effective and efficient management practices to drive performance towards excellence.

“TQM originated in the 1950s but has only become popular since the early 1980s. It is a description of the culture, attitude and organisation of a company that strives to provide customers with products and services that satisfy their needs. The culture requires quality in all aspects of the company’s operations, with processes being done right the first time and defects and waste eradicated from operations” (Leon, 2008). According to Bou-Llugar et al. (2009), experts tend to see TQM as an approach to management characterised by some guiding principles or core concepts that embody the way the organisation is expected to operate, which, when effectively linked together, will lead to high performance. Their review of the literature shows general agreement regarding the assumptions included in the TQM concept, which can be summarised in three main points:

1. “The core concepts of TQM can be classified into two broad categories or dimensions: social or soft TQM, and technical or hard TQM. The social issues are centred on human resource management and emphasise leadership, teamwork, training and employee involvement. The technical issues reflect an orientation toward improving production methods and operations and seek to establish a working method through the establishment of well-defined processes and procedures to make possible the constant improvement of goods and services to customers”.
2. “The management of social or technical TQM issues cannot be performed in isolation. Social and technical dimensions (and the core concepts that form them) should be interrelated and mutually support one other reflecting the holistic character of TQM initiatives. This holistic character is also extended to the expected results of a TQM

initiative, as a balance of the stakeholders' interests should be considered when the firm defines TQM practices”.

3. “The optimal management of TQM core concepts will lead to better organisational performance. The basic theoretical foundation for this relationship is based on the assumption that TQM provides superior value to the customer by identifying customers' expressed and latent needs, responsiveness to changing markets, as well as through improving the efficiency of the processes that produce the product or service”.

Several concepts, principles and values reside under the umbrella of TQM. For example, Sila and Ebrahimpour (2003) have analysed and compared 76 empirically validated TQM studies and the impact of factors on various performance measures across countries. The following were the most commonly extracted factors: top management commitment and leadership, customer focus, information and analysis, training, supplier relationship and management, strategic planning, employee involvement, human resource management, process management, teamwork, product and service design, process control, benchmarking, continuous improvement, employee empowerment, quality assurance, social responsibility and employee satisfaction. Klefsjö et al. (2001) showed similar values falling under the umbrella of TQM: top management commitment, focus on customers, focus on processes, improve continually, let everybody be committed and base decisions on facts.

A number of tools and methodologies are available to help organisations to adopt the core concepts or values of TQM, including the Malcolm Baldrige National Quality Award (MBNQA), the European Foundation for Quality Management (EFQM) Excellence Model, Six Sigma, Diagnostic Benchmarking, ISO 9000, Kaizen and the Theory of Constraints (TOC) (Klefsjö et al., 2001; Gershon, 2010; Olofsson, 2015). Some of these approaches are used as guidelines for organisations to self-assess their current practices and performance against the concepts and standards encapsulated in the models themselves, to help drive TQM implementation, e.g. MBNQA, EFQM and Six Sigma (Bou-Llusar et al., 2009). There are other approaches organisations can use to self-assess the quality of their practices and performance against both the concepts and standards encapsulated in the model as well as against the practice and performance of other peer organisations. These approaches are known as diagnostic benchmarking (Yarrow, 2006).

Yarrow (2006) asserted that diagnostic benchmarking is a variant of the popular processes of assessment, particularly self-assessment, i.e. EFQM and MBNQA. He emphasised that these

approaches are so similar that in effect they are different names for the same activity; the distinction, if there is one, might be that during benchmarking *per se* the organisation compares its practices and performance not only with a model of excellence but also with the extent to which others achieve the standards the model describes. Some approaches to using excellence models invite users to compare their enablers and results only against the concepts and standards encapsulated in the model. Others approaches, such as the diagnostic benchmarking tools, use the model as a medium through which the user compares their enablers and results both with the elements of the model and the standards achieved by other organisations. One of the popular diagnostic benchmarking tools is PROMoting Business Excellence (PROBE) (Yarrow, 2006).

According to Radnor (2010), the tools within these methodologies are used for three main reasons: assessment, improvement and monitoring. The assessment process itself takes normally a short length of time, about a day, where a certified facilitator assesses the organisation's overall practice and performance against the concepts and standards embedded in the tool, using a self-assessment questionnaire. The generated data from the questionnaire will then be processed using data analysis software and a final result showing the position of the organisation compared to best practice will be revealed, highlighting the organisation's key weaknesses and strengths. Based on the findings from the assessment process, the organisation can then move ahead to actually set action plans to address its weaknesses by adopting the best practice set by the model during the improvement process. This process can be time and resource consuming and the period required for the organisation to successfully complete this phase and achieve the desired outcome depends entirely on how weak is its overall practice compared to best practice. Afterwards, during the monitoring process, the organisation will set a monitoring plan to make sure that it is properly addressing its weaknesses in accordance with the adopted improvement model and that the desired benefits are being achieved.

Accordingly, the role of this family of innovation tools for organisational improvement, such as EFQM, Baldrige and PROBE, is to help organisations identify their practice and performance weaknesses, which in turn will help to streamline their problems and develop capacity to continuously improve themselves. Given the comprehensiveness of the diagnostic benchmarking tools and the benefit they can bring to organisations by comparing them to other organisations in their sector, the following sub-section will consider PROBE, as a popular diagnostic benchmarking tool (see Appendix 3 for a list of PROBE-related

publications). This tool will be used later in this research to assess the overall practice and performance of a government organisation in Iraq.

2.4.1 PROBE

Yarrow, Hanson and Robson (2004) stated that the ‘Made in Europe’ findings have exerted a significant influence on public policy and business support strategies, and the studies’ original research tools have subsequently developed into a leading-edge suite of benchmarking tools known collectively as PROBE: PROMoting Business Excellence. Clear evidence of PROBE tools’ ongoing effectiveness and broad applicability lies in their resonance and compatibility with the principles embedded in definitive frameworks such as the Baldrige criteria and the EFQM Excellence Model, and in contemporary implementation methodologies such as Lean Thinking, Six Sigma and Best Value. The best practice principles at the core of PROBE are universal and timeless, drawing on the concepts of Lean Thinking, TQM, Continuous Improvement and the Service Value Chain. PROBE has evolved and adapted to developments in fields such as people management and development, organisational learning, information technology and e-business, social and environmental responsibility and sustainable business (PROBE, 2016).

The PROBE suite is used by a number of organisations in different countries and in various sectors to achieve excellence in their overall organisational practices and performance (Al-Tameemi and Alshawi, 2014). For example, Rohlfer (2004) explored the role of public authorities in the UK and Germany in promoting and supporting benchmarking, and found diagnostic benchmarking tools and schemes to be prominent amongst their activities. According to Rohlfer (2004) the UK has in place a number of “best practice schemes and tools” (p. 527) intended to support the benchmarking activities of individual organisations across a wide spectrum, and One of the main schemes described is PROBE. Rohlfer (2004) (p. 527) adds that the Confederation of British Industry (CBI) hosted the “Fit for the Future” campaign, and “alongside this campaign has ... a suite of ... benchmarking tools under the name of PROMoting Business Excellence (PROBE) for helping member organisations to learn from each other. These tools utilise the methodology of a self-assessment questionnaire which is filled in by a cross-functional and multi-level team of the benchmarking company.” Rohlfer (2004) (p. 533) reproduces an explanation, from the CBI’s website, of the aim of the PROBE benchmarking scheme:

In a highly competitive business environment, it is essential for organisations to improve their performance in order to survive and grow. ... Best practices benchmarking will help measure your current performance level. Benchmarking will also help you identify operational strengths and areas for improvement. It will enable you to compare your organisation with competitors and should be used as a strategic management tool on an ongoing basis to track performance gains.

The PROBE suite consists of a number of diagnostic benchmarking tools, each designed to fit a different type of organisation including the public sector and manufacturing. For example, the PROBE for Public Service model is based upon more than a decade of applied research that began with the findings of a ground-breaking best practice study conducted during the 1990s by Professors Chris Voss, Aleda Roth and Richard Chase. The study's findings inform the model of world-class standards (see Figure 2.4), which sits behind PROBE for Public Service, which has been refined and enhanced by ongoing research driven by the deployment of PROBE tools internationally (PROBE, 2016).

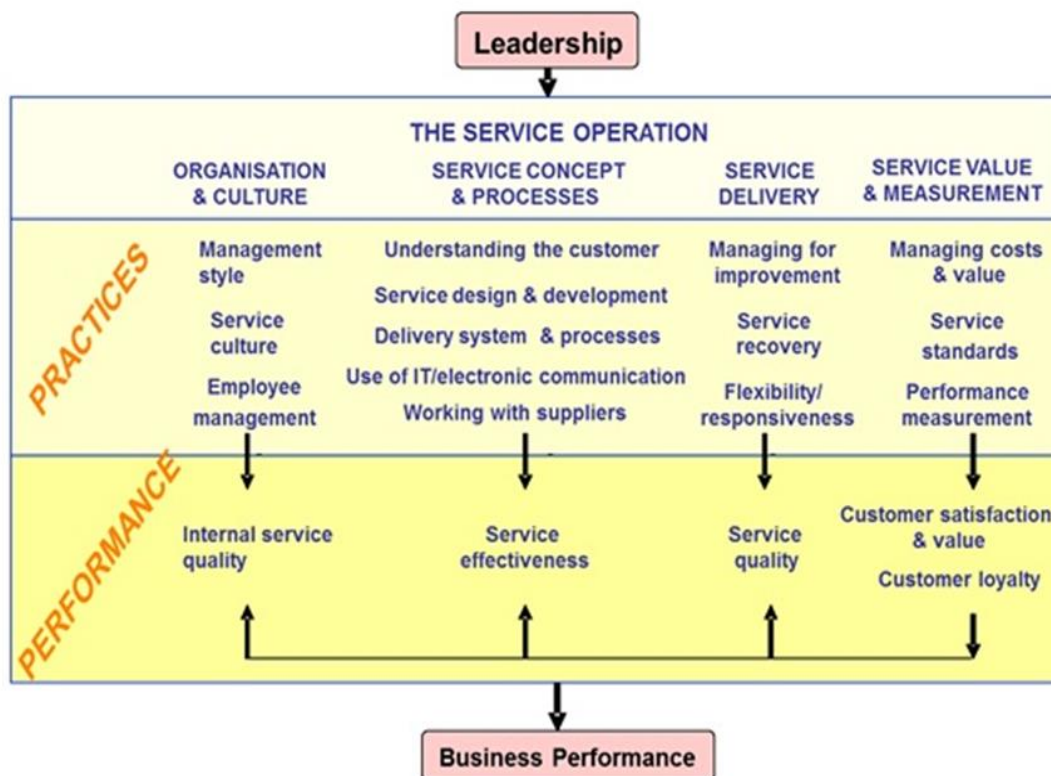


Figure 2.4: PROBE for Public Service – Practice & Performance Model (Sources: PROBE, 2009)

According to Appleby, Robson and Owen (2003) (p. 254) the Public Service PROBE model is based on the premise that “Excellent leadership creates an environment in which the organisation’s people contribute to their full potential, deploying effective and efficient service processes and managing performance in order to ensure the achievement of optimal results. The central hypothesis of PROBE is that better business practices lead to superior operational and business performance.” The same links can be found in the EFQM excellence approach, where excellence in the enablers leads to superior results. Figure 2.5 shows PROBE compares with the EFQM excellence approach.

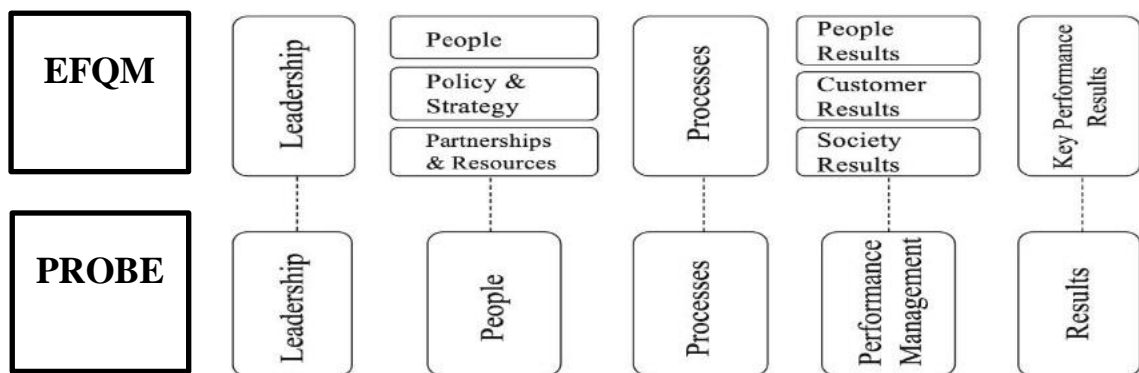


Figure 2.5: Relationship between PROBE and EFQM excellence model, source: (Appleby et al., 2003)

When PROBE assesses an organisation, it shows how its overall practice and performance compare against the World Class Best Practice Model that underpins PROBE for Public Service model (figure 2.4) and how the organisation or service compares with others in their own sector and globally against a relevant subset of the 7,000+ organisations and business users in over 40 countries that are on the PROBE database. PROBE for Public Service measures the practice and performance of individual service organisations in five broad areas: leadership, people, processes, performance management and the resulting indicators of performance outcomes, which are service quality, customer growth, result for stakeholders and business performance (PROBE, 2016); see Figure 2.6.

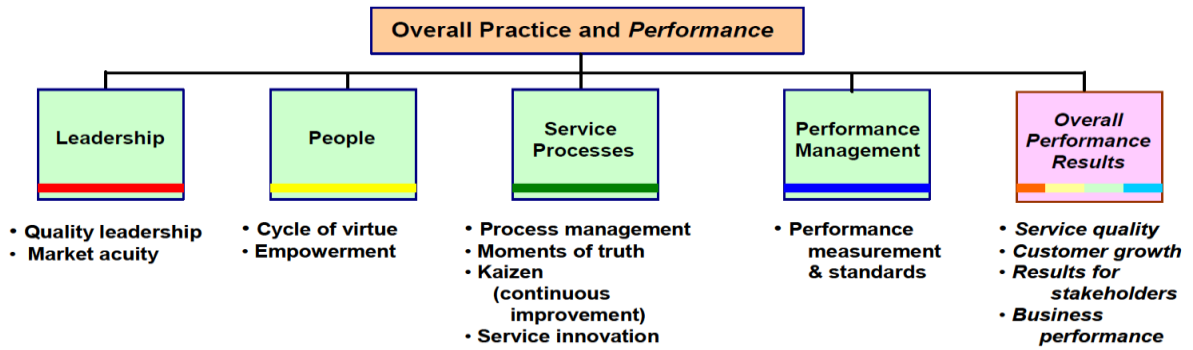


Figure 2.6: Themes of the Overall Practice and Performance (Source: PROBE, 2009)

More details about these themes can be found in Appendix 1

The practice and performance questions used in the PROBE for public service survey uses scores on a scale from 1-5, where 5 represents world-class attainment for the particular measure. For an organisation to achieve world-class status, it must average 80% attainment in both business practices and operational performance. The PROBE result is represented as a scatter diagram, taking the consensus scores for all of the practice questions and assigning an index of overall practice for the organisation; similarly, an index of overall Performance is calculated. These indices are plotted on the scatter diagram with practice on the horizontal scale and performance on the vertical scale (PROBE, 2016); see Figure 2.7.

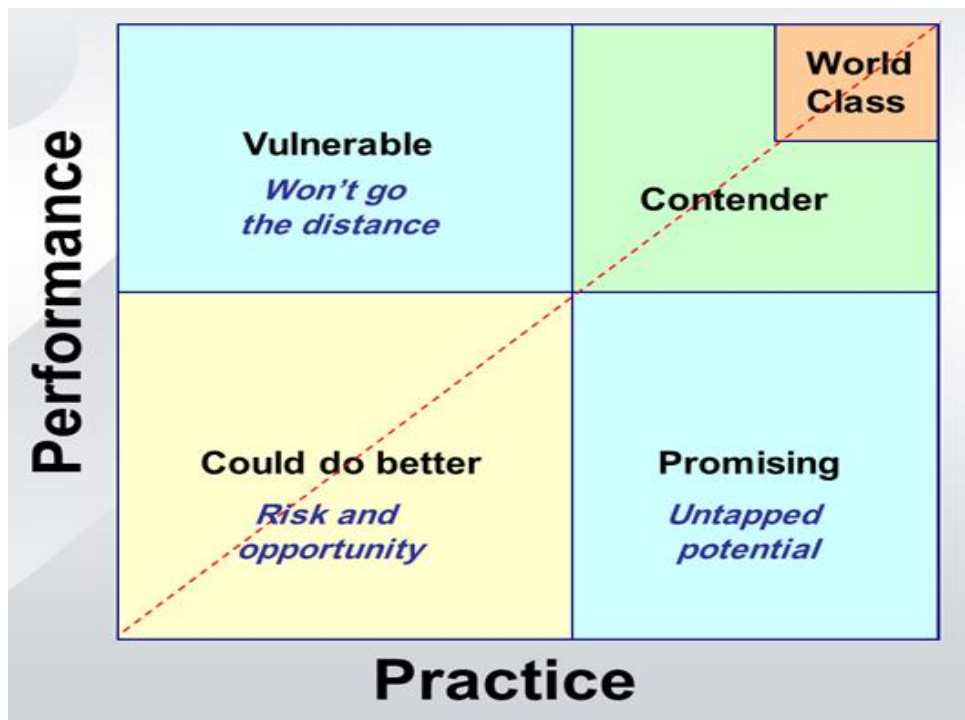


Figure 2.7: PROBE World-Class Grid, source (PROBE, 2010)

The resulting position alone will say much about an organisation (PROBE, 2016):

- Scores in excess of (80 practice, 80 performance) place the organisation in the world class or leaders category, and those between (60, 60) and (80, 80) are labelled as contenders or potential winners.
- Organisations with a practice score above 60 and performance below 60 are considered promising because they appear to have invested in sound practices but have yet to realise the performance they deserve from their investment. The improved performance can reasonably be expected to materialise in due course.
- Those with performance above 60 and practice below 60 are considered vulnerable. They appear to be achieving good performance, but it is not underpinned by equivalently good practices. This may reflect some sort of protected situation for the organisation, historically or currently. It might suggest that individuals rather than the processes are maintaining the performance. Clearly, a reduction in the level of protection or the loss of key personnel would be likely to have a serious impact on performance, hence the vulnerability tag.
- Organisations below (60, 60) have the potential to do substantially better. A key challenge may be prioritising a large number of opportunities for improvement.

The exact benchmarking process takes only one day to complete, during which the organisation will be presented with the benchmarking results and understand their position on the PROBE world-class grid and their key practice and performance weaknesses. However, the process of addressing the identified practice and performance weaknesses, the improvement process, can take a long time, depending on organisation's existing position compared to world-class organisations.

For the purpose of this research, PROBE is used as one of the methods to assess the overall practice and performance of a government organisation in Iraq. More details about the factors that have led to using PROBE in this research are explained in chapter 3.

Thus, the improvement process can be costly and time consuming for organisations and is required to overcome numerous challenges to achieve the desired outcome. The following section examines the main barriers to successful implementation of organisational improvement.

2.5 BARRIERS TO SUCCESSFUL IMPLEMENTATION OF ORGANISATIONAL IMPROVEMENT METHODOLOGIES

The purpose of using organisational improvement methodologies, such as EFQM or PROBE, is “to improve an organisation’s processes, products/service and organisation by identifying and addressing specific problems. It works forward from the current position without, at least initially, challenging the overall goals, strategies and operating assumptions. It is an approach which mostly sustains and reuses the capabilities, structures and processes of the organisation, and is much less likely to be disruptive” (Katsigiannis et al., 2014). It includes the provision of focused training of existing staff, applying changes to existing processes and structures as well as any other necessary organisational change that leads to performance improvement.

Nevertheless, it is well known that people are resistant to any sort of change. This is especially true in the case of transformational change. Many factors contribute to this, including fear of the unknown, habit, the possibility of job insecurity, threats to social relationships, and failure to recognise the need for change (Nadler, 1993; Longo, 1997). The importance of identifying these factors prior to change is therefore critical to success. Depending on its existing culture and the degree to which the proposed change differs from that culture, an organisation may or may not be ready to successfully absorb the change. This is especially difficult when there is no apparent performance crisis in the organisation, i.e. no serious threat to the existence of the organisation.

The issue of leadership is also critical when discussing transformational changes, which often occur in the implementation of quality improvements. “Resistance to change is especially relevant if the vision of a leader differs from the values and beliefs of the existing organisational culture. If that is the case, then cultural issues must be addressed. It is easy to overlook this during major change. If the organisational culture fails to assimilate the vision and its implications, the desired change will never become accepted and will ultimately fail” (Almaraz, 1994).

Therefore, holistic organisational improvement is not an easy task, and number of studies have discussed various obstacles to the achievement of a fruitful organisational improvement initiative. For example, Radnor and Walley (2008) and Radnor and Bucci (2007) have discussed a number of barriers to the successful implementation of organisational improvement methodologies in the public sector, including:

- Public sector culture.

- A lack of clear customer focus.
- Too many procedures.
- Employees working in silos.
- Too many targets.
- A lack of awareness of strategic direction.
- The general belief that staff are overworked and underpaid.
- A lack of understanding of the effect of variation, systems thinking and process flow.

Through the literature analysis by Radnor (2010) some of these points have been expanded upon and additional ones noted:

- The professional versus managerial role within public services.
- Not understanding the process at either the front line or across organisational boundaries.
- The transient nature of political leadership.
- Lack of resource and/or investment to fully implement the improvement methodology.
- Improvement methodologies are seen as manufacturing initiatives with little relevance to the public sector.

Other studies provide examples of why some organisational improvement initiatives have failed. For instance, Guo (2004) highlighted that as much as 70% of Business Process Reengineering (BPR) initiatives fail as a result of the lack of leadership in dealing with work processes, performance measurement and skills requirements. Typically, the implementation of BPR in public organisations emphasises only first- and second-wave initiatives that focused on functional improvements. “These changes led to even greater fragmentation, compartmentalisation and specialisation – rather than reengineering the system, with management focussed on improving individual processes” (Guo, 2004).

Additionally, the political and financial environment in which public sector organisations operate can lead to a selection environment that constrains change (Katsigiannis et al., 2014). For example, according to Blair, Taylor and Randle (1998), low customer satisfaction caused by inefficient processes blocking the supply chain results in the need for change in a particular public service. However, technical, financial and political restraints lead to the implementation of only a mixed version of the old and new systems. Political issues mean that, even though employees feel they are not being targeted or left to dissipate, they still have special interest in preserving as much of the status quo as possible. As a result the suggested modifications were conservative.

Furthermore, Radnor (2010) explains that impediments to the effective organisational benchmarking process include resistance to change because senior managers or heads of department feel that they cannot learn from others or do not accept the validity of the information they are being provided with. Woodard (2005) adds that although TQM in concerned public organisations has had some successes, “the gradualism and constant attention of implementation can make the approach unappealing.”

In addition, according to Sokovic et al. (2010) and Radnor (2010), such organisational improvement methodologies imply a long-term programme and not a short-term fix. Depending on the maturity of an organisation, they may involve more complex and demanding methodologies and therefore need more time and resources for their proper implementation (Sokovic et al., 2010). For example, Radnor (2010) explains that taking a holistic approach, as was done within HMRC, DWP and Royal Bolton Hospital, means that such methodologies can become embedded only over a long period of time (up to seven years). A study of management practices and performance conducted by Prabhu, Robson, Yarrow, Appleby and Mitchell (2001) examined 450 service organisations in the North East of England, (including the public services sector) where PROBE was used. Asked how soon their organisation would be competing with the best in class, a greater than expected number of those identified as contenders/world class felt that they had already reached that stage or would do so within the next three years. However, a greater than expected number of those identified as could do better organisations believed it would take five to ten years.

As discussed in section 2.2, this research is focusing on finding an approach to assist decision makers in the developing world to effectively transform their poor organisational environment in a step-change fashion to attract FDI. From the discussion above, it can be argued that using existing organisational improvement methodologies is an effective but long-term approach to achieving a holistic organisational performance improvement. However, time is of the essence for those developing countries suffering from lack of infrastructure, so creating an organisational environment favourable for MNCs to foster FDI inflows is therefore urgent. Therefore, these organisational improvement methodologies do not serve as an answer to the question raised in section 2.3 and an alternative approach must be found. Chapter 3 will discuss some available alternative approaches.

2.6 SUMMARY AND CONCLUSION

This chapter has shown that a key pillar of a county's economic growth is the development of its infrastructure. Unfortunately, there is a serious lack of infrastructure development in the developing world, where it is most needed. One reason is that governments lack sufficient financial resources to address their infrastructure investment needs. Attracting FDI could be the solution. However, this is not an easy task, and governments in the developing world must create an environment favourable to MNCs to foster FDI. Several factors have been identified as affecting MNCs' decision to work/invest in any country, divided into government/country-level and organisation-level factors. As well as creating the right policies and incentives, governments must also improve the quality of their own organisations in order to create the required environment. The chapter also revealed that despite much work on encouraging MNCs to work/invest in a country, no research has attempted to identify a suitable approach for doing this.

Consequently, this chapter attempted to shed light on the organisational improvement methodologies available to assist decision makers in the developing world to improve their performance weaknesses in a step-change fashion. However, organisations normally require a long time to fully absorb the principles of these holistic methodologies and translate them into a world-class performance, and time is something that governments in the developing world cannot afford. Therefore, the following chapter explores the literature for an alternative approach to guide decision makers in the developing world to create an appropriate organisational environment.

CHAPTER 3: A NEW CONCEPT FOR ACHIEVING A STEP-CHANGE ORGANISATIONAL PERFORMANCE IMPROVEMENT TO ATTRACT FDI

3.1 INTRODUCTION

The discussion in chapter two revealed that developing countries need the involvement of MNCs in the development of their infrastructure. A key factor for attracting FDI is the development of an organisational environment attractive to MNCs. Although the organisational performance improvement methodologies explored in chapter two were successful in the right context, organisations require many years to fully absorb best practice. Since time is of the essence for developing countries, decision makers of government organisations need to find an alternative approach to deliver effective performance. This means that they need to innovate and follow a suitable approach to implement change effectively.

Iraq is a developing country in the Middle East, currently badly in need of funding to address its infrastructure investment requirements. The government of Iraq (GOI) has opened its door for investors to participate in the development of infrastructure, yet many MNCs have demonstrated extreme caution. Apart from problems of security and political instability, Iraq is internationally known as a country whose government organisations are highly corrupt and hard to do business with (see discussion in chapter 4). Therefore, a crucial role the GOI can play to attract MNCs in the short term is by improving the performance of government organisations in a step change fashion. Decision makers must adopt and apply best practice, accepting innovations enable them to emulate a world-class performance.

This chapter discusses innovation, linking it to organisational performance, explaining why some innovation implementations fail and suggesting methods for successful implementation. The chapter also looks at some organisational tools and techniques and their role in helping government organisations carry out infrastructure development programmes effectively. It also highlights the main considerations for managers when implementing organisational change. The chapter concludes by presenting six synthesised steps intended to guide the research towards developing and proposing an approach to help government organisations' decision makers overcome performance weaknesses and create an organisational environment attractive to MNCs in a step-change fashion.

3.2 INNOVATION AND ORGANISATIONAL PERFORMANCE

In all sectors innovation has become more critical for performance, and a focus for organisational change. At the same time approaches to innovation are changing (Katsigiannis et al., 2014). According to de Vries, Bekkers and Tummers (2014) innovation is used to achieve numerous objectives, such as increasing effectiveness and efficiency, responding to the external environment, ensuring customer satisfaction, involving citizens and, finally, involving private partners. It is essential to differentiate between the types of innovation, as future decisions that may be vital to the success of the implementation depend on understanding the type of innovation (Trott, 2011). This section sheds light on some of the main definitions and types of innovation and possible approaches to their successful implementation, in the context of this research.

3.2.1 Innovation: Definition and Types

The business dictionary defines innovation as “the process of translating an idea or invention into a product or service that creates value and often results when ideas are applied by the company in order to further satisfy the needs and expectations of the customers” (BD, 2016). This definition suggests that innovation is a process of transforming an invention or idea into a product or service which can be exploited commercially and consequently benefit consumers. This is in line with Mars (2013) definition of innovation as “the introduction of something new that positively impacts mankind in meaningful and contextually specific ways”. This definition highlights the context within which innovation is implemented, implying that the context of an organisation or an industry is the trigger for the innovation process. This is supported by Feimi and Kume (2014) and Stone, Benjamin and Leahy (2011), who stress that innovation is the successful implementation of creative ideas within an organisation, often identified as a critical aspect of continued growth and competitiveness in industry and business in general. O'Sullivan and Dooley (2008) acknowledge these various aspects of innovation, highlighting its importance as a tool for continuous improvement and defining it as “the process of making changes to something established by introducing something new that adds value to customers and then learning from that process so that innovation can be repeated continuously”. Inspired by these definitions and in the context of the aims of the study, this research defines innovation as a process that utilises existing best practices and translates them into something that can help improve an organisation's performance to better deliver its service to customers.

A number of studies have classified innovation by how managers respond to the various organisational challenges and the impact of their response on the existing organisational framework. For example, in (1997) Harvard business professor Clayton Christensen published his influential book *The innovator's dilemma*, which established his reputation in the study of technological innovation in commercial enterprises. In this and subsequent work he articulated the basic theory of disruptive technology, characterising two broad types of innovation:

- Sustaining innovation is about making a good product/service better (Christensen, 2012). Sustained innovations have a constantly improving track record within a typical level of competition. Organisations are continually improving their products or services in response to customer demands. This dynamic approach is predictable and can guarantee success because needs remain stable over time (Bower and Christensen, 1995; Christensen, 1997).
- Disruptive innovation describes “a process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors” (Christensen, 2015). It “is not a breakthrough innovation that makes good products better; it has very specific definition that is, it transforms a product or service that historically was so expensive and complicated that only few people with a lot of money and a lot of skills had access to it. A disruptive innovation makes it so much more affordable and accessible that a much larger population have access to it.” (Christensen, 2012)

Unlike sustained innovations, disruptive innovations do not constitute an improvement in the quality or performance of an existing product or service. Instead of maintaining a constantly improving track record, they tend to disrupt this track record, generating a product or service radically different from the one being offered, radically changing the rules of the game, and allowing access for actors not covered under the traditional model (Bower and Christensen, 1995). Disruptive innovation is a powerful mean of broadening and developing new markets, attracting new customers and providing new functionality, which in turn may disrupt existing market linkages (Yu and Hang, 2010). Such an approach pushes an organisation to “identify possible new ways and desirable futures, and is suited to addressing complex problems or situations where past approaches have failed to gain traction. It reflects a re-framing approach where it is essential to explore alternative futures without being conceptually locked- in to

past strategies. In this approach the strategies, structures, routines and capabilities of an organisation are more likely to be re-assessed and disrupted” (Katsigiannis et al., 2014).

According to Davila, Epstein and Shelton (2006) (p. 57) “disruptive innovation is a broader term that addresses both technology and business model changes. Disruptive innovations include technology-driven innovation (semi-radical technology innovation; upper-left quadrant see Figure 3.2). It also can mean changes to the business model – a semi-radical business model innovation (lower-right quadrant) However, sometimes disruptive innovations include a combination of technology change and business model change – a radical innovation (upper-right quadrant) the disruptive innovation can be a key source of growth and is widely sought after by CEOs”.

Accordingly, innovation can be sustaining or disruptive to an organisation depending on the organisation’s existing ability to implement the innovation; see Figure 3.1. According to Christensen and Kaufman (2006) what is disruptive to one organisation might have a sustaining impact on another.

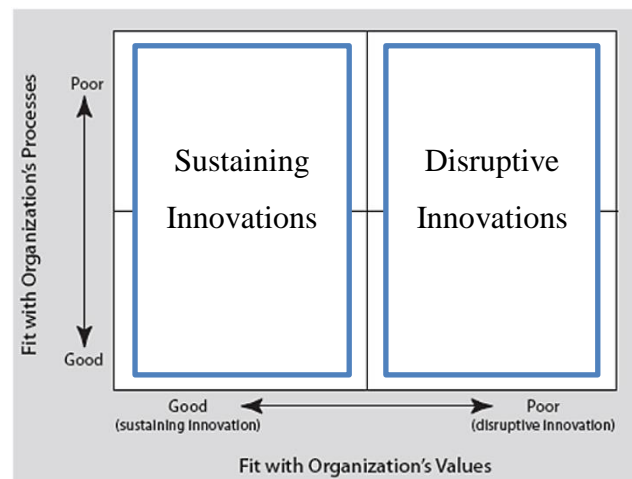


Figure 3.1: Organisational capability and innovation, (Christensen and Overdorf, 2000)

According to Christensen and Overdorf (2000), when an organisation faces a business challenge that requires the organisation to innovate, such as developing a new product or service or improving an existing one to attract a new customer segment, the manager’s action plan to address the challenge will either have a sustaining or disruptive impact on the organisation’s values and priorities embedded in its existing business model. For example, when the development or improvement of a product or service requires managers to adopt new values and priorities, such as following a new supply chain, procurement, marketing

and/or profit system(s), this type of innovation is considered as disruptive because it disrupts not only the market with the new or improved product or service, but also disrupts the organisational culture and the current way of doing things within the organisation. On the other hand, when the organisation's existing values and priorities fit well with the requirements of implementing the innovation, and new processes to successfully execute the innovation may or may not be required, this is considered as sustaining innovation. Managers can follow the existing business model and may only need to improve or develop new processes or enabling technologies to successfully implement the innovation.

Davila et al. (2006), (2012) also classified the types of innovation by taking into consideration the change the innovation will bring to the organisation's current use of technology and its business model. They follow a similar approach to Christensen, classifying innovations based on the impact they will have on the organisation's existing capabilities. They outlined a two-dimensional plane in which one axis is innovation on a technology basis, and the other is innovation on a business model basis. The greater the change, the further one moves along the axis, resulting in the matrix shown in Figure 3.2. For example, when a new/improved performance such as developing a new product/service is needed, and when this new/improved performance suggests the need for significant change to the existing technology and business model, such innovation/improvement is called radical; with consideration of significant change to one or more of the technology and business model levers, see Table 3.1. Innovation that requires a small change to either the business model or technology to achieve the desired outcome is called incremental innovation. A significant change along one, but not the other, axis is called a semi-radical innovation (Badawy, 2006).

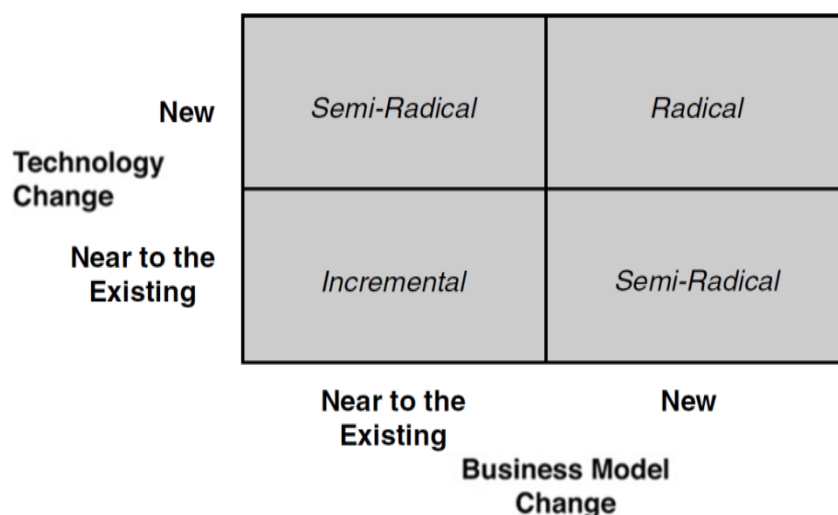


Figure 3.2: Innovation Matrix, (Davila et al., 2006)

In Table 3.1, Davila et al. (2006) (p. 40-41) show that incremental innovation always firmly embraces the existing technologies and business model; although some elements may change slightly, most stay unchanged. Semi-radical innovations include little or no change to the levers of one of the innovation drivers. Radical innovations include changes to levers in both the technology and business model, but usually not to all the six levers of innovation described below. Innovation is always about combining something old and something new from the technology and business model levers.

Table 3.1: The Levers for the Three Types of Innovations, source:(Davila et al., 2006)

Levers Types of Innovation	Business Model Levers			Technology Levers		
	Value Proposition	Value Chain	Target Customer	Product and Service	Process Technology	Enabling Technology
Incremental	<i>Small</i> change in one or more of the six levers					
Semi-Radical Business Model Driven	<i>Significant</i> change in one or more of the three levers			<i>Small</i> change in one or more of the three levers		
Semi-Radical Technology Driven	<i>Small</i> change in one or more of the three levers			<i>Significant</i> change in one or more of the three levers		
Radical	<i>Significant</i> change in one or more of the three levers			<i>Significant</i> change in one or more of the three levers		

Davila et al. (2012) (p1-9) explain that a company has three technology levers: product and service offerings, process technologies and enabling technologies. A change to the product or service offered by the organisation is the most visible form of technology change, apparent to customers, competitors and partners. Less visible are changes to the processes used to create or deliver the product or service. Likewise, changes to enabling technologies, such as quality or inventory control, are hidden to all but a selected few. Some companies depend almost exclusively on technology innovation, although competitors quickly match these. The technology innovation thus creates a huge competitive churn but little or no competitive advantage. Thus, innovation is more than changing technologies to create products and services that are better, cheaper and faster. Innovation also thrives on business model innovations.

Davila et al. showed that business model levers change how a company creates, sells and delivers value to its customers. Business model change can drive innovation in three areas: value proposition, value networks, and target customer. A company innovates its business model in three basic ways: it can update its value proposition, modifying the value it delivers to customers; it can rewire the value network, transforming how it delivers and captures value, by radically changing the supply chain or the revenue, cost; and margin model; or it can change its target customer, altering the sector to which it delivers value. These are three fundamental elements of every business strategy and logical focal points for innovation (Davila et al., 2012).

Accordingly, this research classifies innovation into two main types (see Figure 3.3):

1. Disruptive innovation, entailing disruption of the organisational business model. Successful implementation depends on the organisation making significant changes to its existing value proposition, value chain or targeted customer, with or without the need for a change to its existing product/service, processes or enabling technologies.
2. Sustaining innovation fits well with the organisation's existing business model and may or may not require the organisation to make significant changes to its existing product/service, processes or enabling technologies.

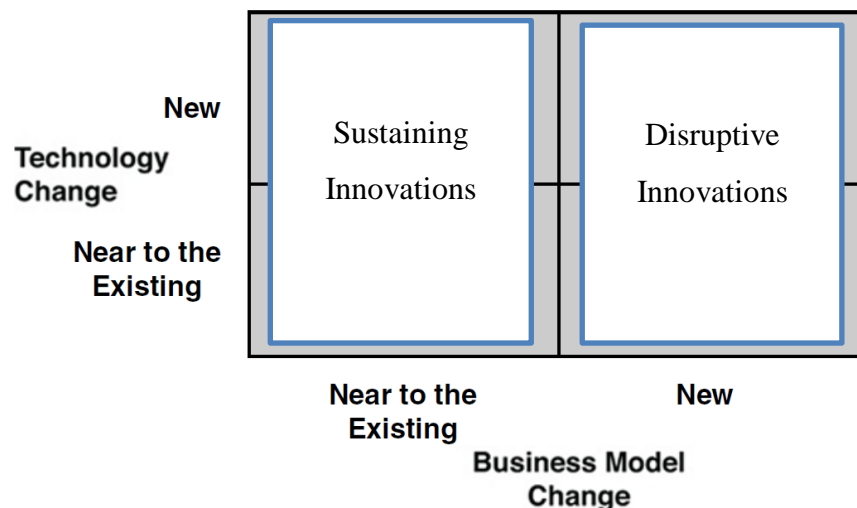


Figure 3.3: Research Definition for Innovation, *inspired by* (Davila et al., 2012 & 2006; Christensen and Overdorf, 2000)

Nonetheless, given the difference in the impact of innovation implementation on an organisation's existing organisational framework, it is important to understand the possible

approaches managers can follow to achieve successful implementation. This will be discussed in the following section.

3.3 INNOVATION IMPLEMENTATION

Applying innovation is not an easy task; whether it is applying a new managerial system or adopting a new processes or technology to deliver a new product or service, innovation will face a similar organisational response to any change initiative within an organisation. O'Sullivan and Dooley (2008) asserted that 'organisations spend on average just under 4% of turnover on innovation, trying to achieve goals such as better quality, lower lead times, more product variety and increased market share. Most innovation fails to achieve these goals and some analysts argue that failure could be as high as 90%. The causes of failure are varied, although some are common across most organisations'. O'Sullivan and Dooley classify causes into 'cultural and process failures. Cultural failures, such as poor leadership and organisation, are clearly important but take time to improve. Process failures such as definition of goals and aligning actions with goals are also important but can be remedied in the shorter term through better information and knowledge management'.

Klein and Knight (2005) (p2-3) agree that the implementation of organisational innovation is difficult for numerous reasons: innovation may fail if it requires would-be users to acquire new technical knowledge and skills, which many people may find tedious or stressful; or because individuals are required to change their roles, routines and norms, or to coordinate their activities and share information when previously they had worked independently. Innovation may also disrupt the status hierarchy, requiring individuals who have previously worked as boss and subordinates to now work as peers. While these sorts of change trigger strong resistance from personnel, another important reason for failure is that implementation of innovations is time consuming, expensive and has an initial negative effect on organisational performance. Effective implementation may require substantial investment of time and money in technology start-up, training, user support, monitoring, meetings and evaluation. This situation may push targeted users and their managers to feel greater pressure to maintain pre-existing levels of performance than to invest in the uncertain and long-term potential of innovation implementation. Klein and Knight (2005) added that organisations' failure to adopt, and certainly to implement, potentially beneficial innovations is because the organisations are themselves a stabilising force, their norms and routines fostering maintenance of the status quo. Even when organisational members recognise that a specific

change would be beneficial, they often fall prey to the knowing–doing gap. Unsurprisingly, observers estimate that some 50% of attempts to implement major technological and administrative changes end in failure.

In order to implement innovation successfully, O'Sullivan and Dooley (2008) ascertain that every organisation would like to achieve a return on their investment. The causes of innovation failure give an indication of the areas in which most organisations need to improve to increase the impact of innovation. They suggest that the innovation funnel (Figure 3.4) offers a structured approach to managing innovation, reduces the effects of the main causes of failure, while and simultaneously achieving goal attainment.



Figure 3.4: Innovation Funnel, source (O'Sullivan and Dooley, 2008)

O'Sullivan and Dooley (2008) explain that the funnel emphasises that organisations can achieve successful innovation implementation by having better definition of goals, more effective alignment between actions and goals, greater participation of individuals in teams, better monitoring of results and great communications and building of communities. Klein and Knight (2005) also showed that achieving effective innovation implementation can be obtained by satisfying a number of critical factors, These include organisations establishing effective implementation policies and practices, ensuring that employees have a shared positive perception of the importance of innovation implementation within the team or organisation; achieving strong, convincing, informed and demonstrable management support for implementation; ensuring the availability of financial resources; introducing an organisational learning orientation or set of interrelated practices and beliefs that support and

enable employee and organisational skill development, learning, and growth; and, importantly, for managers having patience and accepting long-term orientation.

The innovation implementation model of Klein, Conn and Sorra (2001a) (Figure 3.5) emphasises that innovation effectiveness is significantly correlated to implementation effectiveness; and organisational differences in implementation effectiveness (innovation use) are significantly related to management support, financial resource availability, policies and practices, and implementation climate.

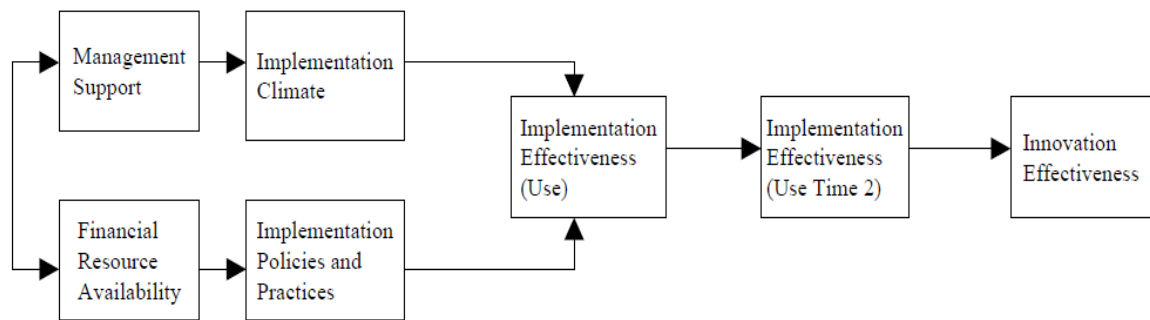


Figure 3.5: The Link Between Implementation Effectiveness and Innovation Effectiveness, source (Klein et al., 2001a)

In all circumstances, the degree of impact of innovation implementation on the organisation will determine the level of resistance it receives. This is because 'antibodies are an organisation's natural response to change. Incremental changes are usually tolerated well, as they are small and not very threatening. However, breakthroughs/semi-radical and radical innovations are rightfully perceived as disruptive to the way things usually work. The innovation might change the way traditional business is done in such areas as revenue and margin generation, and product and service delivery. Sometimes the innovation could cannibalise existing business. This type of change evokes a strong antibody response from the existing business' (Davila et al., 2012).

However, despite the fact that innovation implementation can be disruptive to an organisation's day-to-day routine, change is inevitable and necessary for an organisation's continual survival in its market. Several studies argue that organisations need not pay attention to a single market direction and or focus only on increasing the efficiency of their products to target those that can pay more, when there are other businesses (disrupters) that can provide products (disruptive innovation) that are much affordable and can serve the same

purpose. These disrupter organisations will not only attract customers that the disrupted businesses have overlooked, but will eventually overtake the high-paying customers, destroying the market of these businesses. An example of disruptive innovation is the steel mini-mills which have significantly disrupted the market of the large integrated steel mills; and the laptops and PCs and that have gradually destroyed the market of mainframe computers; see for example Bower and Christensen (1995), Christensen (1997), Christensen, Raynor and Anthony (2003) and Christensen (2013). Another example of disruptive innovation is the Lexus, used by Toyota to disrupt the marketplace in luxury cars previously occupied only by BMW, Mercedes and the like; see Liker (2004).

Effectively, in order to avoid having their organisations end up like the integrated steel mills and mainframe computer companies, managers are required to take the risk and consider making radical organisational change to adapt to the market environment. According to HBR (2013), in order to succeed managers must develop their own disruptive innovations and treat them as a separate unit with a different business model and growth expectations, asking what job customers need to be done and then segmenting customers by job rather than by product, market size or demographics. Then they need to develop basic low-cost, transparent solutions to complete the job for customers. Eventually these new disruptive solutions will help these companies to dominate the market again, keeping or increasing their customer base and ultimately keeping their business alive.

In summary, organisations must continually innovate to attract more customers and maintain their market position. However, as discussed above, innovation implementation can cause overall organisational disruption, leading to resistance and failure to achieve the innovation goals. An effective approach to solving this dilemma is for managers to treat innovations as separate units, with dedicated teams to work on their implementation. Two examples of establishing a separate organisation to deal with an immediate organisational challenge are:

- Cook (2014) described the cornerstone of China's economic development and growth, from the 1980s when the economy was a wreck and people were starving on the street. The Chinese government did something that no government had done before, setting out policies through an experimentation approach to find the best policies to address the country's needs. Instead of legislating, the government ran experiments to test proposed policies. They fenced Shenzhen city, for example, and ran it with different economic rules while the rest of the country remained under the communist economy.

Shenzhen had free market rules with foreign investment allowed, and this is where the Chinese economic miracle started. Jobs were created, companies, investment and people from other cities started to cross the fences to get to Shenzhen. Eventually, when that formula had proved successful, it was expanded to the rest of China.

- Liker (2004) described the development of Lexus, which was meant to disrupt the luxury car market in Europe and America, one of the best examples of the Toyota Way in action. In developing the first Lexus car, managers first needed to convince Toyota's conservative management that the idea of a car to compete with the best in the world would work. The innovation was building a prototype car that showed quality, efficiency and effectiveness better than the competitors' luxury cars. In order to achieve this, they created a functional team from the best engineers in Toyota, which eventually produced the first Lexus car and changed Toyota's production path ever after.

However, Christensen and Overdorf (2000) questioned how separate such a division needed to be. A new physical location is not always necessary, the primary requirement being that the project not be forced to compete for resources with projects in the mainstream organisation. Projects that are inconsistent with a company's mainstream values will naturally be accorded lowest priority, and whether the independent organisation is physically separate is less important than its independence from the normal decision-making criteria in the resource allocation process. Christensen and Overdorf (2000) also explained that managers confronting change, such as delivering effective performance for MNCs, need to ask the following questions:

- I. Does the organisation have the right resources required to succeed?
- II. Are the processes by which work habitually gets done in the organisation appropriate for this new problem?
- III. Will the values of the organisation cause this initiative to get high priority or to languish?

The answer will help managers decide on the approach that can best address the required change to deliver the required performance. They proposed a matrix to help managers understand what kind of team should work on the project and what organisational structure that team needs to work within; see Figure 3.6.

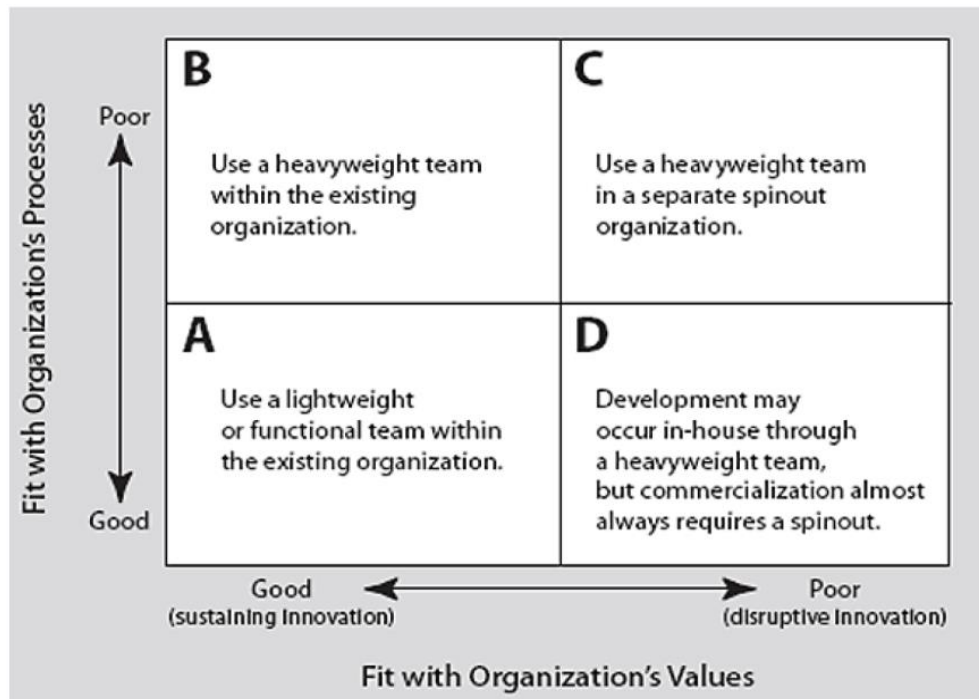


Figure 3.6: Fitting the Tool to the Task, (Christensen and Overdorf, 2000)

The matrix supposes that an organisation needs to react to or initiate an innovation. The vertical axis asks the manager to measure the extent to which the organisation's existing processes are suited to getting the new job done effectively. The horizontal axis asks them to assess whether the organisation's values will permit the company to allocate the resources the new initiative needs. The different types of team required are illustrated Figure 3.7. For example, when a manager faces a disruptive change such as the one in region C or D, this suggests the need for a change of business model, and a spin-off or spinout organisation should be created, with a heavyweight development team, as shown in Figure 3.7(d). The spinout will allow the project to be governed by a business model with different values and priorities from those of the parent organisation. According to Barahona and Elizondo (2012), the spinout is an 'independent organisation with other values and skills, not threatened by new ways of doing things, and not seeing the possible market in the same way as the threatened parent organisation. It does not keep anything from its parent. At the highest level, it may have contacts that facilitate the use of existing resources, but the new organisation "forgets" how the original one did things and how it saw its customers', including MNCs. 'Otherwise, there is a risk that the new organisation will remain immersed in the assumptions, values and decisions of the parent organisation'. The heavyweight team will ensure that new processes can emerge.

Christensen and Overdorf (2000) explain that in region A, the project is a good fit with the company's processes and values, so no new capabilities are called for. A functional or lightweight team, as in Figure 3.7(a) & (b), can tackle the project within the existing organisational structure. A functional team works on function-specific issues, then passes the project on to the next team. A lightweight team is cross-functional, but team members stay under the control of their respective functional managers. In region B, the project is a good fit with the company's values but not with its processes. It presents the organisation with new types of problem and therefore requires new types of interaction and coordination among groups and individuals. The team, like the team in region A, is working on a sustaining rather than a disruptive innovation. In this case, a heavyweight team has advantages, although the project could be executed within the mainstream company. The members of the heavyweight team, as shown in Figure 3.7(c) work solely on the project and are expected to behave like general managers, shouldering responsibility for the project's success; new processes and new ways of working together can then emerge.

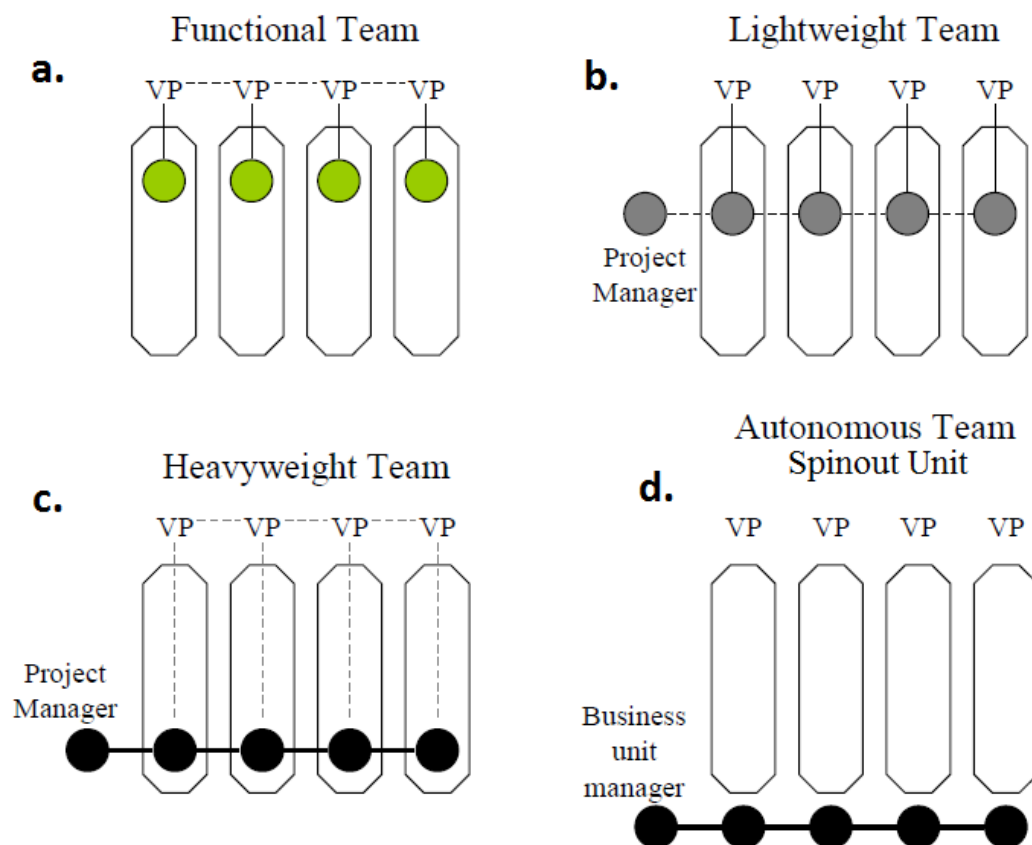


Figure 3.7: Type of Teams, Source Christensen and Kaufman (2006)

This concept is supported by Ito (1995) who explained that 'when parent firms have higher technological capabilities they may not need to spin off firms, because the new business may be the application of the parent's technology in different industries and it may not require a different management system. On the other hand, in order to survive, less technologically advanced parent firms are more likely to create spinoffs with less intervention; this is especially the case when the new business is in a high-technology industry and thus requires different management that cannot be managed by the old system'.

Accordingly, the concept that can be extracted from the discussion above is that the implementation of an innovation may require an organisation to change its current management system, incorporating new values and priorities into its existing business model. In this case, in order for decision makers to implement such an innovation successfully, it is better to establish a separate spinout organisation/unit having the required management system, values and priorities to carry out the implementation of the innovation. However, when the innovation implementation does not necessitate adopting a new management system or when the core concepts of the existing business model fit well with the requirements of implementing the desired innovation, there is no need for a spinout organisation or unit, and it is better to assign the implementation of the innovation to a team within the main organisation where they can take advantage of existing resources.

Hence, this concept can provide an answer to the question raised in chapter two, section 2.3, about finding an approach enabling decision makers of government organisations in the developing world to create an organisational environment attractive to MNCs in a step-change fashion. Instead of focusing on applying the required improvement to an entire government organisation and facing the inevitable challenge of resistance to change, the decision makers can establish and dedicate a separate division or team to emulate the required world-class standards, by working exclusively and effectively on addressing the needs of the new customers, in this case MNCs. This should reduce the time required to create the organisational environment favourable to MNCs. This potential answer to the research question – (section 2.3.5) will be examined in more detail in the next section, to show how the concept can help in addressing the aim of this research.

3.4 A STEP-CHANGE APPROACH TO ORGANISATIONAL PERFORMANCE IMPROVEMENT

When considering MNCs as new customers fostering FDI, the decision makers need to innovate and ensure that their government organisations are able to deliver high-quality performance throughout the lifecycle of the infrastructure projects. As discussed in section 2.4, achieving high-quality performance requires the organisation to adopt best practices, although this may mean adopting new and disruptive technologies, such as e-procurement. According to Christensen (1997), this may entail disruption to the government organisations' business model as it changes the relationship between the organisation and its customers and suppliers, changes the traditional way of doing things and disrupts the financial arrangements created for its current marketing and technology. Barahona and Elizondo (2012) confirmed that technologies used to improve the performance of government procurement, such as e-procurement, fits the category of disruptive innovation. In line with Davila et al. (2012), they argue that public entities, by their very nature, are less flexible when making structural changes. Just as in introducing e-procurement, the adoption, implementation and diffusion of a disruptive or radical innovation within a public organisation is more prone to non-compliance or failure, than to success and the satisfaction of interested parties. Therefore, addressing this challenge requires decision makers of government organisations to follow an approach that will overcome their organisational performance weaknesses and deliver better performance in a step-change fashion, without disrupting the existing system.

The concept identified in section 3.3 can play a significant role in addressing this challenge and in forming an appropriate organisational performance approach. Accordingly, decision makers of government organisations should establish a separate organisation or team and dedicate it exclusively to work with MNCs. This organisation or team should follow best practices to deliver high-quality performance.

More specifically, in order to apply this concept to the context of government organisations in the developing world, it can be argued that if a country such as Iraq has poor overall organisational practices, adopting best practice would entail a significant business model change. These decision makers of such government organisations would be advised to establish a separate spinout organisation, run by a heavyweight team, dedicated to working exclusively with MNCs and with complete responsibility for success. On the other hand, if government organisations exhibit good overall practices, the sustaining type of change is preferable, with consideration of small technological or business model changes. The decision

makers would be advised to establish a lightweight or functional team (see section 3.3) within the existing organisation to work on addressing MNCs' needs during the lifecycle of the infrastructure project, offering a world-class performance to satisfy the MNC.

Another question is how decision makers of government organisations in the developing world can learn the level of change or improvement required in their existing overall practices, to decide on the type of organisational structure to dedicate to the work. Essentially, the findings obtained from the self-assessment process of PROBE (section 2.4), or similar tools, can inform decision makers of the level of the gap between best practices and their existing overall practices.

For example, the PROBE world-class grid (Figure 2.7), shows that organisations falling in the could-do-better or vulnerable categories have much poorer practices, compared to best practice, than organisations in the promising or contender categories. Consequently, those developing world, government organisations responsible for the delivery of infrastructure that fall in the former group are more likely to need to adopt best practice, resulting in business model disruption such as the adoption of e-procurement, than those in the latter group. In the context of the models of Christensen and Overdorf (2000) and Davila et al. (2012) (discussed in section 3.3), if the decision makers of could do better organisations are to make the change without disrupting their existing system, they would be advised to establish a separate spinout organisation and dedicate it to work exclusively with MNCs. The spinout organisation will be operated by a heavyweight team trained to deliver world-class performance during the lifecycle of the infrastructure projects. On the other hand, organisations in the promising or contender categories can dedicate an in-house team (lightweight, cross-functional or heavyweight team as needed) to make sure that MNCs receive the required services in the way they desire. By combining these proposals, a new model can emerge, helping decision makers of government organisations in, say, Iraq, to overcome their performance weaknesses in a step-change fashion without disrupting their existing organisational system; see Figure 3.8.

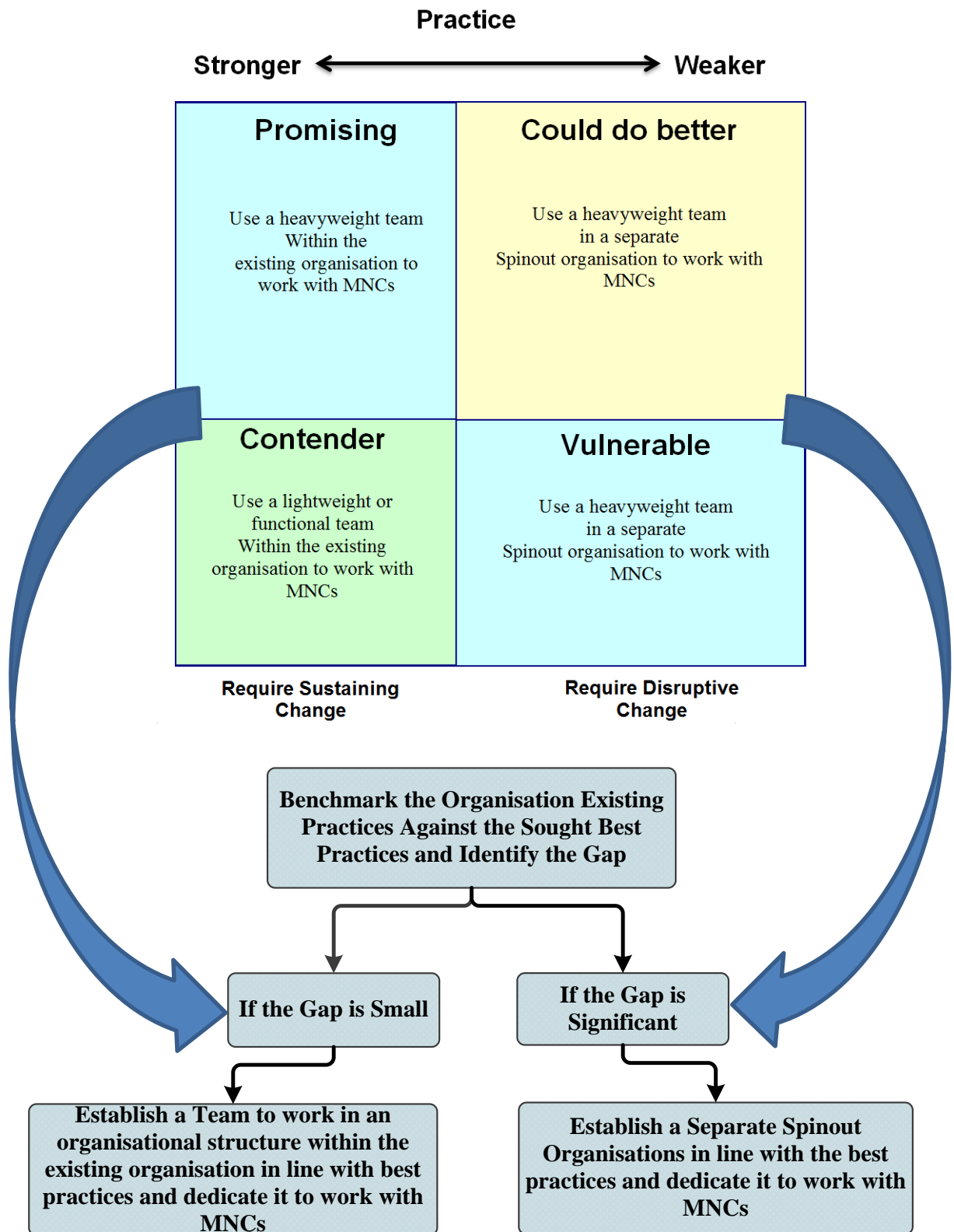


Figure 3.8: A Synthesised Method for Helping Decision Makers Deliver Attractive Organisational Performance in a Step Change Fashion

Table 3.2 summarises the discussion above by showing the scenarios which can be used by these decision makers to deliver effective performance according to where their organisations fall on the PROBE world-class grid, without disrupting their existing systems.

Table 3.2: Rationales on Selecting the Right Team and Organisational Structure to Work with MNCs

If a government organisation fall in the . . .	Select this type of team to work with MNCs. . .	To operate . . .
CONTENDER Category of PROBE World-Class Grid	Functional teams who work sequentially on issues, or lightweight teams — ad hoc cross-functional teams who work simultaneously on multiple issues	Within the existing government organisation
PROMISING Category of PROBE World-Class Grid	Heavyweight team dedicated exclusively to the innovation project, which aim at delivering world-class performance with complete responsibility for its success	Within the existing government organisation
VULNERABLE Category of PROBE World-Class Grid	Heavyweight team dedicated exclusively to the innovation project, with complete responsibility for its success	In a separate spinout or acquired organisation
COULD DO BETTER Category of PROBE World-Class Grid	Heavyweight team dedicated exclusively to the innovation project, with complete responsibility for its success	In a separate spinout or acquired organisation

(Note: these rationales are inspired by (Christensen and Overdorf, 2000; Davila et al., 2006, 2012; PROBE))

In summary, to achieve the above, decision makers are required to carry out the following steps:

- **First** assess their organisation's overall practice and performance;
- **Second** identify the level of change or improvement required to their existing practices to be able to emulate world-class performance; and,
- **Third** decide on a suitable team and organisational structure for the team to work within, and dedicate it exclusively to work with MNCs, as depicted in Figure 3.8 and Table 3.2.

This is in line with Yusof and Aspinwall (2000), who argued that effective design of an organisational improvement approach requires thorough analysis of the organisation and its operating environment. This will lead to the provision of a sound foundation for the path to successful implementation. Therefore, the above three critical steps will be followed in this research as a method to help the researcher identify and propose, for decision makers a suitable team and organisational structure to dedicate to working with MNCs during the lifecycle of infrastructure development programmes within their jurisdiction.

However, these three steps provide only part of the answer to the question raised in section 2.3.5, and other considerations need to be taken into account. *First*, understanding some of the critical organisational elements that can help the new organisational structure achieve a step-change performance in the delivery of infrastructure projects. *Second*, given that the organisational structures (Figure 3.8 and Table 3.2) are intended to work within the general context of the public sector, it is important to understand the key characteristics of effective change management within the context of public sector organisations. Sections 3.5 and 3.6 shed light on these two important aspects respectively.

3.5 CRITICAL ELEMENTS FOR EFFECTIVE STEP-CHANGE INFRASTRUCTURE DEVELOPMENT

The literature shows that strategic planning, project management and information technology are very effective tools and techniques for improving organisational performance. This section will discuss these concepts and their benefits, and their connection to organisational performance.

3.5.1 Strategic Planning and Organisational Performance

According to Sahoo (2011), as well as having adequate financial resources, infrastructure development requires strong planning and coordination. Public organisations with a culture that supports effective and efficient strategic planning and management can judge whether the best approach to delivering services to citizens is sustaining or disruptive. Bryson (2011) defines strategic planning as a “deliberative, disciplined approach to producing fundamental decisions and actions that shape and guide what an organisation (or other entity) is, what it does, and why”. Strategic planning of this kind can help leaders and managers successfully address major issues or challenges facing an organisation, issues or challenges not amenable to simple technical fixes. Strategic planning can be helpful for purposes of: (1) gathering, analysing, and synthesising information to consider its strategic significance and frame possible choices; (2) producing considered judgments among key decision makers about desirable, feasible, defensible and acceptable missions, goals, strategies and actions, along with complementary initiatives, such as new, changed or terminated policies, programmes, and projects, or even overall organisational designs; (3) addressing in effective ways key organisational issues or challenges now and in the foreseeable future; (4) enhancing continuous organisational learning; and (5) creating significant and enduring public value (Bryson, 2011, p. 7-8). Figure 3.9 provides more information about the strategic planning process.



Figure 3.9: The ABCs of Strategic Planning, source (Bryson, 2011)

In fact, strategic planning is one part of an organisation's management and is seen by some as its principal part (Edwards, 2012). The correlation analysis results of Arasa and K'Obonyo (2012) indicated the existence of a strong relationship between strategic planning and organisational performance. They found that all strategic planning steps are positively related to a company's performance. Additionally, VNG (2005) argued that a comprehensive strategic plan will help government organisations understand what they want to accomplish, by when, and what qualities, skills and resources will be needed to achieve their envisaged goals. It should set out ambitious but achievable goals and targets and a coherent and logical set of actions to meet these goals and targets. Edwards (2012) also found that when local governments implement a comprehensive strategic planning process, this planning will be associated with better performance in terms of their efficiency, effectiveness, service quality and productivity.

According to UNCTAD (2008), the massive infrastructure development needed in developing countries requires them to draw on contributions from MNCs, but in a way that fits the national development plans. Developing countries need to consider when and in what areas to involve these companies and they must find ways to ensure that such projects achieve the desired outcomes. WBG (2014) adds that when developing countries decide to target higher levels of FDI, they need to have a clear and prioritised strategic plan in place. 'It should set out the conditions and resources required to make the location fully competitive in attracting new investment, such as: legal, policy or regulatory barriers and the steps necessary to remove or alleviate them; what infrastructure, skills, and other conditions need to be stimulated; and how the location will proactively promote new investment' (WBG, 2014).

Accordingly, strategic planning can help leaders and managers successfully address major issues or challenges facing their organisation, issues or challenges not amenable to simple technical fixes. The strategic planning process helps to unify the organisation around a common mission, goals, and objectives based upon appropriate internal and external analysis. Conducting comprehensive strategic planning can help government organisations responsible for the delivery of infrastructure in the developing world to understand the needs of their customers' (either citizens or suppliers such as MNCs); develop effective strategic plans to address their needs; and identify how, what and where to attract MNCs to address their citizens' needs. Thus, it can be argued that having a strategic planning office or experts as part of the proposed organisational structure (section 3.4) will have a significant impact on

achieving effective organisational performance while working with MNCs during the lifecycle of infrastructure projects.

3.5.2 Project Management Office (PMO) and Organisational Performance

On the other hand, although strategic planning is important for government organisations to develop the right policies, regulations and frameworks to attract FDI, finding an appropriate way to implement them that is more transparent and less corrupt or bureaucratic is of a tremendous importance. According to Bossidy and Charan (2002) and Raffoni (2003), most organisations that are successful in their strategy implementation use some sort of project management to implement their strategies. Project management must certainly be used in some form to drive the implementation of the strategic plan, forming the foundation of the plan and its implementation. According to PMI (2013), project management is the application of knowledge, skills, tools and techniques to project activities to meet the project requirements. It is, in general, a very successful management discipline for driving execution and obtaining results (Britz and Buys, 2007).

Britz and Buys (2007) add that a Project Management Office (PMO) should be established to drive the implementation of the strategic projects and measure their progress. The PMO must support programme and project managers in tracking the progress of the projects. According to PMI (2013), the PMO is a management structure that standardises the project-related governance processes and facilitates the sharing of resources, methodologies, tools and techniques. Its responsibilities can range from providing project management support functions to actually being responsible for the direct management of one or more projects. IPMA (2006) states that “A project management office (or programme management or portfolio management office) is part of a permanent organisation. Its roles are typically to support, to set standards and guidelines for the managers of different projects and programmes, to collect project management data from the projects, to consolidate it and to report to some governing body. It has to ensure that the projects are aligned to the organisation’s strategy and vision”.

According to Karayaz and Gungor (2013), one of the most important roles of PMOs is to collaborate with upper management to integrate the strategies into project management efforts; organisations need to establish a strategic framework for significant success, that consists of a vision, a mission, values, strategies for success, goals and action plans for daily, weekly, and monthly actions. In this manner, PMOs support this strategic framework,

constructed by upper-level management. One of the important roles of the PMO is to provide project management that fits in with the strategic plan. For this reason, PMOs integrate an organisation's strategies and goals consistently into project management. According to Sirkin, Keenan and Jackson (2005), they can help manage portfolios of projects by identifying problem projects; focusing execution expertise and senior management attention where it is most needed; and defusing political issues. PMI (2013) adds that the PMO can help in managing shared resources across all projects administered, by identifying and developing project management methodology; best practices and standards; monitoring compliance with project management standards, policies, procedures and templates by means of project audits; developing and managing project policies, procedures templates, and other shared documentation; as well as ensuring that the projects are aligned to the organisation's strategy and vision.

Therefore, PMOs can be an effective approach to improving the performance of public sector organisations in developing countries, helping them to find better ways of providing public services. Effective PMOs can help organisations plan and prioritise their projects effectively; design best practice processes and procedures for effective project implementation beginning from the planning stage; devising project tenders and contracting procedures; through to supervision of the execution stage, in which they show integrity, transparency and simplicity when dealing with investors such as MNCs. Therefore, building an effective PMO or having expert project managers within the organisation or as part of the proposed organisational structure (section 3.4) can be of tremendous benefit in effectively managing the implementation of infrastructure projects, as well as towards achieving organisational performance excellence.

3.5.3 Information Technology (IT) and Organisational Performance

The literature review findings have shown that IT is used extensively to improve government practices worldwide. For example, Liao, Wang and Tserng (2002) believe that in order to achieve efficient, transparent, non-discriminatory and accountable government procurement, an electronic government procurement system is required. Vaidya, Sajeev and Callender (2006) and Muinde and Shale (2014) agree that a number of public sector agencies worldwide have identified electronic procurement (e-procurement) as a priority in the e-government agenda, and have implemented or are in the process of implementing buy-side e-procurement systems. According to Godfred, Evans, Doumbia and Hanson (2015), the benefits of e-

procurement include transparency in the procurement process, early delivery of goods, early execution of tasks, and cost cutting. The Aberdeen Group (2005) confirmed that the value of e-procurement when applied intelligently, is indisputable, adding that through effective deployment of e-procurement technology, enterprises can: reduce transaction costs, improve process efficiency, reduce or eliminate “maverick” buying, increase contract compliance, reduce cycle times and save inventory costs.

One of the successful steps toward fighting corruption and making procurement procedures more transparent to clients is the creation of a client single window. For example, according to Casillas, Paredes, Cervantes and Torres (2015), the sixth measure announced by the Mexican prime minister, Peña Nieto, will be to create a National Single Window in order to simplify administrative and regulatory procedures. This National Single Window aims to expedite and simplify information flows between private firms and government officials within the trade sector, which will eventually lead to significant benefits for all parties involved in cross-border transactions. In Korea, according to Shin and Park (2004), the Government eProcurement System (GePS) provides around 30,000 Korean public institutions with goods and services needed to carry out their responsibilities and give better service to the people. Among the benefits of the (GePS), the most important improvement over the old procurement system is the transparency of public procurement. GePS has helped to prevent potential corruption, such as the frequent relationship between procurement officials and the staff of private companies.

The use of integrated IT solutions to facilitate project, programme and portfolio management has a significant impact on the delivery of projects on time, on budget and to specification. For example, Kremer (2015) asserted that projects that have higher Net Present Values and Returns on Investment will have a better chance of being considered for funding as long as there is a solid balance in their triple constraint. Project management software can help project managers and team members visualise the development process so they can clearly define the scope and manage their time and budget accordingly. Moreover, according to Ikonić, Kostelac and Mikac (2013) the benefits of implementing an enterprise project portfolio management (EPPM) system are clear and scientifically proven, and include direct benefits such as increased productivity, improvements in order management, reduction in IT and procurement costs, improvement in cash flow management, and reductions in transportation and logistics costs. Indirect benefits include improved visibility of corporate data, new improved business processes, improved responsiveness to customers, unanticipated reduction of cost, increased

flexibility, global share of information, improved business performance, improved visibility in supply chain management, and improvement in on-time delivery performance.

Thus, the use of integrated IT solutions can have a significant impact on the performance of government organisations in the developing world. They can help in facilitating the administrative burden for both civil servants and their customers. Therefore, integrating an effective IT solution in a public sector organisation in the developing world, or introducing it to a proposed organisational structure (section 3.4) can have an enormous impact on achieving high performance during the lifecycle of infrastructure developing programmes.

3.6 MANAGEMENT OF CHANGE

The review of the literature has revealed that resistance is a normal response to change within an organisation. Depending on how severe or disruptive the change is, managers should take into account a number of steps before initiating change, to ensure successful implementation: Sirkin et al. (2005), Fernandez and Rainey (2006), Yang and Pandey (2009), Rainey (2009), Kuipers et al. (2014), Kelman and Hong (2015) and Choi and Chandler (2015). This section sheds light on a number of important change management considerations for successful establishment and operation of any of the organisational structures that are to be proposed for decision makers in the developing world, to dedicate to work with MNCs (section 3.4).

3.6.1 Ensuring the Need and Key Stakeholder Support and Commitment

Several studies have shown that the decision makers of government organisations need to ensure top-management support and commitment in successfully conducting change within their organisations. Depending on the current quality of the practices adopted, the process of persuading key government stakeholders of the need for change can be difficult. It can be argued that decision makers of organisations that fall in PROBE's could do better category, for example, find it more difficult to achieve key stakeholder support for change than do those organisations in the contender category. In either case, leaders of these public organisations are required to conduct this step to ensure smooth and transparent implementation of any organisational improvement initiative. It has already been asserted that top management support and commitment to change play an especially crucial role in success, but it is vital that every individual or group within the organisation champions the cause for change (Kotter, 2007; Durant and Durant, 2012; Burke, 2013). Sirkin et al. (2005) stated that top-level commitment is vital in prompting commitment from those at the front end of the

business (i.e. those who are executing the work). If employees do not see that the company's leadership is backing a project, they are unlikely to change (Fernandez and Rainey, 2006).

Studies such as those by Armenakis and Bedeian (1999), Fernandez and Rainey (2006), Kotter (2007), Armenakis and Harris (2009) and Burke (2013) emphasised that in order for a change to succeed, an imperative step for managerial leaders is to verify and persuasively communicate the need for change. It has been argued that this objective can be achieved by creating a compelling vision that is easily communicated, appealing and provides overall direction of the change process, acting as a base line for developing strategies for arriving at a future end state.

Fernandez and Rainey (2006) - p. 712 emphasised that decision makers should also realise that "successful change usually requires sufficient resources to support the process." They maintain that "... change is not cheap or without trade-offs. Planned organisational change involves a redeployment or redirection of scarce organisational resources toward a host of new activities", including:

- developing a plan or strategy for implementing the change
- communicating the need for change
- training employees
- developing new processes and practices
- restructuring and reorganising the organisation; and
- testing and experimenting with innovations.

Thus, sufficient funding is necessary to staff implementation agencies and provide them with the administrative and technical capacity to ensure that they achieve statutory objectives (Fernandez and Rainey (2006)).

Therefore, given the importance of addressing such factors at the initial and execution stages of implementing or introducing a change within the public-sector context, it can be argued that in order for decision makers in the developing world to achieve a successful step-change in organisational performance improvement, they first need to ensure the support of key stakeholders and their commitment to the required change. This can be achieved by following number of important steps, such as setting a compelling and comprehensive vision for change and communicating and explaining the proposed change through focused training workshops. Decision makers (mainly change champions) also need to develop a comprehensive

implementation plan for the change, where needs, resources and success criteria are clearly defined and communicated with key stakeholders.

3.6.2 Carrying out Projects and Demonstrating Added Value

The literature shows that in order to sustain top management support and commitment to change, the implemented innovation should demonstrate its ability to show added value and achieve the predefined success criteria. Delivering fast, positive results is essential to keeping top management continually involved in the change process. According to de Vries et al. (2014), one of the main cited influential characteristics of innovation that affects its adoption and diffusion within the public sector domain resides in its relative advantage and trustworthiness. For example, in considering the PMO as an organisational innovation (Hobbs, Aubry and Thuillier, 2008), Spalek (2013) found that the ability to demonstrate added value and a scope definition appear crucial for the survival of PMO. Thus, Spalek asserted that during the set-up process, it is advisable to define the success criteria and the scope of activities. This will ensure that top management are fully aware of what to expect from the implemented change and when those expected benefits will be realised.

Accordingly, it is imperative to define the success criteria and the scope of activities for any organisational improvement initiative within government organisations. Decision makers (change champions) should rigorously strive to achieve the objectives of the change and communicate and market its successes with key stakeholders to maintain their support and commitment. This is an important step to consider when establishing any of the organisational structures proposed in section 3.4.

3.6.3 Institutionalise Change

The literature shows that when the change has been successfully implemented and its objectives achieved, public sector decision makers should also consider spreading the change to their entire organisation. However, given the nature of the public sector domain, such an institutionalising process may take a long time to achieve its objectives (Fernandez and Rainey, 2006; Armenakis, Harris and Feild, 2000).

According to Fernandez and Rainey (2006), managers and employees must effectively institutionalise and embed changes. Organisational changes normally involve behavioural changes to the organisation's members, and thus to sustain the change the members must incorporate the new policies or innovations into their daily routines. Kotter (2007) argues that

two factors are particularly important in institutionalising change to an organisational culture: the change agent must ensure that organisational members are aware of how the new practices, including behaviours and attitudes, help to improve organisational performance; and the change agent must ensure that the next generation of top management really does personify the new approach. “If the requirements for promotion don’t change, renewal rarely lasts. One bad succession decision at the top of an organisation can undermine a decade of hard work.”

There are number of models for change institutionalisation. For example, Armenakis et al. (2000) have developed a model for reinforcing and institutionalising change under which leaders can:

- modify formal structures, procedures, and human resource management practices
- employ rites and ceremonies
- diffuse the innovation through trial runs and pilot projects
- collect data to track the progress of and commitment to change, and
- engage employees in active participation tactics that foster learning by doing.

Thus, by implementing a step-change organisational improvement to attract MNCs, and by effectively communicating the successes of this initiative, decision makers can also seek key stakeholders’ approval to find an approach to institutionalise this change throughout their entire government organisations. This will ensure that government organisations also capable of effectively managing the implementation of those infrastructure projects that are not implemented by MNCs. This is an important step to consider, after the successful operation of the organisational structures proposed in section 3.4.

3.7 ACHIEVING A STEP-CHANGE ORGANISATIONAL PERFORMANCE IMPROVEMENT

The findings from the literature reviewed in chapter 2 have revealed that developing countries are in urgent need of infrastructure development, in turn requiring active involvement of FDI. In order to increase the flow of FDI, one of the main prerequisites is to improve the performance of government organisations, especially from those in direct contact with MNCs. It has been found that available performance improvement approaches, such as EFQM, can help organisations identify their overall practice and performance weaknesses and develop action plans to address them. However, the discussion revealed that the concepts and

standards encapsulated in these models require a long time to be personified by staff and become part of the organisation's culture, a time that developing countries cannot afford. Nevertheless, the literature reviewed here has shed light on a number of critical steps, (Figure 3.10), which if logically combined can serve as an alternative approach for decision makers in the developing world to achieve their goal. These steps are:

- **Step One: Assessing the Organisation's Overall Practice and Performance**

As discussed in section 3.2, government organisations in the developing world are required to emulate world-class performance to attract MNCs. The first thing required of decision makers is therefore to assess the overall practices and performance of their organisation and identify where they are standing compared to world-class organisations. For the sake of this research, the PROBE model, discussed in chapter 2, will be used as a guide for this assessment. Thus, these decision makers are required to identify where their organisations fall in the categories of the PROBE world-class grid: could-do-better, vulnerable, promising or contender.

- **Step Two: Deciding on a Suitable Team and Organisational Structure and Dedicate to Work with MNCs**

Based on the results of Step One, decision makers can identify the gap between their current practices and best practices. As discussed in section 3.2, organisations in the PROBE could-do-better or vulnerable categories tend to have comparatively poor practices and are more likely to require the adoption of best practices that entail disruption of their current organisational framework, such as the adoption of e-procurement. The decision makers of such organisations are advised to establish a separate spinout organisation or unit and dedicate it exclusively to work with MNCs, commissioning a heavyweight development team to meet the challenge. However, the promising or contender organisations are expected to have less of a gap compared to world-class organisations. Their, decision makers are therefore advised to follow a sustaining approach to improvement by commissioning a heavyweight, a functional or a lightweight team to work exclusively with MNCs within the existing organisation. This in-house team can utilise the organisation's existing capabilities and, if required, develop the necessary processes to meet the challenge.

- **Step Three: Ensure the Need and Key Stakeholders' Support**

By this stage, our decision makers should have decided on a suitable separate organisational structure to work with MNCs, although (section 3.4) they are advised not to overlook the change management aspects that can affect the successful establishment and operation of the

chosen organisational structure. Step Three suggests that decision makers (mainly change champions) need key stakeholders' support, by considering: 1) setting a vision for change, 2) conducting an awareness workshop for key stakeholders to clarify the innovation project, ensure the need for change and achieve buy-ins, 3) defining needs, requirements, success criteria and the resources needed to establish the chosen team and organisational structure, and 4) developing an implementation plan and confirming stakeholders' commitment and the allocation of required resources.

- **Step Four: Establish the Chosen Separate Organisational Structure**

In this step, decision makers should have the agreement of key stakeholders to establish the chosen separate organisation, either spinoff or in-house. However, as discussed in section 3.3, there are further key considerations which decision makers in the developing world are advised to take into account when establishing the chosen approach to achieve effective performance. When planning to establish the chosen separate organisation, decision makers are advised to:

- Establish a strategic planning expert(s) or office to understand citizens' needs, develop a strategic plan to address these needs, and identify which parts of the strategic plan should be addressed by MNCs;
- Establish a project management expert(s) or office to prepare a list of prioritised strategic projects; develop the processes and procedures required for effective project implementation from the planning stage, through devising the project tender and contracting procedures to supervision of their execution stage; show integrity, transparency and simplicity to MNCs; and ensure that infrastructure projects are successfully implemented on time, on budget, to specification and addressing the aim.
- Implement integrated IT solutions, to facilitate the work and develop a client single window.

- **Step Five: Carry out Projects and Produce Quick Wins**

As discussed in section 3.3.3, in order to ensure continuing support and commitment from top management and key stakeholders, as well as to pave the way for spreading the best practices to the rest of the sector, the newly established separate organisation should strive to achieve success criteria measured by the key performance indicators (KPIs) developed during Step Three. These include delivering a world-class performance, attract MNCs, developing strategic plans and identifying strategic projects. The chosen separate organisational structure should be in constant communication with key stakeholders and market its successes locally,

nationally and internationally, using performance management tools to check that optimal performance is being achieved.

- **Step Six: Institutionalise the Change**

As discussed in section 3.4.3, when the chosen separate organisation has achieved its success criteria and embraced higher support from key stakeholders, our decision makers are advised to develop a plan to gradually institutionalise the best practices adopted by the new structure into the parent government organisations. To institutionalise change, decision makers in the developing world can either follow a sustaining or disruptive approach for this.

For example, if their organisation falls in the could-do-better or vulnerable category, necessitating establishment of a dedicated spinout organisation to work with MNCs, this means that the existing overall practices of the parent organisations are weak, as is the implementation of existing infrastructure projects. In order to institutionalise best practices, decision makers can categorise these infrastructure projects currently being implemented by the parent organisation in conjunction with local companies into a number of separate programmes, such as a schools portfolio, a hospitals portfolio, or a road and bridges portfolio. The decision makers can then gradually relieve the parent organisation of the responsibility of implementing these portfolios and transfer them to the separate spinout organisation. This can be done by establishing units within the separate spinout organisation dedicated to working with MNCs or local contracting companies, and commissioning heavyweight development teams to take ownership of these responsibilities and execute the portfolios. Eventually, the spinout organisation, which was originally dedicated to working exclusively with MNCs and has proven its effectiveness, will now consist of a number of units or departments, established in line with best practice, each one assuming responsibility for a specific portfolio of projects originally undertaken by the parent organisation. This will eventually lead to the total transformation of the parent organisation into one that can compete with the best in class.

However, those government organisations in the promising or contender categories should already have the better practices that enable them to deliver effective performance during the implementation of infrastructure projects. However, they still fall short compared to world-class organisations, and thus decision makers would be advised to commission and dedicate an in-house heavyweight, functional or lightweight team, depending on the size of the gap, to work with MNCs. Unlike the previous group, this team will follow a sustaining approach to improvement, by enhancing the existing practices to equal best practice, as a baseline when

working with MNC. Finally, when these enhanced practices have proven their effectiveness, the decision makers can institutionalise them to the rest of the parent organisation using a similar sustaining approach, such as focus training workshops.

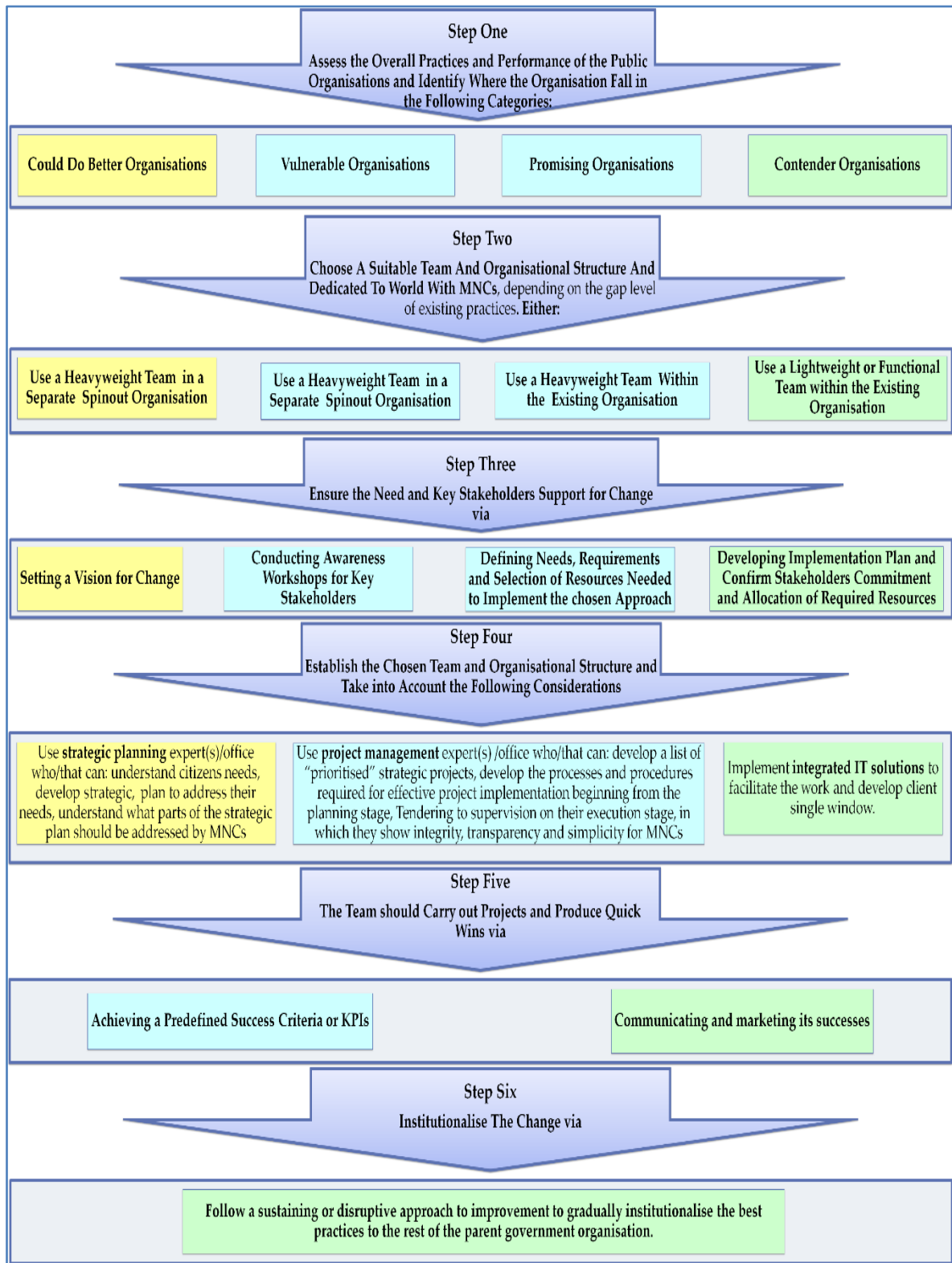


Figure 3.10 Critical Steps for Transforming the Performance of Government Organisations in the Developing World in a Step Change Fashion

Figure 3.10 summarises all these critical steps, which will guide the research towards developing an approach that aims at helping decision makers of government organisations in Iraq to overcome their performance weaknesses and deliver effective performance in a step-change fashion.

From the literature reviewed here and in chapter 2, it can be deduced that the above six steps can be used as guidelines for achieving the aim of this research. The steps show that by understanding the gap between existing practices and the best, our decision makers can establish a separate organisational structure, either a spinout or in-house, instead of attempting to improve over a long-drawn out period the overall practices of the entire organisation. This will reduce the time required for government organisations to deliver high-quality performance when working with MNCs, throughout the lifecycle of the infrastructure projects.

Because the study aims at developing a strategic approach to assist Iraqi decision makers to transform the performance of government organisations and attract MNCs, these steps will direct the investigation to be undertaken in Iraq during the data collection phase, as outlined in Figure 3.10. Based on the first step, an exploration of the overall practice and performance of Iraqi government organisations responsible for the delivery of infrastructure is required, comparing them with the best in class. Given the effectiveness of the PROBE world-class practice and performance assessment model and the fact that the researcher is a qualified PROBE facilitator, the PROBE model will be used as one of the data collection methods. The findings from the exploration process will be examined through the lens of the six critical steps in order to develop and propose an approach for our decision makers to overcome their performance weaknesses and create an organisational environment attractive for MNCs in a step-change fashion.

3.8 SUMMARY AND CONCLUSION

This chapter has explored the literature in the quest for an alternative approach to serve as a guide for decision makers in the developing world to create an organisational environment attractive to MNCs. The literature synthesis has revealed that organisations are required to innovate to achieve successful performance. However, innovation implementation is not an easy task, depending entirely on the organisation's existing capabilities and having a significant impact on its existing framework. The reviewed literature has shown that to successfully implement an innovation, organisations can establish a separate organisational

structure, either spinout or in-house depending on their existing capabilities, and dedicate it to work on the innovative project with full responsibility for its success.

The chapter has also shed light on a number of considerations that our decision makers should take into account to achieve effective step-change organisational performance: the importance of strategic planning, project management and integrated IT solutions, together with top management support.

After careful observation of the findings reported in this chapter, the researcher was able to combine them logically into six steps or guidelines for decision makers. The guidelines will also direct the research during the empirical fieldwork in Iraq. They emphasise the importance of exploring the overall practice and performance of Iraqi government organisations, and comparing them with world-class best practice. This assessment will help the researcher to fine tune the steps so that they correspond to the Iraqi government organisational environment, in order to propose a new strategic approach. This approach will then be validated with decision makers of government organisations in Iraq to check its applicability, suitability and effectiveness for achieving the aim of this research. The next chapter will discuss the current infrastructure and the government organisational environment in Iraq.

CHAPTER 4: ACHIEVING EFFECTIVE DEVELOPMENT OF INFRASTRUCTURE IN IRAQ THROUGH FDI

4.1 INTRODUCTION

The review of the literature in the earlier chapters has shown that FDI can be an effective vehicle for developing countries to address their infrastructure investment needs. However, attracting MNCs to foster FDI inflows is not an easy task, requiring governments to create a favourable organisational environment. Given the urgent need for infrastructure development, the decision makers need to transform the performance of their government organisations quickly and in a step-change fashion. The literature synthesis so far has identified six critical steps to assist decision makers in creating an appropriate organisational environment. The first two steps suggest establishing a separate organisational structure, in line with best practices, commissioning a specific team to work with MNCs. However, in order to decide whether this separate structure should be a spinoff or in-house, decision makers must assess their overall organisational practices and compare them against world-class best practice. Identifying the gap between them can help decision makers through the rest of the critical steps identified in chapter 3; see Figure 3.10.

Nevertheless, this research is dedicated to finding an approach to help Iraqi decision makers to transform the performance of the government organisations in a step-change fashion to attract MNCs to foster FDI inflows to meet infrastructure investment needs. This chapter will first describe the status of Iraqi infrastructure, the mechanism followed by the government to develop the infrastructure, and the factors that hinder its successful development. The chapter also discusses the role of FDI in helping the GOI to address the lack of infrastructure, and how urgent it is for the GOI to transform the performance of their government organisations.

4.2 THE STATUS OF INFRASTRUCTURE IN IRAQ

Iraq is a developing country in the Middle East. 'Occupying over 430,000 km², Iraq has historically been at the crossroads of civilisations and has played a critical role in regional trade, transport and culture. Its abundant natural resources, strategic geography and cultural history render it a nation with tremendous potential for diverse economic development' (WorldBank, 2012).

'Since the destruction of Baghdad by the Mongols in 1258 CE, a succession of governments in what is now Iraq gradually created and maintained an extensive infrastructure to provide essential services such as water, power, communications and transport. However, over the last three decades, civil conflict, the long Iraq-Iran war (1980-1988), the wars with US-led coalitions in 1991 and 2003, the associated UN sanctions, and the more recent fight with the insurgency have resulted in a sharp deterioration of national infrastructure both from direct damage and inadequate maintenance' (Gunter, 2013). Iraq consists of 19 governorates, also known as provinces: 1) Dohuk, 2) Nineveh, 3) Erbil, 4) Kirkuk, 5) Sulaymaniyah, 6) Saladin, 7) Al Anbar, 8) Baghdad, 9) Diyala, 10) Karbala, 11) Babil, 12) Wasit, 13) Najaf, 14) Al-Qādisiyyah, 15) Maysan, 16) Muthanna, 17) Dhi Qar, 18) Basrah and 19) Halabja; see Figure 4.1. According to recent reports on the status of the country's infrastructure, 'about 60% of Iraqi households are suffering from the lack of at least one of the following: access to a source of improved drinking water, access to improved sanitation facility, a minimum of 12 hours a day of electricity from the public network, or food security' (JAPU, 2013).

For example, in Basrah governorate, Iraq's most oil-rich province, according to the United Nations-Inter-Agency Analysis Unit Report (JAU (2014d) although 95.1% of the population is connected to the public network, the availability of drinking water is reported as bad or very bad by 49.5% of the population. Less than 1% of the population relies on the public supply as the first source of drinking water, while 68.4% rely on bottled water and 30.4% on water tankers or similar vehicles. Similarly, in the governorates of Wassit, Missan, Muthanna, Thi-Qar, Qadissiya, Babil and Najaf, the availability of drinking water is reported as bad or very bad by 62%, 81.7%, 83.8%, 69%, 62.9%, 60.8% and 57.5% of the population respectively (JAU, 2014b; JAU, 2014d; JAU, 2014f; JAU, 2014g; JAU, 2014h; JAU, 2014i; JAU, 2014k; JAU, 2014l).

In Basrah, only 24.8% rely on the public sewage system, while 37.8% use a septic tank, and 26.7% a covered canal outside the house. Similarly, in Salah al-Din, Babil, Muthanna, Najaf, Qadissiya, Anbar or Wassit, only 9.2%, 2.4%, 2.8%, 12.5%, 15%, 8.7% and 11.4% of the population respectively rely on the public sewage system as the primary system (JAU, 2014a; JAU, 2014b; JAU, 2014d; JAU, 2014g; JAU, 2014h; JAU, 2014i; JAU, 2014j; JAU, 2014l).

The quality of electricity services is rated as bad or very bad by 68.6% of the population in Basrah governorate. 22.9% of households connected to the public network reported daily cut-offs for more than 12 hours per day, while 63% reported cut-offs for 3 to 12 hours per day.

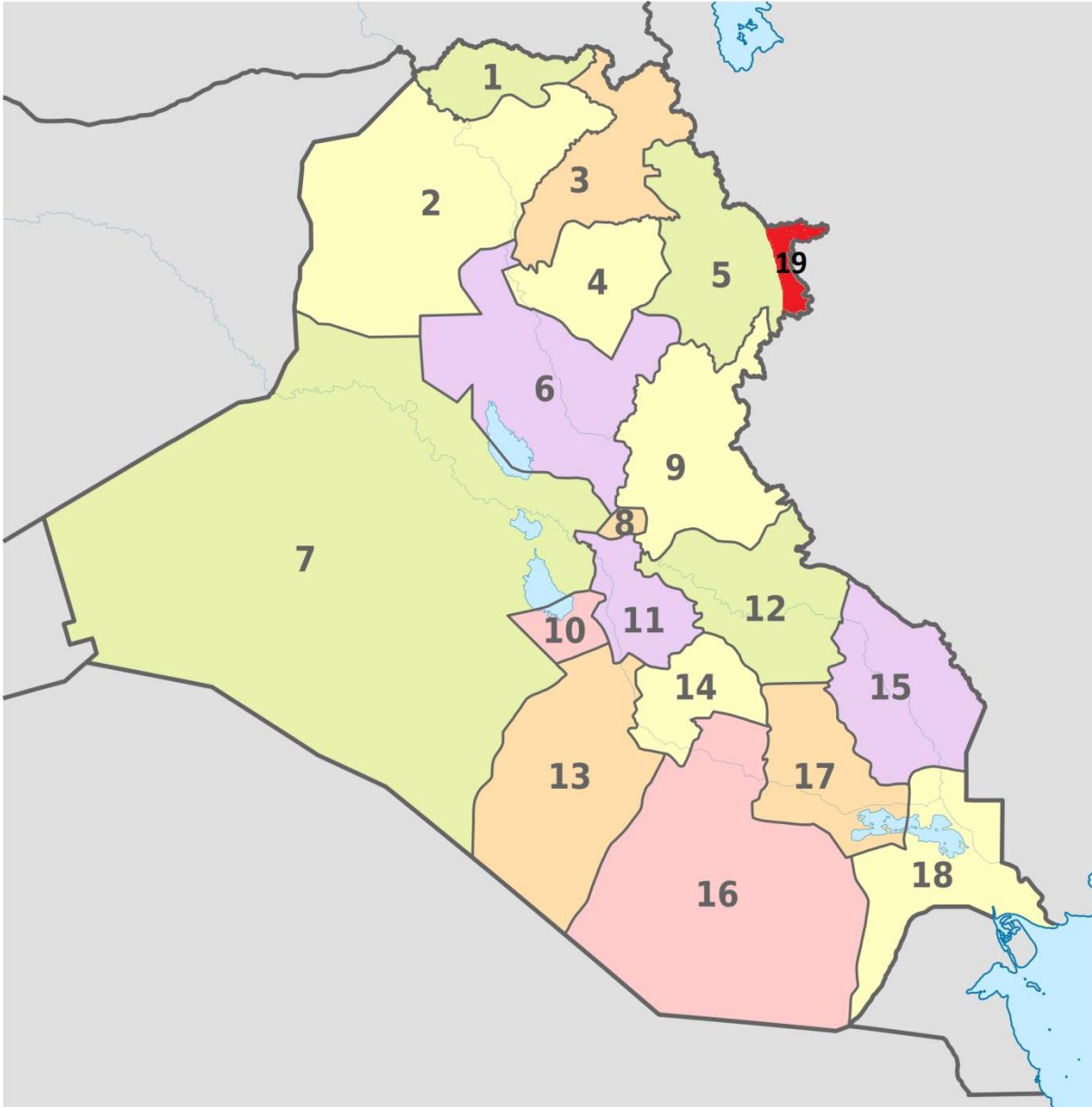


Figure 4.1: Iraq Map

On average, 90% of the population of other governorates, such as Baghdad, Thi-Qar, Salah al-Din, Babil, Muthanna, Najaf, Qadissiya, Anbar, Wassit, Kerbala or Missan, have rated the quality of electricity services as bad or very bad, with some 80% of the households connected to the public network in these governorates reporting daily cut-offs for more than 12 hours a day (JAU, 2014a; JAU, 2014b; JAU, 2014c; JAU, 2014d; JAU, 2014e; JAU, 2014f; JAU, 2014g; JAU, 2014h; JAU, 2014i; JAU, 2014j; JAU, 2014k; JAU, 2014l).

In addition, only 7.1% of the population in Basrah has a home garbage collection service; 31.7% rely on public containers, and an alarming 29.8% dispose of garbage in open areas. On average, less than 30% of the population of the majority of Iraq governorates have home

garbage collection services and rely instead on public containers and open areas. In terms of health services, public hospitals are the health facilities most used by people in case of illness, followed by clinics and government health centres. On average, about 40% of the population of the majority of governorates assess the healthcare services in their area as bad or very bad (JAU, 2014a; JAU, 2014b; JAU, 2014c; JAU, 2014d; JAU, 2014e; JAU, 2014f; JAU, 2014g; JAU, 2014h; JAU, 2014i; JAU, 2014j; JAU, 2014k; JAU, 2014l). With regard to the housing sector, according to Sait and Nkuuhe (2013) there is an urgent need for 2 million housing units in Iraq.

It is clear that Iraq suffers from an overwhelming lack of the necessary infrastructure. Additionally, given the fact that Iraq is an oil-rich country, the question is how the GOI is working on addressing this enormous problem, and what are the mechanisms it follows to facilitate the development of infrastructure. This will be addressed in the following section.

4.3 THE MECHANISM OF INFRASTRUCTURE DEVELOPMENT IN IRAQ

Infrastructure development is considered a key facilitator for achieving economic growth in developing countries (Greening, 2014a). According to Nataraj (2012), improving the infrastructure will have a direct impact on the growth and overall development of an economy, since it contributes to the growth of production by stimulating economic activity, productivity and enhancing the quality of life (WorldBank, 1994). Conversely, lack of infrastructure, creates breaks in sustainable growth and inhibits poverty reduction (Sahoo, 2011). However, Sahoo (2011) argues that infrastructure development requires developing countries to have adequate financial resources, strong planning, coordination, decentralisation, private sector participation and commercialisation of service providers.

In Iraq, the major source of funding for infrastructure development projects is the annual federal budget, with oil revenues the main source of national income: 93% and 84% in 2013 and 2015 respectively (JAU, 2015).

Iraq's annual federal budget is divided into an operational budget, which is primarily salaries, pensions and office expenses; and an investment budget which is the main source for infrastructure development projects. Normally, 60%-70% of the total federal budget goes to the former and the remainder to the investment budget. The GOI allocates the investment budget among the government ministries and local government, and these entities in turn use their share to fund the infrastructure projects needed within their jurisdiction (JAU, 2014m;

USDC, 2013). The relevant ministries and local governments follow Iraqi public procurement procedures to award infrastructure projects to private sector companies (local, international or joint venture), which in turn work on the implementation of these projects (Al-Tameemi, 2009; OECD, 2010a; JAU, 2014m); see Figure 4.2.

Iraqi public procurement is defined as the procurement of goods, services and construction services by the State of Iraq acting through ministries or federal agencies, government units including regions, governorates, and all other subdivisions of the state that may commit public funds, (OECD, 2010b; JAU, 2014m).

Based on the UN Joint Analysis Unit Report (JAU (2014m) for the years 2009 to 2013, the GOI has allocated 25%, 25%, 30%, 30% and 40% of the annual federal budget for these years respectively to investment expenditure. The report shows that during these five years a total of about US\$138billion was allocated to developing the infrastructure of the various sectors in Iraq. This amount is equal to about 13 times Jordan’s 2011 federal budget and twice Malaysia’s 2011 federal budget.

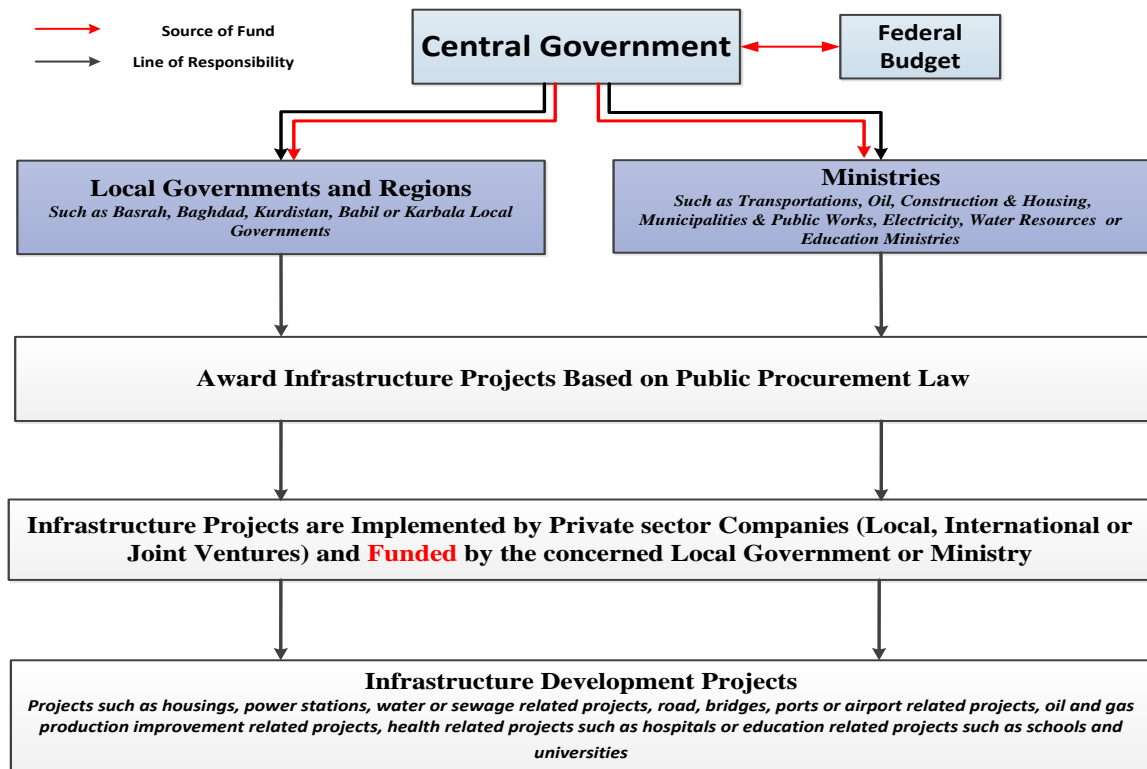


Figure 4.2: The mechanism of Infrastructure Development in Iraq

Thus, with reference to the discussion in section 4.2 and taking into account this huge amount of investment budget plus that for the years 2003 to 2009, the question is, why is Iraq's infrastructure is still underdeveloped? The answer will be discussed in the following section.

4.4 FACTORS IMPEDING INFRASTRUCTURE DEVELOPMENT IN IRAQ

As discussed in section 4.3, the major source of funding for infrastructure development in Iraq is the annual federal budget, more specifically the investment part of the federal budget. Related ministries and local governments execute infrastructure projects by following the procurement procedures issued by the Ministry of Planning. However, despite the enormous amount of funding allocated to investment expenditure during recent years, Iraqi infrastructure is still totally inadequate. Based on the available literature on Iraqi budget execution, government procurement and infrastructure development, a number of factors have been identified as impediments to infrastructure development, discussed in the following sub-sections.

4.4.1 Weak Overall Organisational Performance of Government Organisations

According to Al-Tameemi (2009) and the UN Joint Analysis Unit Report (JAU, 2014m), the overall performance of the majority of Iraqi government organisations, i.e. ministries and local government, in executing their allocated investment budget and translating it to infrastructure development projects, is weak and it is a struggle to provide the necessary services to citizens. For example, during the fiscal years (FY) 2009/10, 2011/12 and 2013, GOI allocated about 25%, 30% and 40%, respectively, of the annual federal budget for investment expenditures, mainly for infrastructure development. According to the JAU (2014m) report, for the fiscal years 2009-2012 the government of Iraq (GOI) has consistently executed its investment budget at a rate generally lower than 60%-70%, with some ministries reportedly failing to execute even half of their annual budgets. Moreover, in FY 2011, the execution rate fell to less than 50% in key development ministries including Communications (16%), Agriculture (23%), Oil (32%), Industry and Minerals (40%), Municipalities and Public Works (47%). This is alarming since not only do these development ministries receive a significant amount of the total investment budget, but this also indicates inadequacies in operationalising these funds into approved projects (JAU, 2014m). On the governorate level, 10 out of the 16 governorates and regions were reported with budget execution rates of less than 66%, of which Basra's was 11% and 8% for the years 2010 and 2011 respectively (JAU,

2014m). This reflects significant weaknesses in the overall performance of Iraqi government organisations and the approaches they use to execute their investment budget.

4.4.2 Non-Transparency, Bureaucratic Red Tape and Corruption

One of the main challenges that limiting the ability of the GOI to spend its investment budget, apart from security issues, is public corruption (JAU, 2014m). Iraq is seen by the international community as a country whose public sector is strongly corrupt and hard to do business with. The World Bank ranked Iraq 165 out of 190 countries in its 2016 overall “ease of doing business” category. Transparency International ranked Iraq 161 out of 168 in its 2015 Corruption Perception Index. According to the Bureau of Economic and Business Affairs of the US Department of State (BEBA, 2016), 'while the GOI has moved toward greater effectiveness in reducing opportunities for procurement corruption, credible reports of corruption in government procurement are widespread, with examples ranging from bribery and kickbacks to awards involving companies connected to political leaders. International companies may come under pressure to take on well-connected local partners to avoid systemic bureaucratic hurdles to doing business'. The presence of corruption in the activities of the government organisations was also confirmed by (Al-Nasrawi, 2014). Moreover, according to OECD (2010a), 'the execution of public contracts in Iraq is not transparent nor even complete. Red tape hinders efficiency in public procurement and can be burdensome for private sector representatives, who are required to submit a long list of documents within limited timeframes when doing procurement business with the government'. Thus, it can be argued that non-transparency, bureaucratic red tape and corruption are paralysing the mechanism the GOI has in place to address the lack of infrastructure, and thereby directly contributing to the continuous underdevelopment of the country's infrastructure.

4.4.3 Lack for Proper Planning and Project Management

Equally important, other factors that hinder effective budget execution as a whole, and thereby infrastructure development, include poor planning, particularly at local government level (JAU, 2014m). OECD (2010a) points out that 'the lack of public procurement planning is linked to the more general problem of planning in the country'. In an interview published online, Al-Nasrawi (2013), a city governor in Iraq, stated that in general infrastructure development lacks proper planning, designing, executing, monitoring and controlling projects, and therefore development has suffered from underperformance and underachievement leading to widespread resentment from the Iraqi people. Al-Nasrawi (2014)

claims that Iraq in general lacks an effective and systematic vision for infrastructure development.

This situation has made it difficult for the government organisations in Iraq to deal with the issue of infrastructure development even at the project level. Al-Tameemi (2009) asserted that, despite the number of infrastructure projects constructed in recent years, however, the data collected indicates that more than 75% of these projects are considered as failed. The majority have either exceeded their planned time and budget, are of poor quality or have been stopped because of their interference with other projects. Projects are randomly implemented, and when new development plans emerge some of these projects are abandoned and new ones substituted. Batool (2011) argues that the reliance on traditional and outdated project management tools and techniques is a major reason for the tremendous challenges and difficulties faced during project implementation. Faiq, Rana and Shaymaa (2013) suggest that the major reason why projects exceed or deviate from the planned schedule goes back to the poor planning and implementation methods adopted by the public and private sectors in Iraq.

4.4.4 Lack of Qualified Civil Servants

The literature indicates that government organisations responsible for the execution of the investment budget lack qualified personnel who are able to conduct and manage the government procurement process effectively. Al-Nasrawi (2014) mentioned that of the many factors that hinder the government in effectively addressing the infrastructure needs is that, “Iraqi cadres do not have the capability to conduct their assigned work effectively. They are unable to provide reports, surveys or develop plans that adhere to the international standards and do not resort to experts”. Moreover, according to OECD (2010a), although the GOI 'pays particular attention to providing training, not all government procurement officials are sufficiently qualified to deal with their assignments'. JAU (2014m) added that the 'low budget execution rate in Iraq reflects the weaknesses of the procurement system because of the high percentage of skilled labour leaving Iraq'.

4.4.5 Underdeveloped Private sector

The literature review also highlighted the underdevelopment of Iraq's private sector as one of the main reasons for the underdevelopment of the infrastructure. According to JAU (2014m), one of the main factors hindering the budget execution as a whole, and thereby affecting the development of infrastructure, is the limited capacity of local private-sector contractors. Al-Nasrawi (2014) comments that the majority of companies that executing infrastructure

projects are failed companies. This is supported by WorldBank (2012), which asserts that the Iraqi private sector is both under-developed and unsupported. Most private businesses are small and informal, mainly operating in retail and trade, construction and transport services, as well as in light industry in the textile, food, engineering, and chemicals fields. A survey coordinated by the United Nations and International Labour Organisation (ILO) found that the great majority are owned by sole proprietors, with most of the remainder being family partnerships. Many of the employees in these SMEs are unskilled, short-term labourers. Iraq only possesses a handful of large, typically family-run multi-industry conglomerates, active in retail, trade, telecommunications, construction and other sectors'.

4.4.6 Lack of Financial Resources

The GOI, as the primary commercial actor, continues to rely on cash allocations through budget provisions, taking advantage of high oil revenues, to fund projects at ministerial and local government levels. As discussed in section 4.3, Iraq is an oil-dependent country. Oil remains the main source of state revenue with a total share of about 93%, and 84% materiality, (JAU, 2015), and thus oil revenues are the major source of funding for the development of infrastructure. However, Blanchard (2010) argued that the continued fluctuations in oil prices and production may jeopardise Iraq's fiscal stability and the sustainability of its reconstruction and development plans. The sharp fall in oil prices in June 2014 clearly supports Blanchard's argument. According to Bowler (2015), this fall in global oil prices has significantly affected Iraq's oil revenue and thereby its federal budget. From 2010 until mid-2014, world oil prices remained stable, at around US\$110 a barrel; however, since then prices have more than halved and are continuing to decline. Consequently, since then and as of 2017, Iraq's deficit exceeded US\$19billion, which is about 21% of total expenditure (Neely and Fenton, 2016; Rudaw, 2017). The large size of the operational budget and the increase in the budget deficit have significantly affected the amount of funding available to key development sectors, making it even more difficult for GOI to address the country's urgent infrastructure needs (see section 4.2 for details). These factors are summarised in Figure 4.3.

These factors may be the answer to the question posed in section 4.3, concerning the reasons for the persistent lack of infrastructure in Iraq. They reflect the weak performance and undercapacity of both the public and local private sectors in Iraq to effectively address the lack of infrastructure. There is an apparent lack of strategic planning and effective

management capabilities in these organisations which, unless improved, it will be difficult for Iraq to address. From the above discussion, it can be argued that the overall organisational environment in Iraq dedicated to the development of infrastructure is weak in numerous aspects.

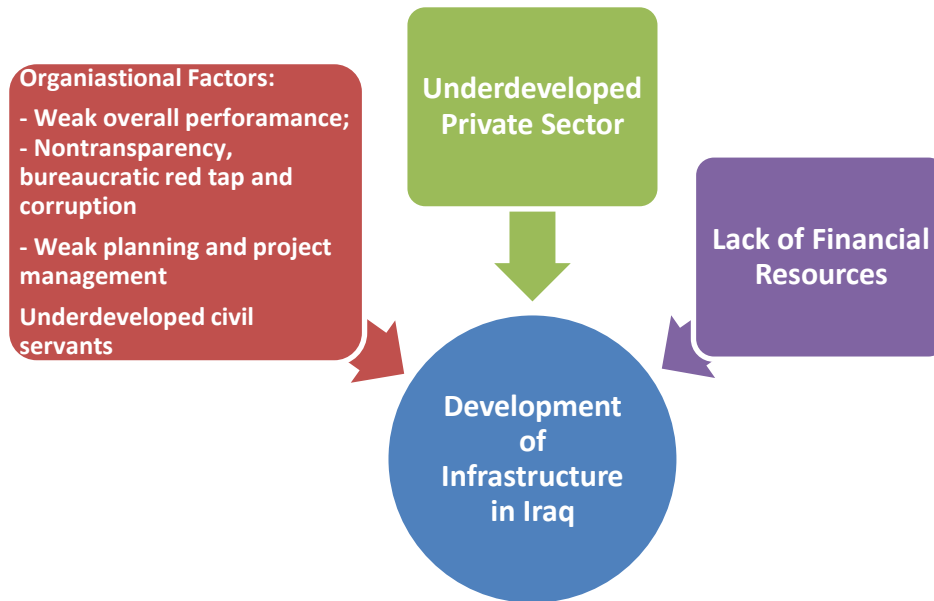


Figure 4.3: Factors Affecting the Development of Infrastructure in Iraq

Such an environment cannot be attractive to MNCs and therefore seriously limits the flow of FDI to address the infrastructure investment needs. The findings have also revealed that currently Iraq has a significant financial gap which has crippled the government from continuing to invest in infrastructure. Thus, based on the discussion in chapter 2, it can be argued that FDI could play a big role in helping decision makers in Iraq to address the factors that are hindering the successful development of infrastructure.

4.5 THE ROLE OF FDI FOR THE DEVELOPMENT OF INFRASTRUCTURE IN IRAQ

The discussion above has shown that the current GOI has been put in a difficult situation. Apart from the weak performance of government organisations, it has become clear that oil should no longer be the only source of finance in Iraq. The current financial difficulties have made the GOI unable to fund major and urgent infrastructure projects. However, as discussed in chapter two, FDI could significantly help the GOI to address its infrastructure investment needs. The presence of MNCs could also have an impact on the performance of public and private sector organisations in Iraq.

Thus, in response to Iraq's recent financial crisis, the GOI is now looking to attract MNCs to foster FDI inflows to address its infrastructure investment needs. It has recently issued new regulations allowing ministries and local government to enter into contracts with MNCs on infrastructure projects, improving services in areas like water supply, power and education (MoP, 2015). These new regulations would basically allow government agencies to take out loans with MNCs tasked with the jobs, repaying them at a later date from their allocated investment budget, in a similar form to Public Private Partnership (PPP) or Private Finance Initiative (PFI) contracts. Nevertheless, the findings from chapter two have revealed that attracting FDI is not easy. It is important for the GOI to create an environment attractive to MNCs to foster FDI inflows in order to address its urgent infrastructure investment needs.

4.6 THE NEED FOR A STEP-CHANGE ORGANISATIONAL PERFORMANCE IMPROVEMENT

Apart from addressing the security, political, social and other government-related issues, it has been established that the GOI is required to create an organisational environment favourable to MNCs in order to foster FDI inflows (see the discussion in section 2.2.3). However, from reference to the discussion in section 4.4, it is clear that the Iraqi organisational environment does not possess the basic qualities that would attract a large number of MNCs.

Furthermore, according to the literature discussion in chapter 2, the public sector context is not a friendly environment to achieve successful and fruitful implementation for the existing performance improvement methodologies, especially a weak and complicated context, like the one in Iraq. Despite the lack of literature about Iraq organisational environment, yet Al-Tameemi and Alshawi (2014) attempted to shed light on a certain aspect of this issue by arguing that organisational performance improvement in Iraq is greatly affected by the organisational culture and leadership of the public sector. They have identified number of aspects that reflect this issue of which they emphasise that the leadership team do not develop a service mindset throughout the organisation or drive service culture by example such as focusing on anticipating and exceeding needs that actively drive up the ambition of the community.

Consequently, given such an organisational culture, introducing best practices and advance technologies to improve the organisation performance will have a significant impact on how such public organisations currently work. Introduction of such change to such an old and

weak business model will be very alarming to the people who currently operate this business model since it will/may have a direct impact on their positions and matters of interests, force them to change their habits/ways of doing things and adopt new ways, impose change to their social relationship, etc. Thus, such a change initiative may/will face a huge resistance, especially from those (corrupt bureaucrats) who are taking advantage from this complicated system. Furthermore, since benefits of such change initiatives only appears in the long term (as argued in chapter 2), thus, following such an approach can jeopardise any improvement due to the lack of quick wins, and may/will ultimately fail. Besides, since the situation in Iraq is calling for an immediate need for FDI to engage in the development of the country. Accordingly, an alternative approach is required that can “disrupt” the current organisational business model, and pave the way for the adoption of best practices. An approach that is able to provide a radical change to the current organisational performance and help attract MNCs and foster FDI inflows.

In line with the findings from section 2.2.4, a number of studies (BEBA, 2016; Gunter, 2013; TransparencyInternational, 2015; USDC, 2013; USAID, 2009; WorldBank, 2012; OECD, 2010b) have discussed the investment climate in Iraq and highlighted both the government- and organisation-related factors that hinder the effective operation of MNCs, offering a wealth of recommendations. However, none of these studies has provided an approach, such as an approach, a framework or model, to help guide decision makers in Iraq to improve the performance of their government organisations in a step-change fashion. The significant impact that organisational performance improvement has on the creation of an environment attractive for MNCs, and thereby on infrastructure development in Iraq, is illustrated in Figure 4.4. Thus, for the sake of expanding the base of knowledge, this research aims at developing a strategic approach that can assist decision makers of government organisations in Iraq, *in direct contact with MNCs*, in overcoming their organisational performance weaknesses and attracting MNCs.

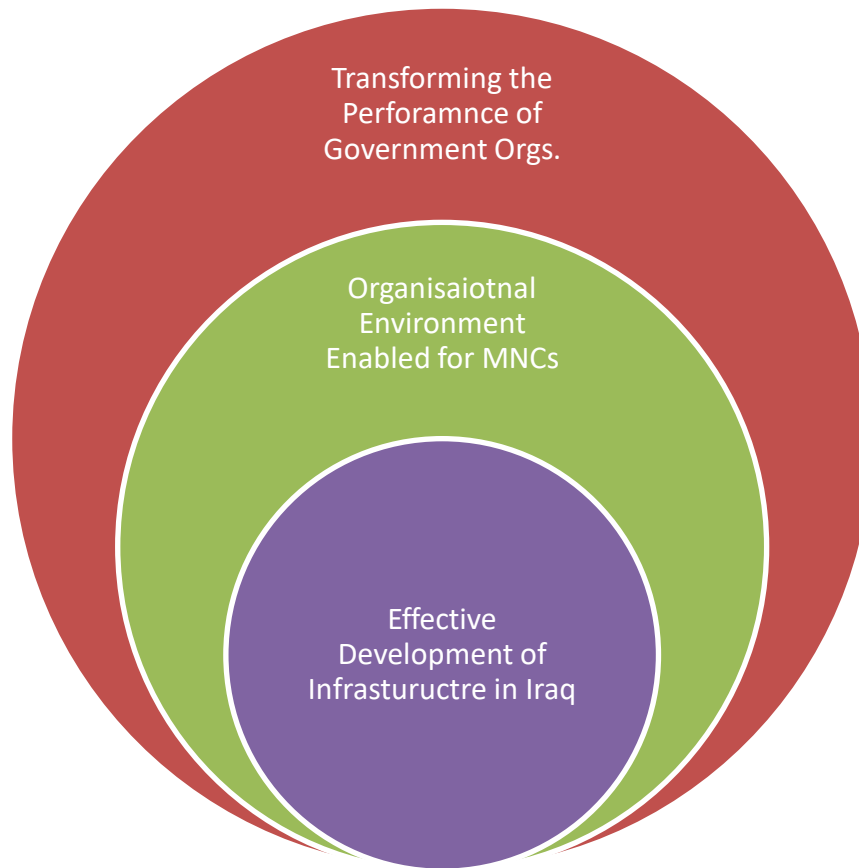


Figure 4.4: The Impact of Government Organisational Performance Improvement on MNCs and Infrastructure Development in Iraq

To do this, the critical steps identified in chapter 3 (section 3.7, Figure 3.10) suggest that decision makers can establish a separate organisational structure, in line with best practices, either in-house or a spinout, and dedicate it exclusively to work with MNCs. However, in order for these decision makers to know if an in-house team is better able to handle the job than a spinout organisation, they need to know the size of the gap between their existing organisational practices and world-class best practices. If the gap is significant, the critical steps suggest establishing a separate spinout organisation and dedicating it to work exclusively with MNCs during the lifecycle of infrastructure development programmes. This organisational structure is expected to be significantly different from the parent organisation as it adopts a completely different management system to work on infrastructure projects. However, when government organisations and world-class practices are closer together, the findings suggest that decision makers can establish an organisational structure within the parent organisation, in-house. This structure will also be dedicated to working with MNCs but will operate in line with the existing business model, and utilising the existing

processes/technologies of the parent organisation, or creating new ones if required, during the implementation of infrastructure projects.

Thus, in proposing a suitable organisational structure, spinout or in-house, for Iraqi decision makers, it is important to identify the gap between best practices and existing organisational practices. However, the available literature on the Iraqi organisational environment, discussed in section 4.4, has only provided a glimpse into the performance weaknesses. Nevertheless, as discussed in chapter 3, it is a deeper understanding of an organisation's practices that can reveal the reasons for the weak performance. However, there is little or no research on this topic or on using any of the available best practice assessment tools such as EFQM or PROBE in Iraq.

Consequently, an exploratory study to assess the overall practices of a sample government organisation in Iraq is needed. The findings from this exploratory study will help determine the most suitable organisational structure to be dedicated to work with MNCs. They will be the base line from which an approach can be developed and proposed to decision makers as guidance for transforming government organisations' performance in a step-change fashion. The researcher will then elicit the professional opinion of Iraqi decision makers in multiple case studies about the effectiveness and applicability of the proposed approach within the context of the public sector in Iraq. This process will lead to the validation of the proposed approach and the development of the strategic framework that will address the aim of this research.

4.7 SUMMARY AND CONCLUSION

This chapter has discussed in detail the current state of Iraqi infrastructure, the mechanism that the GOI is following to address the country's lack of infrastructure and the main factors hindering the effective, quick and efficient development of infrastructure.

The literature review has shown that the main source of finance for infrastructure is the investment component of the federal budget, allocated to various ministries and local governments. These government agencies supposedly use their allocated budget to fund infrastructure projects within their jurisdictions, following the government procurement procedures to implement these projects. However, the GOI is struggling in its attempt to address the persistent lack even of basic infrastructure, such as drinking water and electricity. Hence, to understand what keeps Iraq's infrastructure so underdeveloped, six factors were

identified which significantly affect the speed, effectiveness and efficiency of infrastructure development in Iraq.

The first factor is related to the overall significant performance weaknesses of Iraqi government organisations in executing their allocated investment budget and translating it into tangible, efficient and fit-for-purpose infrastructure projects. The second factor concerns the high level of non-transparency, bureaucracy and corruption that is penetrating and paralysing the very organisational system that has been put forward to facilitate the infrastructure development of the country. The third factor is the public service's lack of effective public procurement planning and project management to effectively and efficiently implement the various infrastructure development projects. The fourth factor refers to the shortage of skilled and qualified civil servants to conduct public procurement processes effectively and facilitate the implementation of infrastructure projects in those government organisations. These four factors reflect the weak organisational environment of the public sector organisations in Iraq. They represent significant weaknesses in the organisational system that the GOI is using to address the country's lack of infrastructure. The fifth factor highlights the underdevelopment and ineffectiveness of the Iraqi private sector, the private companies contracted by government to implement their infrastructure projects. The sixth factor is the sharp fall in the price of oil, which has led to reduced financial resources and prevented the GOI from investing in infrastructure. This crisis made it clear to the GOI that oil should no longer be the only source of funding for the government and that alternative project financing schemes should be considered.

Thus, currently attracting MNCs to foster FDI has become a priority for GOI in addressing its infrastructure investment needs. Priority for the GOI is to create an organisational environment attractive to MNCs in a step-change fashion. The critical steps are identified in chapter three; the researcher will fine tune them to suit the context of the Iraqi government organisations and propose a strategic framework to guide decision makers in transforming their organisational performance in a step-change fashion.

The following chapter will discuss the methodological approach used by the researcher to collect the necessary data for development of the strategic step-change organisational performance improvement framework.

CHAPTER 5: RESEARCH METHODOLOGY

5.0 INTRODUCTION

The research aims at developing and proposing a strategic approach for decision makers of government organisations in Iraq to help them overcome their performance weaknesses and create an organisational environment attractive to MNCs in a step-change fashion. Two data collection stages are required to achieve this aim. In accordance with the critical steps outlined in section 3.7, the first stage focuses on acquiring a deep understanding of the overall practices and performance of a government organisation in Iraq. The findings generated from this exploratory stage form a baseline for developing a step-change organisational performance improvement approach. The second stage focuses on proposing this approach to decision makers in Iraqi government organisations who are responsible for the delivery of infrastructure projects, and soliciting their feedback about the applicability and suitability of the proposed approach in the context of the Iraqi government organisations, and its effectiveness in helping them to overcome performance weaknesses and create an organisational environment attractive for MNCs in a step-change fashion.

This chapter describes the research methodology appropriate for this research. It discusses the philosophical stance and the adopted research design and data collection methods.

5.1 RESEARCH METHODOLOGIES

Research methodology is a key element in any dissertation (Chandler, 2004). It refers to the systematic process by which the researcher investigates issues and secures information in order to solve a problem (Maylor and Blackmon, 2005). The process involves becoming aware of, and then choosing, a particular philosophy, strategies and tools for data gathering and analysis. Hussey and Hussey (1997, p. 54) refer to methodology as “the overall approach to the research process, from the theoretical underpinning to the collection and analysis of data”. Thus, research methodology, the science of finding out (Babbie, 2007) is a key driver to direct the research along the correct path. The methodology comprises the technical practices used to identify the research questions, collect and analyse data and present findings, and outlines the conceptual and philosophical assumptions that justify the use of particular methods (Payne and Payne, 2004). From this definition it can be seen that research methodology is not just about data collection and the rules for evidence, but that it also concerns analysis and, as noted by Berry (1983), it embodies a strong concern with the nature

of explanation and the means by which explanations are produced. Clearly, therefore, there is no one universally accepted scientific methodology, but rather several methodological paradigms, which may be used separately or in combination. A number of research methodological approaches are available including, for example, the nested approach to research modelling developed by Kagioglou, Cooper, Aouad and Sexton (2000); see Figure 5.1. The outer ring of the nested approach represents the research philosophy which guides the research approaches and techniques illustrated in the inner circles. Research approach refers to the methods for theory generation and testing of case study, action research, survey or experiment; whereas research techniques refer to the data collection techniques such as interview, questionnaire, focus group and observation.



Figure 5.1: Nested Research Methodology, (Kagioglou et al., 2000)

The research design model proposed by Saunders, Lewis and Thornhill (2012) introduced three additional layers to the nested research model. This model was referred to as the research onion, illustrated in Figure 5.2, since the six layers of the model resemble the rings of an onion.

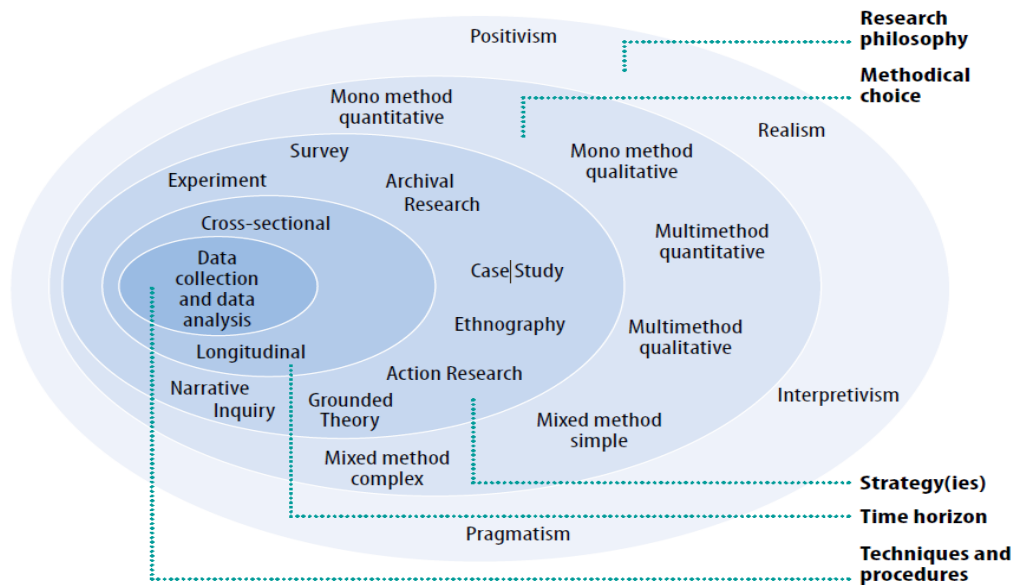


Figure 5.2: The Research Onion, (Saunders et al., 2012)

The framework for research design presented by Creswell (2014) (see Figure 5.3) is also three layered and starts by identifying the philosophical stance of the research, leading to choosing a research design suitable to the philosophical stance of the research. Appropriate research methods are then chosen to collect the data necessary to achieve the aim of the research.

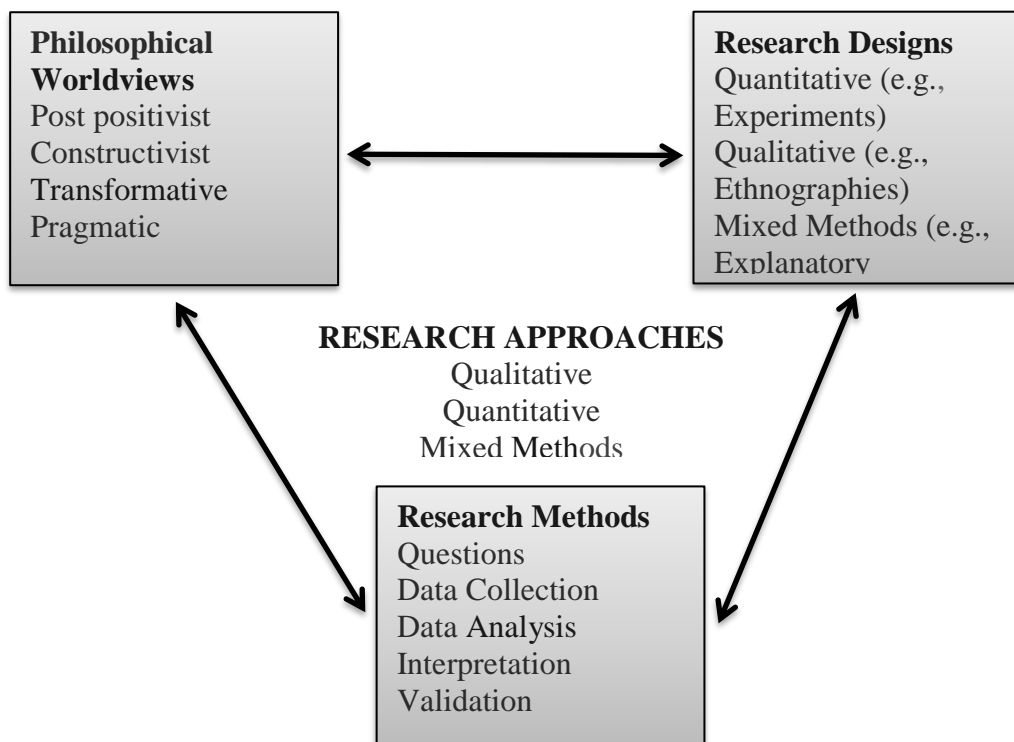


Figure 5.3: A Framework for Research - The Interconnection of Worldviews, Design and Research Methods (Creswell, 2014)

The similarities and differences in these three models are easily seen. It is clear that all three start by highlighting the philosophical stance before looking at suitable research approaches. For example, after highlighting the philosophical stance, the research onion requires the researcher to underline his/her choice of methodology based on it: whether qualitative, quantitative or mixed. The researcher can then choose a suitable strategy for his/her research, determine its time horizon, and whether it is going to be a case study, experiment or action research. Eventually, the researcher can select the appropriate technique and procedures for collecting the required data. With regards to the models of Kagioglou et al. and Creswell, these follow a similar approach although they are presented differently in their models. For example, after determining the philosophical stance of the research, the nested models require the researcher to choose an appropriate approach, that is deciding whether the research is qualitative, quantitative or mixed, and choosing the right time horizon and research strategy, whether a case study, experimentation or action research, similar to the research onion. Suitable research techniques are then chosen to collect the required data. The same is true for Creswell's framework for research. Table 5.1 shows how the research design elements overlap in the models proposed by Kagioglou et al. (2000), Saunders et al. (2012) and Creswell (2014).

Table 5.1 The Comparison of elements in the Three Research Design Models

Nested Research Model (Kagioglou et. al, 2000)	The Research Onion, (Saunders et al., 2012)	Framework for research design (Creswell, 2014)
Research Philosophy	Research Philosophy	Philosophical Worldviews
Research Approaches	Methodical Choice	Research Designs
	Research Strategies	
	Time Horizons	
Research Techniques	Techniques and Procedures	Research Methods

This research will adopt the design framework presented by (Creswell, 2014) as a guideline for selecting the research methodology. According to Ginige, Amaratunga and Haigh (2010), Creswell's framework is uncomplicated but comprehensive; the views of several other authors have also been referred to. According to Creswell (2014), the research approach is the plan and procedures that span the steps from broad assumptions to detailed methods of data collection, analysis and interpretation. This plan involves several decisions on which approach should be used to study a given topic. Informing this decision are the philosophical

assumptions the researcher brings to the study; procedures of inquiry (called research designs); and specific research methods of data collection, analysis and interpretation (Creswell, 2014). These stages are now discussed.

5.2 PHILOSOPHICAL WORLDVIEWS OF THE STUDY

Research philosophy is a set of beliefs in relation to the development and nature of knowledge (Saunders, Lewis and Thornhill, 2007). Research philosophy is referred to by different authors as research paradigms, epistemologies and ontologies, and philosophical worldviews (Creswell, 2014). In most instances, the philosophical background a combination of different paradigms (Saunders et al., 2007). **Positivism** and **Interpretivism** are the two major philosophies in social sciences research; they differ in their assumptions about the nature of reality and are considered as the two ends of the spectrum of research philosophy (Remenyi, 1998; Saunders, Lewis and Thornhill, 2003; Maylor and Blackmon, 2005; Collis and Hussey, 2009).

The **positivist paradigm** includes alternative terms such as quantitative, objectivist, scientific, experimentalist and traditionalist. It claims that the social world is external; the properties must be measured by objective methods; the observer is independent; human interests should be irrelevant; explanation must demonstrate causality; the concepts need to be operationalised; research progresses through hypotheses and deductions; and generalisation is through statistical probability (Easterby-Smith, Thorpe and Lowe, 2002). Amaratunga, Baldry, Sarshar and Newton (2002) assert that positivism is not effective in understanding processes or the significance that people attach to actions and it is not very helpful in generating theories because it focuses on what is, or what has been, making it hard to infer what changes and actions should take place in the future.

At the opposite end of the spectrum is the **interpretive** approach, also referred to as subjectivism and constructionist, also called social constructionism. It is qualitative, subjective, humanistic and phenomenological in character, and uses naturalistic methods to understand human experience in context-specific settings (Amaratunga et al., 2002). Interpretivism is the approach people take to make sense of the world, and it involves sharing their experiences with others via the medium of language (Easterby-Smith et al., 2002; Aouad, 2011). Nandhakumar and Jones (1997) define interpretive research as a means of trying to understand the phenomena from the participant's viewpoint, while Collis and Hussey (2003) observe that it is concerned with understanding human behaviour from the

participant's own perception of the situation. Table 5.2 summarises the main differences between positivism and interpretivism.

Table 5.2: Contrasting Implications of Positivism and Interpretivism. Source (Easterby-Smith, Thorpe and Jackson, 2008, p59)

	Positivism	Interpretivism
The observer	must be independent	is part of what is being observed
Human interests	should be irrelevant	are the main drivers of science
Explanations	must demonstrate causality	aim to increase general understanding of the Situation
Research progresses through	hypotheses and deductions	gathering rich data from which ideas are induced
Concepts	need to be defined so that they can be measured	should incorporate stakeholder perspectives
Units of analysis	should be reduced to simplest terms	may include the complexity of whole' situations
Generalisation through	statistical probability	theoretical abstraction
Sampling requires	large numbers selected randomly	small numbers of cases chosen for specific reasons

This research involves interacting with members of Iraqi government organisations to solicit their feedback about issues related to their everyday work and understand their perspectives about the approach that will be proposed by this research. Accordingly, the philosophical stance of this research is closer to the *interpretivist* stance than to the positivist.

Creswell (2014) Framework for Research identifies four main philosophical worldviews of research, which fall between the two ends of the philosophical spectrum: the postpositivist, constructivist, transformative and pragmatic views. Table 5.3 describe the characteristics of these four philosophical worldviews.

Table 5.3: The Four Philosophical Worldviews, (Creswell, 2014)

Postpositivism	Constructivism	Transformative	Pragmatism
<ul style="list-style-type: none"> • Determination • Reductionism • Empirical observation and measurement • Theory verification 	<ul style="list-style-type: none"> • Understanding • Multiple participant meanings • Social and historical construction • Theory generation 	<ul style="list-style-type: none"> • Political • Power and justice oriented • Collaborative • Change-oriented 	<ul style="list-style-type: none"> • Consequences of actions • Problem-centered • Pluralistic • Real-world practice oriented

Creswell (2014) considers that **social constructivism or constructivism** is often combined with interpretivism. Constructivism considers that individuals seek understanding of the world in which they live and work, and that meanings are constructed by human beings as they engage with the world they are interpreting (Creswell, 2014).

In the context of this study, the researcher believes that Iraq's current organisational performance weaknesses are based on certain practices of people, that have contaminated the culture of Iraqi government organisations. Thus, in order to develop an approach that can assist the decision makers to improve their organisational performance in a step-change fashion, an identification and careful understanding of organisational practices from the participants' (staff and decision makers) point of view is needed. In addition, since the concept of benchmarking organisational practice and performance is fairly new in Iraq, the researcher needs to be in direct contact with staff to explain and clarify any ambiguous concept and its relationship to their everyday activities, to ensure accurate answers. The context of this research means that the researcher must meet key decision makers to solicit their feedback on the value of this research.

Therefore, a constructivist viewpoint is appropriate, following on from the interpretivist philosophy, in order to explore and understand the subjective meanings motivating the actions of the social actors (Saunders, Lewis and Thornhill, 2009). Three of the related theoretical perspectives of constructivism, cited by (Creswell, 2014) and embedded in the philosophical assumptions, are given below:

- Human beings construct meanings as they engage with the world they are interpreting. Qualitative researchers tend to use open-ended questions so that participants can express their views.
- Humans engage with their world and make sense of it based on their historical and social perspective; we are all born into a world of meaning bestowed upon us by our culture. Thus, researchers seek to understand the context or setting of the participants through visiting this context and gathering information personally. They also make an interpretation of what they find, an interpretation shaped by the researchers' own experiences and backgrounds (Creswell, 2014).
- The basic generation of meaning is always social, arising in and out of interaction with a human community with the inquirer generating meaning from the data collected in the field (Creswell, 2014).

Having decided on the philosophical worldview of this research, it is important to indicate the ontological, epistemological and axiological assumptions that inform the choice of the research philosophy (Collis and Hussey (2009). Table 5.4 summarises these philosophical assumptions and describes them and positivist and interpretivist beliefs in relation to the ontological, epistemological and axiological branches of philosophy.

Table 5.4: The Philosophical Assumptions within Positivism and Interpretivism, Source: (Sexton, 2007; Collis and Hussey, 2009; Aouad, 2011)

Philosophical Assumption	Positivism	Interpretivism
Epistemological assumptions (what constitutes valid knowledge)	Researcher is independent of that being researched. It applies existing theory to develop a hypothesis and testing the theory.	Researcher interacts with that being researched. It uses to build the theory
Ontological assumptions (the nature of reality)	Reality is objective and singular, separate from the researcher. Realism is a commonly experienced external reality with a predetermined nature and structure.	Reality is subjective and multiple, as seen by the participant. Idealism is an unknown reality perceived in different way by

		individuals.
Axiological assumptions (the role of values)	Research is value-free and unbiased.	Researcher acknowledges that research is value-laden and biases are present.

The following sub-sections elaborate the philosophical assumptions of this research study in relation to the three main branches of research philosophy.

5.2.1 Epistemological Assumptions

Epistemology is the way of thinking about what constitutes acceptable knowledge in a certain field of study (Saunders et al., 2007). When deciding the epistemological stance of the research, or what methods should be followed to acquire knowledge to address the research problem, (*what is the status quo of the organisational practices and performance of Iraq government organisations and how Iraq government organisations can deliver world-class performance in a step-change fashion?*), the researcher was not influenced by a pre-determined view on what is acceptable knowledge. Therefore, the research was not initiated with either a positivist or an interpretivist view. Moreover, the research problem was considered from a pragmatic view, which argues that the most important determinant of the research philosophy adopted is the research problem and not the methods used (Saunders et al., 2007; Creswell, 2014). Asking questions about reality and the laws of nature are believed by pragmatists to be unnecessary (Creswell, 2014), and pragmatists use many approaches to understand the problem, showing that one approach may be better than another for answering particular questions (Saunders et al., 2007). Having viewed the research problem from a pragmatist viewpoint, it was concluded that this research prefers interpretivism in the epistemological thinking since the problem is focused on a group of people and their practices and how they might respond to a proposed solution; also, the social roles of others are interpreted in accordance with the interpreter's own set of meanings (Saunders et al., 2007). Significantly, the researcher's intent in interpretivism is to interpret the meanings of others about the research problem (Creswell, 2014), and to use that understanding as a baseline from which a theory to address the research problem can be created.

5.2.2 Ontological Assumptions

According to Bryman (2016), ontological assumptions and commitments feed into the ways in which research questions are formulated and the research is carried out. Ontology in social research concerns whether social entities are objective entities that have a reality external to social actors, or whether they are social constructions built up from the perceptions and actions of social actors. In this context, social construction views reality as being socially constructed (Saunders et al., 2007). Thus, the epistemological stance leads this research towards the ontological belief that reality is continuously constructed by social actors. It is believed that social actors will perceive different situations in various ways as a consequence of their own view of the world, and these different interpretations are likely to affect their actions and the nature of their social interactions with others (Saunders et al., 2007).

5.2.3 Axiological Assumptions

In addition to epistemology and ontology, the influence of the researcher's values, personal beliefs and feelings creates a part of the philosophical beliefs of a particular research; this is called axiology (Ginige et al., 2010). According to Bryman (2012), the researcher's own values can intrude at any or all of a number of points in the process of the research, such as choice of research area, formulation of research questions, choice of methods and techniques, implementation of data collection, analysis and interpretation of data, and conclusions. Therefore, with reference to epistemological and ontological assumptions, this research has been identified as value laden.

Having introduced the philosophical positioning of this research, the following section will address the second component of Creswell's framework.

5.3 RESEARCH DESIGN

According to Creswell (2014), research designs are types of inquiry within qualitative, quantitative and mixed methods approaches that provide specific direction for procedures in a research design. In the context of this research, the qualitative approach and strategies of enquiry are indicated by the philosophical assumptions. The following sub-sections offer more detail on the research approach and strategy of enquiry.

5.3.1 Research Approach

The qualitative research approach is a source of well-grounded, rich descriptions and explanations of processes in identifiable local contexts, and of exploratory data of people's

written or spoken words and observable behaviour, rather than prediction (Amaratunga et al., 2002; Hakim, 2000). In particular, qualitative strategies are not preferred by the practices and the norms of positivism, especially the way in which the social world is interpreted (Ginige et al., 2010). Gummesson (2006) (p. 171) argues that for “dealing with the complex reality of management issues, qualitative methodology supported by modern natural sciences is superior to quantitative methodology emanating from traditional sciences”. This means that the qualitative approach is powerful in providing insights into peoples’ thoughts and perceptions. Amaratunga et al. (2002) pointed out that qualitative data emphasises people’s experiences and is fundamentally well-suited for identifying the importance that people place on events, processes and structures, and their perceptions and assumptions. Therefore, this research will lead to drawing generalisable conclusions from the observations and will bring theory (a strategic approach) as the outcome of the research. According to Glaser and Strauss (1967), theory building requires the ongoing comparison of data and theory. Lynham (2000) asserted that continuous refinement between theory and practice is also needed for effective theory building.

According to Saunders, Lewis and Thornhill (2015), there are three approaches to theory development, namely the deductive, inductive and abductive. As noted by Gill and Johnson (2002), the deductive approach starts by conceptualising the phenomenon followed by empirical observation to test it. Conversely, the inductive approach begins with empirical observation to develop theory.

To Saunders et al. (2015), the abductive approach (or reasoning) is a third, common, approach to theory development; it begins with a ‘surprising fact’ being observed. Instead of moving from theory to data (as in deduction) or data to theory (as in induction), the abductive approach moves back and forth, in effect combining deduction and induction. Abduction begins with the observation of the surprising fact; it works out a plausible theory of how this could have occurred and then tests that plausible theory (Saunders et al., 2015). Table 5.4 summarises the difference among these three approaches.

In the context of this research, the first stage was conducting an extensive literature review; the literature synthesis led to identifying six critical steps to guide the researcher towards creating and proposing an approach for decision makers in the developing world which can assist them in overcoming their organisational performance weaknesses and creating an

organisational environment attractive to MNCs in a step-change fashion (section 3.7). in chapter 3.

Table 5.5: The Difference between the Deductive, Inductive and Abductive Approaches, (Saunders et al., 2015)

	Deduction	Induction	Abduction
Logic	In a deductive inference, when the premises are true, the conclusion must also be true	In an inductive inference, known premises are used to generate untested conclusions	In an abductive inference, known premises are used to generate testable conclusions
Generalisability	Generalising from the general to the specific	Generalising from the specific to the general	Generalising from the interactions between the specific and the general
Use of data	Data collection is used to evaluate propositions or hypotheses related to an existing theory	Data collection is used to explore a phenomenon, identify themes and patterns and create a conceptual framework	Data collection is used to explore a phenomenon, identify themes and patterns, locate these in a conceptual framework and test this through subsequent data collection and so forth
Theory	Theory falsification or verification	Theory generation and building	Theory generation or modification; incorporating existing theory where appropriate, to build new theory or modify existing theory

These steps encouraged the researcher to explore, understand and assess the overall practices and performance of a government organisation in Iraq and identify its weaknesses, strengths and how it compares to world-class organisations. Having this understanding has helped the researcher to develop and propose an approach to Iraqi decision makers to help them create

the step change in the performance of their government organisation, and institutionalise best practices. The applicability and suitability of the proposed approach will then be tested.

Accordingly, this research utilises the abductive approach to theory building as it combines the deductive and inductive approaches to help achieve the aim of this study. Having decided on the research approach, the next step is to identify a suitable research strategy of enquiry.

5.3.2 Research Strategy of Enquiry

Creswell (2014) lists the following strategies as the main types of enquiry in qualitative research:

- **Narrative**

This studies the lives of individuals and provides stories about their lives, combined with the views of the researcher in a collaborative narrative (Creswell, 2014).

- **Phenomenology**

Phenomenology identifies the real human experience concerning a phenomenon as described by the participants in the study. This is also sometimes referred to as a philosophy which involves a process of understanding the experiences of participants while attempting to bracket the researcher's own experiences. This design has strong philosophical underpinnings and typically involves conducting interviews (Creswell, 2014).

- **Ethnography**

Ethnography researches a phenomenon within the context in which it occurs with the purpose of describing and explaining the social world the research subjects inhabit in the way in which they would describe and explain it (Saunders et al., 2007). It involves studying the shared patterns of behaviours, language and actions of an intact cultural group in a natural setting over a prolonged period of time (Creswell, 2014).

- **Case studies**

Case study is an empirical inquiry which investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2014).

- **Grounded theory**

Grounded theory attempts to derive a general, abstract theory of a process, action or interaction grounded in the views of participants in a study (Creswell, 2014). It is a careful and systematic procedure to generate theory where little is already known, or to provide a fresh slant on existing knowledge through studying the relationships between the individual's

experience and the society and history (Goulding, 1998). Thus, in this context, data collection begins without the development of an initial theoretical framework (Saunders et al., 2007).

According to Creswell (2014), grounded theory and case studies are frequently used by researchers to explore processes, activities and events, while narrative and phenomenology are used for studying individuals, and ethnography to learn about broad culture-sharing behaviour of individuals or groups. Therefore, grounded theory and case studies have been identified as the most suitable strategies of enquiry for this research.

However, according to Yin (2014), there are three aspects that condition the selection of an appropriate strategy: type of research questions posed, the extent of the control an investigator has over actual behavioural events, and the degree of focus on contemporary as opposed to historical events. In addition, the extent of existing knowledge in the problem area, the amount of time and other resources available, and the philosophical underpinning shape the selection of research strategy (Saunders et al., 2007).

In line with the abductive approach selected for this research (section 5.2.1), Eisenhardt (1989) noted the importance of having an initial definition of the research question prior to beginning theory building; otherwise, the researcher can become overwhelmed by the amount of data gathered. Yin (2014) also emphasises the need of pre-established theory or conceptualised phenomenon prior to data collection and analysis process. Eisenhardt (1989) stated that case study research begins with a deductive approach and moves on to an inductive approach to build the theory. Yet, in ground theory data collection begins without the development of an initial theoretical framework (Saunders et al., 2007).

Thus, as discussed earlier, since this research first synthesised the literature and identified critical steps to achieve its aim, this clearly involves moving back and forth, combining deductive and inductive approaches. Thus, case study has been selected as the most suitable strategy of enquiry for this particular study, as the study focuses on a contemporary phenomenon with considerable existing background knowledge which allows the development of an initial conceptual critical steps and a set of research questions to guide the research.

The case study strategy also has considerable ability to generate answers to the ‘why?’ as well as the ‘what?’ and ‘how?’ questions. Thus, the general research questions also dictate the choice of case study strategy:

- What is the gap between the current organisational practices and best practices?
- How best can government organisations in Iraq address their performance weaknesses and deliver effective performance in a step-change fashion?

Further, the time constraint on this research was a consideration in selecting case studies over grounded theory as the main strategy, since the latter method evolves theory as a product of continuous interplay between data collection and analysis, which needs to be carried out until saturation of concept categories occurs (Goulding, 1998). Given the character of this study, it is not necessary to control behavioural events. Rather, it is asking questions of a ‘what?’ and ‘how?’ nature. Consequently, it is appropriate to select the case study strategy, which will generate the depth of understanding required to appreciate the realities behind the current practices adopted by a government organisation in Iraq and developing a step-change approach to address the organisational performance weaknesses that is both feasible and applicable within the Iraqi context.

According to Yin (2014), case studies allow the researcher to explore in depth an organisation, a programme, an event, an activity, a process, a group, an individual or similar related phenomena. Yin (2014) (p. 16) defines a case study as “an empirical inquiry that investigates a contemporary phenomenon (the “case”) in depth and within its real-life context, especially when the boundaries between phenomenon and context may not be clearly evident”. The use of a case study strategy is widespread in social science research. It is being used when a researcher needs a full and deep understanding of the context as it is a valuable way of exploring existing situations and can provide powerful insights (Saunders et al., 2007).

In addition, a case study strategy usually focuses on exploratory research, which is designed to investigate phenomena, identify important categories of meaning, generate further research, create more focused research questions or find out more about an emerging area of interest, define the questions to be used in a subsequent study, and help the researcher understand the research problem. Additionally, the exploratory type of case study can be used when there is little literature about a topic, so a real-life subject is investigated in order to identify the topics to be covered in a subsequent search project (Marshall and Rossman, 1999; Collis and Hussey, 2009). These advantages add up to the reason why a case study strategy has been adopted for the current study, which asks questions requiring exploration. Moreover, a lack of research in the area of both organisational benchmarking in Iraq and step-change organisational performance improvement in the public sector became evident after reviewing

the literature, and hence there is a need to delve deeper into particular issues in order to achieve the research aim and objectives.

According to Yin (2014), the following five components affect the design of case study strategy:

- a case study's question;
- its propositions, if any;
- its unit(s) of analysis;
- the logic linking the data to the propositions; and
- the criteria for interpreting the findings.

The rest of this section will discuss the case study design, the unit of analysis and the type of case studies selected.

I. Case Study Design

According to Yin (2014), case study design can be divided into single case and multiple case designs; then, depending on the number of units of analysis, into embedded (more than one unit of analysis) or holistic (a single unit of analysis). Thus, four types of case study design exist (see Figure 5.4).

Single unit of analysis	Single, holistic case study	Multiple, holistic case study
Multiple units of analysis	Single, embedded case study	Multiple, embedded case study
	Single-case designs	Multiple-case designs

Figure 5.4: Type of case based on number of units, source (Yin, 2014)

The choice between these two options (multiple or single) or the theoretical sampling of cases mainly depends on the nature of the phenomenon being studied (Eisenhardt and Graebner, 2007). According to Yin (2014), theoretical sampling of single cases could be rationalised if the cases fall under any of the following five types:

- **Critical case:** the case would be critical to the research theory or theoretical propositions. The theory should have specified a clear set of circumstances within which its propositions are believed to be true. A single case can then be used to determine whether the propositions are correct or whether some alternative set of explanations might be more relevant.
- **Unusual** case or extreme case, whose characteristics are not replicated in any other case.
- **Common** or typical case, which provides the circumstances and conditions of an everyday situation; again, because of the lessons it might provide about the social processes related to some theoretical interest. For example, a study of a small business can yield insights into innovations and innovative processes.
- **Revelatory** case which gives opportunity for studying a previously inaccessible phenomenon.
- **Longitudinal** case in which the same needs are studied at different points in time to understand how conditions change over time.

Accordingly, multiple case design has been identified as the appropriate design for this particular research, since its cases could not be characterised as any of the above five types. Moreover, as discussed in section 5.2.1, the nature of this research requires assessing the overall practices and performance of a government organisation in Iraq and uses the findings along with the literature synthesis to develop and propose a suitable approach to address the aim of the research. Further, this approach will be presented to and validated with Iraqi decision makers in a number of government organisations to ensure its feasibility and appropriateness in the context of Iraqi government organisations. Thus, this corroborates the above and confirms that multiple case study design is more suitable for this particular research. Significantly, this also ensure that generalisations can be drawn from the collected data, as according to Yin (2014), multiple case studies are generally used to replicate findings or support theoretical generalisations. Indeed, multiple case study research increases external validity and guards against observer bias (Leavy, 1994). Yin (2014) further suggests that “criticisms may turn into scepticism about the ability to do empirical work in a single case

study. Having multiple cases can begin to blunt such criticisms and scepticism”. Accordingly, multiple case study design is used as part of the case study strategy.

II. Unit of Analysis

According to Yin (2014), the design of case study research depends on the unit of analysis, i.e. based on what conclusions will be drawn at the end of the study. A case study design can have either a single unit of analysis (holistic) or multiple units of analysis (embedded) (Yin, 2014). As asserted by Miles and Huberman (1994), the unit of analysis of a study is a “phenomenon of some sort of occurring in a bounded context”. According to (Collis and Hussey, 2003), it is the focal point to which the variables, phenomena and the research problem refer and from which the data is collected and analysed. Because of its importance, Miles and Huberman (1994) state that the unit of analysis is the focus or heart of the study, and the case becomes the unit of analysis when the boundary of the phenomenon is defined with settings, concepts, sampling, etc. Remenyi, Williams, Money and Swartz (1998) state that determining the unit of analysis is governed by the research questions. It can range from an individual, a group of people, to a process or relationship (Yin, 2014; Remenyi et al., 1998). It is advisable to establish a unit of analysis similar to a previous study’s by considering the literature in the subject area rather than establishing it arbitrarily (Yin, 2014; Remenyi et al., 1998). With regard to this research, the literature review (chapter 2,3 and 4), established that developing countries urgently need to attract FDI to address their infrastructure investment needs. A key factor in attracting MNCs to foster FDI inflows is improving the performance of government organisations in a step-change fashion. Moreover, since this study focuses on the case of Iraq and aims at developing an approach to assist Iraqi decision makers overcome their organisational performance weaknesses and deliver effective performance in a step-change fashion to attract MNCs, Iraqi government organisations are identified as the population from which the case studies can be selected. Hence, the unit of analysis is single and is only concerned with government organisations in Iraq; the research therefore takes the form of multiple holistic case studies, as shown above in Figure 5.4.

After establishing the unit of analysis, the next step is to define the boundary of the study. This helps the researcher to identify the scope of the study, for example to determine the limits of the data collection (Yin, 2014). The study intends first to assess the overall practice and performance of a government organisation responsible for infrastructure development in Iraq and identify key weaknesses and the gap between best practice and current practices in Iraqi government organisations. Second, it uses these findings, corroborated by those from the

literature synthesis, to develop an approach to help decision makers in Iraq create overcome their organisational performance weaknesses and create organisational environment attractive to MNCs in a step-change fashion. After this, the researcher discusses this approach with key decision makers in selected government organisations to validate its applicability, suitability and effectiveness. Therefore, one of the major requirements is to base the study within government organisations which have engaged heavily in the development of infrastructure in Iraq and have direct contact with MNCs during the lifecycle of infrastructure development.

Accordingly, the unit of analysis was extended outwards to cover multiple organisations, namely government organisations responsible for the delivery of infrastructure in Iraq, which falls within the scope of this study, as depicted in Figure 5.5.

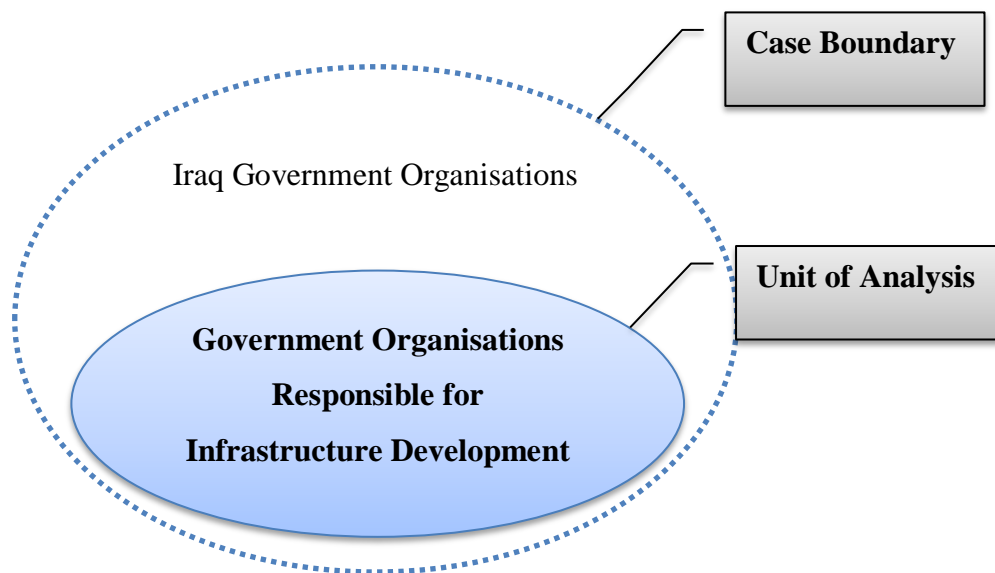


Figure 5.5: Research Unit of analysis

The following section, addresses the third component of building up a suitable research methodology, according to Creswell (2014).

5.4 RESEARCH METHODS

This section discusses applicable data collection methods, the data collection strategy selected, data analysis methods, and the reliability and validity of the adopted research methodology.

5.4.1 Methods of Data Collection

According to Yin (2014) there are six main sources of data in case studies: documentation, archival records, interviews, direct observation, participant observation and physical artefacts.

Table 5.6 shows the types of data collection techniques along with their key weaknesses and strengths. Observation allows collection of data on human behaviours directly in the research environment rather than relying on another person’s interpretation (Sapsford and Jupp, 2006). Hence, observation facilitates direct information gathering which cannot be explained by the participants, and the collection of data from people who cannot take part in surveys or interviews (Sapsford and Jupp, 2006). However, observations are time consuming and the closeness of the research environment tends to increase observer bias (Sapsford and Jupp, 2006; Saunders et al., 2007). People under observation can consciously or unconsciously change their behavioural patterns when they know that are being watched.

Table 5.6: Six Sources of Evidence: Strengths and Weaknesses, source (Yin, 2014)

Source of Evidence	Strengths	Weaknesses
Documentation	<ul style="list-style-type: none"> • Stable- can be reviewed repeatedly • Unobtrusive- not created as a result of the case study • Specific- can contain the exact names, references, and details of an event • Broad- can cover a long span of time, many events, and many settings 	<ul style="list-style-type: none"> • Retrievability- can be difficult to find • Biased selectivity, if collection is incomplete • Reporting bias- reflects (unknown) bias of any given document’s author • Access- may be deliberately withheld
Archival records	<ul style="list-style-type: none"> • [same as those for documentation] • Precise and usually quantitative 	<ul style="list-style-type: none"> • [same as those for documentation] • Accessibility due to privacy reasons
Interviews	<ul style="list-style-type: none"> • Targeted- focuses directly on case study topics • Insightful- provides explanation as well as personal views (e.g., perceptions, attitudes, and meanings) 	<ul style="list-style-type: none"> • Bias due to poorly articulated questions • Response bias • Inaccuracies due to poor recall • Reflexivity- interviewee

		gives what interviewer wants to hear
Direct observations	<ul style="list-style-type: none"> • Immediacy- covers actions in real time • Contextual- can cover the case's context 	<ul style="list-style-type: none"> • Time consuming • Selectivity- broad coverage difficult without a team of observers • Reflexivity- actions may proceed differently because they are being observed • Cost- hours needed by human observers
Participant observation	<ul style="list-style-type: none"> • [same as above for direct observation] • Insightful into interpersonal behaviour and motives 	<ul style="list-style-type: none"> • [same as above for direct observation] • Bias due to participant observer's manipulation of events
Physical artefacts	<ul style="list-style-type: none"> • Insightful into cultural features • Insightful into technical operations 	<ul style="list-style-type: none"> • Selectivity • Availability

Documents are a primary source of data when they are written by people who are directly involved in the period of study, or a secondary source if they are about an interpretation or judgement of the primary data (Sapsford and Jupp, 2006). In the former situation, the document can be considered as original / raw material for the researcher; in the latter, careful interpretation is needed as the document could have been prepared for a particular purpose or for a group audience. Document reviews are a useful source for data collection within case study research, to corroborate or argue against the data collected from other sources (Yin, 2014).

Questionnaire surveys provide an efficient way of collecting data from a large sample, as the respondents are asked to answer the same set of questions (Saunders et al., 2015). The questions can be closed (structured) or open ended (unstructured). The coding can be done easily in closed questionnaire surveys. However, like to semi-structured or unstructured interviews, open-ended surveys have the disadvantage of difficulty of coding and standardisation (Jackson and Trochim, 2002). Another disadvantages is that surveys do not

enable the researcher to ask follow-up questions immediately, to improve the understanding of a particular answer.

Interviews can be structured, semi-structured or unstructured. Structured interviews are, essentially, verbally administered questionnaires, in which a list of pre-determined questions is asked, with little or no variation and with no scope for follow-up questions to responses that warrant further elaboration. Consequently, they are relatively quick and easy to administer and may be of particular use if clarification of certain questions is required or if there are likely to be literacy or numeracy problems with the respondents. However, by their very nature, they only allow for limited participant responses and are, therefore, of little use if in-depth information is required (Gill, Stewart, Treasure and Chadwick, 2008). Unstructured and semi-structured interviews are time consuming for data collection and analysis. Nevertheless, they permit the researcher to follow up questions to clarify issues thus allowing a deeper exploration of the subject area (Burns, 2000). (Silverman, 2001) noted that interviews in social science strive “...to generate data which give an authentic insight into people’s experience”. Further, a good rapport can be built up between the respondent and the interviewer and is preferred when extensive, in-depth data collection is required (Burns, 2000). In contrast to these advantages, interviews can only be used with a limited number of people due to time constraints.

Interviews can also take the form of focus groups; see Table 5.5. A focus group is a group discussion on a particular topic organised for research purposes. The discussion is guided, monitored and recorded by the researcher (sometimes called a moderator or facilitator) (Gill et al., 2008; Yin, 2014). Although group interviews are often used simply as a quick and convenient way to collect data from several people simultaneously, focus groups explicitly use group interaction as part of the method. This means that instead of the researcher asking each person to respond to a question in turn, people are encouraged to talk to one another: asking questions, exchanging anecdotes and commenting on each other’s’ experiences and points of view (Kitzinger, 1995). Table 5.6 shows the key weaknesses and strengths of focus group interviews.

As discussed above, each data collection method has its own advantages and disadvantages when used in isolation. To increase the richness of the collected data, methods can be combined so that the weaknesses of one are minimised by the strengths of others. Therefore,

the deployment of multi-methods is encouraged by many authors (Saunders et al., 2015; Yin, 2014; Collis and Hussey, 2009; Miles and Huberman, 1994).

Table 5.7: Focus group strength and weakness, source Sekaran (2003)

Technique	Strengths	Weakness
Focus group	<ul style="list-style-type: none"> • It is an economical method; participants are interviewed in a group • It might increase the number of participants in the study • In helps to collect social data in a social environment • Focus group have high validity 	<ul style="list-style-type: none"> • Participants with strong personalities may control the discussion while others may stay silent • Participants might produce fewer ideas • Moderators may influence participants' views • Might discourage some participants from trusting others

Saunders et al. (2015) and Yin (2014) point out two main situations where the multi-method approach can be used within a study. First, it allows the researcher to use different methods to assist different purposes of the study. This facilitates the capture of a holistic view of the phenomenon being studied and further increases the depth and breadth of the study. For instance, interviews can be used to identify critical issues of a study followed by documentation review to explore the identified factors. Secondly, the use of multi-methods facilitates methodological triangulation, i.e. the facts or events of the phenomenon being studied are supported through different sources of evidence. Methodological triangulation increases the construct validity of the study. Moreover, Yin (2014) suggests that in cases where access to other sources of evidence is difficult or when no other sources are available, querying the same participants several times or on several occasions serves in its own way as a set of multiple sources of evidence.

After considering the appropriateness, strengths and limitations of the above methods, interviews were selected as the main mode of data collection for this study, for their ability to examine issues in detail. Semi-structured interviews and focus groups were adopted for data collection with two main objectives: to learn and understand the interviewees' perspectives on the issues surrounding the practices and performance of their government organisation, and to

learn whether the interviewees can validate the effectiveness and applicability of the proposed approach. Observation and document reviews were also used to corroborate findings obtained through the interviews. The following section explains in detail the data collection strategy for this research, highlighting when, why and for what purpose the different methods are used during the various data collection stages.

5.4.2 Data Collection Strategy for this Research

I. Selection of Case Studies

The primary objective of case study selection is to ensure the researcher chooses the most suitable case studies for the data collection, satisfying the requirements of the study. Within the case study, identification of the participants who can best inform the researcher about the phenomenon is essential. Finally, the types of data source to be investigated and the amount of accessibility required must be determined (Yin, 2014).

Purposive and/or theoretical sampling can be used in selecting the case studies. Purposive sampling selects cases which illustrate features or processes that the researcher is interested in (Silverman, 2001), although “there is only a slight difference between purposive and theoretical sampling where the former selects the cases without theoretical grounds and owing to the practicality of the study whereas the latter with a theoretical ground”. Accordingly, the researcher used both theoretical and purposive sampling to choose suitable case studies to collect the required data and thereby to develop theory.

Eisenhardt (1989) emphasises the need for deriving a population to select suitable cases for a study. As discussed in section 5.2.2b, Iraqi government organisations were identified as the population from which case studies could be selected. Having decided on the population, a theoretical background or operational criteria (as described by (Yin, 2014) was established to qualify the cases. Based on the theoretical background of this research (section 5.2.2b), one of the major requirements was to base the study within government organisations that have been heavily engaged in the development of infrastructure in Iraq and which have direct contact with MNCs during the lifecycle of infrastructure development. In this way, the quality as well as the quantity of the research work is assessed.

Referring back to Figure 4.2, the structure of infrastructure development in Iraq is as follows. The GOI is the primary party responsible for developing Iraqi infrastructure. Iraq has a total of 19 provinces (governorates or major cities; see chapter 4) and two major sectors, oil and

gas, and ports, which represent the main sources of state revenue. Currently, GOI delegates the responsibility for infrastructure development to two types of government agency, namely local governments and ministries, and each has authority to carry out projects that represent its speciality and within its predefined jurisdiction. For example, the Ministry of Oil is responsible for carrying out any type of infrastructure project that can help expand and increase the production and export of oil and gas; it does this through its line ministry offices in the areas of the country where oil and gas are present. With regard to the ports, for instance, the Ministry of Transport has the authority to carry out all necessary infrastructure projects that have the potential to improve and expand the services that Iraqi ports can provide to expand the customer base and increase revenue. Similarly, local governments are responsible for addressing the infrastructure needs, such as schools, health centres, roads and bridges, of the areas of the province under their jurisdiction.

Accordingly, a list of Iraqi government organisations involved in various infrastructure development programmes which have or could interact with MNCs was prepared, in consultation with the supervisors. In light of the experience of the researchers, four suitable Iraqi government organisations were chosen. To narrow down the criteria for selecting suitable case studies, given that oil and gas is one of the biggest sectors in Iraq and attractive to MNCs, and given that the biggest area of oil and gas reserves is situated in the south region, the line ministry office of the Ministry of Oil in the southern region, namely the **South Gas Company (SGC)**, was selected. As the second main source of revenue, also attractive to MNCs, the **General Company for Ports of Iraq (GCPI)**, responsible for managing all Iraq's ports, was also selected. In order to expand the number of potential case study candidates, local governments were added to the list of potential organisations. Cities and provinces with high oil reserves are potentially attractive places for MNCs to work and invest. In Iraq, the largest oil fields are located in Basra province and the majority of Iraq's oil exports leave from the Basra oil terminal. Nevertheless, the city has a considerable lack of infrastructure and the recent crisis of oil prices made it essential to address its infrastructure investment needs. Therefore, **Basra Local Government (BLG)** was also selected as a case study. The fourth is the **Directorate of Government Commerce (DGC)**, a government organisation within a local government structure, with direct responsibility for the delivery of infrastructure in the city within its jurisdiction.

Next, the access to the case study organisations was established. First, a cross-sectional approach explored the existing practices in an Iraqi government organisation, namely **DGC**,

and used the findings to develop the intended step-change performance improvement approach. Secondly decision makers' opinions about the feasibility, applicability and effectiveness of the proposed step-change organisational improvement approach within the context of the three Iraqi government organisations, namely **BLG**, **GCPI** and **SGC**, were solicited. Thus, the researcher needed access during different stages of the study, first to conduct interviews and observations to benchmark the existing practices and to better understand the organisational system and its key weaknesses and strengths, and then to do a series of interviews to validate the proposed approach. The four cases were thus selected to fulfil the requirements of the main stages of this research, although, according to Patton (2002), the total number of cases could be decided during the course of the study. This is further discussed in the following sub-sections.

II. Data Collection Stages

This section describes the research stages and those case studies relative to each stage; and what the research aims to achieve from each case during the corresponding stage of the research. These stages and the process of the case study are presented in Figures 5.9 and 5.10.

a) Exploratory Stage

The aim of this stage is to explore and assess the overall practices and performance of a government organisation in Iraq responsible for the direct delivery of infrastructure, now or in the future in direct contact with MNCs. Therefore, **DGC**, was selected as a case study to fulfil the requirement of this exploratory stage, as indicated in Figures 5.9 and 5.10, because it is a government organisation within a local government in Iraq, responsible for planning, procurement/tendering and construction of infrastructure projects and in a direct contact with customers (i.e. local contracting companies and MNCs). During the exploratory stage three data collection steps were carried out:

The **First Step** focused on understanding the overall picture of the organisation including its structure, the framework of operations used to carry out its projects, and what customers (local/international companies) think about the overall organisational performance. Fifteen members of staff as well as twelve representatives of local contracting companies were interviewed during this step.

The **Second Step** focused on assessing the overall practice and performance of the case study organisation and compared it to world-class best practice, identifying any gap between them. A standard practice and performance benchmarking tool was used during this step to gain a

full understanding of all the aspects surrounding the organisational environment of the case study organisation in question. Focus group interview sessions using a PROBE survey questionnaire were held with five members of the organisation.

The **Third Step** focused first on providing training workshops covering a range of topics, including business process improvement; management of change; strategic planning and IT; project, programme and portfolio management; people and performance measurement teamwork practices; and knowledge management. Afterward, assessment was carried out based on a post-training questionnaire, designed to assess the impact of the training programme on the trainees' understanding of the delivered materials. The focus was on work practices, performance and the need for change. Twelve people (all member of staff trainees) were interviewed.

b) Development Stage

The findings from the exploratory stage, along with the critical steps synthesised through the literature review (see section 3.7), formed the baseline from which to develop the step-change organisational performance improvement approach.

c) Validation Stage

During the validation/confirmation stage, three Iraqi government organisations were selected as case studies (based on the criteria set out in sections 5.2.2b and 5.3.2I above), namely BLG, GCPI and SGC. For each, five interviews with key decision makers were conducted with the aim of presenting and confirming the proposed approach and its underlying elements; the collected data were used to refine the proposed approach. Each case followed the same procedures and data collection protocols, to ensure replication of direct results.

Patton (2002) suggested that the total number of cases could be decided during the course of the study. After each case, a quick analysis was made, outlining the major issues mentioned in that study. Comparing and contrasting each case study with previous ones, the researcher explored whether this would be sufficient to make generalisations from the amount of data obtained so far. When it was not enough, a new case was selected in order to achieve either a literal or theoretical replication, following the guidelines of Yin (2014); until it was decided that the data obtained from these three government organisations was rich enough. Moreover, the number of interviews conducted depended on the concept of saturation of data which, according to Glaser and Strauss (1967), occurs after many rounds of coding where no new categories emerge from the process. Sample size is deemed to be satisfactory only when the

key concepts identified from the collected data have reached saturation point; in this research, when no new data emerged.

III. Data Collection Methods Used in this Research

a) Data Collection Methods Used During the Exploratory Stage

As discussed earlier, the exploratory stage consisted of three main steps of data collection.

➤ **The First Step** used semi-structured interviews as the main data collection method, along with observation and document reviews to understand and assess the system of the case study organisation and identify key organisational practice and performance issues during the lifecycle of infrastructure projects implementation. The set of semi-structured questions developed to collect the relevant information is given in Appendix 1.

➤ **The Second Step** used focus group interview sessions as the main method to assess the overall practice and performance of the case study organisation, using the standard practice and performance benchmarking tool called PROBE. PROBE for Public Service is a diagnostic tool designed to measure the key practices, those that drive the organisation and its services forward, and to show how, by improving these key practices, it will impact on the organisation's performance levels (see section 2.4.1 for more detail). It does this using the four key stages of:

- Measurement through self-assessment
- Analysis against a world-class best practice framework
- Comparison with other organisations in the same sector and globally against a relevant subset of the 7,000+ organisations and businesses that are on the PROBE database
- Action planning to build on the findings and to identify practical steps towards improvement. However, for this particular case study this stage was not included in the report as the aim of using this tool was just to understand where the practices and performance of the Iraqi government organisation stand against those of the world-class organisations and identify any gap.

The following describes the main stages of the PROBE assessment process: the methodological process of PROBE benchmarking is presented in Figure 5.6.

Stage 1: Measurement and Team Selection

PROBE for Public Service is a team process. Each organisation is asked to pick a group of people within the organisation to participate, representing different levels and functions, including different departments and teams. According to PROBE (2016), a team that represents the whole organisation in terms of seniority and functionality will be able to generate results that reflect the reality of the current situation and as such provide the best possible basis for relevant and pertinent improvement activity. For most situations, a team of 5-6 is appropriate. Ideally, the team should consist of:

1 Director or equivalent

1 Senior Manager

1-2 Middle Managers

1-2 Others

Accordingly, five members of DGC were interviewed during this step

❖ PROBE for Public Service questionnaire

Once the team has been selected, each member is given a copy of the PROBE for Public Service questionnaire (see Appendix 1). This questionnaire contains 52 questions, asking for a rank of 1-5 (5= Best Practice) for each question. The researcher (the facilitator of the benchmarking process) asks each team member to spend a minute understanding the question and giving an answer in pencil. If, after a minute, the question does not make sense or does not apply, they should leave it unanswered until the facilitator's workshop. Since this organisational practice and performance benchmarking exercise is new to government organisations in Iraq in general and was particularly new to the team members of both the case study organisations, the researcher concluded that it was important to conduct a training workshop for the members of the teams. During this workshop the researcher explained the aim of the study and the benchmarking process and the contents of the questionnaire, so that every team member was fully aware of what each concept in the questionnaire meant.

❖ Pre-meeting

Before the facilitated workshop the team leader was asked to assemble the team for a short preliminary meeting in order to explain what the organisation/service wants to achieve from the PROBE exercise, the role the team will play, and the PROBE process. In explaining the

process, open and honest debate is encouraged, and an explanation given of what the team members are to contribute, including considering the points of others. The main purpose of this meeting is to have a general discussion about the questions to ensure that there is a broad agreement on what they mean and whether there is already a consensus view on what a particular score should be. It is intended to serve as an introductory session where the team can further familiarise itself with the questionnaire and as a mechanism to save time where consensus scores that require no discussion on the facilitation day can be logged. At the end of this meeting the team members keep a record of their individual scores, and the team leader keeps a record of any scores where there is already a consensus view.

Stages 2 and 3: Analysis and Comparison

❖ The Facilitated Workshop

At the time of agreeing to undertake a PROBE for Public Service there was agreement on a date for the PROBE facilitator (in this case the researcher himself) to meet with the CEO of the organisation and the team in a focus group session. Each team member should bring their completed questionnaire and some notes on why they have a certain score logged on their questionnaire, and show related documentation/archival records where necessary to validate the scores. The PROBE for Public Service facilitator leads the team through the questionnaire and keeps a log of the consensus scores achieved during this discussion. He also analyses the team's consensus scores and provides feedback in the form of a presentation and discussion based on a number of graphical outputs. These show how their scores compare against the world-class best practice model that underpins PROBE for Public Service, and how their organisation compares with others in their own sector and globally against a relevant subset of the 6,000+ organisations and businesses on the PROBE database.

❖ The PROBE for Public Service written report

Within two weeks of the facilitated session, the researcher writes a report that summarises the findings from the workshop, and sends it to organisation's key decision makers and the PROBE team. It includes narrative explaining the PROBE for Public Service world-class best practice model, the organisation's comparative position against this model and against the organisation's peers already contained on the PROBE database. The report also provides a record of the consensus scores from the team and a copy of the graphical outputs used by the facilitator to provide feedback at the end of the meeting. Although this is a formal procedure for the PROBE facilitator, for the sake of this research study the researcher took this

opportunity to meet these individuals in person and ask for their feedback on the results contained in the report, in order to confirm that the results are valid.

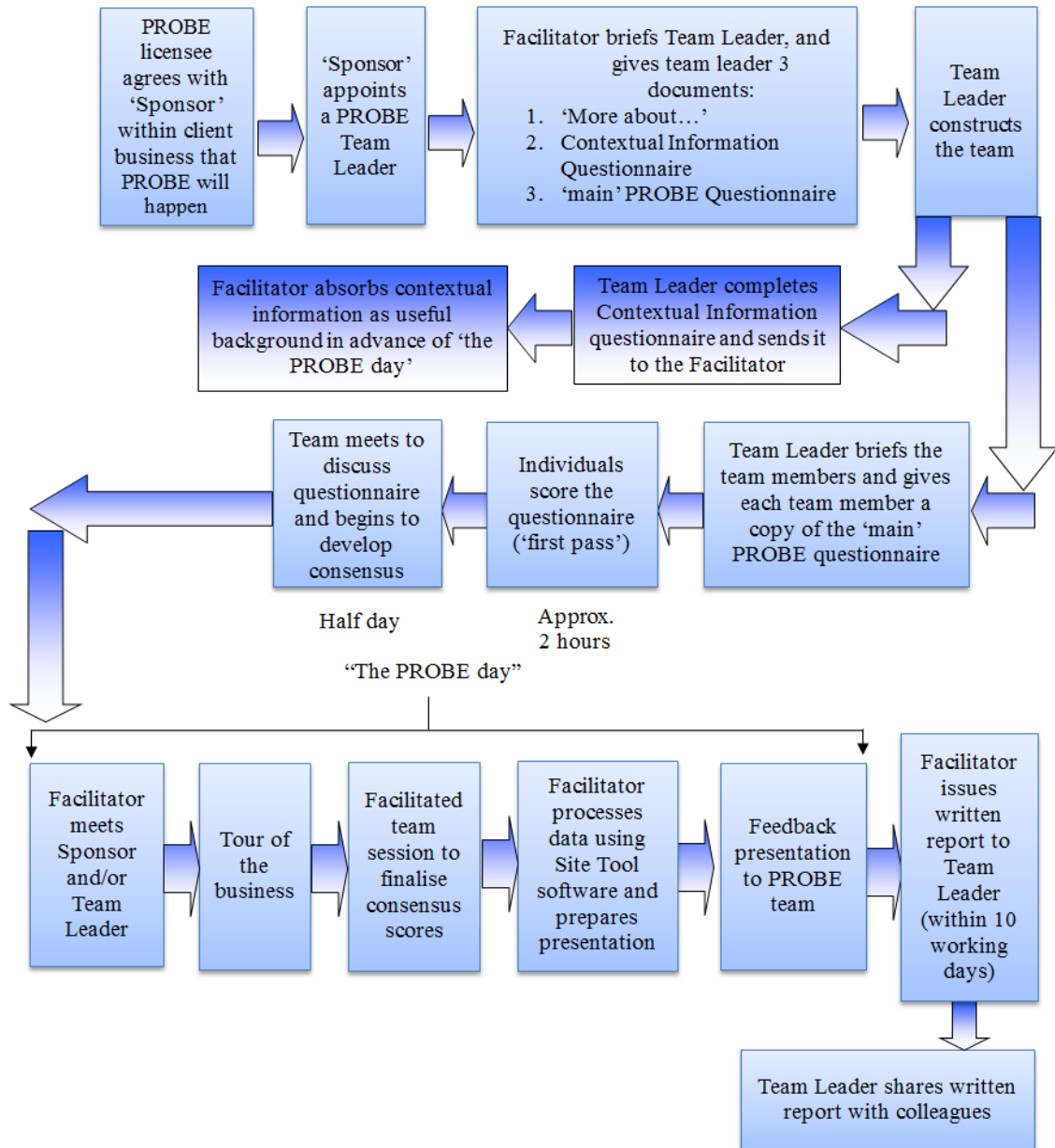


Figure 5.6: PROBE Methodical Process, source PROBE (2009)

Reference to the benefits of this data collection technique as well as the nature of the questionnaire survey used during PROBE benchmarking focus group helped the researcher to capture a precise and realistic answer (score) for each question in the questionnaire. The questions asked require not merely a yes or no answer, since the questionnaire is designed to compare organisations' existing practices with best practices. Each set of questions asks

participants about a particular aspect of their organisation, for example service quality. Each aspect is broken down further: for example, one of the questions about service quality is reliability. Within each question, there are three statements which portray practice or performance which typifies “best practice” (in the right-hand column) and something which would be some distance away from “best practice” (in the middle and left-hand columns). Participants are asked to choose the statement most appropriate to their organisation. Each statement equates to a score to be written in the box provided. Moreover, each question is accompanied by guidance notes which set the scene, suggesting that participants are considering the ideas described/questions posed in the guidance notes as they make their judgments about the score. Underneath each question there are a few lines where they can make their own notes. For example, participants can note their reasoning in choosing a particular score, as a reminder for their discussions with colleagues. Participants should choose the statement most appropriate to their organisation, and this gives them a score – the number in the coloured band above that statement. If they feel their organisation is between two statements, they should choose the number in the coloured band between these two statements. In the example below, the organisation questioned felt that statement two was most appropriate to them and so they scored 3. If they had felt they were between statements one and two, they would have scored 2; see Figure 5.7.

Question Title	1	2	3	4	5
Guidance notes... guidance notes... guidance notes	Statement one	Statement two	Statement three		
NOTES:					3
<i>Statement two is most appropriate to our organisation, so we score 3</i>					

Figure 5.7: Scoring PROBE Questionnaire, source PROBE (2009)

Document review was used as a secondary source of data to help in reducing bias and enhancing the validity of the answers provided during the focus group session. This is because most of the structured questions require some evidence to support the answers, such as the availability of a vision and a mission for the organisation, an instrument used to identify customers (local contracting companies and MNCs) complaints data, etc. Figure 5.8 is a sample question from the PROBE structured questionnaire.

Managing for improvement

<p>25 Continuous improvement</p> <p>Continuous improvement is a core theme of quality management. How is continuous improvement organised? What training is there for employee teams? Are 'lean' tools and 'kaizen' (continuous improvement) techniques used? (e.g. value stream mapping, cycle time reduction, cause-and-effect analysis, statistical process control, creative thinking techniques etc.).</p>	1	2	3	4	5
	No systematic programme of continuous improvement or use of quality tools		Forced to make improvements by our customers and/or stakeholders. Limited effective use of quality tools		Committed to continuous improvement. Emphasis on understanding quality problems before taking action. All employees use quality tools, and they are used effectively
<p>NOTES:</p>					
					<p>SCORE:</p>

Figure 5.8: Example Survey Question

➤ **The Third Step** used semi-structured interviews as the main data collection method. The aim was to capture the interviewees’ viewpoints about their current practices and performance and about the kind of change their organisation requires in order to emulate world-class performance. A copy of the interview guide for this step is presented in Appendix 1.

b) Data Collection Methods used during the Validation Stage

As stipulated above, the primary aim of this study was to develop a strategic approach that can assist decision makers in Iraq to create a step change in government organisations’ performance. To fulfil this aim, the validation stage aimed to identify the different views of decision makers regarding the feasibility and applicability of the proposed approach within the context of Iraq public sectors, and its perceived effectiveness in achieving a step change in the performance of government organisations. Therefore, it was necessary to select a data collection medium which would provide in-depth insight about the proposed approach and its components and gather the different views and opinions of the interviewees. To facilitate these requirements, the researcher selected an open-ended form of inquiry, also devising a structure/direction to prevent interviewees from deviating from the scope of the study and to keep them focused on the main issues. Thus, semi-structured interviews were identified as the most suitable data collection technique during the validation stage of this research, helping the researcher to gather the data in a flexible and conversational manner but with a focus on the study. The case study interviews within the validation stage were terminated when the researcher found no new data regarding the area being discussed.

As Yin (2003) states, for the data collection to be effective, precise communication with the participants is needed regarding the purpose of the case study. Thus, a study brief explaining

the overall objectives, benefits to the respondents, commitment from the respondents and how confidentiality would be dealt with during the exploratory stage was presented. Along with this brief, interview guidelines containing the main questions pertaining to the validation stage of the case study (see Appendix 2) were distributed among interviewees. These guidelines and the proposed approach diagram were given to the interviewees prior to the interview, similar to the practices adopted during the exploratory stage of the case study. The duration of the interviews in the validation stage was in the range of 45-80 minutes.

Document reviews were again used during this stage, mainly to understand the details of the case study organisations, to obtain details of the interviewees and to confirm some of the answers given by them during the data collection process. Figures 5.9 and 5.10 summarise the data collection strategy.

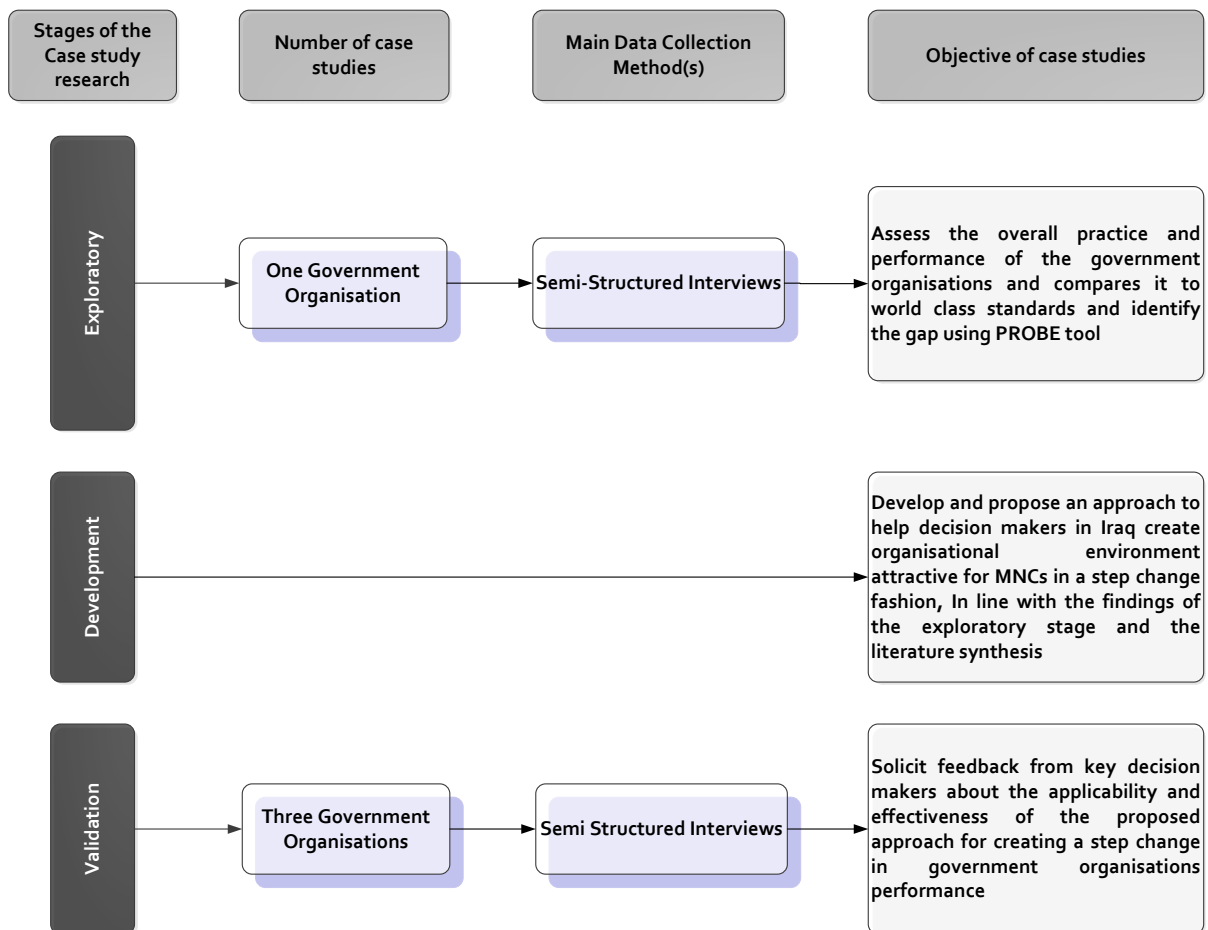


Figure 5.9: Data collection Stages of the Case Study

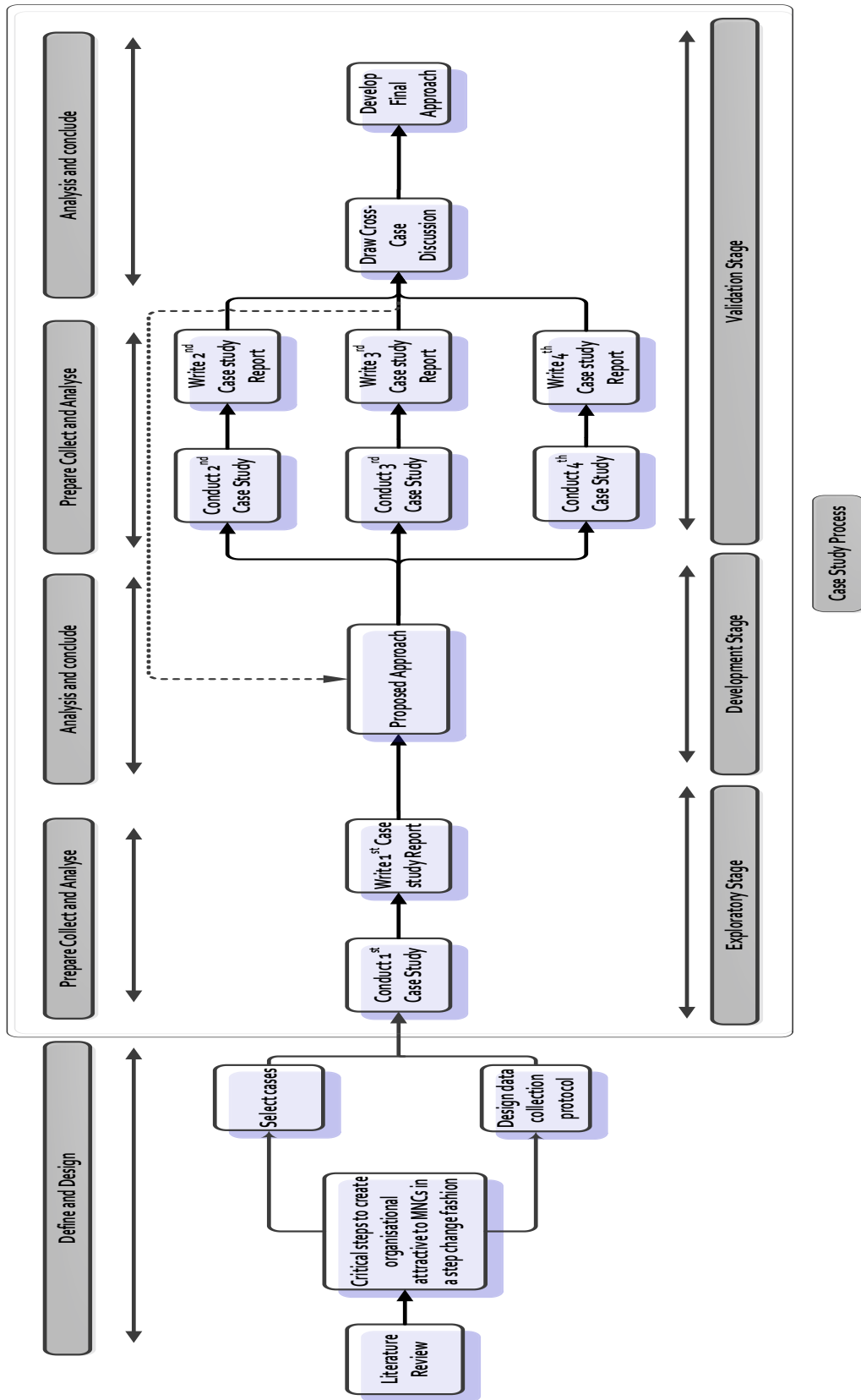


Figure 5.10: Case studies process, inspired by Yin (2014)

5.4.3 Data Analysis Technique

In terms of the PROBE benchmarking process, the consensus scores generated during the facilitated focus group sessions were tabulated along with related textual data in the PROBE tool. PROBE is a standard tool designed for the purpose of benchmarking public service overall practice and performance. The tool that is used to analyse the data is called the PROBE site tool. The site tool software is designed to process and store data that trained and accredited PROBE facilitators (like the researcher) gather while facilitating PROBE benchmark surveys with their client organisations. The primary purpose of the software is to enable the facilitator to generate graphical representations of the benchmark for the client organisation. The inputs to the software are textual and numerical data gathered by the facilitator from the client organisation via PROBE questionnaires. The software processes the data and produces graphs which provide a profile of the organisation's strengths and weaknesses, and compare these with hundreds of others whose data is contained (anonymously) in an international sample held within the site tool software. Another important purpose of the software is to keep the data gathered from the facilitator's clients safe and confidential, and then to transfer that data out of the site tool in encrypted form and transmit it back to the PROBE data-store. Once in the data-store, this new data adds to and updates the international sample. In turn, the site tool itself can be updated from the data-store, so that the international sample it is carrying is renewed and updated on a regular basis.

On the other hand, before analysing the qualitative data gathered during the case study process, the first step is to organise and prepare it. As Creswell (2014) indicated, this involves transcribing interviews, scanning materials and sorting and arranging the data into different types according to the source of the information. The organised data will then be read thoroughly and understood to gain the general views represented (Creswell, 2014). The next step of the analysis is to develop different data categories according to the different ideas which emerge from the transcribed or sorted data (Saunders et al., 2007). The qualitative data collected from each government organisation is then analysed using a combination of qualitative coding and interpretation. Coding is used to organise the raw textual data that is highly unstructured since the interviewees referred to the same variable in various questions. Coding is the process of identifying one or more discrete passages of text or other data items that cover the same theoretical or descriptive idea (Gibbs, 2002). As part of the analytical process, attaching codes to data and generating concepts enable the researcher to review what the data is saying. Coding is usually a mixture of data reduction and data complication since it

is used both to break up and segment the data into simpler, general categories and to expand and tease out the data in order to formulate new questions and levels of interpretation (Coffey, Holbrook and Atkinson, 1996). Following the coding principles, the textual data was broken into main subject categories by the researcher. The aim was to capture common characteristics and to explore possible relationships which might form a basis for interpretation.

5.4.4 Validity and Reliability of the Research Design

As Yin (2014) shows, it is necessary to judge the quality and validity of a case study design to ensure that it represents a logical set of statements. In this context, it is proposed to use four tests which have been commonly used to establish the quality of any empirical research including case studies; these are: construct validity, internal validity, external validity and reliability. These tests are explained below with respect to the actions taken in this research to satisfy these tests.

Construct validity means establishing the correct measures for the studied concepts; it can be increased by using one of three tactics: using multiple sources of evidence, establishing a chain of evidence, and having the key informants review the draft case study report (Yin, 2014). In order to increase the construct validity during the exploratory stage of this research, multiple sources of evidence were used (interview data, observation and document review) and a complete report showing the results of the benchmarking process was reviewed with interviewees. During the validation stage, interview data and documents were also used, and the researcher was also able to present to interviewees the impact of their data on the proposed approach.

Internal validity is the extent of a research design and data to enable the researcher to draw accurate conclusions about cause and effect and other relationships within the data (Neuman, 2006). Internal validity is used as a test for explanatory studies only (Yin, 2014). The validation stage of this research fell into this category, therefore internal validity was considered during the research design. In order to increase the internal validity, each case was analysed individually and compared with the other cases to make sure that the relationships obtained were not due to case-specific conceptual variables.

External validity is the ability of a researcher to generalise the findings, and is related to the domain-specific setting chosen for the study (Yin, 2014; Neuman, 2006). In this research, in order to increase the external validity, multiple cases were carried out during the validation

stage considering the replication logic. The number of cases necessary for generalisation was decided during the case study implementations.

Reliability is the extent to which the operations of a study can be repeated with the same results (Yin, 2014). In this research, in order to be able to carry out the same procedure for each case during the validation stage, a case study protocol was developed. The overview of the case study project, the investigated questions and the procedures used were documented in this protocol.

5.5 SUMMARY

This chapter presented the design of the research methodology adopted in this study. Chapter 6 will present the findings obtained during the exploratory stage and how they led to the development of the conceptual approach.

CHAPTER 6: THE EXPLORATORY STAGE AND THE DEVELOPMENT OF THE PROPOSED APPROACH

6.0 INTRODUCTION

Chapter three concluded with a synthesised set of critical steps to guide this research towards the development of an approach to propose to decision makers of Iraqi government organisations responsible for the delivery of infrastructure, to help them overcome their performance weaknesses and create an organisational environment attractive to MNCs in a step-change fashion and to institutionalise best practices. The first step necessitates assessing the overall practice and performance of a given government organisation, comparing it against world-class standards, identifying the gap and highlighting key practice and performance weaknesses. This understanding will feed into satisfying the requirement of the second critical step which necessitates choosing a suitable organisational structure to dedicate to work with MNCs from those discussed in chapter 3, to act as a core component to the approach that will be proposed to the decision makers. Moreover, the findings from the first critical step will also act as a baseline for developing the remaining components of the proposed approach. In line with the chosen research methodology, this step is referred to as the exploratory stage, aiming at soliciting the data required for the development of the proposed approach, following a case study. The stage focusing on the development of the proposed approach is referred to as the development stage.

This chapter consists of two main sections. The first discusses the exploratory stage, presenting the case study organisation's background, the data collection process, and the outcome, findings and discussions of the exploratory stage. The second section discusses the development stage, focusing on putting together the various components of the proposed approach and explaining each of its phases.

6.1 EXPLORATORY STAGE: A CASE STUDY TO ASSESS THE OVERALL PRACTICE AND PERFORMANCE OF A GOVERNMENT ORGANISATION IN IRAQ

This section explores the overall practice and performance of an Iraqi organisation which has direct involvement in the development of infrastructure, following a case study approach. The case study will emphasise those practices that have a direct impact on the organisation's overall performance, especially those that determine the satisfaction level of the organisation's customers (namely local and/or international companies/MNCs). The Directorate of Government Commerce (DGC), an organisation within a Local Government involved in the development of infrastructure, has been chosen as a case study to fulfil this aim. The case study process consists of three steps of data collection, whose outcomes will help in the development of the proposed approach.

Thus, the section provides an overview of the case study organisation, explains the data collection steps, details the outcome of each step and eventually discusses the overall findings of the case study, relating them to the objectives of the research to set the scene for the development stage.

6.1.1 Organisation Background

The DGC is an organisation within a local government of one of the biggest cities in Iraq. It is responsible for implementing various local government-related projects, including infrastructure, from the planning stage, through devising project tenders and contracting procedures to supervision of the execution stage. DGC is one of the main subsidiaries of the local government under the direct authority of the Governor, and has a technical link with the state Ministry of Planning. It consists of five main departments: the follow-up, contracting, archive, finance and auditing departments, as shown in Figure 6.1.

During the lifecycle of infrastructure development, each department has its own role that feeds into the process of project implementation. For instance, the key role of the follow-up department is to make sure that the design and tenders received from the interested parties in the city are reviewed and finalised before being sent to the contracting department. The contracting department works on advertising the projects, following a tendering process specified by top management in line with government regulations.

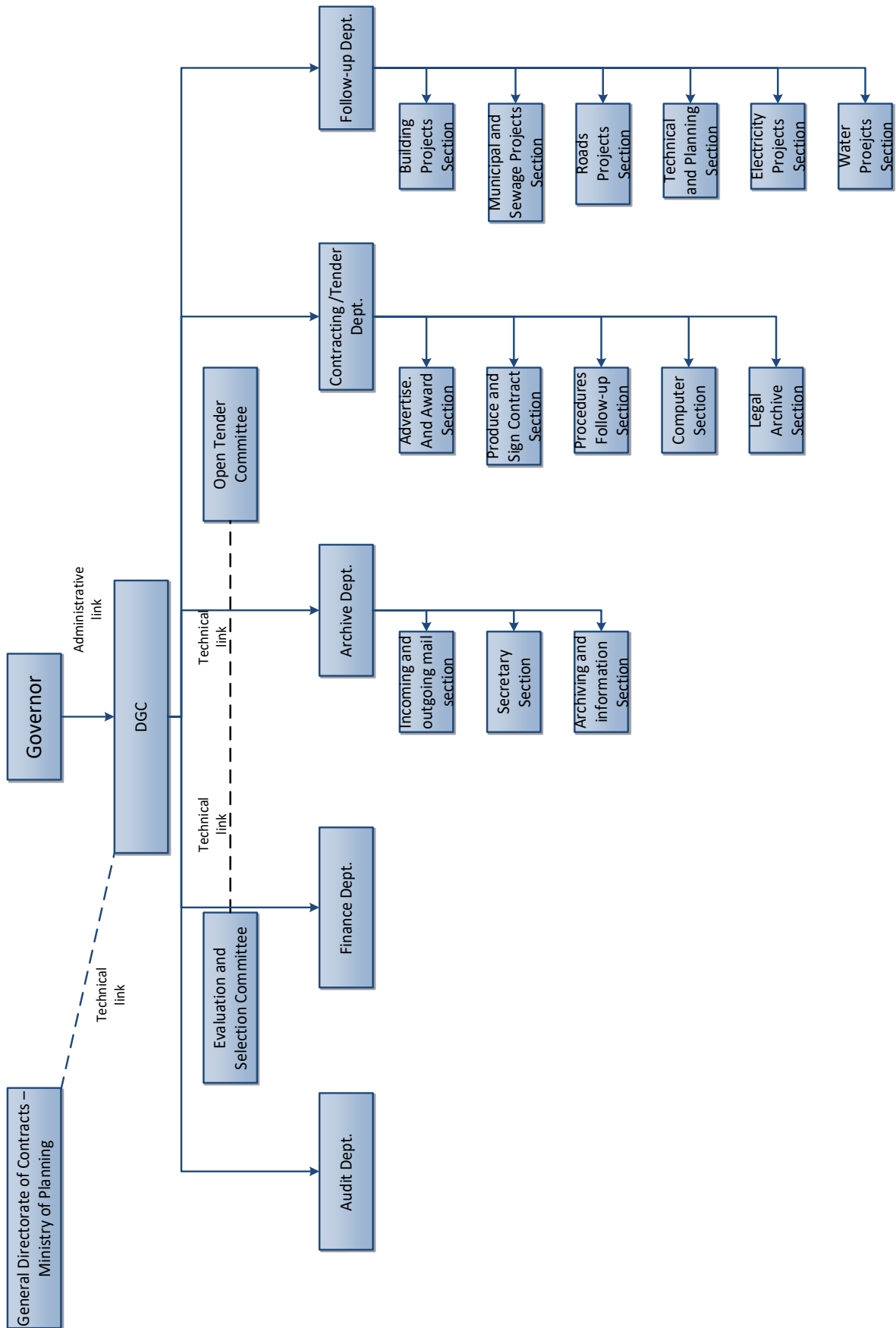


Figure 6.1: DGC Organisational Structure

During this process, certain steps require the involvement of the finance department to handle the financial matters during and after the tendering processes, e.g. during the process of selling tenders. The auditing department works on a different scale, more specifically on the financial aspects of the projects; and the archive department record every letter coming in or out of the organisation. DGC is the main interaction point between the city's executive authority and the private sector: local or international contracting companies or multinational companies (MNCs). More details about the operation and system of the case study organisation are discussed later in this section.

The case study focuses on understanding the overall system and framework of the organisation and its corresponding problems; what customers think about the service provided by the organisation; the gap between the organisation's overall practice and performance and those of world-class organisations; and what members of the organisation think of their organisation's performance and what needs to be done to improve it.

6.1.2 Data Collection Process

As explained above, the main aim of this case study is to fully understand and assess the quality of the practices adopted by the case study organisation, which is involved in the development of infrastructure in one of the biggest cities in Iraq, and their impact on its performance. This is to build and propose an approach to helping decision makers transform their organisational performance and create an organisational environment attractive to MNCs in a step-change fashion. To obtain the relevant information, three data collection steps were conducted, as illustrated in Figure 6.2.

- The first step of this stage focused on developing a set of questions, conducting a series of semi-structured interviews and performing observations to understand the organisation's approach in carrying out its projects and to highlight key problems. Data was also collected reflecting customers' satisfaction level with some of the practices adopted by the organisation.
- The second step focused on assessing the organisation's overall practice and performance, comparing it to world-class standards and identifying the gap between them, using the PROBE practice and performance benchmarking tool.
- The third step advised interviewees of some of the best practices currently used to help enhance organisational performance. Feedback from the interviewees was then

solicited about matters requiring immediate attention from top management to improve the organisation's performance.

The findings from these steps, together with the literature synthesis, were used as a basis for developing and proposing an approach to help the decision makers to create an organisational environment attractive to MNCs in a step-change fashion and to institutionalise best practices.

The procedure used to conduct this case study is as follows:

1. A formal letter was submitted to the local government explaining the aim and objectives of the research and the type of information required; the letter requested permission to proceed with the case study organisation.
2. Permission was granted.
3. The researcher interviewed the head of DGC and explained the research and the aim of the study, requesting permission to conduct observation and a series of interviews with him, other members of the organisation, and representatives of the local contracting companies working with DGC, to elicit information about the organisation's overall practice and performance relevant to the study.
4. The head of DGC was asked to select a group of five people to participate in the PROBE benchmarking process, who have considerable experience in how the organisation works and represent different levels, functions and seniority. This team was called the PROBE team. The head of DGC informed the selected individuals about the study and the need for their cooperation.
5. Once the team had been selected, the overall practice and performance of the organisation was benchmarked. The benchmarking steps were conducted as illustrated in figure 5.6.
6. The head of DGC and a group of senior members of his staff were asked to participate in a training workshop designed to illustrate the best practices, tools and techniques used to address various organisational performance weaknesses;
7. Semi-structured interviews were conducted with these trainees to solicit their feedback about their organisation's overall practice and performance, and what can be done to improve them.

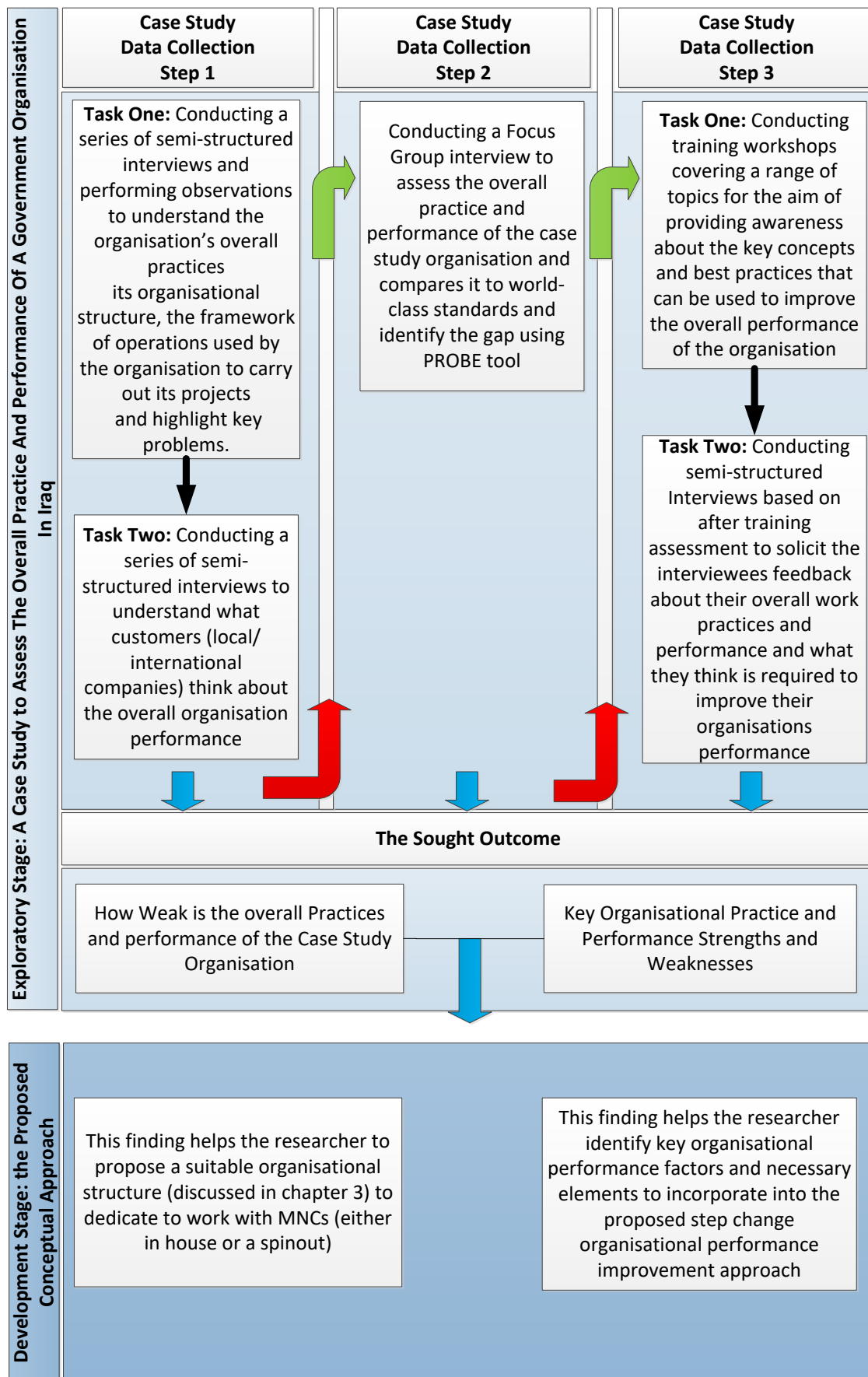


Figure 6.2: Overview of the Exploratory Case Study Process

6.1.3 Data Collection Step 1: Understanding the Overall System of the Organisation

The first step focused on understanding the overall picture of the organisation's system including its structure, the framework of operations used to carry out its projects, and what customers (local or international companies/MNCs) think about the overall organisational performance. A set of questions was developed to collect the relevant information during this step; see Appendix 1.

As explained earlier, this step consisted of two main tasks (Figure 6.2 above). The first was conducting a series of semi-structured interviews and performing observations to understand the organisation's overall practices, its structure, and the framework of operations used to carry out its projects and highlight key problems. The second task was conducting a series of semi-structured interviews to understand what customers (local and/or international companies/MNCs) think about a given part of the organisation's performance that has a significant impact on customer satisfaction level.

I. Task One Findings

During this task, a series of semi-structured interviews and observations were conducted to understand the organisation's system of operation and its role in the process of infrastructure development, and to identify key issues. The details of the people interviewed during this task are illustrated in Table 6.1.

Table 6.1: A Summary Profile for the People Interviewed During Task One

Job Title	Interviewee Code	Organisational Role
Director 1	D-D1	Accountable for DGC work
Director 2	D-D2	Act as an assistant to Director 1 and also responsible on managing a certain group of projects
Director 3	D-D3	Responsible for managing the processes of the tendering and awarding phase of the projects
Manager 1	D-M1	Responsible for managing the process of planning and the activities related to the technical side of the projects such as checking tender and design documents
Manager 2	D-M2	Responsible for managing the activities related to advertising and awarding the projects

Manager 3	D-M3	Responsible for managing the activities related to developing and signing the projects contracts
Manager 4	D-M4	Responsible for managing the activities related to archiving the relevant legal documents of the projects
Manager 5	D-M5	Responsible for managing the IT related activities relevant to the tendering the awarding process
Manager 6	D-M6	Responsible for managing the activities relevant to following up the procedures of the tendering and awarding phase
Senior Member of Staff (SMS) 1	D-S1	Is involved in the process of advertising and awarding projects
SMS 2	D-S2	Is involving in the process of planning and follow-up of projects
SMS 3	D-S3	Is involved in the process of contract preparation and development
SMS 4	D-S4	Is involved in the process of providing IT support
SMS 5	D-S5	Is involved in the process of advertising and awarding projects
SMS 6	D-S6	Is involved in the process of contract preparation and development

Most of the people listed in this table were interviewed several times during the exploratory case study. The outcome of this task is discussed below:

Organisational System

Task one focused initially on understanding the overall organisational system of the case study through designed interviews and observations in order to identify the scope of its work throughout the lifecycle of infrastructure development. In particular, an understanding about the aspects of the organisation's work that have a strong impact on customer satisfaction during project implementation was sought. This sub-section first describes the overall organisational system based on the information volunteered by the interviewees and on observation; it then lists the interviewees' views about the main aspects of their system.

In brief, DGC perform the following during the lifecycle of infrastructure projects implementation in the city. First, during the planning stage, DGC asks the main directorates (the beneficiaries such as the directorate generals of education, roads and bridges, health, etc.) about their needs (projects such as schools, roads, bridges, health centres, etc.). After receiving this information, supported by completed tender documents where applicable, the technical and planning section within DGC (Figure 6.1) studies the directorates' various needs as well as incorporating local government requirements for the city, and produces the city's annual development plan. This plan should be approved by the head of DGC, the governor, the local city council and then by the Ministry of Planning, before DGC can proceed with implementation. After obtaining the approval, DGC starts the procurement stage through its contracting department (CD). CD consist of five sections: advertising and awarding, contracts signing, procedures follow-up, computing, and legal archives sections, as shown Figure 6.1.

CD's advertising and awarding section advertises the approved projects on a group basis for tenders; after receiving priced tenders for a group of projects, two independent committees are formed to open and analyse the contractors' priced tenders: the Open Tender Committee and the Evaluation and Selection Committee. These committees are under the direct authority of the governor. They produce a recommendation letter listing the names of the successful bidders chosen to undertake the implementation of the advertised projects. This letter is then sent to the governor for approval. As soon as the governor approves this letter, it is sent back to DGC which in turn carries out the contracts awarding process via CD's advertising and awarding and contracts signing sections, and requires the successful bidders to start working on their projects as soon as possible. The follow-up department (see Figure 6.1) then manages the implementation of the projects and monitors their progress. Figure 6.3 summaries the overall picture of infrastructure project development and the interrelationships between the various parties involved.

The follow-up department manages the implementation of projects on a portfolio/programme basis. This department has five sections named after the key portfolios/programmes of infrastructure projects managed: the general building, municipal and sewage, roads, electricity and water projects sections. The general building projects section is responsible for managing various types of project including schools, health centres and other general projects. Municipal and sewage is responsible for managing projects such as city sewage networks and sewage plants, and water for managing projects related to city water networks.

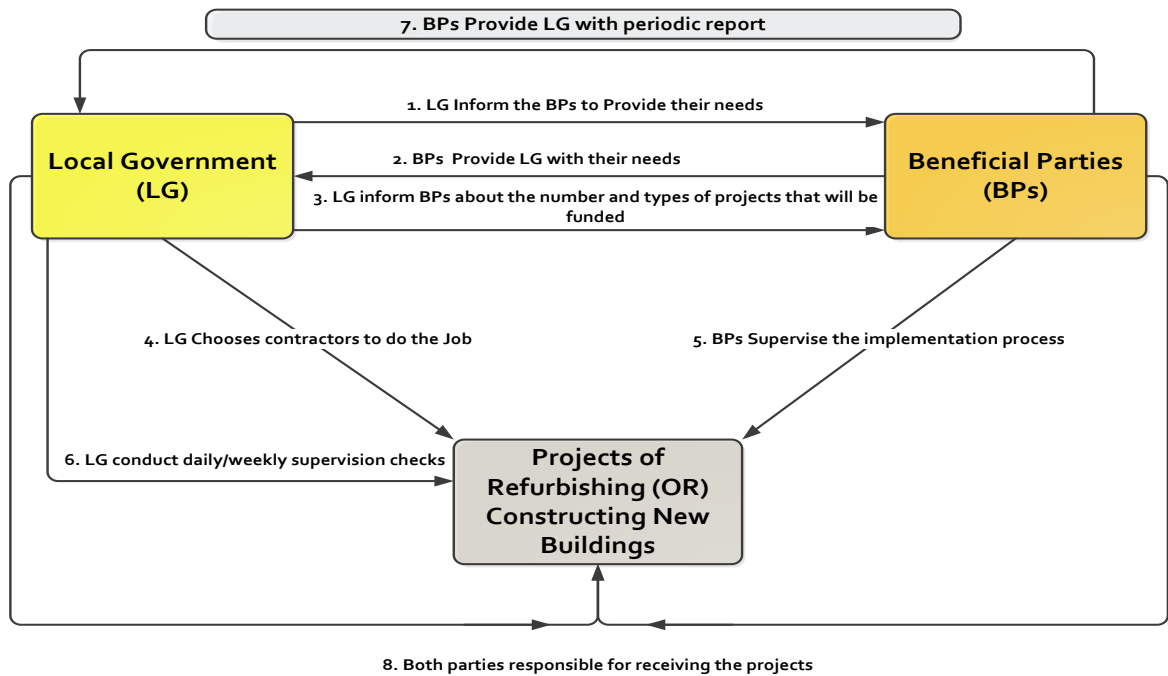


Figure 6.3: The Process of Infrastructure Project Development

The roads section is responsible for managing projects such as roads, bridges and other related projects within the city, while management of the city’s power plants and electricity networks is the responsibility of the electricity projects section. These sections report the status of their projects to their head of department who in turn reports to the head of DGC, who in turn reports to the governor who will report to the local council. CD is also kept informed, and in the case of any breach of the contracts by the successful bidders, it will proceed with a suitable legal action.

Base on the collected data, it is clear that DGC is mainly involved with three main phases during the lifecycle of infrastructure projects implementation; the planning, procurement and construction phases. The outcome of data collection related to these three phases is discussed below.

a) Planning

This phase refers to procedures that identify and prioritise construction projects for the next financial year. The more accurate these procedures are, the better and easier it is to execute the projects in the following financial year, with clear budget distribution. However, the majority of interviewees indicated that there are **no clear procedures to prioritise projects** before the beginning of the financial year. They mentioned that some projects are prioritised at the beginning of the fiscal year following a process, which takes several months, or

sometimes decisions are made quickly based on the available information. Some interviewees responded that there are no procedures to prioritise at all. According to D-D2 *“projects normally implemented without a clear prioritisation process that looks at the projects that will provide great impact on citizens”*. D-D3 stressed that *“because there is no formal process that looks at citizens’ needs and sets plans to address these needs, you can see that plenty of necessary projects are not being given high priority whereas other less important projects are being implemented first.*

Additionally, interviewees mentioned that **the design and tender development of projects is not part of the annual planning cycle**, and warned that the **cost of the design and tender development is not considered part of the annual budget**. According to D-D3, *“beneficial parties as well as the local government rely heavily on old design sketches and bills of quantities for their required projects and because of that a number of changes occur during the implementation process as these designs are missing many important details”*. D-D1 added that *“despite the fact that the usual type of contract used by the local government is the traditional type, where the local government is the one responsible for the design of the projects, the local government does not allocate funding to renew the existing old project designs to match the city’s current needs”*.

Interviewees also commented that existing **regulations and bylaws create an obstacle to prevent the planning process**. To clarify this, D-D1 said that *“there are number of contradictions between the instruction provided by the central government’s Council of Ministers and those of the Ministry of Finance and sometimes instructions contradict themselves”*. D-M6 agreed with this and added that *“the people appointed for budget allocation have no knowledge or understanding about construction/engineering projects”*. D-M6 also said, *“some of the political decisions which are made to satisfy some regions in the city significantly affect project implementation”*. D-D3 responded, *“some financial and administrative procedures cause significant delays and sometimes the Ministry of Finance estimates project budgets following its own procedures, not according to the local government supplied plan”*.

Interviewees agreed that there is a **lack of sound strategic planning** in the organisation and in Iraq in general. For example, D-D1 said, *“the problem has been always with the planning phase. There is no primary plan for infrastructure projects implementation and this is because of the absence of a strategic vision and plan for the city”*. D-D3 added that *“There is*

real chaos at the level of planning. The construction of roads, bridges and water and sewage networks and other projects does not follow a sound strategic plan, but rather an arbitrary one. For instance, most of the construction projects such as bridges, sewage systems and other things were not implemented following an effective plan. The city does not have a strategic plan that shows how the future of residential, industrial, commercial and other important areas will be developed and how they will be implemented”.

The majority of interviewees responded that there is **no clear communication between the parties involved during the lifecycle of infrastructure projects implementation** (i.e. between case study organisation and other directorates/line ministerial offices in the city). D-M6 said, *“One of the key problems affecting the projects implementation plan within the city is the lack of clear communication between the organisation and the various parties in the city. For example, the local government will award a contractor to pave the streets of a certain area; however, when the contractor goes to carry out the work, he discovers that there is no sanitation or sewage system. Thus, we're back at square one, awaiting the completion of a new design and a plan for the sewage system. Sometimes the contractor paves the road anyway to finish his job and when the directorate general of water and sewage realises that this area lacks sanitation or a sewage system it asks the local government to fund another project that is scoped to demolish the pavement, instal the sanitation or sewer system and pave the road again”.*

Another issue that has also been mentioned by interviewees is the **lack of a complete design**. This causes a number of problems during the construction phase, leading to projects being delayed and exceeding their planned budget. More about these consequences are presented in the construction phase section. Figure 6.4 summarises the key issues related to planning.

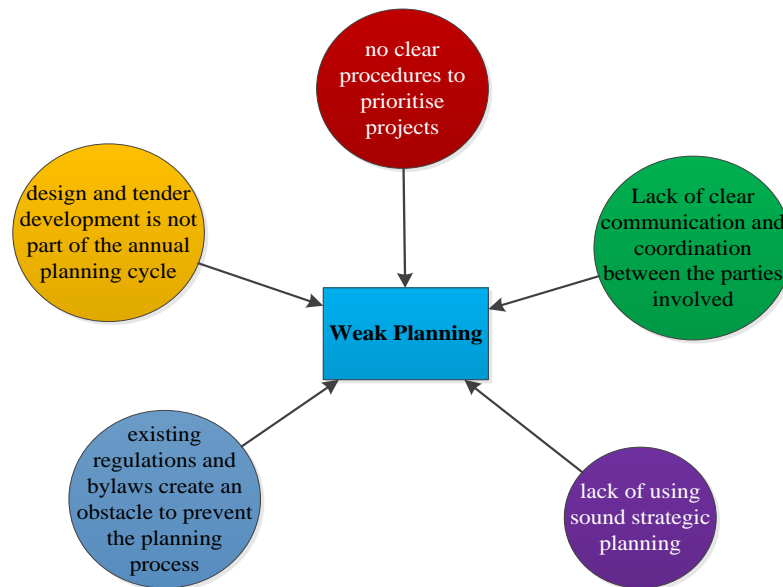


Figure 6.4: Problems Associated with the Case Study Planning Phase

This indicates that a number of factors hinder the case study organisation from carrying out the planning phase effectively. The organisation has no sound strategic planning, which seriously affects its judgment on prioritising projects to address customer needs. Regulations and old procedures affect both the organisation’s ability to plan effectively, improve communication channels with other stakeholders and enhance project designs, reflecting the weakness of the organisation’s practices and performance during the planning phase.

b) Procurement

This phase refers to all processes from receiving a list of projects to be tendered until the successful bidders are announced. This is a very important phase to attract qualified contractors/consultants/MNCs, requiring efficient handling of communications with a large number of companies during the enquiry and submission stages.

The data obtained through the interviews and observations show that the procurement phase is mainly conducted by CD and consists of three main stages; see Figure 6.5.

- **Preparation, Advertisement and Selling Tender Stage**

This starts from receiving projects for tender through to submitting the contractors’ priced tenders to the Open Tenders Committee, and is totally within the control of CD and DGC.

- **Selection of the Contractor Stage**

This is from opening the tenders to selecting the winner and sending the final recommendation letter. It is totally outside the control of CD and DGC.

- **Awarding Stage**

This covers receiving the official letter of the winners to receiving the official letter to start the contract. It is totally within the control of CD and DGC.

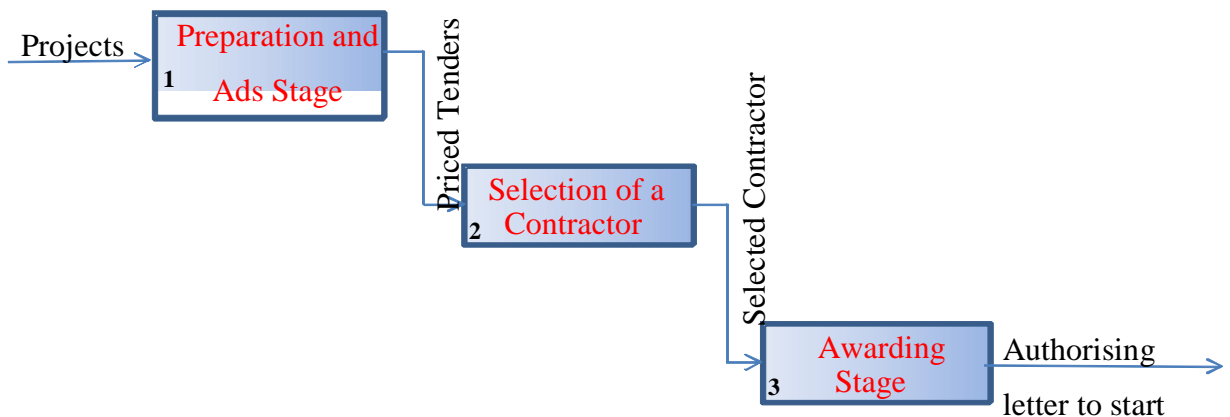


Figure 6.5: The Three Main Stages of Procurement

A detailed process model for the procurement phase has been developed by the researcher to understand the complexity of the processes and procedures during this phase. It was developed from the data gathered during this step via interviews with staff members and by making observations of the organisation’s day-to-day work during this phase. The data was then analysed and represented as a process model for presentation to heads of department within the organisation, to confirm the completeness and validity of this process model. The process mode is depicted in Figure 6.6 – Appendix 1.

The detailed model shows that the five sections of the CD appear to be engaged with 54 business processes, i.e. the normal operation of the department. The operation is triggered by receiving a number of tenders to be processed, from receive project documents through the technical and planning section (see Figure 6.6 in Appendix 1) to signing the contract with the winning contractor.

After analysing the process model and discussing its details with the interviewees it was found that, only five of these 54 processes are core processes (namely: alignment of information; advertise and sell tenders; inform the winner; create and sign the contract) while the rest are **non-value added processes**. Interviewees agreed that more than 90% of the effort could be devoted to a more productive task, and that the all but the five core processes within the department are of a **bureaucratic/administrative nature**.

The data also showed that a further core process in this phase, namely the selection of the winning contractor however, it is outside the responsibility of CD and DGC. Furthermore, the roles and responsibilities of the directors and managers during this and other phases are of an **authoritative** rather than a **strategic nature**. In addition, because they are engaged in non-value added tasks, they have less free time to monitor the overall performance of their organisations/departments/sections. This management style is clearly affecting the organisation's ability to detect practice and performance problems and thereby blocking decision makers from seeing the need for organisational practice and performance improvements.

The members of the organisation interviewed agreed that the **processes of the procurement phase significantly delay the implementation of infrastructure projects**, thereby delaying the execution of the budget allocated to the local government by the central government. D-D3 explained that *“each annual city development plan contains hundreds of projects and each individual project should go through these three phases in order to get awarded. For example, a group of 10 projects is advertised and receives about 150 bids. It requires about 1.5 to 2 months for these projects to pass through the selection of contractor and the awarding phases to eventually to be awarded to the successful bidders. This approach is exhausting our department's capacity and makes it difficult for the local government to complete their annual plan on time. Thus, those remaining projects that have not been awarded during this fiscal year will have to wait until the city's next fiscal year budget is approved, thereby delaying the entire development of the city”*. This shows that the processes and procedures adopted during this phase is highly bureaucratic and unfit to achieve a speedy award of contracts.

Further, the data has revealed other key issues surrounding the procurement phase. Interviewees agreed that there is **no clear and transparent method for evaluating contractors/consultants/MNCs**. For example, D-D2 said that *“some contractors are classified as first-class yet they have no financial capabilities or previous experience that enable them to implement the awarded projects. Some contractors are unqualified yet they have been given high scores during the evaluation process since contractors are not always assessed based on their successful delivery of projects”*. D-M1 added that *“some projects are awarded directly to companies that have financial and political power without being evaluated based on their technical competence or their records of successful projects delivery”*, while D-M2 stressed that, *“there is no such thing as evaluation; the contractors’*

classification is just a routine process which only takes the financial capability of the contractors as a prime factor, and even if there is a standard method for evaluation, it is not being taken into consideration when recommending the winner bidders". This clearly reflects that the procurement phase is non-transparent and not fair for all the prospective bidders, local and international.

Furthermore, interviewees agreed that there is **no complete set of design drawings and tender documents before advertising the tender**. D-D3 explained that *"this is because project design and drawings are often incomplete; only some strategic projects have complete tenders before advertising the tender. There is no standard design/tender check-up process or enough follow-up (QA/QC) before advertising the tenders and the lack of time is normally an excuse to advertise incomplete tenders"*. D-S1 added that the *"performance of those responsible for tender development is not measured and they are not being punished for their negligence and poor work. Numbers of tenders were advertised yet their design and other technical specification are still incomplete. This can show you that there is a serious problem in the preparation of tender documents because the ones who do that are inefficient and unqualified; besides, there is a lack for designers or those who are capable on checking the designs"*.

Observation, document review and interview data clearly show that the organisation mainly relies on the **traditional procurement system**, where the design is the responsibility of the organisation and the responsibility for execution is transferred to private sector contractors via the procurement phase. This reflect a clear lack of strategic procurement.

Interviewees also claimed that the **Open Tender Committee and Evaluation and Selection Committee do not make the right decisions**. D-D1 said that *"a number of incorrect decisions were made because of the committees' inefficiency ... they lack the necessary experience and competence. The decision is mainly biased to the lowest priced tenders while the capability, efficiency and effectiveness of the contractors are not being taken into consideration most of the time"*. D-S2 stressed that *"sometimes decisions for awarding some strategic projects are made even when the minimum amount of the submitted bids has not been reached. Also, in some cases, some people with high political/executive power influence the decision taken by these committees especially when the decision is related to a mega-project"*.

D-D3 added that “an international company once came to bid for one of the strategic projects we were advertising. They asked to know the mechanism of the tendering process and the basis on which bidders would be evaluated and awarded the projects. After they understood the mechanism they refused to bid, claiming that the system has too much ambiguity and is not transparent or fair enough for them to apply”. Figure 6.7 summarises the key issues identified with regards to the procurement phase.



Figure 6.7: Problems Associated with the Case Study Procurement Phase

This reveals that there are many weaknesses associated with the overall practice and performance of the case study organisation during the procurement phase. It is reflected via many issues including the highly bureaucratic processes and procedures, unclear methods of evaluating priced tenders, heavy reliance on traditional procurement systems and the significant amount of non-value added activities.

c) Construction

This phase refers to all the procedures and communications with the selected bidders, from receiving the construction site to handing over the project to the DGC. It is yet another critical phase that can halt projects if it is not carried out effectively.

The data revealed that a **significant number of projects are considered to have failed** if we look at them from a project management point of view. These failed projects have either exceeded their planned time and budget or the delivered quality was poor. Sometimes, projects fail to address all three important aspects of a successful project: time, cost and quality. These range from schools and health centres to roads, bridges, water and waste networks and power plants. The projects status records to which the researcher was able to have access revealed that more than 65% of the infrastructure projects that have been or are being delivered between 2010 and 2014 are considered to be failed projects, having missed one or more of the triple constraints (time, cost, quality). The majority of these projects exceeded their planned completion period. Others were stopped for a number reasons including conflict with other primary projects, the contractors having no cash flow to continue the work because of the delay in monthly payments, or amendments to project design after awarding of the project; these eventually extended the planned time and budget, in addition to the time required to get the change approved by the relevant officials.

The findings revealed a number of key reasons for this, presented below.

Interviewees agreed that the **supervision process is inadequate** and not clear to all parties involved in project implementation. They added that there is **no effective measurement procedure** in place to measure the monthly performance of contractors, and a **lack of competent personnel able to use sound project management tools and techniques to help manage projects effectively**. For instance, D-S2 said that *“some of the supervision teams are incompetent and lack the necessary project management skills; and sometimes the number of projects assigned to them to supervise exceeds their capacity. Besides, the local government are not paying them adequate salaries which makes them prone to some dishonest acts such as taking bribes from contractors and in return they give a blind eye to their poor performance on the field”*. D-S4 added that *“the supervision processes are reasonably good but not clear to all parties involved, not to mention the poor project management skills, the lack of authority delegated to the follow-up teams, and other factors which all contribute to the poor delivery of projects. In addition, sometimes some high-level officials interfere with the decisions made by these supervision teams especially when the successful bidder contractor has some political support from certain officials in the organisation”*. D-S6 also mentioned that, *“there is a lack of competent engineers and effective measurement procedures...normally there is no programme of work [project schedule] for the projects which they can track and is not being requested from contractors during the tendering*

process... and even if there is one it is not being updated to reflect the actual work and this makes it difficult to measure the contractors' performance. Also, in addition to their lack of authority, these supervision teams are not able to follow up all the projects assigned because it exceeds their capacity".

Another reason highlighted by interviewees for why projects fail to adhere to their planned time, budget and/or specification is that **most projects have incomplete design**. D-D2 clarified this: *"some projects exceed their contractual time and cost because the tender documents were not accurate enough to cover all aspects of the projects. For example, some tenders have been advertised and awarded while missing important parts of the projects such as the outer fence, finishings, roads leading to the building, etc. This is because these tenders were developed based on incomplete project designs by the beneficial party thus were overlooked by those responsible to prepare the tenders of those projects. So to solve this issue, DGC will have to prepare new tenders for these missing parts for each of these projects. Also, because most contractors will have no interest in bidding for such low-value tenders, this will force DGC to award them to the same winning bidders of those projects and accept whatever bids they offer, of course, after a long negotiation. In this case, these projects were originally awarded assuming their designs were complete, so, these added costs of the missing parts and the time needed to construct them will lead to the projects exceeding their originally estimated time and budget, **thereby delaying the entire annual plan**".* Interviewees also agreed that modification to the design or specification often happens and it takes 1-3 months for such changes to be approved. SMS1 explained that the reason behind this delay *"is because of the complex procedures that have to be followed to approve the change or the added parts to the projects not to mention that the governor's approval has to be gained. Until obtaining the approval to proceed, the work will usually be stopped and thereby the project duration will be extended along with its cost"*. Figure 6.8 summarises the key issues identified with regard to the construction phase.

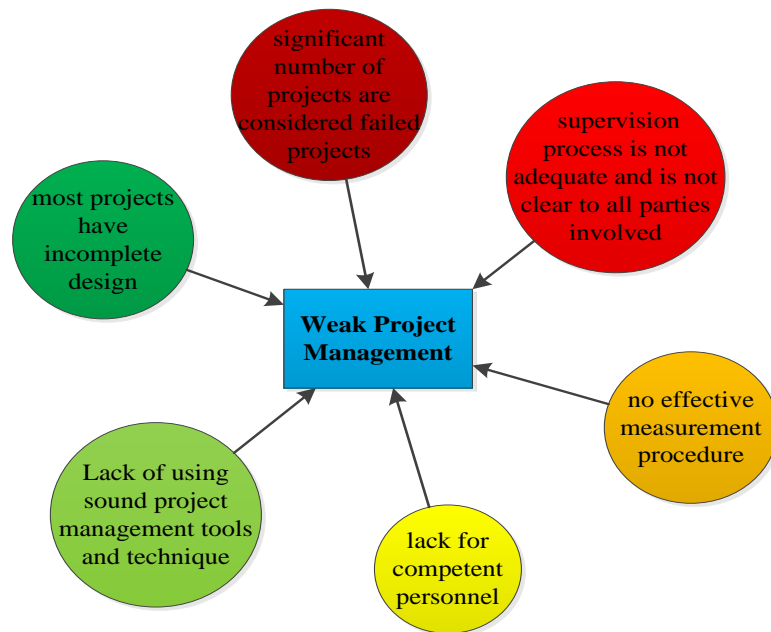


Figure 6.8: Problems Associated with the Case Study Construction Phase

This means that the case study organisation follow a weak project management practices during the construction phase, making the organisation to have poor overall performance during this phase.

II. Task Two Findings

This task focuses on understanding how satisfied the organisation's customers (contractors, consultants or MNCs) are with the performance of the case study organisation, and the impact of the organisation's key practices from the customers' perspective. This task focuses on assessing customers' satisfaction with the organisation's performance during the procurement phase, given the significant impact this phase has on attracting qualified contractors, consultants or MNCs. A set of questions were designed based on the three operational phases of Procurement: the advertising, selling tender and awarding phases. The questions were designed as follows:

The advertising phase was covered by four questions: ease of access to advert, time given for contractors to respond to the advert, ease of access to project information, and level of satisfaction with the information covered in the advert.

The selling tender phase had seven questions: ease of purchasing tender, time taken to purchase tender, clarity of requirements, Completeness of documents when purchasing tender, responsiveness to request for information (RFI), treatment by the department's employees, and level of Satisfaction.

The awarding phase was covered by two sections. The first concerned the submission of tenders and the second awarding and signing the final contract. The former was covered by four questions: clarity of tender documents, time taken to officially submit a tender, treatment by the department’s employees, and level of satisfaction. The awarding section had six questions covering invitation of contractors to opening of tenders, time taken to open and evaluate tenders, transparency in informing the selected contractor, completeness of contract documents, treatment of employees, and level of satisfaction.

Representatives of 12 local contracting companies with long experience with DGC were interviewed. The interviewees profiles are given in Table 6.2.

Table 6.2: A Summary Profile for the People Interviewed During Task Two

Company	Job Title	Interviewee Code
General Contracting Company (GCC)	Chief Executive Officer	G-C1
GCC	Chief Executive Officer	G-C2
GCC	Deputy Chief Executive Officer	G-D1
GCC	Chief Executive Officer	G-C3
GCC	Chief Executive Officer	G-C4
GCC	Chief Executive Officer representative	G-R1
GCC	Deputy Chief Executive Officer	G-D2
GCC	Chief Executive Officer	G-C5
GCC	Chief Executive Officer	G-C6
GCC	Chief Executive Officer representative	G-R2
GCC	Chief Executive Officer	G-C7
GCC	Deputy Chief Executive Officer	G-D3

The outcome of the customer satisfaction survey showed that:

- a) In terms of the advertisement phase, only 4 out of the 12 interviewees were satisfied with the ease of accessing information about new projects and 10 were not satisfied with the advert information.
- b) 8 out of 12 were not satisfied with the process of purchasing the tenders.
- c) Only one contractor was satisfied with the processes in the awarding phase of the project procurement operated by the case study organisation.

The interviewees provided feedback on a number of critical issues surrounding the procurement phase. For example, G-C1 spoke about a **corruption** incident that occurred when he submitted a bid to implement a project for DGC: *“once I was approached by some members of the evaluation and selection committee who asked me to write them a cheque for 8% of the project value if I wanted the project to be awarded to me”*.

G-R1 spoke about another type of **non-transparency** in which he and a number of contractors were disqualified for unclear reasons. *“A number of times, we found ourselves disqualified because some required documents went missing from our submitted bids... and these documents had not been forgotten, I always check my files before submitting any bid and make sure every required document is in the file, but somehow they got out of the file and the committee registered our bids as incomplete and thus we were disqualified... it is clear that they do that on purpose”*.

Other contractors mentioned **bureaucratic inefficiency** which they met during the selling tenders phase. They said CD staff did not permit bidders to review the documents of the advertised tenders unless they paid for them first. G-C1 said that *“my specialty is the construction of school projects; however, I will not submit a bid if the tender contains a task of construction of roads along with the school. Because I am not allowed to review the tender documents before buying it, then the only way to know is to pay for it and check. This means that I and other contractors have to pay about \$100 just to see if the tender matches our speciality or not”*. In this regard, the researcher reviewed the public procurement regulations and bylaws to see whether there is any clause that prohibits bidders from reviewing the tenders before buying them. No such clause in the regulations and bylaws of Iraqi public procurement exists.

All the professional contractors interviewed complained about the **non-existence of a client single window** during the selling tenders and awarding phases, making the procurement phase very frustrating. For example, G-C4 said that *“in order to buy a tender we need to go to*

the Contracting Department which is situated on the first floor of the building, and we need to see one member of staff who will give us a receipt. We then have to take this receipt to the Finance Department on the ground floor to pay the tender fees and receive another receipt. Afterwards we have to take the new receipt to the Contracting Department. to meet another member of staff who will provide us with a copy of the tender.”

The interviewees agreed that there are **considerable delays** during this phase. For instance, when asked about the time needed to buy the tender documents, 10 said 1-3 hours to get a copy, while the rest said sometimes a day or more.

Eight of the contractors were not satisfied and think that **projects are not being advertised for long enough or in the right places** and the information provided in the project adverts is poor. For instance, G-R1 said, *“the time is not sufficient because every tender requires a considerable amount of time to be priced and contractors need to investigate the prices for each part of the project carefully before they submit their priced tenders ... and the adverts are not advertised in the right places.”* G-C3 added, *“I think sometimes the timing of the projects advertisement is intended to be short so that only those who have inside contacts are informed in order to reduce the number of contractors who can apply for the advertised projects.”*

This low level of customer satisfaction reflects that the overall practice and performance of the case study organisation do not live up to contractors’ expectations, so improvement is required to regain their trust and pave the way for attracting MNCs.

6.1.4 Data Collection Step 2: Benchmarking the Overall Practice vs Performance Using PROBE

The second step focused on assessing the overall practice and performance of the case study organisation, comparing it to world-class standards and identifying the gap. A standard practice and performance-benchmarking tool, namely PROBE (see section 2.4.1), was used during this step to gain full understanding of all the aspects surrounding the environment of the case study organisation. In accordance with PROBE standards (see section 5.3.1), the focus group interview session using the PROBE survey questionnaire was conducted with five members of DGC, whose details are illustrated in Table 6.3.

Table 6.3: Summary of the organisations members profile interviewed during step 2

Job Title	Interviewee Code	Organisational Role
Director 1	D-D1	Accountable for DGC work
Director 3	D-D3	Responsible for managing the processes of the tendering and awarding phase of the projects
Manager 2	D-M2	Responsible for managing the activities related to advertising and awarding the projects
Manager 4	D-M4	Responsible for managing the activities related to archiving the relevant legal documents of the projects
Manager 5	D-M5	Responsible for managing the IT related activities relevant to the tendering the awarding process

Given the importance of the procurement phase in attracting qualified contractors, consultants and MNCs, the PROBE tool was used to assess DGC practice and performance during this phase and compare it to the PROBE world-class practice and performance model (see Figure 2.6) and to other peer organisations within the same sector, and to identify the gap between them. This phase corroborates the findings of step one, to gain a full understanding of all the issues surrounding the quality of the practice and performance of the case study organisation and how it is compared to world-class organisations. The self-assessment questionnaire survey used during this step is presented in Appendix 1.

In brief, this questionnaire contains 52 questions each asking for a rank of 1-5 (5 = Best Practice). Before conducting the focus group session, the researcher (the facilitator of the benchmarking process) asked each team member to spend a minute understanding the question and giving an answer in pencil. If, after a minute, the question did not make sense or did not apply, they should leave it unanswered until the facilitator workshop (the focus group session). On the day of the workshop, each team member was asked to bring their completed questionnaire and notes on why they logged certain scores on their questionnaire, and to show related documentation/archival records where necessary to validate their scores. The PROBE for Public Service facilitator led the team through the questionnaire and kept a log of the consensus scores achieved during this discussion. During this workshop, the facilitator analysed the team's consensus scores using the PROBE tool, and provided feedback in the form of a presentation and discussion based on a number of graphical outputs. These show how their scores compare against the world-class best practice model that underpins PROBE

for Public Service, and how their organisation compares with others in their own sector and globally against a relevant subset of the 7,000+ organisations and businesses that are on the PROBE database.

As discussed in chapter 2, PROBE for Public Service measures the practice and performance of individual service organisations in five broad themes: leadership, people, processes, performance management and the resulting indicators of performance outcomes, which are service quality, customer growth, result for stakeholders and business performance; see Figure 6.19, (PROBE, 2016).

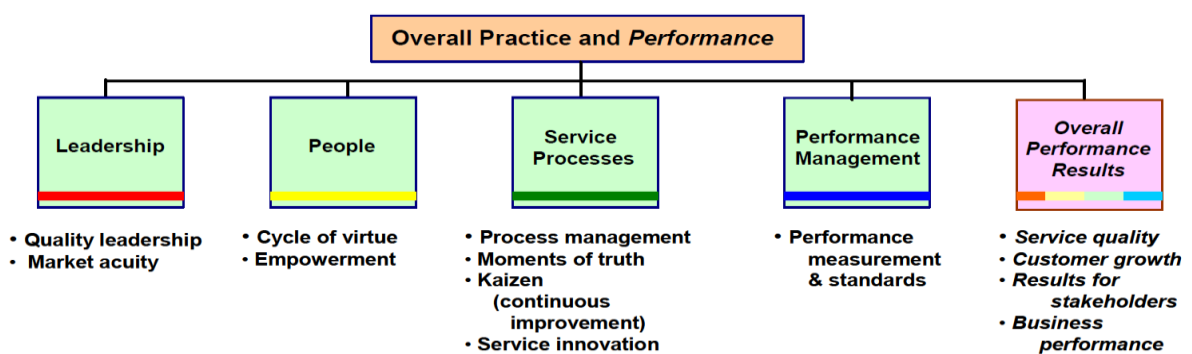


Figure 6.9: Themes of the Overall Practice and Performance, Source: PROBE, (2009)

The following sub-sections present the outcome of the benchmarking process relevant to the overall practice and performance themes:

Note that the meaning of customer in this survey is local and/or international companies/MNCs.

I. Leadership Quartile

As discussed in chapter 2 and illustrated in Figure 6.9, the leadership theme is sub-divided into quality leadership and market acuity. The results of the PROBE benchmarking relative to the leadership indices are presented in Figure 6.10.

These results are plotted in the form of a quartiles chart to illustrate a more detailed comparison between the practices of the case study relevant to this theme, and that of the sector average and world-class standards. This also applies to the results of the remaining themes of the overall practice and performance. This quartiles chart was constructed by taking a group of scores that relate to a particular theme/sub-theme and calculating an index for that theme/sub-theme. The chart shows, across the page, several indices that have been calculated

in this way. The range of values for each index for the entire sample is plotted from lowest to highest, and that range is divided into four colour-coded quartiles. For example, the first (top) quartile is displayed in **orange**; 25% of the organisations benchmarked by PROBE in the past are contained within it and their range of scores is indicated by the height of the orange bar. Superimposed over the quartile bars, the **red square** indicates the position of this case study organisation and the **blue square** the position of the comparison group average. In this case, the comparison group is all those organisations benchmarked by PROBE in the past and falling in the category of local authority/local authority services (in-house).

Tables 6.4 and 6.5 identify the questions that contribute to each of the above indices (sub-themes, namely quality leadership and market acuity) and the consensus scores that were assigned to them by the PROBE team during the focus group session. A score of 5 represents a world-class standard; thus, in this case’s analysis the questions that attracted a score of 3 or below are highlighted (in **red**) as worthy of attention by the case study top management, to improve the index value.

The results showed that the overall leadership practice index of the case study organisation is far behind that of the sector average and the world-class standard, with scores of approximately 29% for quality leadership and 26% for market acuity, as illustrated in figure 6.10.

Note that

- *Q. No.* in the tables below refers to the question number in the PROBE questionnaire; see Appendix 1.
- Best practice for each of the topics below is described in the anchor statement below the score of 5 for the appropriate question in the PROBE questionnaire; see Appendix 1.

Table 6.4: Quality Leadership Result

Question	Q. No.	Score
Role of leadership in developing a service culture	1	1
Leadership style	2	2
Shared vision, mission and goals	3	1
Customer orientation	4	1
Quality values	5	2
Problem solving	26	2
Quality mindset	27	1

Table 6.5: Market Acuity Result

Question	Q. No.	Score
Measurement of employee satisfaction	11	1
Listening to the customer	13	1
Customer relations	18	1
Electronic communication/commerce	21	2
Systematic use of benchmarking	41	1

II. People Quartile

According to PROBE, people are central to the effective delivery of service. The people theme is sub-divided into the cycle of virtue, and empowerment. The results of the PROBE benchmarking relative to the people indices are presented in Figure 6.10. Tables 6.6 and 6.7 identify the questions that contribute to each of these indices and the scores that were assigned to them by the PROBE team during the facilitated focus group session.

The results show that the overall people practice index of the case study organisation is far behind that of the sector average and the world-class standard, with a score of approximately 26% for the cycle of virtue and 30% for empowerment, as illustrated in Figure 6.10.

Table 6.6: Cycle of virtue result

Question	Q. No.	Score
Recognition and reward	6	1
The development of people	7	1
Employee involvement	9	2

Table 6.7: Empowerment result

Question	Q. No.	Score
'Real time' employee handling of service problems/failures	29	1
Employee discretion	32	2

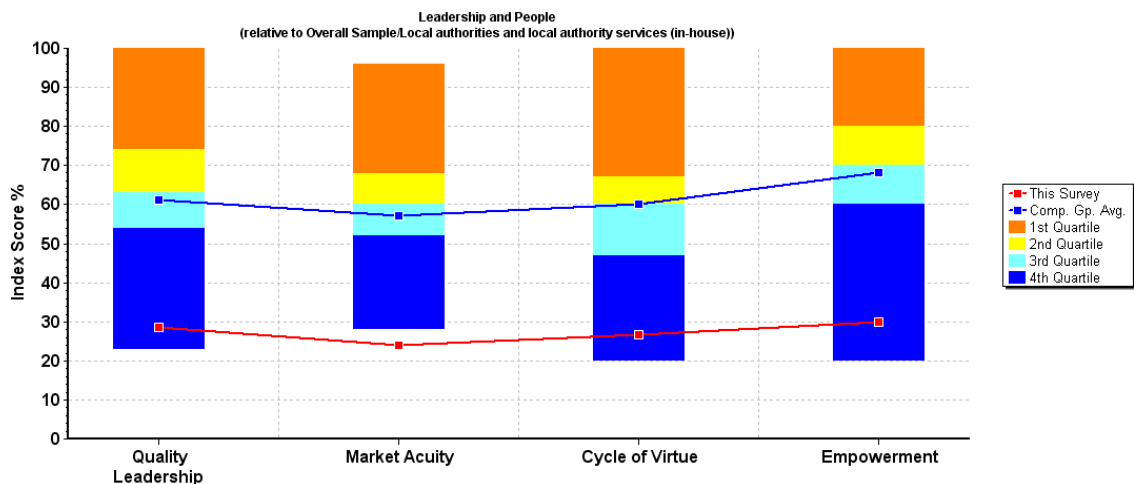


Figure 6.10: Leadership and People Quartiles Chart

III. Service Processes Quartile

PROBE's four sub-themes of service processes management are process management, moments of truth, kaizen and service innovation. The results of the PROBE benchmarking are presented in Figure 6.13. Tables 6.8, 6.9, 6.10 and 6.11 identify the questions that contribute to each of the above indices and the scores that were assigned to them by the PROBE team during the focus group session.

The results show that the overall practice index of the service processes sub-themes of the case study organisation is far behind that of the sector average and the world-class standard with a score of approximately 33% for **process management**, **32% for moments of truth**, **26% for kaizen** and **40% for service innovation**, as illustrated in Figure 6.11.

Table 6.8: Process management result

Question	Q. No.	Score
Management of services and support processes	17	2
Current use of information technology (IT)	19	2
Supplier relationship and stability/ Strategic Procurement	22	1

Table 6.9: Moments of truth result

Question	Q. No.	Score
Role of support functions	16	3
Managing 'moments of truth'	20	2
Problem handling strategy for service recovery	30	1
Accessibility	36	1
Elimination of 'waste'	38	1

Table 6.10: Kaizen result

Question	Q. No.	Score
Education and training for quality	8	1
Continuous improvement	25	1
Quality procedures and approach	28	2

Table 6.11: Service innovation result

Question	Q. No.	Score
Innovative environment	14	2
New service design and development process	15	2

IV. Performance Management Quartile

Performance management is concerned with ensuring that the processes described above lead to improved performance, increasing value both for the customer and for the organisation. The results of the PROBE benchmarking for the performance management index are

presented in Figure 6.11. Table 6.12 identifies the questions that contribute to the above index and the scores assigned to them by the PROBE team during the focus group session.

The results show that the overall practice index of the performance management theme of the case study organisation is far behind that of the sector average and the world-class standard, with a score of approximately 23%, as illustrated in Figure 6.12.

Table 6.12: Performance measurement and standards result

Question	Q. No.	Score
Support for employees	10	1
Use of customer complaint data	31	1
Visibility and communication of service standards	39	1
Challenging standards	40	2
Performance measurement and reporting	42	1
Customer satisfaction measurement	43	1

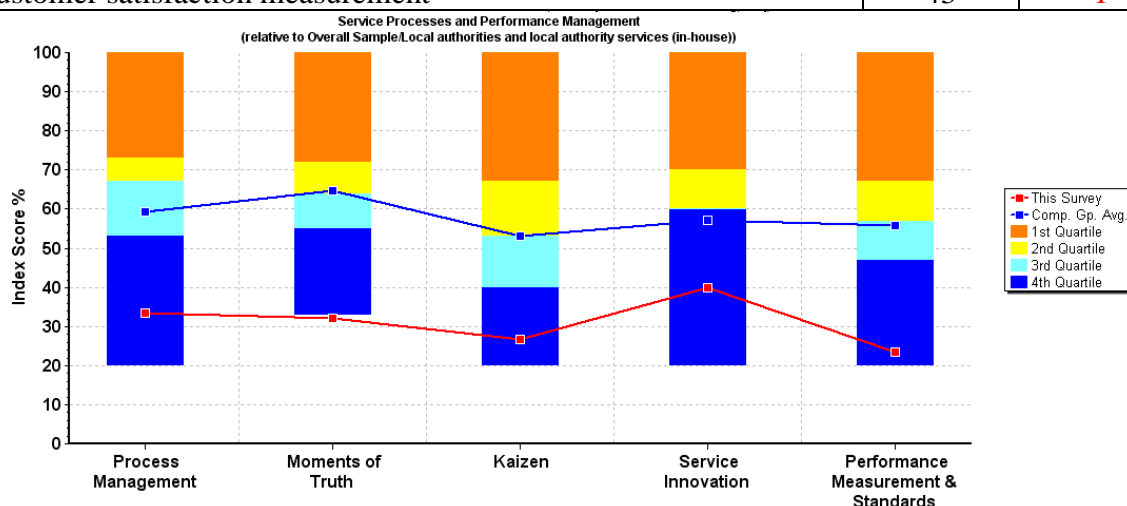


Figure 6.11: Service Processes and Performance Management Quartiles Chart

V. Overall Performance Results Quartiles

According to PROBE, good service management will lead to improved performance on a number of dimensions: service quality, customer growth, results for stakeholders, and business performance. The results of the PROBE benchmarking relative to the overall performance indices of the case study organisation are presented in Figure 6.12. Tables 6.13, 6.14, 6.15 and 6.16 identify the questions that contribute to each of the above indices and the scores that were assigned to them by the PROBE team during the focus group session.

The results show that the overall performance indices of the case study organisation are far behind those of the sector average and the world-class performance standard, with scores of

approximately 30% for service quality, 30% for customer growth, 20% for results for stakeholders and 56% for business performance, as illustrated in Figure 6.12.

Table 6.13: Service quality

Question	Q. No.	Score
Service meeting customer needs	24	1
Reliability	33	1
Quality performance, relative to your sector	34	3
Staff responsiveness	35	2
Level of customer satisfaction	44	1
Value (quality/price)	45	1

Table 6.14: Customer growth

Question	Q. No.	Score
Innovativeness	23	2
Customer retention	46	1

Table 6.15: Results for stakeholders

Question	Q. No.	Score
Level of employee satisfaction	12	1
Impact on society	37	1

Table 6.16: Business performance

Question	Q. No.	Score
Margins, relative to sector	47	3
Market share	48	3
Cash flow	49	3
Overall productivity trend within organisation	50	2
Operating costs	51	3
Prices	52	3

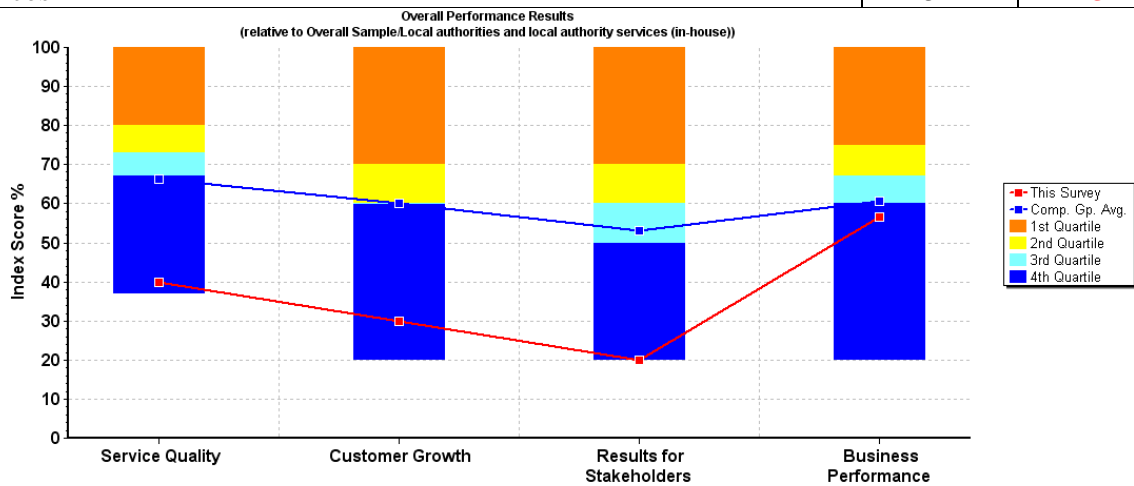


Figure 6.12: Overall Performance Results Quartiles Chart

VI. Step 2 Key Findings

a) The Case Study Overall Practice vs Performance against the Sector Average and World-Class Standards

The case study overall practice vs performance result was constructed by taking the consensus scores for all of the practice questions and assigning an index of overall practice for the organisation and an index of overall performance. These indices are plotted on the scatter diagram, with practice on the horizontal scale and performance on the vertical scale. The resulting position in isolation says much about the case study organisation:

On the scatter diagram shown in Figure 6.13, the red **square** shows the position of the case study organisation and the green **triangle** the position of the overall sample average, i.e. the average of all the green **crosses** which represent all the organisations that have been benchmarked by PROBE in the past. The yellow **squares** identify the organisations that work in a similar sector to the case study organisation and are called the comparison group. In this case, the comparison group is local authority/local authority services (in-house). The blue **triangle** represents the position of the comparison group average, the average of all the yellow **squares**.

The analysis results position the case study organisation in the could-do-better zone of the world-class model, with a practice index of 29% and a performance index of 37%. When compared with the average scores for the sector, the case study is 30 points behind in practice and 24 points behind in performance. However, when compared with world-class standards, DGC is 71 points behind in practice and 63 points behind in performance. This result shows that there is a significant gap between the overall practice and performance of the case study and that of the world-class standards as well as that of the sector average, as depicted in Figure 6.13.

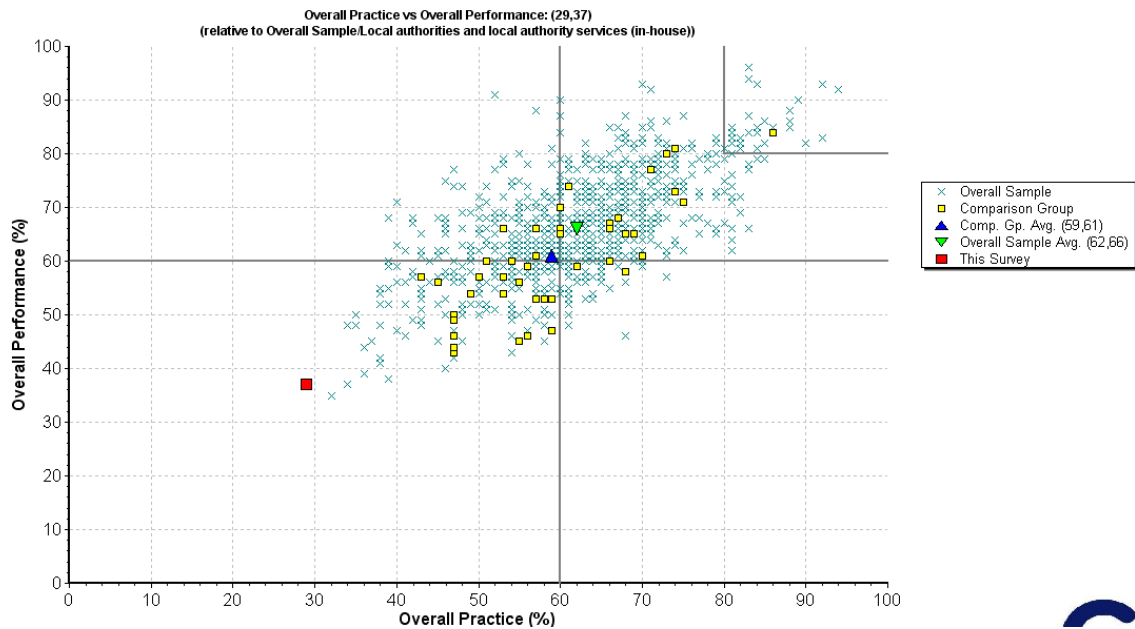


Figure 6.13: Overall Practice vs Performance Scatter Diagram

The overall practice and performance of the case study have also been plotted in the form of a quartiles chart to give a more detailed comparison between the practice and performance of the case study against those of the sector average and world-class standards.

As discussed above, the overall practice and performance chart breaks the scores into five themes (see Figure 6.9): leadership, people, service processes and performance management being practice themes and the fifth, overall performance, being a performance theme. Figure 6.14 shows the overall practice and performance results of this case study. The overall practice and performance indices of the case study organisation are far behind those of the sector average and world-class performance standard, with scores of approximately 26% for leadership, 28% for people, 32% for service processes, 23% for performance management and 38% for overall performance, as illustrated in Figure 6.14.

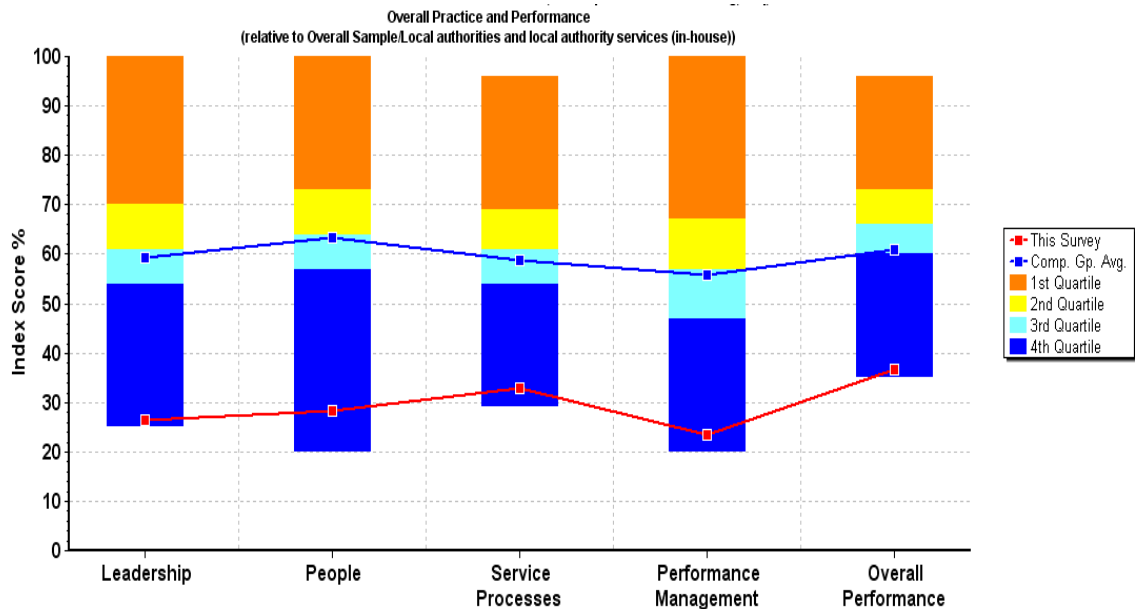


Figure 6.14: Overall Practices and Performance Quartiles Chart

Study of the chart reveals broad strengths and weaknesses compared to the comparison group and the entire sample. These are presented in the next sub-section.

b) Weakest and Strongest Elements

The final two charts are created by comparing the scores given to individual PROBE questions with the average of the scores given to the same questions by other organisations in local authority and local authority services (in-house). These charts are shown in Figures 6.15 and 6.16

- Normally the ten strongest elements are plotted on the right-hand side of each chart, representing the (up to) ten practice aspects (Figure 6.15) and the ten performance aspects (Figure 6.16) for which the organisation's score is furthest ahead of the average.
- In contrast, the left-hand side of each chart shows (up to) ten weakest elements, the practices or performance aspects for which the organisation's score is below average, or in some cases is only slightly ahead of average.

The bars on these two charts are colour-coded, linking the individual questions to the themes of leadership, people, service processes, performance management and overall performance results. The scale refers to the amount by which the organisation's score is above or below the average. For this case study, there were no strongest elements for either practice or performance results.

The objective of these two charts is to help prioritise the topics that require immediate attention from top management and to use them, along with the weaknesses identified in the previous step, as a base line for the development of the proposed approach:

- The highlighted performance weaknesses should be reviewed and consideration given to their relevance and importance to the organisation. Which are the highest priorities for improvement? With reference to this research study, the highest priority is to improve the level of customer (MNC) satisfaction with the performance of government organisations in Iraq in handling the delivery of infrastructure projects, beginning from the planning stage, devising of projects tenders and contracting procedure through to supervision of the execution stage.
- Perhaps the greatest emphasis should be placed on the practice weakest elements, since according to the literature and as indicated by PROBE it will generally follow that improved performance can only be achieved through improved practices.

- **Practice Strengths and Weaknesses**

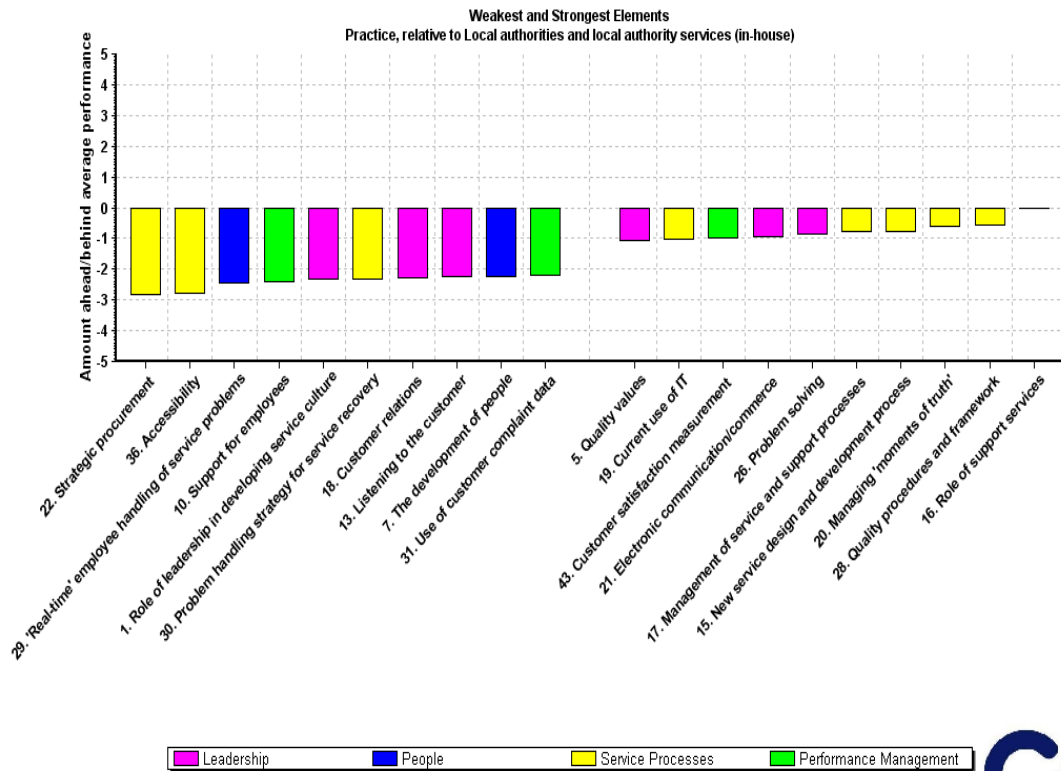


Figure 6.15: Practice Weakest and Strongest Elements

- **Performance Strengths and Weaknesses**

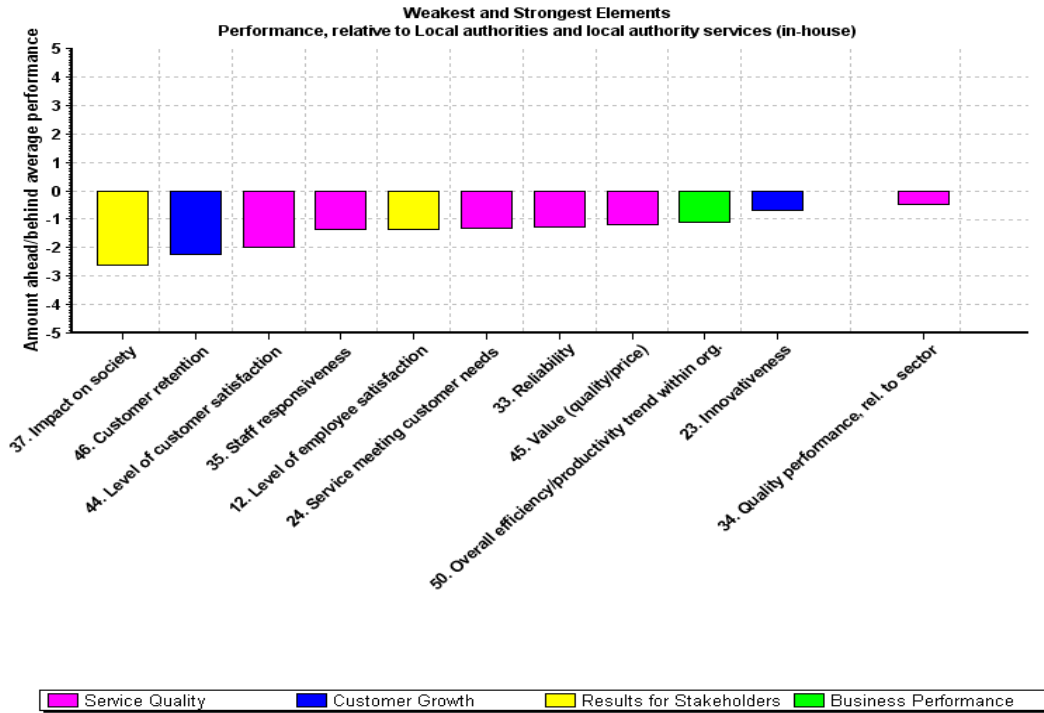


Figure 6.16: Performance Weakest and Strongest Elements

6.1.5 Data Collection Step 3: Training and Staff Feedback about the Need for Change

The third step focuses first on providing six training workshops covering a range of topics: business process improvement, management of change, strategic planning and IT, project management, people and performance measurement and teamwork practices, and knowledge management. The aim is to provide awareness about the key concepts and best practices that can be used to improve the overall performance of the organisation. Assessment based on a post-training survey is calculated. The questionnaire was designed to assess the impact of the training programme on the trainees' understanding of the delivered materials, and to solicit their views about those key work practices and performance weaknesses identified in steps one and two, and how urgent they think is the need for change. Twelve people (all trainees) were interviewed. A summary of the interviewees' profiles is given in Table 6.17. The questions were distributed to all interviewees and explained to ensure consistence in completing the forms. A copy of the interview guide for this step is given in Appendix 1.

Table 6.17: Summary of the organisations members profile interviewed during step 3

Job Title	Interviewee Code	Organisational Role
Director 1	D-D1	Accountable for DGC work
Director 2	D-D2	Act as an assistant to Director 1 and also responsible on managing a certain group of projects
Director 3	D-D3	Responsible for managing the processes of the tendering and awarding phase of the projects
Manager 1	D-M1	Responsible for managing the process of planning and the activities related to the technical side of the projects such as checking tender and design documents
Manager 2	D-M2	Responsible for managing the activities related to advertising and awarding the projects
Manager 3	D-M3	Responsible for managing the activities related to developing and signing the projects contracts
Manager 4	D-M4	Responsible for managing the activities related to archiving the relevant legal documents of the projects
Manager 5	D-M5	Responsible for managing the IT related activities relevant to the tendering the awarding process
Senior Member of Staff (SMS) 1	D-S1	Is involved in the process of advertising and awarding projects
SMS 2	D-S2	Is involving in the process of planning and follow-up of projects
SMS 3	D-S3	Is involved in the process of contract preparation and development
SMS 4	D-S4	Is involved in the process of providing IT support

The outcome of this phase is described in the following sub-sections:

I. Focused Training Workshops

After completion of the PROBE benchmarking process and the delivery of the report to the PROBE team and top management of the case study organisation, five training workshops were conducted for senior members of DGC covering a range of topics:

- 1) Business process improvement
- 2) Management of change
- 3) Strategic planning and IT
- 4) Project management
- 5) People and leadership.

The aim of this phase was to make sure that members of the organisation are aware of some of the key concepts and best practices that can be used to improve the overall practice and performance of government organisations in Iraq, so they can emulate those best in class. The sessions also enabled the researcher to obtain informative feedback from the trainees about the level of change required in their organisation and the practices that urgently require improvement if their organisation is to deliver better performance during the lifecycle of infrastructure projects implementation. In order to make the training more relevant and exciting, the process model of the procurement phase (Figure 6.6) and PROBE benchmarking results were used as a real case for discussion (local scenario). This approach proved to be very successful as it contributed to the training in two ways:

- 1) Helping trainees to understand the need for change by examining the strengths and weakness of their own practices
- 2) Engaging trainees in the discussion of possible and potential solutions to streamline their practices, business processes and thus improve their performance. Particular emphasis was placed on the interaction with customers and how employees can provide better services and achieve high customer satisfaction.

The training programme was successfully delivered; a brief profile of each member of the organisation attending the training workshops is given in Table 6.17.

II. Assessment of Training Outcome

An assessment method was produced based on post-training interviews. A set of questions (Appendix 1) was designed to assess the impact of the training programme on the trainees' understanding of the materials delivered, and their views about the key aspects that require immediate improvement. The focus was on work practices, performance and need for change. Twelve members of DGC (all trainees) were interviewed. A summary of the interviewees' profiles is given in Table 6.17.

The outcome of the assessment is that:

- a) All interviewees now realise that the performance of their organisation can be significantly improved and that their current practices are slow and hinder progress.

- b) Eleven out of the twelve understand that strategic planning principles/best practices are not being used by top management; one is not sure.
- c) All interviewees believe that their organisation lacks using project management's best practices, tools and techniques.
- d) All interviewees realise that effective use of strategic planning and project management best practices can significantly help increase the rate of budget execution and reduce the high rate of failed projects.
- e) Eleven out of the twelve believe that they should have a clear job description to allow them to identify their roles and responsibilities, which will in turn help them to measure and improve their performance.
- f) All interviewees agree that the role of the heads of the departments should move away from the current control style to a more visionary one, to help rather than monitor employees.
- g) All interviewees agree that current regulations are hindering their progress. They now realise that many of these regulations do not add value and could be removed.
- h) Eleven out of the twelve agree that they need to be given responsibility for what they do so that they can take quick decisions (empowerment).
- i) All interviewees agree that many of their work practices do not add value and can be eliminated to ensure that better customer services are delivered.
- j) It became clear that employees do not believe that they are working individually without support from the team. Six out of the twelve disagree, with six not sure, that their work is based on individual performance.
- k) All interviewees realise that customer services needs to be improved.
- l) All interviewees agree that the current organisational structure of the organisation is inefficient, making it difficult to improve contact with customers.
- m) Ten out of the twelve agree that there should be quality assurance procedures to ensure that customers receive the best possible service.

When asked about the immediate needs for improving the performance of the organisation:

- a) All interviewees responded that immediate change is required to improve service to customers.
- b) All interviewees saw that process improvement should take place immediately.
- c) All interviewees agreed that strategic planning and project management for best practice is urgently needed and should be adopted by the organisation.

- d) All interviewees agreed that developing a client single window is a very important step towards achieving customer satisfaction.
- e) All interviewees saw that further training and capacity building is essential and should be integrated into their work.
- f) All interviewees agreed that IT should be used effectively to help them smooth out their business processes and to enable them to give better service to customers.
- g) All interviewees responded that a common vision must be developed, enabling all employees to work towards achieving it.
- h) All interviewees saw that their job description should be aligned with the objectives of the organisation so that they understand how their job can add value to the organisation.
- i) All interviewees expressed that employees need to be empowered and to be accountable for their own jobs.

6.1.6 Findings and Discussion of the Exploratory Case Study

Reflecting on the aim and objectives of the research, this study aims to develop a strategic approach that can guide decision makers in Iraq to overcome government organisations' performance weaknesses and create an organisational environment attractive to MNCs in a step-change fashion. In order to achieve this aim, the first objective research was to review the literature, seeking approaches to help step-change improvement of government organisations' performance. The literature synthesis identified a number of steps towards achieving this aim, thereby potentially leading to creating an organisational environment attractive to MNCs in a step-change fashion. The core message from these steps was advising decision makers to dedicate an organisational structure/body, established in accordance with best practices, to work with MNCs during the lifecycle of infrastructure development. Depending on how mature and effective is the current overall practice and performance of the government organisation, this organisational structure/body can either work from within the existing organisations (in-house) or operate as a separate spinout organisation dedicated exclusively to working with MNCs. Synthesis of the literature concluded that if the current organisational practices are weak and their quality is far behind those of world-class standards, then it is better to dedicate a separate spinout organisations unless an in-house organisational body/structure would be more appropriate. Thus, in order to propose the right approach, the second key objective of this research focused on understanding the overall practice and performance of an Iraqi organisation, involved in the implementation of infrastructure

projects and in direct contact with local/international companies, assess its quality and identify key weaknesses and strengths. This objective has been fulfilled in this case study.

Reflecting on the overall findings of this case study (Table 6.18), it is clear that the case study organisation has direct contact with local contracting companies and therefore its overall performance has a direct and significant impact on the overall satisfaction of companies working or intending to work in Iraq, such as MNCs. This is because, as discussed in chapter 2, it is the collective performance of the concerned government organisations in Iraq, such as this case study, that shape the organisational environment, which has been identified as a significant factor for attracting MNCs to foster FDI inflows.

The overall findings have identified numerous weaknesses associated with the organisation's performance during the planning, procurement and construction phases of infrastructure projects implementation, indicating a significant weakness in the overall performance of the case study organisation. This is particularly clear from the results obtained from the PROBE benchmarking which have illustrated how the overall performance of the organisation, during the procurement phase, falls far behind that of world-class organisations. This has also been corroborated by the consensus gained from interviewees who have agreed with the PROBE results and emphasised that organisational practice and performance improvement is required.

Table 6.18: Case Study Overall Findings

The Organisation Role During Infrastructure Development
<p>The Case study organisation is involved in the:</p> <ul style="list-style-type: none"> ❖ Planning Phase ❖ Procurement Phase ❖ Construction Phase
The Impact of the Organisation Performance on Customers Satisfaction
<ul style="list-style-type: none"> ❖ The organisation has a direct contact with customers (Local and/or International companies/MNCs) and its performance has a direct and significant impact on customer level of satisfaction with the organisational environment in Iraq
The Overall Assessment for the Organisation Practices and Performance Based on the Outcome from the Semi-Structured Interviews, Observation and Document Review

<ul style="list-style-type: none"> ❖ The Findings have highlighted number of issues and weaknesses related to the organisations practices and performance during the planning, procurement and construction phases. These findings clearly reflect that the case study organisation has a weak overall practices and performance.
<p>The Overall Assessment for the Organisation Practices and Performance Based on the Outcome from PROBE Benchmarking</p>
<ul style="list-style-type: none"> ❖ the benchmarking process has positioned the organisation in the could do better category of PROBE world-class grid <ul style="list-style-type: none"> ❖ This means that the organisation overall practice and performance is very weak compared to that of world-class standards as well as the average comparison group.
<p>Key Factors/Practices Affecting the Performance of the Organisation</p>
<ul style="list-style-type: none"> ❖ Poor planning ❖ Lack of strategic planning, ❖ Weak procurement system, ❖ Contradicting regulations ❖ Lack of effective project management, ❖ Poor performance management, ❖ Lack of effective communication among key project stakeholders during the lifecycle of infrastructure projects, ❖ Ineffective use of IT ❖ Lack of skilled personnel and professional development programmes, ❖ Poor customer orientation
<p>Key Actions Required Immediately to Achieve Performance Improvement</p>
<ul style="list-style-type: none"> ❖ Start organisational change ❖ Conduct process improvement ❖ Adopt strategic planning and project management best practices ❖ Better use of IT to better deliver the services to customers ❖ Effective professional development programmes ❖ Create organisational vision and align employees job description with the organisation’s strategic objectives

The overall practice and performance obtained from the PROBE benchmarking process has positioned the case study organisation in the **could-do-better** category of the world-class grid

and shown a significant gap between best practices and those of the case study organisation. Key organisational practice weaknesses were illustrated in Figure 6.15 above. The consequences of the practice weaknesses identified by PROBE have also revealed a number of key organisational performance weaknesses, depicted in Figure 6.16.

It is obvious that the weaknesses identified during the first and second steps of the exploratory stage confirm that the case study organisation's very weak overall practices significantly affect its performance during its delivery of infrastructure projects.

By looking at the PROBE benchmarking results, it is clear that infrastructure projects are being delivered by following extremely weak practices that are far behind the sector average and best practices. Specifically, the organisation is weak in terms of its leadership, people, processes and performance management. Even more seriously, the PROBE model (Figure 2.6) clearly indicates that the organisational culture is weak in terms of its management style, service culture and employee management. The organisation's service concept and processes are weak in terms of understanding its customers, service design and development, delivery system and processes, use of IT and electronic communication, and ways of working with suppliers, i.e. weak strategic procurement. The organisation's service delivery is weak in terms of its management for improvement, service recovery and responsiveness to clients. Finally, the organisation's service value and measurement is weak in terms of its management of cost and value, service standards and performance measurement.

These weaknesses have significantly affected the overall performance of the organisation and have led to weakening its performance in various aspects including service quality, customer growth, results for stakeholders, and business performance. More specifically, these weak practices have led the organisation to have poor internal service quality, poor service effectiveness, poor service quality and poor value, unsatisfied customers in both citizens and suppliers. Thus, the performance weaknesses are the tip of the iceberg, resulting from the volume of ice below the water, representing the practices' weaknesses.

When reflecting upon the Iraqi organisational environment, discussed in chapter 4, the case study findings have shown some of the key factors that can answer the question of why Iraq is considered, internationally, as hard to do business with. It is also clear that Iraqi government organisations have a low budget execution rate as well as poor planning, poor project management and poor procurement processes of infrastructure projects, which all result in more than 60% of Iraqi citizens lacking access to the most essential services, including water

and electricity. For example, the poor supplier relationship weakness related to service processes, identified by PROBE, is one of the factors that contributed to government organisations being hard to do business with. This is because, as the findings have shown, corporate procurement is neither being undertaken as a strategic business process, because the organisation's procurement processes are not mature, nor benchmarked against world-class best practice. Despite this, according to PROBE there is overwhelming evidence that world-class organisations benefit greatly from engaging in strategic procurement in which experts in the field can bring their skills to enable the organisation to reduce costs, for example via a centralised procurement system. Improving services and increasing overall satisfaction with the public service offerings by providing fast and easy to use contact points for the users of the service, i.e. better use of IT to give wider and faster access to public services, is also required. Many organisations seek to outsource services to improve the end-user experience and reduce costs (PROBE, 2016). However, the findings have shown that the concept of strategic procurement seems to be new to the case study organisation.

The findings from PROBE also show that the case study service design and development process is *ad hoc*, i.e. service processes are not being designed and developed based on customer needs. This is because the organisation lacks for effective processes that can capture customer needs and design services to meet them. This organisational culture is reflected in a number of issues including no elimination of waste, i.e. identification of non-value adding activities is absent; this is also reflected in the process map of the procurement phase, obtained during step one of the first data collection phase. It explains why there is no continuous improvement process, poor management of customer interfaces, poor management of services and support processes and no education or training for quality. It can also explain why the customers interviewed demonstrated a low level of satisfaction with the way the organisation delivers its services during the lifecycle of infrastructure projects implementation. In addition, it provide an answer to the issue raised in chapter 4 of why the majority of government organisations in Iraq have a consistently low budget execution rate and projects are mostly considered to have failed. This is because the case study findings reflect that the organisation neither identifies those processes and activities that contribute to the delay of budget execution nor does it employ effective tools to help staff execute the investment budget effectively, such as utilising project management and IT solutions.

This is not surprising, given the weaknesses related to organisational leadership. The PROBE findings have shown that the organisation's leadership team seems not to have a strong role in

developing a customer-oriented service culture; nor does it listen or develop a relationship with them. This can be seen in some of the leadership practice weaknesses identified by PROBE, including the weak quality mindset, no quality values and the weak investment in IT to improve the customer experience. Moreover, the findings show that the leadership seem to have no shared plan or vision that identifies customers' needs and translates them into practical operational goals for departments and individuals to address. This is supported by interviewees' feedback, which shows that managers lack a strategic vision, and that their job description is not aligned with their organisation's strategy. This reflects a clear lack of effective strategic management, which explains why, despite the huge investment in infrastructure since 2003, key infrastructure areas in Iraq are still underdeveloped. Moreover, the leadership team does not appear to encourage a culture that would employ a systematic use of benchmarking or assessment for the overall service operations to identify points for improvement. Another issue of great concern for the leadership team is that it seems to be unaware of the links between employee satisfaction, absenteeism, workforce performance and customer satisfaction. This is clear, given that the leadership team has no formal process to measure employee satisfaction or data relating this to customer satisfaction. It should be noted that research into the PROBE world-class model of service provision suggests that there is a chain of cause-and-effect between internal service quality and the bottom-line performance of the business. This means that if the organisation looks after its staff, making them feel valued and happy in their work and well supported in terms of the systems, processes and resources, this will drive the organisation to enhance the value of its services, with satisfied customers and eventually improvement in business performance.

This is obvious when looking at the PROBE findings related to the people practice weaknesses. The organisation seems to provide no feedback or recognition of service performance at employee level. The development of people's skills is *ad hoc* and is limited in range, content and effectiveness. This was also noticed in the interviewees' feedback, in response to the lack of effective training and empowerment. Moreover, involvement in the operation of the service and decision-making process is blocked by attitudes of both management and employees. PROBE findings show that staff are actively discouraged from challenging procedures; they are neither empowered to deal with problems/failures to take immediate decisions to resolve problems without recourse to supervisors, nor is the team trained in this regard. This issue was also raised by interviewees during the third data collection phase of the exploratory stage. It is clear when looking at the performance

management weaknesses that there is little support for employees, and poor performance measurement and reporting.

This reflects the need for a radical improvement in the organisation's overall practice and performance if it is to emulate world-class standards, as confirmed by the views of the organisation's employees presented in the outcome of step three of the exploratory stage.

The overall findings of the exploratory stage have set the scene for the development of the research approach which is to be proposed for Iraqi decision makers to help guide them on how to overcome their weaknesses and create an organisational environment attractive to MNCs in a step-change fashion, and institutionalise best practices. This is discussed in the following section.

6.2 DEVELOPMENT STAGE: THE PROPOSED APPROACH

6.2.1 Introduction

This section discusses the development of the approach to be proposed to meet the aim of the research. The approach will be developed based on the critical steps identified in chapter 3 (Figure 3.10), and the collective findings obtained during the exploratory stage.

6.2.2 The Proposed Approach

By looking at the findings of the exploratory stage through the lens of the critical steps identified in chapter 3 (Figure 3.10), the key components of the proposed approach have been identified and are discussed in the following sub-sections:

I. The Proposed Organisational Structure to be Dedicated to Work with MNCs

The general outcome of the exploratory stage has clearly shown that there is a significant gap between the overall practice and performance of the case study government organisation and that of world-class organisations. The PROBE benchmarking results positioned the case study organisation in the could-do-better category of the world-class grid. As discussed in chapter 3, organisations that fall in this category normally requires 5 to 10 years to be able to emulate those best in class. In addition, when looking at these findings from the viewpoint of the innovation models of Christensen and Overdorf (2000) and Davila et al. (2006, 2012), it is clear that the organisation requires a significant change to its existing business model and technological use/processes to be able to deliver world-class performance during the lifecycle of infrastructure projects implementation. This means that improvement of this kind will be

radical and disruptive to the existing organisational system of the case study organisation, and thus will face considerable resistance, hence the length of time suggested by Prabhu et al. (2001). According to the critical steps identified in chapter 3, and assuming that the majority of government organisations responsible for the delivery of infrastructure in Iraq fall in the could-do-better category, Iraqi decision makers must avoid such resistance and create an organisational environment attractive to MNCs in a step-change fashion. This study proposes that initially, and for the sake of attracting MNCs to foster FDI inflows, decision makers of government organisations should **establish a separate spinout organisation** and dedicate it exclusively to work with MNCs during the lifecycle of those infrastructure projects that the decision makers are willing to award only to MNCs.

The exploratory study's findings highlighted a number of important practice and performance weaknesses that the decision makers must overcome to ensure effective delivery of infrastructure projects. Accordingly, the proposed approach emphasises that they should ensure that a separate spinout organisation is established in line with best practices, operated by qualified personnel, in order to overcome these weaknesses. Therefore, the proposed approach aims at guiding them in creating an organisational environment attractive to MNCs in a step-change fashion, and institutionalising best practices. The approach consists of four main phases, in line with the critical steps identified in chapter 3. These phases are illustrated in Figure 6.17 and each phase will be discussed in detail in the following sub-sections.

II. Phase I: Ensure the Need and Top Management Support

According to the critical steps identified in chapter 3, as part of effective organisational change management, the first and most important step that change champions (an individual or groups of enthusiastic decision makers of government organisations in Iraq) need to do is to ensure that key decision makers understand the need for change and work effectively with full support and commitment to the necessary change.

The exploratory stage findings have clearly shown that the case study government organisation lacks effective professional development programmes, so change champions should expect that key stakeholders will be less aware of how best practices can help their organisation deliver better performance. This lack of awareness was clearly observed during step one of the third data collection step in the exploratory stage. As discussed in chapter 3, this phase is the foundation for the successful delivery of the remaining phases proposed by the approach. A first objective for this phase is for change champions to make sure that key

decision makers agree on a **vision** for organisational practice and performance improvement. In order to achieve this, they can utilise various tools, such as conducting **training workshops** to ensure that key decision makers are aware of the details of the proposed change and its associated risk, mitigation plans and a proposed **implementation plan**.

As discussed earlier, the exploratory stage findings have clearly shown significant weaknesses in relation to the practices adopted by the organisation's leadership and thus it should be expected that it is not an easy task to ensure that key government stakeholders understand the need for change and provide their full support and commitment for all or some of the phases proposed by the approach. Thus, change champions should focus their efforts on obtaining formal approval from key government stakeholders before commencing on the establishment of the separate spinout organisation to ensure **their firm commitment to change**.

III. Phase II: Establishment of the Separate Spinout Organisation (SSO)

According to the discussion in section 3.7, this phase of the approach should start as soon as a green light to establish the separate spinout organisation (SSO) has been given. Based on the findings of the exploratory stage, along with the literature identified in sections 3.6 and 3.7, there are number of aspects that change champions in Iraq need to address during this phase. The exploratory stage findings have stressed that the government organisation has overall weak strategic planning, inadequate project management and poor use of information technology/information systems (IT/IS) throughout the three major phases of infrastructure development programmes, namely planning, procurement and construction. Moreover, the findings have clearly shown how complex, bureaucratic and non-customer oriented are the processes and procedures that are currently used to facilitate the progression of the planned infrastructure projects throughout the three phases. Therefore, for the proposed separate spinout organisation to be successful it has to address all these key weaknesses.

Accordingly, the approach proposes a strategic planning office (SPO) and project management office (PMO) as the core components of the separate spinout organisation. This ensures that an effective strategic plan is developed that satisfies the government organisations' various customer needs and develops a list of prioritised strategic projects as well as highlighting those projects that need to be addressed by MNCs. Moreover, by taking into account MNCs' needs, these offices can develop the processes and procedures required for effective and efficient project implementation from the planning stage, devising of projects tenders and contracting procedures through to supervision of the execution stage,

making sure they show integrity, transparency simplicity and overall meets MNCs' needs. In addition, as the findings have highlighted that the case study organisation is completely non-customer oriented, customer orientation should be a core value of the SSO. The SSO should ensure that all the processes and procedures designed for the various stages of projects implementation are effective and satisfy customers' needs. Additionally, an effective integrated IT solution should be implemented as a core component of the SSO to facilitate the implementation and management of projects and to ensure that an effective client single window is implemented.

In addition, the findings extracted from the exploratory stage have shown that the gap between best practices and the government organisation's practices is significant, with the lack of awareness of best practice obvious. Thus, it can be argued that Iraqi government organisations do not have the expertise required to build the SSO in line with best practice. Therefore, change champions are advised to consider hiring an external consultant to commence selecting and training a heavyweight team to operate the SSO, establish the SPO and PMO, develop terms of reference, define roles and responsibilities, processes, procurement strategies, manage the performance of the organisation and provide ongoing training and support. This approach also suggests that change champions should continually communicate the SSO's progress of implementation with key government stakeholders and market its achievement. This is to ensure that continuing support and commitment from these key government stakeholders is sustained.

IV. Phase III: Carry out Projects and Produce "Quick Wins"

According to the critical steps identified in chapter 3, at this phase the establishment of the SSO should have been completed and the SSO should be ready to operate; all the required permissions should have been granted by key government officials to those individuals who have been trained by the external consultant to operate the SSO. Indeed, these permissions should have been included in discussion with key decision makers and agreed upon during phase I of this approach. When everything is in place, the SSO can start its operation under the ongoing training and support of the hired external consultant. As discussed earlier, the approach proposes that SSOs are to be dedicated to working with MNCs and thus, at the point when the SSO has finished the development of the strategic plan and prioritised the infrastructure projects required, decision makers should know the type and number of projects that need to be implemented by MNCs. Hence, the approach suggests that SSOs should effectively communicate with those qualified MNCs and market their existence and their new

way of working by utilising various communication and marketing techniques to restore MNCs' confidence in how Iraqi government organisations work. By attracting MNCs' initial interest and then experience of the differences in performance, more MNCs should be expected to accept work with the SSO to implement various infrastructure projects.

Restoring MNCs' trust in Iraq's public sector system can be considered a major "quick win" for the SSO as this will contribute to increasing the number of MNCs agreeing to work with Iraqi government organisations, thereby increasing the flow of FDI. Furthermore, restoring MNCs' confidence in the system means that SSOs have developed effective strategic plans, processes and procedures for effective project implementation, and this by itself can be considered a major "quick win".

Depending on the level of success achieved by the SSO, change champions may start planning how to transform their old organisational systems to operate in a similar fashion to the SSOs, thus ensuring that all infrastructure projects under the responsibility of Iraqi government organisations are implemented following the same system of SSOs. This is called institutionalisation, as discussed in chapter 3.

V. Phase IV: Institutionalise best practices - Gradually Expand the Separate Organisation via Sub-PMOs

As discussed earlier, the aim of establishing SSOs is to attract MNCs to work with them to implement those highly strategic infrastructure projects that government organisations cannot immediately finance. However, Iraqi government organisations will still have a considerable amount of public funding dedicated to infrastructure development, but executed under their old organisational system, as described in section 6.1. The exploratory stage findings have shown that a significant amount of projects executed under the old system are considered to have failed for many reasons, including poor planning, poor project management and complex procurement processes. Accordingly, and in line with the literature reviewed in chapter 3, the proposed approach suggests that after the successful operation of the SSOs, champions of change should consider institutionalising and expanding the use of the SSOs' system to cover the implementation of all types of projects under the jurisdiction of their organisations.

In accordance with the discussion in section 3.6, this phase proposes that champions of change are required to effectively market and communicate the achievement of their SSOs; they may need to think of using their political advantages and power to gain higher and expanded support from key decision makers for the institutionalisation process. If they get the

green light, then and only then can they take the following steps to institutionalise the SSOs system to the rest of the government organisations. These steps are designed based on the findings from the literature and the exploratory stage:

The strategic plan is developed by SSOs, during phase 2, to address the government organisation customers' needs; in the context of the case study organisation the strategic plan for infrastructure development should address citizens' needs such as schools, health centres, roads, bridges, etc. Also, only a group of these projects will be implemented by SSOs while the rest remain the responsibility of the parent government organisation; the findings of the exploratory stage have shown that the case study government organisation will manage the implementation of the infrastructure projects on a portfolio/programme basis. Accordingly, this phase of the proposed approach suggests that, in order to ensure gradual transformation of the parent government organisation system and that all the remaining projects are executed following the SSO system, champions of change should do the following:

The **first step** is to relieve, gradually, the parent government organisations' responsibility from executing the remaining portfolios of projects (on a portfolio/programme after portfolio/programme basis) that are not being handled by the SSO. Consequently, every time the responsibility to execute a certain portfolio/programme is being taken from the parent organisation a group of redundant personnel will be created. Thus,

The **second step** is for change champions to establish a new sub-PMO (say sub-PMO X) under the responsibility of the SSO, designing it in a similar fashion to the SSO in terms of its terms of reference, processes, procedures and IT systems, with the help of the expert consultant, if still required. Then:

The **third step** is to train those redundant personnel to form a heavyweight team to handle the operation of this new sub-PMO X that will be assigned the responsibility of executing that portfolio of projects that has been relieved from the parent organisation. This sub-PMO X is to be monitored, controlled and assigned responsibilities by the SSO. Then,

The **fourth step**, as soon as the sub-PMO X has proven successful, for the change champions to start relieving the parent organisation of the responsibility of executing a second portfolio, following a similar approach by establishing a second sub-PMO (say sub-PMO XX) under the SSO to take over this responsibility. This process continues until all portfolios have been transferred to the new sub-PMOs. This approach will provide a minimum disruption to

government organisations' on-going work and ensure transparent gradual transformation of their overall practice and performance into one that can emulate world-class standards and satisfy all customers, including citizens, local and international companies.

Nevertheless, as discussed in chapters 2 and 3, change or improvement in organisational performance is not an easy task, and number of aspects should be taken into consideration to ensure successful implementation of organisational change, such as reducing organisational resistance to change. Thus, the approach proposes this phase for Iraqi decision makers as a long-term organisational performance improvement approach to gradually transform their government organisations into ones that emulate world-class organisations. Figure 6.17 illustrates the proposed approach.

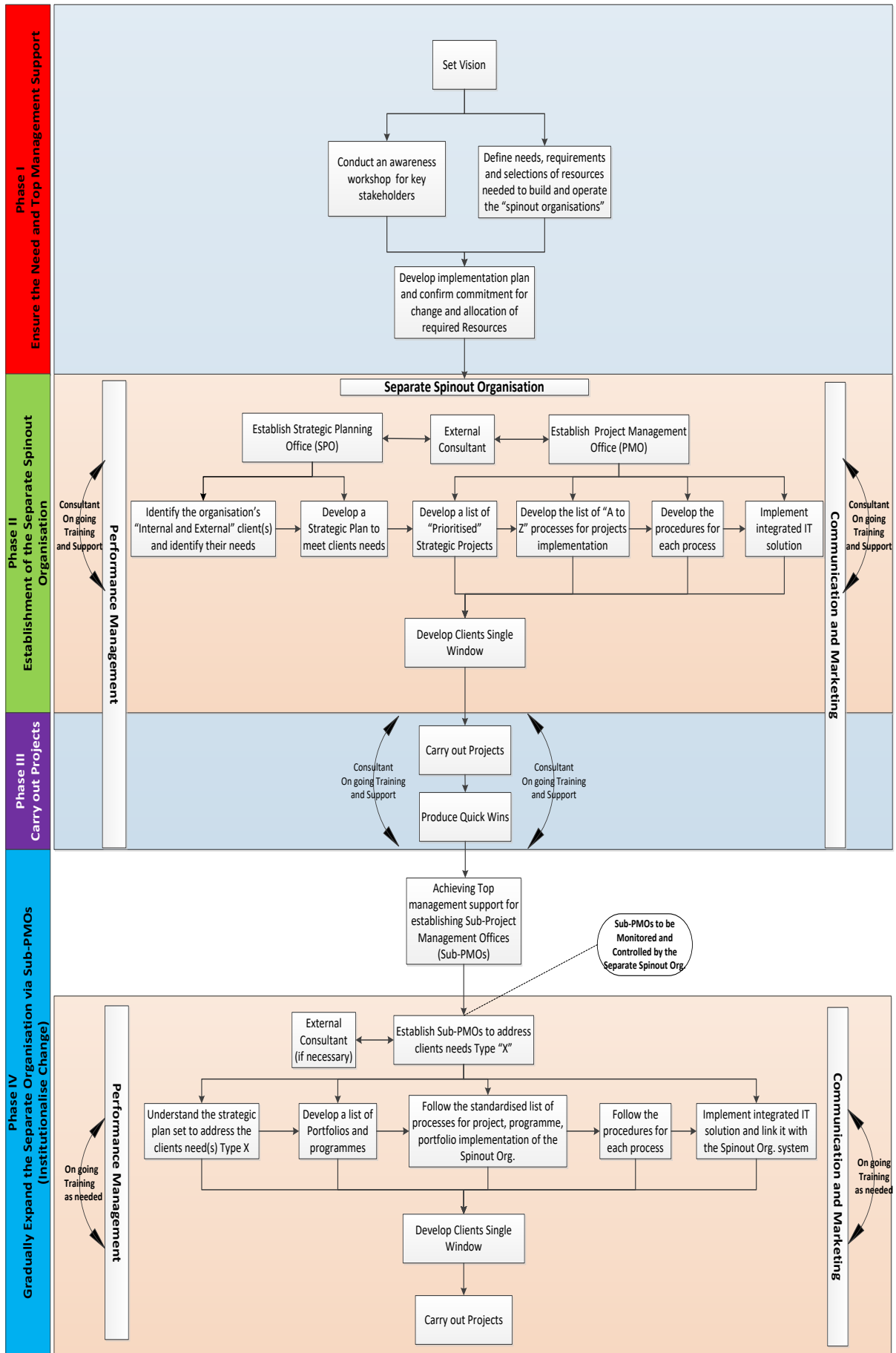


Figure 6.17: Proposed Approach

6.3 CONCLUSION

This chapter has discussed the exploratory and development stages of this research. The exploratory stage focused on assessing the overall practice and performance of a government organisation in Iraq.

The exploratory stage consisted of three main phases. The first focused on presenting the outcome of the interviews and observations with the aim of understanding the organisational system used by the case study in carrying out its infrastructure projects. This phase highlighted the key problems associated with the system during the lifecycle of infrastructure projects implementation, namely during the planning, procurement and construction phases, and presented customers' (local contracting companies) perceptions of the system. The second phase of the exploratory stage focused on benchmarking the case study's overall practice and performance against world-class standards and identifying the gap and key practice and performance weaknesses using the standard practice and performance benchmarking tool PROBE (discussed in sections 2.4.1 and 5.2.1d). The third phase focused on presenting staff opinions about key problems associated with the system and what needs to be done to help improve the overall practice and performance of their organisations as well as increasing the level of satisfaction of their customers. The overall findings obtained from the exploratory stage have highlighted numerous weaknesses associated with the case study's overall practices and performance, from the planning stage, through devising projects tenders and contracting procedures, to supervision of the construction stage. The overall findings emphasised the significant gap between the case study's overall practices and performance and that of world-class organisations; it was also far behind the average score of those peer organisations working in the same field.

Accordingly, based on these findings and those synthesised from the literature, it is concluded that one of the key steps of the approach that can help Iraqi decision makers overcome their performance weaknesses and create an organisational environment attractive to MNCs in a step-change fashion is the establishment of a SSOs dedicated exclusively to work with MNCs during the lifecycle of groups of infrastructure projects that the decision makers are willing to award to MNCs. These SSOs are to be built in line with world-class standards and work under the direct authority of government organisations' CEOs, with complete responsibility for the success of the projects, and working in parallel with, not in conjunction with, the existing parent organisations.

In this regard, the development stage has focused on putting together the various components of the proposed approach in accordance with the critical steps synthesised in chapter 3 and the findings of the exploratory stage. The proposed approach consists of four main phases. The first emphasises the need for change champions (individuals or groups of enthusiastic decision makers from Iraqi government organisations) to ensure top management support and commitment to the proposed change. The second phase advises the champions of change to establish SSOs in line with best practices and dedicate them to working exclusively with MNCs during the lifecycle of those infrastructure projects that decision makers are willing to offer to MNCs. The third phase advises the champions of change to ensure that the SSOs effectively operate, carry out projects, and produce “quick wins” under ongoing training and support from an external consultant. The phase emphasises the need for these champions to communicate and market the successes of their SSOs with a wider array of government stakeholders, to ensure continuing support for the SSOs. In addition, change champions are advised to communicate and market the existence of the SSOs and their achievements to regain the trust of MNCs in the Iraqi public sector system. When an SSO achieves its objectives, the fourth phase of the proposed approach is for change champions to institutionalise and expand it gradually to cover the implementation of all infrastructure projects still under the responsibility of the government organisations.

The next stage of this research (the validation stage) presents the proposed approach to key decision makers in three government organisations in Iraq. The aim is to solicit their professional opinions about the feasibility and effectiveness of using the proposed approach within their organisational context, and the factors that need to be taken into account to achieve its successful implementation. This will be discussed in the following chapter.

CHAPTER 7 VALIDATION STAGE: VALIDATION OF THE PROPOSED APPROACH

7.1 INTRODUCTION

Chapter 6 proposed a step-change organisational performance improvement approach, (Figure 6.17) for Iraqi decision makers to help them overcome their performance weaknesses and create an organisational environment attractive to MNCs in a step-change fashion. The approach consists of four main phases. It advises change champions how to achieve an organisational environment attractive to MNCs. They first need to convince decision makers about the need for change and strive to attain their commitment and support for the proposed change. Secondly, they need to establish a SSO, in line with best practices, and dedicate it exclusively to work with MNCs during the lifecycle of those infrastructure projects that decision makers are willing to assign to MNCs. Thirdly, they must run the SSO and communicate and market its successes with key decision makers to sustain their continuing support and commitment to change and pave the way for a holistic organisational performance improvement. The fourth phase asks change champions to work actively on achieving key decision makers' approval to institutionalise best practices in the rest of their parent government organisations.

The aim of this chapter is to validate and evaluate the applicability, feasibility and effectiveness of this proposed approach to organisational performance improvement (Figure 6.17) through three case studies. The chapter also validates two key aspects of this research which have led to the development of the proposed approach, namely *the need to attract MNCs* and *organisational performance improvement*. In each case study, the researcher explains the proposed approach to key government officials (potential change champions) within the case study organisation: its aim, objectives and aspects that led to its development. The researcher then seeks their professional opinion on the applicability, suitability and effectiveness of the proposed approach and the factors that might hinder its successful implementation within the context of Iraqi government organisations. Interviewees' opinions about key organisational aspects that support the overall validation process of the proposed approach, such as the need to attract MNCs, and issues surrounding their organisation's overall practice and performance and their impact on attracting FDI, are solicited. The chapter consists of six main sections. The first, after this introduction, summarises the case study

process; three sections follow presenting the respective findings of the three case studies. The fourth section presents a cross-case discussion highlighting the contrasting opinions from the three case studies about the key themes, followed by a validation of the elements of the proposed approach. The final strategic approach is presented in the seventh section.

7.2 THE PROCESS OF DATA COLLECTION AND STRATEGIC APPROACH DEVELOPMENT

This section explains the data collection process followed to evaluate and validate the approach, as proposed in chapter 6 and illustrated in Figure 6.17. Based on the earlier discussion, **two key aspects** or factors can be highlighted as the trigger for developing and proposing the approach in chapter 6:

- The first is the need to attract MNCs to foster FDI inflows to address Iraqi infrastructure investment needs; and
- The second is the argument that the overall practice and performance of Iraqi government organisations is weak and requires a long time to emulate world-class standards.

Accordingly, the **aim of this data collection process** is to evaluate and validate the applicability, suitability and effectiveness of the proposed approach by:

- First validating the two underlying aspects that led to the development of the proposed approach; and
- Second, evaluating and validating the core elements of the proposed approach, i.e. the four phases of the approach and their underlying components; see Figure 6.17.

In order to collect the data required to achieve this aim, three Iraqi government organisations were selected as suitable case study subjects, using the selection criteria described in chapter 5. The case study organisations must first be a government organisations; second be responsible for infrastructure development in Iraq; and third now or in the future be in direct contact with MNCs during the lifecycle of the infrastructure development process. Accordingly, the three government organisations are:

- A. Basra Local Government (BLG)**
- B. General Company for Ports of Iraq (GCPI)**
- C. South Gas Company (SGC)**

During the data collection process, semi-structured interviews are used as the primary data collection method, with document review as a secondary source of data to validate some of the outcomes of the interviews. A set of semi-structured questions, (Appendix 2), have been developed to gather the necessary data, as discussed above. The general themes that represent the umbrella for the semi-structured questions designed for this case study are therefore:

- ❖ T1: The need to attract MNCs to foster FDI inflows
- ❖ T2: The need for organisational performance improvement
- ❖ T3: validation of the proposed approach and its underlying elements.

As discussed in chapter 5, because of the strategic nature of the proposed approach, the individuals interviewed during the data collection process all hold strategic-level positions, are considered potential organisational change champions, and have a direct role in the development of infrastructure. The three case studies were conducted consecutively; on completion of collection of the required data from each case, a quick review of the proposed approach was carried out and any necessary changes were made before proceeding to the next case study organisation.

After completing the data collection process, a cross-case discussion was carried out; the consensus views of interviewees about the aim of this data collection process are then presented. This paves the way towards refining the proposed approach and developing the final strategic approach. This process is depicted in Figure 7.1.

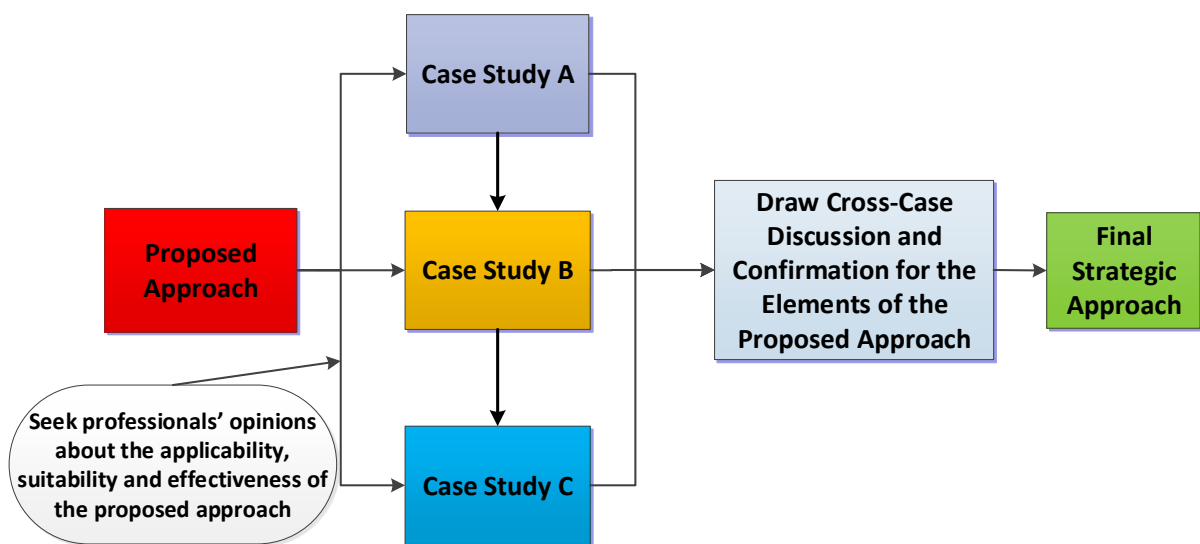


Figure 7.1: The Data Collection Process

The standardised steps used to carry out the data collection process are as follows:

- a) A formal letter was submitted to each government organisation explaining the aim and objectives of the research and the type of information required. The letter requested permission to proceed with the case study.
- b) Permission was granted.
- c) Interviews were conducted with the concerned members separately and the answers were recorded, analysed and compared against each other.
- d) The information obtained was then cross-checked against the components of the proposed approach.
- e) The proposed approach was modified accordingly.

The following three sections spell out the outcome from each case study. Each section presents first the background of the case study organisation, secondly brief profiles of the interviewees, thirdly the outcome of the case study, and finally a brief summary and discussion of the outcome. For **confidentiality**, the positions and names of the individuals interviewed remain anonymous.

7.3 CASE STUDY A - ORGANISATION BACKGROUND

BLG is an Iraqi government organisation, one of whose key responsibilities is the development of infrastructure within Basra City. Results of a survey of the city's infrastructure needs were presented in section 4.2.

BLG was chosen in order to evaluate the applicability, suitability and effectiveness of the proposed approach, which aims at helping government organisations create an organisational environment attractive to MNCs in a step-change fashion. Its structure, shown in Figure 7.2, consists of a number of key departments headed by officials under the direct authority of the governor. In order to address the city's infrastructure within its jurisdiction, BLG interacts with local and international corporations and assigns the construction of the necessary projects over to them, following the public procurement procedures set out by the government.

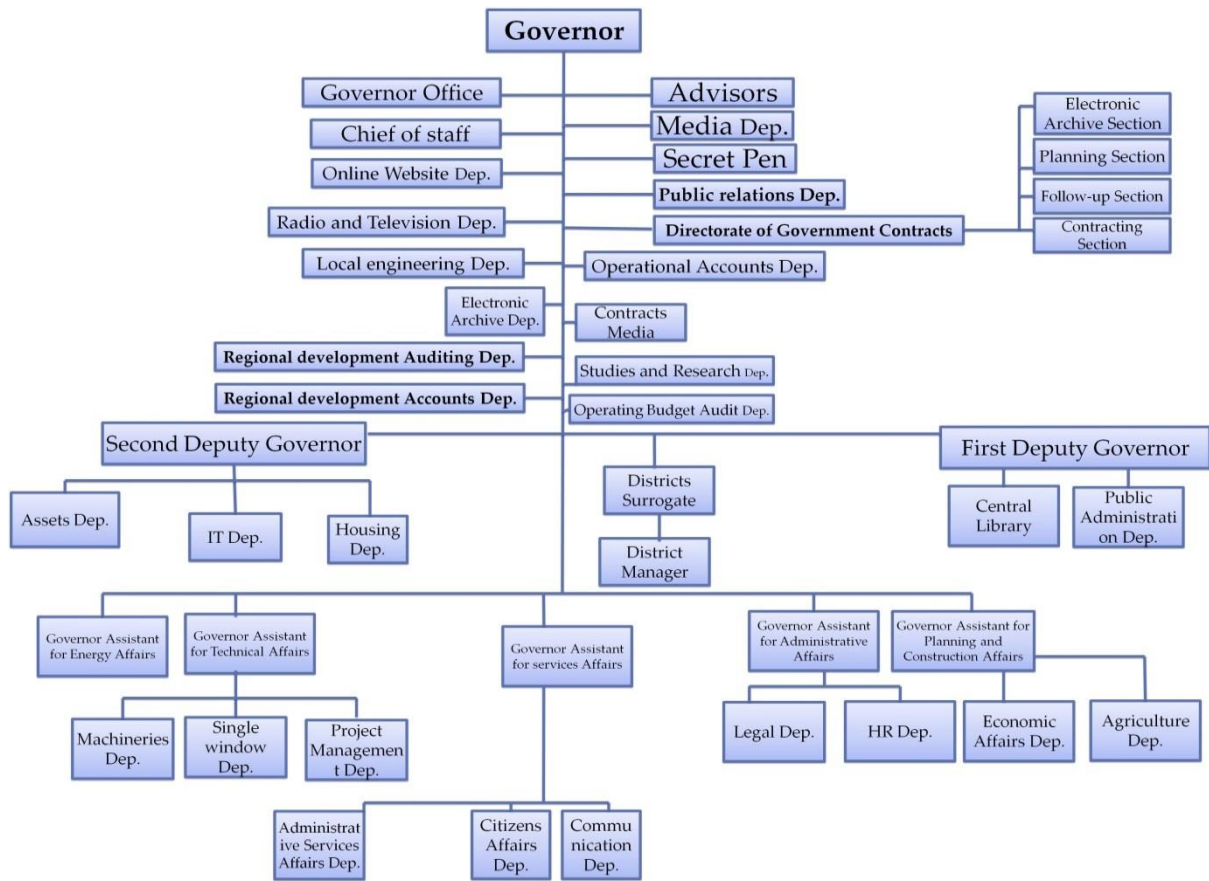


Figure 7.2 Organisational Structure of BLG

The local government is responsible for a number of city-related matters, although its role in the development of the city’s infrastructure is the focus here. As discussed earlier, the main aim of the case study is to capture the views of key government officials (potential change champions) about the suitability of the proposed approach by:

- Understanding the views of interviewees about their overall organisational environment and the need for MNCs, and
- Soliciting their feedback on the applicability, suitability and effectiveness of the proposed approach and its underlying elements.

Table 7.1 summarises the backgrounds of the interviewees.

Table 7.1: Summary of the Interviewees’ Profile of Case A

Company	Job Title	Code	Organisational Role
Basrah Local Government (BLG)	Director	BLG-D1	Assist the governor in the matters related to infrastructure development

BLG	Director	BLG-D2	Responsible for directing the organisation's process of pre-tendering, tendering and awarding phases of the projects
BLG	Director	BLG-D3	Responsible for directing the organisation's process of after-awards-project management
BLG	Director	BLG-D4	Responsible for directing the organisation's process of planning and the activities related to the technical side of the projects
BLG	Director	BLG-D5	Responsible for directing the organisations process of human resource management

The next section illustrates the outcome of the data collection process carried out in BLG.

7.3.1 Outcome of BLG Case Study

This section consists of three main sub-sections. The first two illustrate the outcome concerning the two underlying aspects that led to the development of the proposed approach, discussed in section 7.2. The third presents the outcome from the data collection process with regards to evaluating and validating the proposed approach and its core elements.

I. Confirming the Need to Attract MNCs

Interviewees recognised the importance of attracting MNCs to work with their organisation. Two key aspects emphasised as reasons for government organisations to strive to create an environment attractive to MNCs were identified:

a) The need for MNCs to address the organisation's investment needs

There is a consensus among interviewees about the need to attract MNCs to foster FDI inflows to help the organisation address its infrastructure investment needs. Interviewees highlighted this as one of the key solutions helping the organisation complement the shortages of its annual investment budget, allocated from the central government, for infrastructure development. For example, BLG-D2, said that BLG *“requires tremendous investment in the infrastructure and thus having international companies agree to work with us and invest in our projects will be help us a lot to address the city's infrastructure”*. BLG-D1 supported this need, emphasising the deficiency in the annual budget: *“the annual investment budget allocated for the organisation from the central government is not sufficient to address the city's infrastructure investment needs which makes help from international corporations very*

urgent". Therefore, it is clear that the need for investment in infrastructure and the insufficient funding from the central government are key reasons for government organisations to attract MNCs.

b) The need for MNCs to fill the gap in expertise

All interviewees stressed that local contracting companies lack the required capability to successfully implement the projects awarded to them by the organisations. For example, BLG-D3 emphasised the lack of local companies' capacity to carry out projects effectively: "*local companies do not have sufficient capacity to implement strategic infrastructure projects effectively*". BLG-D5 also referred to the lack of qualification of most local companies for carrying out infrastructure projects in the city by stressing that "*most of the delivered projects by these companies, such as schools and health centres, have poor quality*". BLG-D1 supported this by saying "*respected international companies can certainly help in delivering high-quality infrastructure projects better than local contracting companies*". Therefore, MNCs can play a significant role in helping the organisation to address its infrastructure needs, both financially and by providing the necessary expertise to implement the projects successfully.

II. The Need for Organisational Performance Improvement

The analysed data highlighted a number of practice and performance weaknesses in relation to the system adopted by the case study organisation to carry out its projects. These weaknesses confirmed the need for significant organisational performance improvement to help ensure successful delivery of projects and a transparent relationship with MNCs. These weaknesses have been categorised under five main headings: leadership, people, processes, performance management and how long interviewees think it will take their organisation to emulate world-class standards.

a) Leadership issues

Weaknesses related to leadership are reflected in the interviewees' comments. All agreed that key decision makers have little support or commitment and high resistance to organisational change. For example, according to BLG-D5, "*last year we tried to reform the public procurement processes and procedures and make them more transparent, especially the evaluation criteria. However, we were confronted with considerable pressure from some members of the local council asking us to stop relying on it and return to the old procedures*". All interviewees were in agreement that the executive authority of the Iraqi government is

divided among the country's various political parties, each with different political interests and agendas; the same is true of the executive authority of the various government organisations in Iraq, including the case study organisation. Key executive positions are given to individuals representing the main political parties in the city, making it difficult for the governor or any other top management to easily initiate a change within the organisation. Because of this division in the leadership team, most of previous performance improvement initiatives failed to achieve their objectives because there was no consensus among the leadership team. For example, according to BLG-D1 *"the interest, visions and agendas of the organisation's key decision makers are mostly different depending on which political party they support. Thus, you can see there are always difficulties for getting consensus to commence any improvement programme by a certain decision makers group that may have a direct effect on certain parts of the organisation's [department/section/units] that are under the influence of other leadership groups within the organisation"*. Thus, this resistance to change and political interventions are key factors that make initiating a holistic organisational performance improvement very difficult within the context of the case study organisation.

b) People issues

In terms of people, all the interviewees agreed that the findings have shown that the organisation seems to have poor personnel development to enable them to conduct their work effectively. This has considerably affected the overall performance of the organisation during the various stages of the project lifecycle, causing many problems that have a direct impact on the organisation-supplier relationship. For example, BLG-D2 has highlighted a number of problems or mistakes during the public procurement lifecycle *"because most of the individuals responsible for carrying out the various activities of the public procurement lack the necessary training, skills and expertise to conduct them effectively"*. BLG-D5 supported this by stressing that during the contract award phase a *"number of incorrect decisions was made by the committees responsible because they lack the necessary experience and competence"*. Also, according to BLG-D1, during the contract implementation phase *"some of the supervision teams are incompetent and lack the necessary project management skills"*. Interviewees agreed that few if any of the people development programmes provided to staff are linked to the organisation's everyday work. For instance, according to BLG-D2, most of the training programmes are not related to the organisation's current capabilities, policies and way of working and therefore, the knowledge gained cannot be applied. It is as if *"they train you to drive a car and when you go back you only have a horse to ride so none of what you*

have learned is applicable". BLG-D4 also asserted that, *"we do have training programmes for staff and sometimes we send some of them abroad but I cannot see any practical reflection on the operation of the organisation as most of what they learn is not applied in our organisation"*. This indicates that the organisation does not provide the necessary support for its employees to enable them to carry out their jobs effectively.

c) Service Processes Issues

In terms of organisational processes, there was consensus among interviewees that the case study organisation has no standard processes and procedures for conducting its various project-related activities in a way that applies to all prospective private companies without discrimination. This has seriously affected the organisation's performance and led to deterring some international corporations from working with the case study organisation. For example, in terms of the procurement stage of the project lifecycle, BLG-D1 said that the organisation *"have asked a number of international companies to come and work on constructing some of the strategic projects in the city; however, those respected international companies have refused to come saying that the procurement processes and procedures are not clear and are ambiguous and do not follow international standards"*. BLG-D4 agreed: *"we have been working hard to convince a number of highly respected international corporations; however, none has yet accepted to work with us to address our key strategic projects"*.

BLG-D2 raised another service process issue concerning bureaucracy and lack of transparency, stating that *"the contractors' classification is just a routine process which only takes the financial capability of the contracts as a prime factor. Some contractors are classified as first-class yet they have no financial capabilities or previous experiences that enable them to implement the awarded projects successfully"*. BLG-D5 agreed that the organisation does not seem to enforce a customer-oriented culture, stating that *"because of the bureaucracy and complex administrative routines, usually the process of awarding contracts and the subsequent contractors' payments are delayed"*. Therefore, it is clear from the interviewees' comments that the organisation has poor service processes, not designed to achieve satisfied customers.

d) Performance management issues

The findings have also shown a number of issues related to performance management. Interviewees agreed that political pressure and non-transparency are two factors that significantly affect the performance of the organisation during the key stages of the

infrastructure projects lifecycle. For example, according to BLG-D4, *“some projects are awarded directly to companies that have financial and political power without being evaluated based on their technical competence or their records of successful projects delivery”*. BLG-D2 also highlighted this issue: *“in many cases, some people with a high political power influence the decision taken by [the contract awards] committees especially when the decision is related to mega-projects”*. BLG-D1 emphasised that the organisation’s staff, especially those responsible for following up project implementation, *“are not being paid adequate salaries which makes them prone to some dishonest acts such as taking bribes from contractors and in return turning a blind eye to their poor performance in the field”*. These performance issues reflect an organisational environment deterrent to MNCs.

e) The time required for the organisation to emulate world-class standards

There was a general consensus among interviewees that their organisation will require some considerable time to compete with the best in class. For example, according to BLG-D4, *“it will take considerable time and efforts to change the organisations’ practices and performance base to international standards”*. BLG-D2 agreed, asserting that *“based on my previous experience, it can be difficult to conduct an organisational change within our organisation; however, it is not impossible”*. BLG-D3 also agreed: *“given the conflict of interest between the political parties that share the leadership and management of the organisation, I cannot imagine a change to our current service delivery can take place in the near future”*. BLG-D1 also believed that change *“is not impossible; we can do it, actually we have to change, but it may take considerable time and effort”*.

III. Validating the Proposed Step-Change Performance Improvement Approach

As discussed earlier, the proposed approach is a guide to help decision makers (change champions) of government organisations in Iraq to create an organisational environment attractive to MNCs in a step-change fashion. The approach consists of four main phases which need to be followed consecutively; each contains several elements which shows the key steps or activities to be carried out to ensure successful implementation of each phase. This sub-section presents the analysis of interviewees’ views concerning the phases of the approach and their underlying elements. These findings are presented in a sequence similar to the structure of the proposed approach.

a) Phase I: Ensuring the need for top management support and commitment

All interviewees agreed that phase one of the proposed approach is an essential step to initiate change within their organisation. Achieving key decision makers' understanding and support for change has been considered a prerequisite which, if not obtained, makes applying any organisational performance improvement will be difficult. For example, according to BLG-D1 "*achieving a common consensus among the organisation's key decision makers about the need for change is an imperative step toward initiating organisational performance improvement*". BLG-D3 also maintains that "*without convincing the organisation's key decision makers about the reasons for the need for change and how it will benefit the organisation, no support and commitment can be expected to be given to any improvement programme within the organisation*". This reflects a clear understanding among interviewees about the need to obtain top management support and commitment for change before commencing any proposed improvement programme within a government organisation.

The outcomes relative to the activities necessary to achieve phase one of the proposed approach are presented below:

- **Setting a Vision for change**

Interviewees agreed that in order to commence an organisational improvement approach, the organisation's key decision makers are required to establish a vision for change and give it their full commitment. For example, BLG-D1 said "*it is very important that the organisation's key decision makers are fully aware and convinced of the need for change and setting a vision for the change*"., BLG-D2 added that "*having the organisation's main decision makers set a vision for change is the key to initiating a performance improvement programme in our organisation*". BLG-D3 stressed that "*if key decision makers do not have a vision to improve the organisational performance, then I don't think an improvement programme like this will receive any support or commitment from top management*". Thus, without the organisation's top management understanding of the need to improve organisational performance and set a vision to achieve that, it will be difficult to initiate an organisational performance improvement programme.

- **Conducting Focused Awareness Workshops for Key Decision Makers**

All interviewees found the awareness workshops to be a very important step toward achieving full support and commitment from top management for conducting the proposed step-change performance improvement approach. For example, BLG-D4 highlighted the importance of

training workshops, saying *“providing focused awareness workshops about the proposed performance improvement programme will work as a catalyst to get the green light from top management to initiate the implementation of the proposed improvement programme”*. BLG-D3 also emphasised the need for training workshops, stressing that *“there is a lack of awareness among key decision makers about the latest approaches to organisational performance improvement and their benefits. Thus, I think conducting focused awareness workshops for them and others at managerial levels will be essential for facilitating any performance improvement programme”*.

- **Defining needs, requirement and selection of resources needed to build and operate the separate spinout unit**

With respect to the focused awareness workshops, interviewees agreed that it is imperative to clearly define and present the requirements and resources required for conducting the proposed performance improvement approach through training workshops. For example, BLG-D1 said, *“of course it is very important that, during the focused awareness workshops, a detailed description or summary of the needs and resources required to implement the proposed improvement programme is provided. This will help key decision makers to have full understanding about the proposed change and to give their decision accordingly”*. In addition, BLG-D5 highlighted the importance of providing a detailed description about the proposed approach: *“I think a detailed explanation about any proposed performance improvement is necessary; this will help us be aware of what to expect from the proposed change and what will it cost the organisation”*. This reflects the need to include a detailed business case for the proposed improvement approach, to ensure that key decision makers are fully aware of the details of any improvement proposal in terms of the resources required and the consequential benefits of the change, as well as any potential risk. This will help facilitate the attainment of the green light to initiate the proposed approach within the government organisation.

- **Developing an implementation plan and confirming stakeholders’ commitment to the proposed change and allocation of the required resources**

All interviewees stressed the importance of developing an implementation plan for any proposed performance improvement approach, to facilitate tracking the implementation. For example, BLG-D3 asserted that *“I totally agree that it is important to develop a detailed implementation plan for any proposed change, as this will help us to easily track its progress”*. BLG-D2 emphasised the need for an implementation plan: *“it is always necessary*

to plan carefully to implement any project to make sure that all project aspects and issues have been taken into account, and this certainly also applies to performance improvement programmes”.

Interviewees also supported the importance of reconfirming key decision makers’ commitment to the change, and that all resources necessary to carry out the proposed approach are allocated before implementing the change. For instance, according to BLG-D1, *“from my experience, it is important to always confirm top management commitment for implementing any programme or project even after having an initial support. Circumstances may change and so may top management opinion, which is why it is important to keep top management up to date”*. BLG-D4 also stressed the need to confirm top management support by saying that *“on a number of occasions we got initial agreement from top management to conduct an improvement project but when it came to the actual implementation, we did not get the support we needed to start the project”*.

b) Phase Two: Establishing a separate spinout organisation (SSO) to work with MNCs

The findings revealed general agreement among interviewees about the effectiveness and suitability of establishing a SSO, aligned with international standards, and to work exclusively with MNCs, as a mean of overcoming the organisational performance weaknesses and creating an organisational environment attractive to MNCs fostering FDI inflows. For example, BLG-D1 highlighted the effectiveness of establishing the SSO: *“I think the concept idea of your approach to improve the organisational performance is very good and it can be a good way to convince international companies to agree to work with us”*. BLG-D2 also supported this, adding that *“given our current organisational environment and the difficulty in making changes to its current processes, procedures or structure, I think establishing a separate and independent unit to work only with international companies will be a good approach to show them a better performance without affecting the existing system”*.

The findings also show that it is highly feasible to establish a SSO to work exclusively with MNCs in the context of a government organisation. However, interviewees agreed that a number of factors need to be taken into account to successfully implement the proposed approach and establish a SSO. These factors include:

- Achieving key decision makers’ understanding and support for the proposed approach. For example, BLG-D3 said that *“I do believe that establishing an independent unit*

under the authority of the governor and designed in line with international standards can certainly be a very good approach for us to deliver better performance quickly without the need to interfere with the existing system. However, in order to establish such a unit, it is imperative for decision makers, such as those members of the council, to have proper understanding of the aim, objectives and key characteristics of this unit and how it can impact our organisational performance”.

- Highlighting any contradictions between the spinout organisation’s practices, processes and/or procedures and those of the Iraqi regulations and bylaws, and determining how such contradictions (if any) can be reconciled. For example, according to BLG-D1, *“with the unit carrying out key procurement and contracting activities with MNCs, it is important to show how the unit’s activities or procedures for procurement or contracting differ from those already stated in the Iraqi regulations and bylaws. BLG-D5 added that “understanding how will the unit operates will help us to know if there are any contradictions between the unit’s system and that of the Iraqi system and how such contradictions can be addressed”.*
- Developing a detailed business case for the proposed SSO, containing key benefits, ROI, KPIs, success criteria, and associated risks and mitigation plan, and communicating it to key decision makers. For instance, according to BLG-D4, *“it is imperative that we understand every detail of the proposed improvement programme and the proposed benefits and how they will be achieved”.* BLG-D1 also emphasised the need for a detailed description of the proposed: *“detailing the benefits, return on investment and other key aspects of the proposed unit and explaining them in simple terms to key decision makers during the training workshops is vital for achieving their understanding and eventually their support to the proposed improvement programme”.*
- Hiring an external expert (consultant) to establish the SSO. All interviewees agreed that the organisation lacks the required expertise to carry out the proposed approach. Moreover, the findings revealed that the organisation also lacks the resources and the required expertise to fill the various positions within the SSO. Therefore, all interviewees stressed that focus on training programmes will be necessary if the selected personnel are to carry out their delegated responsibilities effectively. For example, BLG-D4 said, *“I do believe that the way in which our organisation operates is way behind best practice and thus bringing an expert consultant to establish the proposed unit and do the required training is essential”.* BLG-D1 stressed that, *“our*

organisation is highly bureaucratic and thus you cannot expect our personnel to follow international best practices without getting proper training from an external expert”.

- Providing the unit with the autonomy and authority it needs to deliver the intended performance. This is because all interviewees highlighted that the organisation has a highly centralised system with little to no empowerment for employees, and as such change champions should discuss this need for authority with key decision makers at the initial stages of implementation. For example, according to BLG-D2 *“the executive authority resides mainly with key decision makers and every administrative activity requires their approval and signature no matter how small the activities are; therefore, I believe in order for the proposed unit to get the required authority, decision makers will be required to understand how such delegation of authority affects their sovereignty”.*

Key Elements of the Separate Spinout Organisation

- **Establishing a strategic planning office (SPO)**

The findings show general agreement among interviewees that strategic planning should be an integral part of the SSO. All interviewees agreed that the lack of effective organisational planning is a key factor behind the organisation’s weak performance in addressing its infrastructure needs. The findings also highlighted that this is one of the main reasons for the considerable number of failed projects. For example, BLG-D4 highlighted the lack of strategic planning by saying that *“I do not deny that we have a serious lack of good strategic planning and project management. Actually we still don’t have a holistic strategic plan for the city”.* BLG-D1 agreed, saying that *“we do not actually have a solid strategic plan for the city and nor have we the capability to do so. For this reason we have hired an internationally recognised consultant company to help us better manage our project as well as working on producing a strategic plan for the city. However, because of the recent government austerity programme, their contract has been terminated because of the reduction of the annual investment budget”.*

- **Defining the organisation’s customers, identifying their needs and developing strategic plans to address these needs**

All interviewees agreed that it is very important to have a dedicated process as part of strategic planning to define the organisation’s clients, identify their needs and develop

strategic plans to address them. For example, BLG-D4 supported the need for customer identification and understanding: *“I do agree that if we define our clients effectively and understand their various needs then of course we will serve them effectively. This would include understanding the needs of our people and the companies that implement our projects”*. However, all interviewees agreed that the organisation currently has no dedicated process to identify and understand the urgency of the various customers’ needs and develop prioritised plans to address them.

All interviewees stressed that, with regard to direct customer (the citizens), the organisation’s plans focus on executing the allocated budget, even if the plans pay little regard to the customers’ urgent needs. For example, the organisation tends to implement projects such as bridges and roads which have less importance for customers and ignore other projects such as electricity, fresh water, sewer networks and housing projects that have high urgency for citizens. This fact was supported by BLG-D5, that *“normally our annual budget execution plan focuses on addressing the beneficiary parties’ requirements [i.e. ministerial directorates in the city such as education, municipal, or electricity directorates] ...and we try to make a balance among these requirements when we allocate the budget...however, I agree that we do not mainly focus on citizens’ urgent needs, rather giving more attention to the overall picture of the city”*. All interviewees agreed that the organisation has no process to assess the level of satisfaction of this customer segment or consider their feedback when developing the annual budget execution plan.

In terms of the indirect customers (suppliers including local contractors or MNCs), the interviewees established that the organisation has no process to investigate their needs, requirements or level of satisfaction. There is no process that captures their feedback and uses it as a basis to improve the organisation’s practices and accordingly their level of satisfaction. For example, according to BLG-D3, *“we don’t have a process or a department whose job is to ask companies whether they are satisfied with our processes and procedures or routine or not... we never did that before”*. BLG-D1 agreed: *“... we do receive a number of complaints from the contractors regarding allegations of unfair treatment, processing delays and more, but none of these complaints is taken into account or used as a catalyst for improvement”*.

- **Establishing a project management office (PMO)**

The analysis of the collected data has shown consensus among interviewees about the importance of adopting project management best practices, and considering them to be part of

the organisation's everyday routine. Having a PMO as part of the SSO unit was seen by all interviewees as a very effective step towards nurturing the concept of organisational project management. For example, according to BLG-D1 *"I'm convinced that effective project management is a very important thing to have as part of our organisation's core system, and of course it will be a necessary component for the proposed unit"*. BLG-D2 agreed that *"having a dedicated project management office to work on making sure that projects are following international standards of project management is I think a very important step toward improving the process of project implementation"*.

While the interviewees agreed that the case study organisation lacks effective project management, this lack is another important factor behind most of the unsuccessful delivery of projects. According to BLG-D3, *"our organisation as well as the local contractors' lacks the necessary project management skills and technique to manage projects effectively and this is one of the reasons why we have a high percentage of failed projects"*.

- **Developing a list of prioritised strategic projects**

All interviewees agreed on the importance and effectiveness of prioritising projects based on customers' needs, and how this could help in improving the overall level of customer satisfaction. Interviewees established that this process should be a key activity for the SSO. According to BLG-D2, *"I do believe that if the organisation carefully understands citizens' and companies' needs and develops a planned list of prioritised projects to address their needs, this of course will have a direct impact on their satisfaction level"*. BLG-D3 agreed, saying that *"project prioritisation is a very important process, yet it requires effective planning and understanding of requirements; these requirements can be for citizens as well as for contractors. Only then can we identify the needed projects and say which needs to be carried out first. This of course will increase customers' satisfaction"*.

- **Developing a list of "A to Z" processes and procedures for project implementation**

All interviewees supported the need for effective organisational processes and procedures for project implementation, from the planning to supervision of the execution stages. The findings have shown that the current processes and procedures are not transparent; they are strongly bureaucratic and place a huge burden on staff. Thus, there was consensus among all interviewees about the effectiveness of having this activity as part of the SSO. For example, BLG-D2 expressed this need by stressing that *"I'm convinced that our organisational*

processes and procedures for project implementation, mainly during the planning and tendering and post-award stages, are old and outdated and are not coping with the high number of annual projects”., BLG-D2 asserted that *“one of the main organisational weaknesses we have that is causing most of our projects related problems is the bureaucratic and old organisational system that is followed during the various stages of project implementation. I do believe that the proposed unit should have new processes and procedures for project implementation based on international best practices”.*

- **Implementing integrated an IT solution**

The findings revealed a general consensus among all interviewees about the need for an effective IT solution to be integrated in the organisational system to support the organisation’s processes and procedures for project implementation. The findings also support the idea of using an effective integrated IT solution as part of the SSO. For example, according to BLG-D3, *“I completely agree that effective utilisation of IT will definitely boost the organisation’s performance during various stages of project implementation such as the tendering or project management stage. BLG-D4 agreed: “I do agree that utilising effective information technology systems should be an important factor to consider when implementing the proposed unit”.* However, all interviewees emphasised that care needs to be taken when implementing an integrated IT solution, such as an e-procurement system, in terms of the availability of the necessary infrastructure, and whether there will be any interference with the current regulations and bylaws. This should be discussed with key decision makers during phase one of the proposed approach. For example, according to BLG-D5, *“doing the procurement process online from advertising, selling tenders to submitting tenders online and awarding contracts would be a good way of reducing the burden of paper work; however, this should be discussed with officials to check if it will contradict our procurement law”.*

- **Developing Client single window**

All interviewees supported the importance of having a client single window as part of the organisation’s system. The organisation’s current method of project implementation, during various stages, is putting a huge burden on staff and costing the organisation time and money. For instance, according to BLG-D2, *“having an online single window...where bidder companies can buy or just download tenders, enquire and submit online will be something very helpful...for example, currently, advertising a group of 10 projects will normally receive about 150 bids so you can imagine the capacity required to produce the hard copies of the tenders to sell them and then to receive the bids in one day so imagine 100 contractors in the*

building where we have to take each and every bid and register it then do the necessary checks before we put them in the bids box; it is an exhausting process for us and the bidders”. However, there was a consensus among interviewees that utilising the full potential of a single window requires change champions to clearly discuss its details with key decision makers during phase one of the proposed approach, to make sure that it receives the support it needs.

c) Phase Three: Carrying out Projects and Achieving Pre-Defined Success Criteria

All interviewees agreed that, for the SSO to prove its worth it needs to make sure that the purpose it was established to achieve is realised at an early stage of its operation. A major “quick win” highlighted by interviewees is the ability of the SSO to attract MNCs and encourage them to accept work with the local government. For example, according to BLG-D1, *“it will be a major outcome if this separate unit can actually convince those respected international companies to work with us”.* All interviewees agreed that another “quick win” would be the SSO delivering a high-quality performance that emulates world-class organisations. For instance, according to BLG-D4 *“it [the spinout organisation] should show an effective performance that is much better than our current way of doing things. Because those officials who facilitate the building of such a unit will need to know that it is really delivering what it promised to deliver, otherwise they might withdraw their support and assign different work to this unit so that it becomes just another name in the organisational structure”.*

The interviewees also agreed that communicating and marketing the successes of the SSO would be an effective step towards sustaining top management support and commitment to change, paving the way for large-scale performance improvement programmes. For instance, BLG-D2 said that *“I agree that keeping key decision makers informed with the latest achievements and success stories of the new unit will of course help in ensuring a continuous support and commitment from them [decision makers]”.* BLG-D5 emphasised that *“... sustained communication and marketing of the new unit and its achievements will gradually help to make everyone aware of the latest best practices and how they can improve our organisational performance and satisfy our customers, thereby gradually reducing the resistance to change”.*

d) Phase Four: Institutionalising Best Practice

The findings show a general consensus among interviewees about the effectiveness of the fourth phase of the proposed approach, concerned with the gradual transformation of the overall practice and performance of the whole case study organisation towards emulating world-class standard. However, key decision makers' resistance against any organisational change/improvement has been found as a major hurdle which needs to be overcome to successfully commence this phase. For example, according to BLG-D1, *"in terms of this phase I do not think it can start directly after getting some quick outcome from the separate unit because you are talking about a major shuffling ...this may mean that some individuals within the organisation who have a certain political power and support may have to lose their position or get training on something that they do not have the capacity or desire to work on and this can create problems"*. BLG-D2 agreed that *"some of the positions and individuals in the organisation are politically protected and any change that threatens these positions will definitely receive strong political resistance"*.

Interviewees agreed that because of the current organisational environment, institutionalising best practices for the entire government organisation will not be easy and may take a long time. It was agreed that in order to successfully commence this phase, a number of awareness programmes need to be delivered to key decision makers to explain the benefits of utilising best practices to improve organisational performance. Continuous marketing of the successes of SSO to key decision makers is also found to be an effective way for achieving a green light to start this phase. For example, according to BLG-D5, *"I think the idea of using the successes of the new unit and using it as a tool to convince local government officials to give a green light to expand using best practices to the rest of our organisation is theoretically a good idea but I think it will take quite some time for the officials and the staff to be convinced to use them because it is like asking them to change their religion, to change a way of thinking and doing things that they have been doing for more than, say, 50 years or more"*.

- **Establishing sub-PMOs to take over the responsibility of project implementation**

All interviewees supported the proposed approach of using sub-PMOs to gradually take over the responsibility of project implementation from all sections and departments within the organisation and transform the organisational structure into a set of sub-PMOs, each one responsible for a certain portfolio/programme of projects and all governed by the SSO. For example, according to BLG-D1, *"restructuring the organisation into project management offices with each having complete responsibility for a group of projects will be a very*

effective approach to manage our projects”. BLG-D2 agreed, saying *“I think this approach is a safe way to convert our organisation gradually without totally disrupting our existing organisational system. Also, I do believe that having the separate unit to control them all will add extra efficiency to the process of project implementation throughout its various stages such as the tendering and the post-contract stage. It should prove effective when working with MNCs”*.

7.3.2 Case A Summary and Discussion

The findings from this case study have confirmed the organisation’s need to attract MNCs and the logical sequence between the four phases of the proposed approach. The findings have validated that phase one, ensuring top management support and commitment, is a priority initial phase/step to ensure successful implementation of any proposed performance improvement approach within the government organisation. The case study findings also supported the proposed steps for achieving this phase. They have validated that setting a vision for change/improvement is the initial step the organisation’s key change champions need to take before commencing on any organisational change. This vision should be developed based on the organisation’s key decision makers’ understanding of the need for change and their willingness to seek an effective solution and give it their full commitment. The findings also support the need for a detailed business case for the proposed improvement approach, and that its contents, such as benefits, ROI and associated risks, be explained clearly to decision makers during a training workshop. This is to ensure that decision makers are fully aware of every detail of the proposed improvement approach and that their needs and requirements are understood and taken into account when developing the implementation plan. This will also ensure that any contradiction between the best practices followed by the SSO and government regulations are highlighted and suitable reconciliation plans put forward. The findings have also emphasised the need to establish a committee of key decision makers and senior managers to oversee the implementation process and provide it with any needed support whenever required. The case study findings have also emphasised that it is imperative that the proposed first phase be successfully completed before commencing the second phase, establishing the separate spinout organisation.

In terms of the second phase of the proposed approach, the findings have validated the effectiveness of using the SSO as a tool to deliver effective organisational performance in a step-change fashion to attract MNCs. The findings have also validated the importance of

incorporating SPO and PMO as key components of the SSO. The findings reveal that the case study organisation lacks proper strategic planning and project management, and this is one of the main reasons behind the considerable number of failed projects. The findings have also revealed that the organisation has no formal process looking at the organisation's customers' various needs and their level of satisfaction with what the organisation is providing, or using their feedback to improve the service. The findings show that the organisation's main customers, citizens and contractors, are not satisfied with the current performance but that the adoption of best practice, the use of integrated IT solutions and creation of a client single window would have a significant impact on the overall organisational performance and customer satisfaction level. The current organisational environment, such as the strong bureaucracy and political pressure that hinder improvement initiatives, means that organisations will require a long time to emulate world-class performance. This finding validates that establishing a SSO, based on best practices, to work exclusively with MNCs, is an effective approach to delivering improved performance in a step-change fashion, instead of the long-term continuous improvement approach for the entire organisation.

With regard to the third phase of the proposed approach, the findings have validated that, after its successful establishment, it is imperative to give the SSO the opportunity and the required authority to carry out the planned projects and "quick wins". The findings have stressed that the SSO should strive to achieve its plans and promise, with its performance measured against the pre-planned KPIs and success criteria. The findings have also validated the importance of communicating and marketing the successes of the SSO to the organisation's key decision makers and the different managerial levels and staff, to help secure prolonged support and commitment from key decision makers. This will also help to gradually induce a culture of change within the organisation, paving the way toward a large-scale performance improvement for the entire organisation, as proposed in the fourth phase of the proposed approach.

In terms of this fourth phase, spreading the performance improvement programme to cover the entire case study organisation, the findings have shown that more effort needs to be invested in communication and marketing for the success of the SSO and the impact of adopting best practice on the organisation's performance. This is because political pressure, interventions and conflicts seem to hold back any changes or organisational improvement that may affect certain individuals within the government organisation. Thus, the findings emphasise the importance of effective communication and marketing for the benefits of the

change to key decision makers through workshops and seminars, to gradually achieve their acceptance, commitment and support to engage in the large-scale improvement programme.

7.4 CASE STUDY B: ORGANISATION BACKGROUND

The General Company for Ports of Iraq (GCPI) is a state-owned subsidiary of the Iraqi Ministry of Transport. The company was founded in 1919 after the First World War. It manages all Iraqi ports including Umm Qasr, Khor Al-Zubair, Maaqil and Abu Flous. The company undertakes a number of activities in managing the ports under its jurisdiction, including:

- Discharge and shipping of various imports and exports.
- Anchorage and sailing operations for ships coming into and out of Iraqi ports.
- Marine guidance for ships in Iraq territorial waters.
- Works of drilling, cleaning, furnishing, deepening and lightening navigational channels.
- Implementing the projects necessary for the development of the ports' infrastructure to improve their capacity.
- Implementing docking facilities, and maintenance and repair for local and foreign ships.
- Providing the services that ships and marine units need.
- Rescue work and picking up from territorial waters.
- Telecommunications and housing services with the rest of public services.
- Regular maintenance of equipment, machinery, vehicles, water and electricity grids.
- Training and rehabilitation of company's cadres for all specialisations, marine professions, discharge and shipping.

The infrastructure of Iraqi ports has been badly affected by the consecutive wars and conflicts of the last decades. After the 2003 war, the newly formed democratic GOI allocated funds to developing the infrastructure of the ports and improving their capacity; however, these funds are not sufficient as a huge amount of work is required to get the ports fully up and running again.

GCPI consists of a number of departments addressing the various organisational activities and tasks, as depicted in Figure 7.3.

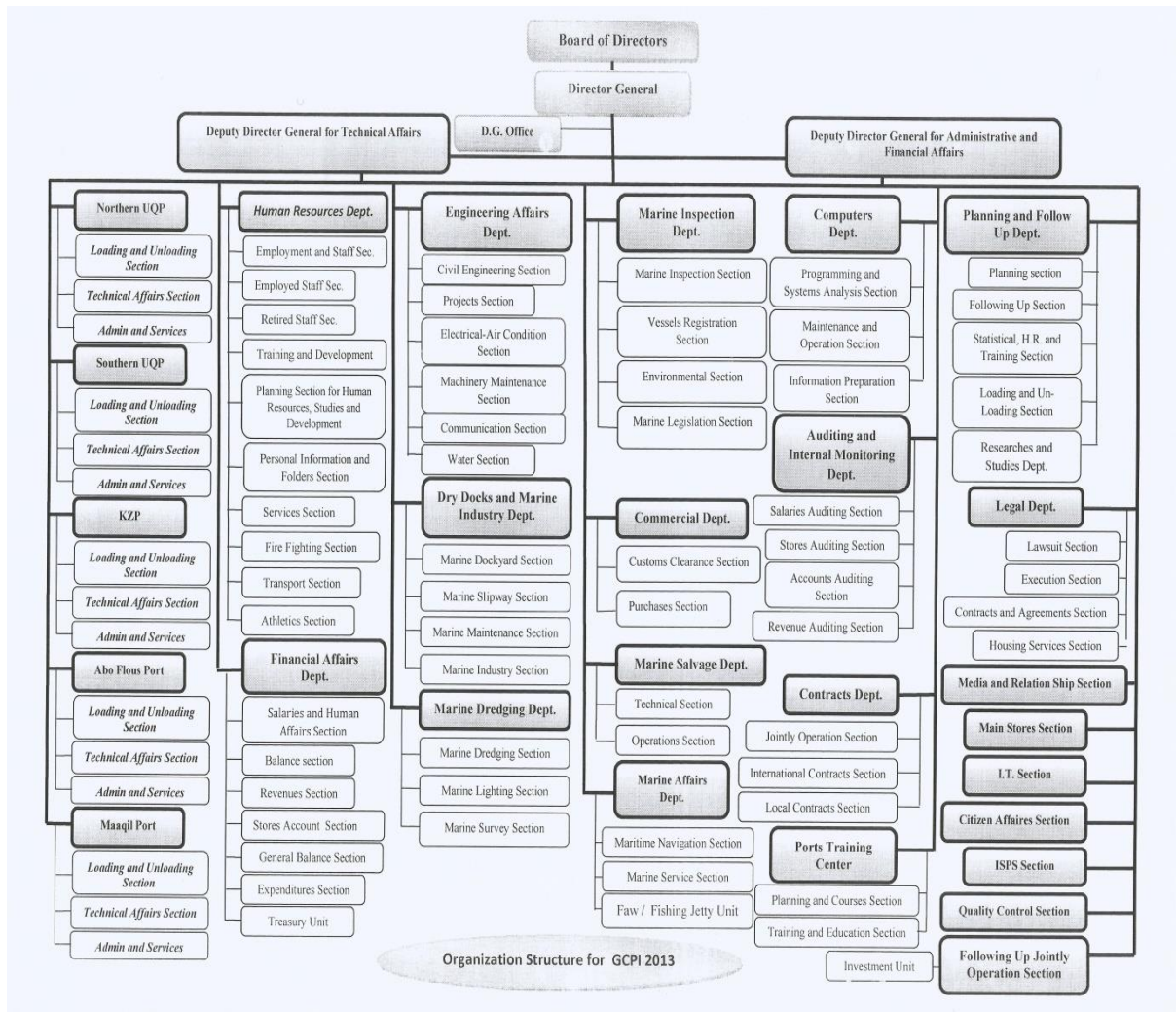


Figure 7.3 Organisational Structure of the General Company for Ports of Iraq

As with the BLG case study, the GCPI case study focuses on the organisation’s role in developing and improving the infrastructure of the ports of Iraq. Thus, the people interviewed all have a direct role in the planning, procurement and/or construction phases of the ports’ development programmes, and are potential champions to initiate an organisational performance improvement.

Table 7.2 summarises the backgrounds of the interviewees.

Table 7.2: Summary of the Interviewees’ Profiles of Case B

Company	Job Title	Code	Organisational Role
General Company for Port of Iraq (GCPI)	Director	GCPI-D1	Is a senior director in GCPI and has many responsibilities including a serious role in the initiation and approval of infrastructure

			projects
GCPI	Director	GCPI-D2	Also, is a senior director in GCPI and has many responsibilities including a serious role in the initiation and approval of infrastructure projects
GCPI	Director	GCPI-D3	Is a senior director responsible for the engineering and management aspects of projects
GCPI	Director	GCPI-D4	Is a senior director and has a serious role in the process of projects implementation and responsible for many aspects including planning and project follow-ups
GCPI	Director	GCPI-D5	Is also a senior director and has a serious role in the process of projects implementation and responsible for many aspects such as the tendering and contract preparation

7.4.1 Outcome of GCPI Case Study

I. Confirming the Need to Attract MNCs

Interviewees have attached tremendous importance to attracting MNCs to work with their organisations. Two key aspects emphasised as reasons for government organisations to create an environment attractive to MNCs are:

a) The need for MNCs to address the Organisation’s Investment needs

The findings show that attracting MNCs is essential factor in addressing GCPI’s infrastructure investment needs. According to GCPI-D1, *“given the shortages of investment fund that we annually receive from the central government, we mostly depend on international companies to rehabilitate our ports. Our joint operation contractual agreement with a number of international companies has helped us significantly in securing investment funds to improve the service operation of our ports”*. GCPI-D2 added that *“... these sorts of contract [the joint operation contracts] with respected international companies are helping us a lot in rehabilitating our ports without the need for central government funding...because they oblige the international companies to, for instance, rehabilitate certain berths in the port and*

operate them and in return they get a predefined percentage from the berths' revenues during the contractual period to get their invested money back”.

b) The need for MNCs to fill the gap in expertise

The organisation's lack of expertise to effectively and efficiently rehabilitate and operate the ports within its jurisdiction was readily identified. Given that local companies also lack for the required capacity and expertise, the organisation's key decision makers have invited qualified international companies to enter into joint operation contractual agreements between with GCPI to rehabilitate the ports. According to GCPI-D3, *“most local companies do not have sufficient capacity or expertise to rehabilitate our ports effectively; neither do our internal resources. Thus, currently, we have mostly relied on the joint operation contracts with qualified international companies”*. The findings show general agreement among interviewees about the vital role that MNCs can play in helping the organisation to address its infrastructure needs, both financially and through providing the necessary expertise to implement the projects successfully. According to GCPI-D1, *“the international companies with which we have joint operation contracts have demonstrated effective and efficient performance during the ongoing rehabilitation and operation of our ports, not to mention the provision of the necessary funds to do it”*.

II. The Need for Organisational Performance Improvement

The interviewees indicated a number of practice and performance weaknesses in relation to the system adopted by the case study organisation in carrying out its projects. These weaknesses reflect the need for organisational performance improvement to help ensure successful delivery of projects. They have been categorised under five main headings: leadership, people, processes, performance management and the time required for the organisation to emulate world-class standards.

a) Leadership issues

The findings show a number of leadership issues that reflect poor support and commitment and strong resistance to change, especially during the procurement stage. According to GCPI-D5 *“... there have been many attempts to improve the organisational performance during the tendering and contract award stage, such as the development of a client single window to simplify procedures and make them more transparent...however, the proposal faced tremendous resistance from the main officials and was eventually rejected”*.

As with BLG, key executive positions within the organisation are given to individuals representing the different political parties, making it difficult for the CEO or any other top management to initiate change within the organisation. Because of this division within the leadership team, most of the past performance improvement initiatives have failed to achieve their objectives because they did not receive a common consensus from all key decision makers. According to GCPI-D1 *“the organisation is penetrated on a wide scale by the main political parties in the country and most key positions are held by individuals representing these parties...and because of this, for instance, if improvement necessitates replacing a low performing individual with another one or applying a change to a certain department headed by such individuals, such improvement or change will be impossible”*.

b) People issues

As in the BLG case study, the findings indicate that the organisation has a poor record of staff development to enable them to conduct their work effectively. Beside the absence of internationally recognised standards for the organisation’s administrative system in general and for the procurement processes in specific, the organisation lacks professional staff development programmes. According to GCPI-D5, *“as well as the lack for administrative system development, our organisation lacks good programmes that aim at improving employees’ skills and performance”*. The findings explain that the organisation is responsible for the effective operation of ports, including services such as loading and unloading ships. However, decision makers have not exploited the joint operation contracts which obligate international companies to work alongside the internal staff in operating the berths during the contractual period. Instead, these companies are hiring external resources to do the job while the organisation’s staff remain redundant. This makes it impossible to transform the skills and expertise of internal staff, which will make it difficult for them to operate the berths when these companies leave. According to GCPI-D4 *“...I do believe that the newly adopted contractual arrangement [the joint operation contracts] with the international companies are very useful for the quick development of our ports; however it is not being utilised effectively to transfer the skills from these companies back to our staff... actually the organisation does oblige these companies to use and train our staff to operate the berths they have built or reconstructed, and it is a clear waste of such an important opportunity to improve our staff performance”*.

c) Process issues

The findings have shown that the case study organisation lacks standard processes and procedures for conducting its infrastructure development programmes effectively. For instance, the public procurement processes and procedures are highly bureaucratic, non-transparent and are affected by political power within the organisation. For example, GCPI-D1 said that *“standard procedures are not being followed when awarding joint operation contracts to bidders from the international companies. GCPI-D2 adds that “in a number of instances international companies have been disqualified for reasons beyond any technical or financial measure, such as not making a deal with certain officials within the organisation”.*

d) Performance management issues

The findings show a number of weaknesses related to performance management. For example, political pressure, non-transparency and bureaucracy are of the main factors affecting the performance quality of the organisation. According to GCPI-D1 *“we have certain political pressure that directly affects the organisation’s level of transparency during the key stage of project implementation, especially the tendering the award stage...those high-value contracts normally get awarded to those who have certain contacts or relationship with those parties governing the organisation”.* The findings also showed that the outdated administrative system and its complex bureaucracy have a significant impact on the speed with which contracts are awarded to the rightful bidders. According to GCPI-D3 *“...most of the delays during the project tendering and awarding stage occur because of the complex administrative routines and red tape that have no certain value in this process”.*

e) The time required for the organisation to emulate world-class standards

The findings indicate that, given the current organisational environment, GCPI will need a long time to adopt best practice and emulate world-class performance. According to GCPI-D4, *“... I do think that our organisation will require a considerable time and efforts to be able to reach a position that enables it to change its practices and performance in line with the international standards”.* GCPI-D1 asserted that *“it is very difficult to execute a change or improvement to our current way of working and make it emulate best practices because the organisation’s leaders do not have the determination to do so”.*

III. Validating the Proposed Step-Change Performance Improvement Approach

a) Phase I: Ensuring the need and top management support and commitment

The findings also supported the fact that without the organisation's top management understanding of the need for change to improve overall performance, and provide the necessary support, no improvement initiative will achieve the desired outcome. According to GCPI-D1 *"I'm totally convinced that if key decision makers do not arrive at a unanimous decision regarding the need to improve the organisational system and facilitate the provision of the needed recourse to conduct such improvement, it will be difficult for anyone within the organisation to make any organisational improvement"*. Additionally, GCPI-D5 maintained that *"I'm sure that any improvement programme, regardless of its effectiveness, will not receive the needed support if key decision makers do not have the commitment or the willingness to improve the organisational performance"*.

Necessary Elements to achieve Phase one of the proposed approach

- **Setting a Vision for change**

The findings validated that it will be difficult to initiate change within the organisation without key decision makers setting and being committed to a vision for change by seeking effective approaches to improve the organisational performance and providing their full support. According to GCPI-D1 *"...I'm totally convinced that if the need for change has not been introduced from those at the top of the pyramid and if these people have no vision for change and still think that the organisation's current performance is effective, then I don't think your proposal for performance improvement nor any other change programme will receive the needed support..."*. GCPI-D2 agreed that *"...any organisational improvement programme should start with a vision and such vision should come from the organisation's top decision makers; they have to commit to it, otherwise the vision will not be achieved"*. Thus, without the organisation's top management understanding of the need for change and a vision to achieve it, it will be difficult to initiate an organisational performance improvement programme.

- **Conducting Focused Awareness Workshops for key stakeholders**

The findings have maintained that in order to achieve top management commitment and support for the performance improvement programme, it is important and effective to conduct awareness workshops for key decision makers, highlighting the main aspects of the proposed change and their positive impact on the overall organisational performance in both short and

long term. According to GCPI-D5 “...I think that in the public sector environment, if anyone has a proposal like yours and wants it to take effect, it is very important that the relevant officials are made fully aware of its details and costs and are convinced of its benefits; only then may such a proposal receive the support it needs”. The findings also emphasised a lack of awareness at the top management level about available approaches for performance improvement. Finally, the political conflicts inside the organisation make certain type of performance improvement approaches hard to implement without unanimous understanding among key decision makers. Thus, providing focused training or awareness workshops for those individuals who influence the organisation’s decision to proceed with any change programme is imperative. GCPI-D3 said that “...despite the fact that you might hear some officials speak about the need for change or performance improvement and so forth, they are only good at describing the problems and no one has put forward a plan or programme or attempted to get rid of these problems...mostly because such improvement may affect the position of certain individuals who are backed by certain political party ... thus a training workshop for those officials as well as other senior managers, describing the programme detail, its benefits and their role, will help them to quickly decide whether to go ahead with it”.

- **Defining needs, requirement and selection of resources to build and operate the separate spinout unit**

The findings confirmed that defining the requirements for establishing the proposed SSO and the resources needed to achieve it through awareness workshops is very important for achieving top management support and commitment to the proposed change. According to GCPI-D1 “...it is important that we understand what will be needed in order to implement such a proposed approach...including any costs for training, equipment, the needed staff, etc... so as to understand the needed budget for such a programme... such information will greatly facilitate the achievement of a common ground among all related officials and achieve common decision accordingly”. The findings also emphasise that such details should be in the form of a detailed business case highlighting all aspects of the proposed improvement programme. According to GCPI-D2 “...in order to achieve a formal approval to conduct any improvement programme within our organisation or any other public organisation, I think it is important that a formal report that includes all the details of the programme is submitted to us and explained during these workshops... this will help achieving quick decision towards supporting such a programme”.

- **Establishing a committee to champion the implementation of the proposed approach**

The findings also emphasised the need for establishing a committee representative of those highly influential individuals or parties within the public organisation in order to facilitate the implementation of the proposed performance improvement approach and track its progress. According to GCPI-D1 “... *I believe that when the proposed programme receives a green light from the main decision makers, I think it is imperative that a committee is formed to oversee the implementation of the programme and provide it with the necessary support and report back to us*”. Such a committee will help make sure that key decision makers are up to date with the progress of programme implementation, and communicate and market the successes of the SSO to ensure continual support from top management. According to GCPI-D2 “... *I think that establishing a committee to oversee the programme implementation is as important as forming a committee to oversee a project ...this will ensure that problems are quickly reported to top management to receive the necessary support... achievements are also quickly reported to top management to improve their confidence and commitment to the programme and to widen their support*”.

- **Developing an implementation plan, confirming stakeholders’ commitment to the proposed change and allocating the required resources**

The findings stressed the need for an effective programme implementation plan in order to manage stakeholder expectations and make everyone aware about when any pre-defined deliverable or success criterion will be met, so as to ensure consistent implementation. According to GCPI-D4 “...*having an implementation plan is of course important as is the case with any programme or project, because this will ensure that the programme implementation is consistent and easy to track*”. The findings also stressed that it is important to confirm decision makers’ commitment to the programme, that the necessary resources and budget have been allocated, and that a supervision committees has been established. According to GCPI-D5 “... *having the initial approval to implement the proposed programme is not enough to begin implementation, since the dedication of funding and resources to any programme with the public sector takes some time because of routine...and only after getting a formal approval can you start the programme*”

- b) **Phase Two: Establishing a separate spinout organisation to work with MNCs**

The case study findings showed unanimous agreement about the effectiveness of having a SSO that operates in line with the best practices and is dedicated exclusively to work with

MNCs, in an attempt to show a better picture of the organisation's overall practice and performance to help attract FDI. According to GCPI-D1 *"... I honestly believe that your proposed solution will be very effective for overcoming the weaknesses in our organisational system...especially as we have an increasing demand from the ministry to widen our relationships with international companies and increase the joint operation contracts"*. GCPI-D2 added that *"...because of the old, slow and complicated system we have, we have received a number of complaints from the international and local companies regarding the way in which we handle the work, especially during the tendering and contract award stage and the post-contract stage...but since it is not easy to suddenly change this routine I think your proposal will be an example of how best practices can help deliver a better performance without interrupting the current system"*.

The findings have shown that the establishment of a SSO to work with MNCs is feasible within the case study organisation; however, there are certain considerations to be taken into account when planning to implement the proposed approach, including the following:

- It is extremely important for the proposed approach to receive unanimous support from all influential parties within the organisation; otherwise, its implementation will be difficult. According to GCPI-D3 *"...it is imperative for all parties to have a mutual willingness to improve the organisation's performance, otherwise it will be difficult to implement any improvement programme."*
- Current regulations and bylaws need to be taken into account in the implementation planning process. This is to ensure that any contradiction between best practices and the regulations and bylaws that bind the organisation's operations are highlighted and proposals to address them are produced. According to GCPI-D2 *"...our current organisational system, especially the tendering and contract award stage, is underpinned by a number of government regulations and thus any change that aims to improve the system should take into account that such regulations need to be satisfied...otherwise it will be difficult to implement"*.
- GCPI will require an external consultant to establish the SSO, as the organisation lacks the expertise to do so. According to GCPI-D5 *"...we don't have anyone who is expert enough to establish a unit such as the one you're describing and I agree that an external consultant will be needed to do that"*. The findings also emphasised that the organisation's current employees are believed not to have the required skills and expertise to perform the various roles that will be assigned to them within the SSO.

Thus, training programmes should be taken into account when developing the implementation plan of the proposed SSO. According to GCPI-D1, “... *despite the fact that we send some of our staff to attend certain training programmes inside and outside Iraq, most of what they learn is not applicable within our organisational environment...thus I think focused training will be needed for those individuals who will be dedicated to the proposed programme*”.

- The findings also referred to the organisation’s highly centralised system and how this might affect the delegation of authority to the SSO. It is important that key decision makers are made fully aware during the awareness workshops of any delegation of authority needed and how it will benefit the organisation. According to GCPI-D5 “... *in our organisational culture, and I believe this applies to all other public organisations, the main authority resides with those at the top of the pyramid and delegation of authority to those at the lower level is kept to a minimum... thus if the proposed unit requires certain authority to be able to deliver the planned performance, I think it will be important to discuss and explain its importance with key decision makers at early stage of its implementation*”.

Key Elements of the SSO

- **Establishing a strategic planning office (SPO)**

The findings validated the importance of integrating strategic planning into the SSO. They emphasised that the organisation lacks effective strategic planning, and this is one of the main reasons why the organisation is still struggling to get its ports to reach optimum capacity. The organisation also tends to develop plans for quick fixes, and fire fighting is the norm, focusing on the short term. According to GCPI-D1 “... *I do believe that strategic planning is an imperative component for any organisation and having it as part of the proposed unit will be very effective*”. GCPI-D2 added that “... *of course, strategic planning is very important and it should be one of the core processes of any organisation; however, our strategic planning is very very poor and the type of plans that we have are contingency plans that only address problems after they occur, like fire fighting*”. The findings also show that the lack of long-term strategic planning is the reason behind the under-utilisation of the ports’ capacity, thereby costing the country a considerable amount of money, equivalent to that from oil exports. GCPI-D5 emphasised that “...*currently we are only utilising about 20% of the estimated capacity of our ports, which is considered a valuable source of funding to the*

country after the oil...and the reason is that the organisation lacks effective long-term strategic plans that examine how to rehabilitate the remaining inactive berths and enable the ports to reach optimum capacity”.

- **Defining the organisation’s customers, identifying their needs and developing strategic plans to address these needs**

The findings validated the importance of having a process that investigates the organisation’s various customer needs and uses them as a basis from which to develop strategic plans to address those needs effectively to improve customer satisfaction. According to GCPI-D4 “... the problem is that the organisational system is not built on the basis of plans or strategies that the organisation puts forward to address a certain situation; a crisis develops on the basis of using other opinions or feedback on how best to address a situation...it is mostly developed and imposed from the top management and mostly it does not address the problem completely”. GCPI-D3 added that “... I do not recall during my period of working here that someone ever asked our customers what they feel regarding the services they receive ...or asked the companies that work on developing the ports about whether they are satisfied with the procedures for project tendering or awarding or supervision stages”. GCPI-D5 said “... we do sometimes receive a number of complaints about how we handle our customers’ various paperwork... however, none of these have been taken into account to improve the organisational system”.

The findings also emphasised that amending the current organisational system to one that vigorously looks at the various customers’ needs and level of satisfaction, and develops strategic plans to satisfy these needs, will help significantly in creating an environment acceptable to MNCs. According to GCPI-D1 “... I do agree that our organisational system is way behind that of world-class organisations... and I support integrating a best practice such as understanding the various companies’ needs and level of satisfaction and using this as a basis for improving our system; of course, this will satisfy international companies and make them more willing to work with us”.

- **Establishing a project management office (PMO)**

The findings show unanimous agreement regarding the need to use effective project management tools and techniques in order for the organisation to carry out its projects efficiently. They confirmed that establishing a PMO as part of the SSO would be an effective step towards ensuring the success of the SSO’s strategic plans. According to GCPI-D1 “...I

entirely believe that if our organisation follows the project management best practices during the various stages of project implementation, then there will be an enormous impact on the quality of our projects. GCPI-D3 added that “...it will be very effective to have a project management office as I think that this will nurture and spread the culture of managing projects on the basis of best practices and help train our staff...thus having it as part of your proposed unit will be very effective”.

The findings also highlighted the organisation’s lack of effective project management practices, which has been shown as one of the main reasons behind its poor project implementation. According to GCPI-D5 “...our organisation is suffering from a considerable lack of effective planning and project management and this comes at the top of the list of the problems causing poor organisational performance”.

- **Developing a prioritised list of strategic projects**

The findings strongly emphasised the importance of prioritising projects in order to satisfy the needs of customers. The organisation is not customer oriented, and in no part of its plans are customer needs taken into account when prioritising projects. According to GCPI-D2 “...there is no doubt that if the organisation takes into account customer needs and gives priority to those projects that have a direct impact on addressing their needs, you would imagine an increased level of satisfaction by our customers and thereby increased organisational revenues”. GCPI-D3 added that “...we are currently in a very difficult financial situation and attracting international companies is a very important task for us right now...thus I believe that this task will be even more difficult if we do not pay more attention to how can we make our organisational system simpler and more transparent”.

- **Developing a list of best practices, “A to Z” processes and procedures for project implementation**

The findings show that adopting best practices is a very effective step towards achieving an organisational system capable of emulating world-class performance. They have also revealed that the GCPI’s current organisational systems, including the processes and procedures, are outdated and that the government is continually imposing new regulations that make this system even more complicated. According to GCPI-D5 “... to be honest with you, our organisational system is very old and ineffective to cope with the current situation ...there are good aspects of the system but they are mostly inactive and occasionally the Ministry of

Planning imposes new regulations that make the system even worse and far from any modern system that I know”.

- **Implementing an integrated IT solution**

An effective IT solution to facilitate an organisation’s various activities has been found valuable in achieving organisational excellence. According to GCPI-D1 “... *I myself have attended a number of training workshops that discuss the latest technologies that can be used to simplify organisations’ processes and procedures...thus, I do believe that if we use such technologies, it will boost our organisational performance tremendously*”. The findings highlighted that GCPI is under-utilising the latest integrated IT solutions to improve its performance, because little attention is paid to improving overall practice and performance. According to GCPI-D2 “... *currently we do not use any of the latest technologies which could help us to effectively manage our various activities... the reason is that the top management do not pay attention to improvement, and even if they did, the organisational environment does not encourage such attempts*”.

- **Developing a Client single window**

The case study findings have emphasised the effect of having a client single window and how it would have a significant impact on overall organisational performance and thereby on the customer satisfaction level. According to GCPI-D5 “...*it is very effective to have a client single window and it has numerous advantages, such as the simplification of procedures during the tendering and contract awards stages and making them more transparent. GCPI-D3 added that “...actually given the advantages of the single window, I and other managers have tried rigorously to get it implemented to simplify the organisational procedures and make them more transparent, as we know that companies find our procedures highly complicated and unfair...yet we have never received support from top management to implement it.”*

- c) **Phase Three: Carrying out Projects and Achieving Pre-defined Success Criteria**

The findings emphasise that the publication of “quick wins” by the SSO is very important in continuing to receive the necessary support and commitment from top management. According to GCPI-D1 “... *I think it is very important for the proposed unit to quickly produce the tangible results that should have been discussed during the awareness workshops... as this will increase key decision makers’ confidence in the continuous support for this unit*”. The findings have revealed that Iraq’s current financial situation and corruption

claims against government officials are putting under the microscope more government officials and senior civil servants, such as the CEOs of public sector organisations.. This make government these officials more reluctant to invest money in certain improvement programmes. It is necessary to interest them in those programmes that can quickly produce tangible results, so as to help them defend the need for such programmes. According to GCPI-D2 “... currently we are in a more difficult financial situation and the annual budget that we receive from the government is low and thus we are being more careful about where to spend that money to avoid being blamed by officials for wasting the funds... so when a programme or an approach like yours is approved this would help us avoid being blamed for it; so generate those promised tangible benefits in the programme report as soon as possible”.

The findings also support the importance of communicating and marketing the successes, the benefits and the tangible results from the SSO to the various parties within the organisation. This is to ensure that the planned benefits of the proposed approach are achievable, and to boost top management confidence and trust in the programme to ensure their continued support. According to GCPI-D3 “... I do believe that an improvement programme like this requires continuous marketing to the various related parties in the organisation before and after its start, given its relatively new nature to our organisational culture. GCPI-D5 said that “...I think communicating and marketing the proposed unit, or actually the entire approach objectives, and the success they achieve during implementation, is very important as this will help in persuading more people, which will help to reduce the intensity of the opposition from those who are not in favour of such a change just because it may eventually conflict with their interests”.

d) Phase Four: Institutionalising Best Practices

The case study findings confirm that the successes achieved by the SSO should lead top management to focus on institutionalising those successes to the rest of the organisation. They also confirm the effect of the fourth phase of the proposed holistic approach, in applying a successful change in a certain part of the organisation to the rest of the organisation. According to GCPI-D1 “... I am totally convinced that this phase is exactly where it needs to be and I think this is what needs to happen after a certain programme or system has achieved its objectives in a certain part of the organisation”. However, the findings show that starting such a phase is not easy and is highly dependent on top management and other influential parties understanding, committing to and supporting the process of institutionalising the change throughout the rest of the organisation. According to GCPI-D5 “... as I mentioned

before, the problem in Iraq is that currently public sector organisations like ours are distributed among the political parties that have won in the national election and these parties assume responsibility for the public organisation and influence any decision that might come from the organisation's manager exactly as if they own the organisation. This situation restrains managers from doing what they think is best for the organisation without needing agreement from those political parties, despite the fact that those parties may not have the expertise to decide what is best for the organisation". GCPI-D3 added that "... I do believe that spreading the best practices of the proposed unit after they achieve their objectives is very important; however, it requires a common consensus among the organisation's decision makers...otherwise it will be difficult to start such a process".

- **Establishing sub-PMOs to take over the responsibility of project implementation**

The findings also support the concept of the approach that seeks the gradual transformation of the overall practice and performance of the case study organisation to one emulating that of the SSO, through the establishment of sub-PMOs. According to GCPI-D1 "*... I think this approach will be effective as it will not disturb the entire organisational system at once, thereby creating huge resistance... instead it is upgrading the organisation bit by bit which I think is the only thing that we can do right now".*

7.4.2 Case B Summary and Discussion

The GCPI case study findings have confirmed the need to attract MNCs, and the interrelationship among the four phases of the proposed approach that aim at a step-change improvement in the organisation's overall practice and performance. The findings emphasise the importance of achieving key decision makers' understanding of the need for the proposed improvement programme, and making sure that it receives their commitment and support before starting on the implementation of the SSO. The organisation should start with phase one of the proposed approach, ensuring the need for top management support, before starting the second phase, focusing on the direct implementation of the SSO. The findings also support the importance of the third phase, which focuses on ensuring that the SSO works rigorously towards achieving the objectives it planned during the first phase. The SSO's achievement of "quick wins" is very important in ensuring continued support and commitment from top management. The findings have also validated that communicating and marketing the successes of the SSO throughout the organisation, and especially to key decision makers, will help in gaining sustained support from top management and pave the

way for the implementation of the fourth phase. In order to achieve approval from top management to commence the fourth phase, it is imperative that the SSO achieve all or most of its predefined objectives and that tangible benefits are clearly reflected on the ground. Another important factor in ensuring top management's continuing support and the start of the institutionalisation process in phase four is the on-going communication and marketing of the SSO's benefits and tangible achievements to all concerned parties within and outside the organisation.

In terms of the first phase of the approach, the findings have validated the importance of top management setting a vision for organisational performance improvement. It has been concluded that without clear willingness from top management toward improving the organisational overall practice and performance it will be difficult to continue with the remaining phases of the proposed approach. The findings have also emphasised the importance of awareness workshops for top management to clarify and educate key decision makers about the advantages to be gained by adopting best practices. In addition, the development of a clear and detailed business case for the proposed improvement approach, where benefits, costs, required resources and risks are explained along with a clear implementation plan, is very important to facilitate the decision-making process for top management in supporting the proposed approach. The findings have also emphasised the need to establish a committee to champion the implementation of the proposed step-change improvement approach, to ensure that top management are continually engaged and kept up-to-date with the progress of implementation.

In terms of the second phase of the approach, the findings have confirmed the importance of having a SPO and PMO as part of SSO. The organisation lacks effective strategic planning and project management, two of the main reasons for weak overall performance. The SSO needs to develop new processes and procedures in line with best practices for the various stages of project implementation. The findings have also confirmed that the organisation is not customer oriented, so a process is needed to identify and evaluate customers' needs and include them in the organisation's strategic plans and project prioritisation. Finally, the findings have validated the need for an effective integrated IT solution and the development of a client single window to ensure simple and transparent procedures throughout the various stages of project implementation.

In terms of the third phase of the proposed approach, it has been found that it is crucial for the SSO to achieve what it promised to achieve, and more importantly to communicate and market these achievements to all key decision makers. The findings have confirmed that the key activities to be undertaken during this phase are key ingredients in paving the way towards a large-scale performance improvement programme.

Finally, with regards to the fourth phase of the proposed approach, the findings have confirmed the importance for change champions not to only be satisfied with the SSO's expected achievement, but also to rigorously fight for expanding the performance improvement initiative to cover the rest of the organisation. However, the findings have also highlighted that the organisational environment is strongly influenced by the national political environment and by the political parties' interference with and pressure on the decision-making processes within the organisation. Thus, initiating the fourth phase may take a long time. However, the findings have highlighted the importance of communicating and marketing the successes of the previous phases of the approach as a means to facilitating the initiation of this phase.

7.5 CASE STUDY C: ORGANISATION BACKGROUND

The South Gas Company (SGC) was founded in 1979 to treat the natural associated gas extracted from the fields of the southern region of Iraq, such as Rumaila, Zubair, Qurna and Ben Omar, for the purpose of producing dry and liquefied gas and natural gasoline for both export and domestic consumption. In the critical periods of the Iran-Iraq war and the first and second Gulf wars, the company did not run at full capacity to meet local and export needs, and thus the main objective for which the company was founded has yet to be achieved. The structure of the organisation, as shown in Figure 7.3, consists of number of key departments headed by local government officials.

The company has three main production units, with sub-units: the natural gas liquid (NGL) recovery unit for separating liquids; the liquified petroleum gas (LPG) production unit; and the gas treatment plants. These are gas compressor stations which receive gas from the degassing stations and pass it to gas dehydration units to reduce its moisture level before it is sent to the appropriate NGL units. In terms of storage and export, the company has two main complexes. The first storage complex was built by a Japanese firm in the 1980s, located in Umm Qasr with the aim of storing three main products (propane, butane and natural gas) in concrete tanks at low temperatures, ready for shipping by tankers.

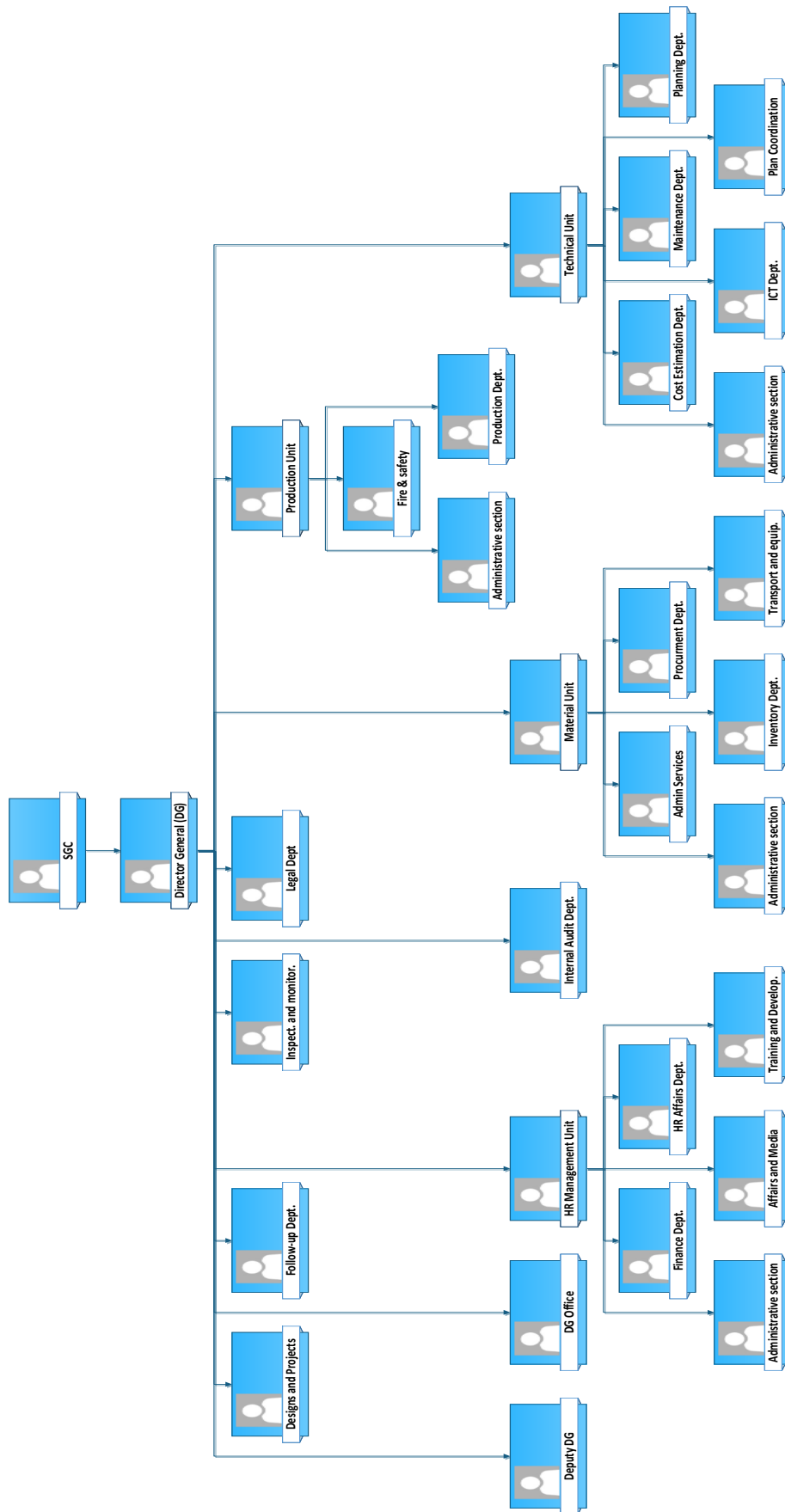


Figure 7.4 Organisational Structure of the SGC

However, this is currently being used by the company as an additional storage capacity for liquified gas which is then pumped across Iraq using reverse pumps and a network of pipelines towards the centre and north of the country. The second complex is a loading port located at Umm Qasr, built in the 1980s by the Italian firm Saipem, with a capacity of 4,800m³/h. However, this is currently being used for receiving imported LPG and imported gasoline to meet local demand.

The case study organisation is planning to increase its annual production of commercial gas from the less than 500 mmscfd reported in 2012 to almost 2,000 mmscfd by 2018. In order to do this, the company needs to set up new gas processing plants to separate the NGL and for LPG production, as well as establishing new plants for gas liquefaction (LNG) in addition to those required in terms of rehabilitation to the gas compressor stations, laying out pipelines, rehabilitating or building new storage facilities, and providing sufficient energy to operate these facilities without affecting the current capacity.

To achieve this goal and because of the recent financial crisis resulting from the fall in oil prices in mid-2014, it is necessary for the SGC to attract MNCs if it is to reach its main goals. This is the only way for SGC to address the infrastructure investment necessary to achieve the organisation's aim of producing 2,000 mmscfd of sales gas.

As with the previous case studies, the SGC case study focuses on the organisation's role in developing/improving the infrastructure required to improve its production. Thus, the interviewees have a direct role in the planning, procurement and/or construction phases of the SGC's production improvement programmes.

Table 7.3 summarises the backgrounds of the interviewees.

Table 7.3: Summary of the Interviewees' Profiles of Case C

Company	Job Title	Code	Organisational Role
South Gas Company (SGC)	Director	SGC -D1	Is a senior director in SGC and has a very important role during the various phases of infrastructure development
SGC	Director	SGC -D2	Is a senior director in SGC and has a direct role in the process of infrastructure development

SGC	Director	SGC -D3	Is a senior director in SGC and also has a direct role in the process of infrastructure development including projects follow-ups
SGC	Director	SGC -D4	Is a director and a senior chief engineer in SGC
SGC	Director	SGC -D5	Is a senior director in SGC and has a serious role in the development of infrastructure including projects planning and surveying

7.5.1 Outcome of the SGC Case Study

I. Confirming the Need to Attract MNCs

Interviewees stressed the importance of attracting MNCs to work with the organisation. Two key reasons were emphasised:

a) The need for MNCs to address the organisation's investment requirements

The findings emphasise the importance of attracting MNCs to work with SGC. The organisation has already invited a number of MNCs to work with it, in the form of a joint venture to achieve the targeted annual production of 2,000 mmscfd commercial gas by 2018. According to SGC-D1 “... *at the moment attracting international companies is very important as the organisation currently lacks the ability to fund the rehabilitation projects needed to improve its capacity of gas production and reach the planned production rate of gas*”. SGC-D2 added that of those MNCs invited to form a joint venture only two have accepted: “...*we have invited a number of international companies to come and work with us and form a joint venture with the aim of improving the organisation's capacity of gas production to reach the planned production rate and start exporting; however, only two companies agreed to come*”.

b) The need for MNCs to fill the gap in expertise

The findings have revealed that the current organisational environment and the lack of effective continuous performance improvement programmes have led SGC's system to become outdated, bureaucratic and non-transparent, lacking the capacity and the expertise to effectively address the required rehabilitation projects and improve the gas production rate. This situation encouraged SGC to invite MNCs to fill the gap not only in finance but also in expertise, in order to achieve its targeted gas production rate. According to SGC-D3 “... *our organisational system has become very complex over the years ... also there is a lack of*

effective capacity building programmes for the concerned staff, making it very difficult to implement the required rehabilitation projects with the speed and quality required". SGC-D4 added that "... our current joint venture with the two international companies is helping the company to override most of the complex administrative routines that are usually required when initiating any project, as well as making sure that the rehabilitation projects are being implemented by highly qualified individuals".

II. The Need for Organisational Performance Improvement

The interviewee findings indicate a number of practice and performance weaknesses in the system adopted by organisation to carry out its projects, reflecting the need for organisational performance improvement to ensure successful delivery of projects. These weaknesses fall into five groups: leadership, people, processes, performance management and the time required for the organisation to emulate world-class standards

a) Leadership issues

Clear leadership issues which have been highlighted. As with the previous case studies, the organisational system is strongly influenced by the national political parties. Thus, any decision for improving organisational performance that is of no interest to those parties will face huge resistance. This environment restricts the ability of the organisation's top management to do what is necessary to improve overall practice and performance. According to SGC-D1 "*... in our organisation, it is very difficult to initiate any improvement projects, even those that are necessary for sustaining the organisation's gas production rate...despite that our organisation is the one responsible for making sure that gas production is sustained and improved. However, the ministry does not provide us with the necessary authority to help us approve and implement the required rehabilitation projects swiftly and on time". SGC-D5 added that "...the problem is that our organisational system is built on the basis that all authority necessary to facilitate the organisational production rate lies at the ministerial level; we, as a company responsible for sustaining and improving the production rate, have not been given the required authority and are always having to seek approval for each and every contract from the ministry...making the rehabilitation of the production system very slow... Any attempt to improve this situation faces huge resistance". According to SGC-D2 "...our main problem is our lack of authority to conduct the tendering and contract awarding phase without recourse to Baghdad [the Ministry's headquarters]...having such authority would help us swiftly to conduct the necessary rehabilitation projects and increase the production rate accordingly...but so far we lack such authority".*

b) People issues

The findings shown that the case study organisation lacks an effective professional development programme linked to a strategic plan. Most of the trainings programmes conducted over recent years were not productive and did not focus on the organisation's real problem, having no major impact of employee performance. According to SGC-D3 "*...to be honest the training programmes sometimes provided to our staff do not have a major impact on their performance...this is because most of what they get trained for is not applicable to our organisational environment*".

c) Process issues

The case study findings show that the organisation's processes and procedures for project implementation, especially the procurement stage, are very complex; there has been no attempt to improve and standardise these processes and procedures in line with international standards. According to SGC-D4 "*... the organisational procedures that we need to follow in order to get the necessary rehabilitation projects approved and implemented are very complicated...any project requires at least six months to go through the tendering and awarding stage...even those important projects that if not implemented on time would stop the gas production process.*" SGC-D5 said that "*...top management do not seem to be seriously interested in improving the organisation's production system, otherwise they should have first focused on improving our administrative system...this is because our system is very complex and non-transparent ...and it should be top management's main priority to improve it.*

d) Performance management issues

The organisation lacks an effective system that continually assesses its overall performance and develops the necessary programmes to sustain and improve the overall organisational performance. According to SGC-D2, "*... to be honest if we need to improve the organisation's performance then a number of individuals will need to be replaced with others who are more effective, and some departments that are not adding value will also need to be closed...This is in addition to replacing our old organisational system... However, with the current political influence on decisions like this and the fact that some of the individuals or departments that need replacing are backed by political parties... proposing an improvement like this will not be supported*".

e) The time required for the organisation to emulate world-class standards

The findings have revealed that SGC will require a very long time to reach the point where it can rethink its overall practices in line with best practices, as long as political parties are still interfering with every decision that leads to improvement. According to SGC-D1 “... *I do believe that given the current organisational environment and the lack of authority and political pressure we will not be able to emulate world-class standards even after twenty-five years*”. SGC-D3 added that “...*top management does not seem to be willing to initiate any organisational performance improvement and without such willingness it will be very difficult to make any improvement in the near future*”.

III. Validating the Proposed Step-Change Performance Improvement Approach

a) Phase I: Ensuring the need and top management support and commitment

The findings have validated the importance of top management support in initiating the proposed performance improvement approach as well as any improvement programme within the organisation. According to SGC-D1, “...*there is no doubt that in the public sector without key decision makers’ support, an improvement programme will not be implemented*”. The findings have also confirmed that it is very important that key decision makers are aware of the need for change and that they have the desire and commitment. According to SGC-D2 “... *I do agree that key decision makers should understand the need for change to achieve a better performance...however, understanding is not enough. They must have the desire to improve and to support improvement programmes such as yours if there is a real commitment to improve the organisational performance*”.

Necessary activities to achieve Phase one of the proposed approach

- **Setting a Vision for change**

The findings have emphasised that it is imperative for the organisation’s top management to have a vision to improve the overall organisational practice and performance in line with the international best practice. The lack of such vision means that the organisation’s key decision makers are not willing to support or commit themselves to any programme that seeks organisational performance improvement. According to SGC-D3 “...*I completely agree that if key decision makers have no vision or are not willing to change the organisational system with a better one then you do not expect any support to be given to your programme or any other programme*”. SGC-D4 added that “...*do not think that top management and government officials are not aware that our organisational system is a failed system and ineffective*”.

However, we don't see any enthusiasm from their side for improvement...thus, yes I do agree that if they don't have a vision for change then don't expect any support. Thus, the findings validate that top management's understanding of the need for change and their willingness to address the organisational performance weaknesses is very important if an improvement programme is to be initiated.

- **Conducting Focused Awareness Workshops for key stakeholders**

The findings show that conducting awareness workshops for decision makers and other key stakeholders is very important in paving the way to achieving top management support and commitment to organisational performance improvement. According to SGC-D5 “...*I think that not all officials are aware of the latest practices and technologies and how they can improve our organisation's performance...as most senior decision makers still believe that in having a working system slow is better than trying a new one*”. Moreover, SGC-D2 said that “...*of course providing effective training workshops for key decision makers is very useful and they will lead them to greater understanding of the best practices and their impact on the organisation's performance*”.

- **Defining needs, requirements and selections of resources to build and operate the separate spinout unit**

The findings also support the need for a detailed business case for the proposed improvement programme, to be clarified in detail during the focused training workshops. This is to make sure that decision makers are aware of the important details related to the proposed programme, such as its benefits, required budget, associated risks and implementation plans. According to SGC-D1, “... *I believe it is important to have a detailed report that discusses the proposed programme and how it will help in improving the organisation, ... and in turn the organisation's obligations for the programme to achieve its objectives...and it is better to explain that report during the proposed workshops*”.

- **Establishing a committee to champion the implementation of the proposed approach**

As in the other case studies, these findings support the need to establish a committee representing the organisation's key decision makers, to champion the implementation of the proposed improvement programme. This is to ensure that key stakeholders are continually engaged with the programme and are always kept up to date with the progress of its implementation. According to SGC-D2, “...*of course, key decision makers will work on*

establishing a committee to supervise the implementation of the proposed programme as soon as it is approved ... this is to ensure that they are aware of its progress". SGC-D3 said that "*... having a committee responsible for supervising and tracking the implementation of the programme is very important, as this will ensure that the programme receives the necessary support as soon as any problems arise that may impede the programme implementation*".

- **Developing an implementation plan, confirming stakeholders' commitment to the proposed change and allocating the required resources**

The development of an effective implementation plan was strongly emphasised in the case study findings. This is to ensure that key decision makers are aware of the milestones in the programme's development, and when they should expect the achievement of the programme's objectives. According to SGC-D4 "*...it is very important that a detailed implementation plan is provided for top management and discussed with them during the proposed training workshop*". SGC-D5 also emphasised that "*... I do believe that implementation of such a programme will also be a very good opportunity to show top management how we can effectively implement any programme on time...thus I believe the proposed programme should have a good implementation plan. More importantly is to successfully implement the programme exactly according to the plan*".

The findings also emphasise that, given the nature of the public sector environment and the bureaucratic routines, it is important to always confirm top management support for the proposed improvement programme and allocation of the required resources even after receiving initial approval. According to SGC-D1 "*... I think improving the organisational performance does not currently have a priority compared to other activities... because you can see that you are coming to us to propose an improvement programme while we are the ones that should be seeking such programmes if there is really a serious intent for improvement...thus getting an initial agreement from top management to start such a programme is not enough, they should corroborate it with other necessary approval such as budget allocation and staff allocation, etc.*"

- b) Phase Two: Establishing a separate spinout organisation to work with MNCs**

The proposal to establish a SSO, in line with best practices, as a means to deliver effective performance in a step-change fashion, received unanimous agreement among interviewees for its potential effectiveness in confronting the organisation's practice and performance weaknesses. According to SGC-D1 "*... I think, given the current organisational environment*

and the difficulty in attempting a holistic change to the entire organisational system, that establishing your proposed unit to carry out certain important activities in an effective manner and market these new practices and performance to the Ministry office, will have a major impact on convincing them to expand it to the rest of the organisation". SGC-D2 added that "... I think your improvement approach will be very effective and suits the organisational environment of the public sector in Iraq, as currently it is not possible to suddenly attempt to change the entire organisational system as there will be huge resistance... there needs to be some preparation and to gradually inject these new practices into the organisation...and I think your proposed programme has the potential to do that".

However, the interviewees again emphasised that the SSO should operate based on and in line with Iraqi regulations and bylaws, working within the umbrella Iraqi public sector environment. Thus, certain considerations need to be taken into account during the implementation of the proposed approach:

- Successful implementation of the proposed approach is entirely dependent on achieving the key decision makers' support and commitment to the proposed step-change improvement programme. According to SGC-D5 *"...there is no doubt that it is impossible to start any improvement programme in our organisation without have full support from the top management"*.
- Current Iraqi regulations and bylaws must be considered when developing the business case for the proposed improvement programme. Careful discussion of the business case with key stakeholders, to identify any conflict with the regulations is essential, as is seeking their professional opinion over any possible reconciliation and amending the business case accordingly. According to SGC-D4 *"...currently I think we are in need of such development programmes to improve the organisation's performance but given that most of what we do is based on regulations and procedures from the Ministry... I think that the details of how the proposed unit will be carry out its activities should be discussed with the top management to see if any of its activities will contradict with ministerial regulations and whether it is possible to seek approval from the Ministry to override them"*.
- An external consultant is needed to establish and monitor the activities of the proposed SSO. The findings also suggest that the staff delegated to the SSO may not have the required expertise for the job assigned to them. Training is therefore necessary. According to SGC-D3, *"... I don't believe that we have the necessary expertise to*

establish the proposed unit in line with best practices, simply because the organisation currently does not follow international best practices...and even though from time to time the staff receive some training it is not specific to what we do; focused training should be considered to enable them to do their job effectively in the proposed unit”.

- Given SGC’s organisational environment, acquiring the required authority to enable the SSO to carry out its work effectively may not be an easy task. The findings clearly emphasised the important role of the first phase of the proposed approach in achieving key decision makers’ approval to delegate the required authority. According to SGC-D1 “...our organisational system is very rigid and highly centralised and authority is mostly confined to the ministerial office; even I have very limited authority...thus if the proposed unit will require certain authority, this should be clearly discussed with all key decision makers during the proposed workshop in a way that can convince them about the consequential benefits”.

Key Elements of the separate spinout organisation

- **Establishing a strategic planning office (SPO)**

The interviewees laid great emphasis on the need for effective utilisation of strategic planning to improve the organisation’s overall practice and performance. In general, the findings have highlighted the organisation’s lack of effective planning in general and of strategic planning in particular. According to SGC-D2, “... of course, strategic planning should be a key part of any organisational system and thus I do agree that establishing this important office as part of the proposed unit will be very effective...generally our organisational system lacks effective planning and even when there are plans they are mostly ignored, which is why the organisation isn’t able to performance effectively”.

- **Defining the organisation’s customers, identifying their needs and developing strategic plans to address their needs**

The findings highlight the organisation’s lack of a formal process that actively defines the organisation’s customers, understands their needs and takes them into account during the planning process. According to SGC-D1, “...to be honest the organisation’s main focus is on how to sustain the production process; none of what we do to achieve this takes into account the needs of our customers...the procurement process is very complex and old and frustrating to the bidders, but decision makers are not paying attention to what the bidders think of the system...even the needs of the citizens’ who buy our products are not being taken into

account...actually our organisational environment is far from the concept of customer satisfaction...". The findings also show that achieving customer satisfaction would have a significant impact on how the organisation is seen by its different customers, especially the bidder companies. According to SGC-D2, "... there is no doubt that if the organisational system is transformed to one that takes into account increasing the level of satisfaction of the people who interact with the system, and the consumers, them of course, we will see an increased number of international companies wanting to apply for one of our contracts".

- **Establishing a project management office (PMO)**

The importance of adopting project management best practices and integrating them into the SSO is strongly supported by the findings. The interviewees confirmed the organisation lacks effective project management tools and techniques for the various stages of project implementation. According to SGC-D3, "*...I totally agree that following effective project management best practices will serve in the achievement of successful and effective project implementation...there is no doubt that our organisational system uses outdated project management techniques and of course it's one of the main reasons behind the declining performance of project implementation".*

- **Developing a prioritised list of strategic projects**

The collected data have highlighted the importance of ensuring that project prioritisation takes into account the various needs of the organisation's customers. According to SGC-D4, "*... I do believe that the Iraqi public sector in general lacks the notion of seeking customer satisfaction or taking account of customers' requirements or complaints, such as those of private companies, or using them to improve the organisational system accordingly...thus if we need to start improving then this is one of the main things that we should start with as I think it will be the key to other organisational developments".*

- **Developing a list of best practices, "A to Z" processes and procedures for project implementation**

The data collected have highlighted that the organisation's current processes and procedures do not qualify the organisation to emulate world-class performance. The findings support the need to develop a new list of processes and procedures for the various stages of project implementation, in line with international standards. According to SGC-D5, "*... I do believe that the performance of our organisational system is far behind that of world-class organisations and similar companies in the region... companies in the region have improved*

their production rates tremendously in the last years; however, it's been more than 12 years since the fall of the regime and the company production rate is still very low compared to its design capacity...and the main reason behind this is the weak organisational system that we've been following since the establishment of the company in 1979". SGC-D1 emphasised that "...I do agree that developing new processes and procedures for the proposed unit is very important because our current processes and procedures are very weak".

- **Implementing an integrated IT solution**

The findings stress the need for integrating an effective IT solution to improve the overall practice and performance of the organisation. The evidence highlights SGC's failure to use available IT solutions to simplify the organisation's core processes and procedures during the various stages of project implementation. According to SGC-D2, "*... I totally agree that one of the main tools that the organisation can use to improve the organisational system is the use of the latest technologies as we currently do not have any of these, such as e-tendering and e-mailing systems, etc.*"

- **Developing a client single window**

The findings have validated the importance of developing a client single window as a means of delivering a transparent and simple service to customers, and thereby increasing the customer satisfaction level. According to SGC-D3, "*...of course using the single window system will be very effective and will help in simplifying procedures and satisfying bidder companies as well as reducing the burdens on staff that accumulate during the various organisational activities*".

c) Phase Three: Carrying out Projects and Achieving Pre-defined Success Criteria

The collected data have validated the importance of the third phase of the proposed approach and the importance of communicating and marketing the SSO's achievement to ensure continuing top management support and commitment. The findings stress the need for the SSO to successfully achieve its objectives and deliver the predefined success criteria so that it can pave the way for the holistic performance improvement programme. According to SGC-D4, "*...it is without doubt that the important phase of your proposed approach will show the ability of the proposed unit to deliver all the benefits discussed in the workshops during the first phase. SGC-D5 added that, "...I do think that it is very important for the proposed unit to successfully carry out its projects and market its achievement with key decision makers and*

other concerned parties as this will be the key if we need to expand this exercise and begin a holistic reform to our organisational system”.

d) Phase Four: Institutionalising Best Practices

The collected data have validated the importance of the fourth phase of the proposed approach. The findings stress that it is important to effectively market and communicate the achievements of the SSO and the effectiveness of its system. Key decision makers should always be kept informed of its latest developments and achievements to ensure their eventual approval to commence the fourth phase of the proposed approach. The findings also emphasise that initiating this phase may take a long time, and it is highly dependent on achieving unanimous agreement among all key decision makers. According to SGC-D1 “...of course it will be very important to expand the use of the best practices adopted by the proposed unit to the rest of the organisation; however, with the current organisational environment and the political pressure and financial shortages it will take a long time to conduct such a big step”.

- **Establishing sub-PMOs to take over the responsibility for project implementation**

The data support the proposed approach of a gradual transformation of the organisation’s overall practice and performance using sub-PMOs managed by the main SSO and designed to take over responsibility from the parent public organisation. According to SGC-D2, “... if a green light is given to start a holistic change programme for the organisational system then I think that this is an effective approach to follow as this will ensure that the organisation will continue to work while the improvement process is ongoing”.

7.5.2 Case C Summary and Discussion

In general, these case study findings have validated the need for government organisations to attract MNCs, and the comprehensiveness, effectiveness and suitability of the proposed approach for the Iraqi public sector environment, with the potential to help the organisation deliver better performance in a step-change fashion. The findings validate the interrelationship between the four phases of the proposed approach and their proposed sequence. The data highlight the organisation’s need to improve its overall practice and performance and adopt internationally recognised best practice in order to deliver world-class performance. The findings validate that in order to start an organisational performance improvement programme it is of the utmost importance to first achieve key decision makers’

support and commitment. This finding validates the need for the first phase which focuses on the attainment of top management support and commitment to change before the establishment of the SSO. The findings support the methodology proposed by the first phase for acquiring top management support through setting a vision, focus training workshops for key stakeholders, and the development of an implementation plan. They also highlight the need to establish a committee that represents the organisation's key stakeholders to champion the implementation of the proposed step-change improvement approach. Without achieving the objectives of the first phase, the second phase cannot start.

The findings support the aim and objectives of the second phase of the proposed approach, which focuses on the establishment of a SSO dedicated exclusively to work with MNCs. The findings highlight the organisation's lack of effective strategic planning and project management, its poor customer focus and under-utilisation of integrated IT solutions. These findings validate the core component and activities of the SSO suggested by the second phase of the proposed approach. They support the effectiveness of establishing a SPO to identify and understand the organisation's customer needs and develop strategic plans to address them. They also highlight the importance of a PMO to work along with the SPO in prioritising strategic projects in accordance with customers' requirements, and develop new processes and procedures for project implementation in line with best practices. The use of an effective IT solution to facilitate the project implementation process throughout its various stages, and the development of a client single window are also supported by the case study findings. Finally, the findings emphasise the importance of continually communicating and marketing the results from the SSO to ensure that its concept, benefits and the culture of change are disseminated throughout the organisation.

The aim of the third phase of the proposed approach has also been confirmed by the case study findings. In order to achieve total support from the organisation's key decision makers for holistic reform of the entire organisational system, it is imperative that the SSO achieve its objectives and the predefined success criteria. The findings also validate the importance of effectively marketing and communicating the SSO's successes and achievements to key stakeholders. This will first ensure their continuing support and commitment to the improvement approach, and second pave the way to achieving approval and support for institutionalising the SSO's achievements in the rest of the government organisation.

Finally, the case study findings validate the importance of the fourth phase and the effectiveness of gradual transformation of the organisation's overall practice and performance through the use of sub-PMOs. The findings emphasise that, after the successful operation of the SSO, it will be logical to institutionalise and expand this exercise to cover the rest of the organisation. However, the findings suggest that, given the issues associated with the current organisational environment such as political pressure, conflict and interventions and the highly centralised and bureaucratic system, it will not be easy to gain speedy approval to start this phase.

7.6 SUMMARY

The aim of this chapter was to assess the applicability, suitability and effectiveness of the approach proposed in chapter 6 via three case studies. The findings have validated the approach's effectiveness and suitability for the context of Iraqi government organisations, and have shown that it is an appropriate tool to create an organisational environment attractive to MNCs in a step-change fashion. The findings obtained has not affected the structure of the proposed approach, however, the findings have highlighted a number of key factors that change champions need to take into consideration to achieve successful implementation of the proposed approach. The next chapter will discuss all these finding in more details.

CHAPTER EIGHT: DISCUSSION

8.1 INTRODUCTION

Chapter 7 has presented the detailed outcome of the three case studies that were carried out during the validation stage of this research. The aim is to validate the approach proposed in chapter 6 by presenting and discussing its details with key Iraqi decision makers in three government organisations and solicit their feedback on its applicability, suitability and effectiveness. The findings have validated the key aspects of the proposed approach along with number of other important themes of this research such as the need for FDI and for organisational performance. Despite that the findings have not suggested any changes to the structure and contents of the proposed approach, however, it has highlighted number of factors that change champions need to take into account to achieve a successful implementation for the proposed approach.

This chapter discussed these findings in more details highlighting the contrasted views of the interviewees about the key aspects of the research and the proposed approach, followed by a validation for the proposed approach and its underlying elements and finally presenting, in details, the final strategic approach.

8.2 CROSS-CASE DISCUSSION: KEY FINDINGS

This section compiles an overall picture from the three case studies, validating the main themes of the research.

8.2.1 The Importance of Attracting MNCs in Iraq

Iraq has a considerable lack of infrastructure on various levels, and government of Iraq (GOI) is struggling to address this problem. The validation stage confirmed that lack of finance and poor performance in both government and private organisations were the main contributors to GOI's inability to address the problem. The overall research outcome has highlighted the need to attract MNCs to foster FDI inflows to address Iraq's infrastructure investment needs and to fill the gap in expertise. This finding was confirmed by the views solicited from government organisations' professionals, who agreed that the available financial resources are insufficient to meet the infrastructure investments needs within their jurisdictions. They emphasised that local contracting companies do not have sufficient capacity or expertise to carry out most of the strategic projects required.

For example, interviewees from BLG agreed that, given the current financial crisis and government austerity programme, attracting MNCs is a viable approach for local government to address the city's considerable lack of infrastructure. This supports the literature discussion in sections 2.2. and 2.3, showing that FDI can play a significant role in helping governments in the developing world to address their infrastructure investment needs. However, and despite determined efforts to attract MNCs, BLG has still not succeeded in attracting MNCs to carry out the necessary infrastructure projects. Nevertheless, the local government interviewees fully believe in the need to attract MNCs and gain associated advantages, especially filling the gap in expertise and encouraging private sector development.

A similar view was captured in the other two case studies. GCPI highlights the importance for attracting MNCs by showing how the recently introduced type of contractual arrangements with MNCs (joint operation contracts) has helped the company address some of its infrastructure investment needs as well as acquiring the necessary skills to carry out such strategic projects. However, despite the company's belief that addressing its lack of infrastructure is in the best interests of the country, and despite all its efforts to attract a large number of MNCs, few companies agreed to work with GCPI. A similar scenario was found with SGC, where significant infrastructure development is required to improve the company's production of ready-to-export natural gas and to reduce waste. As with the rest of Iraqi government organisations, the recent financial crisis and government austerity have significantly affected SGC's ability to address its infrastructure needs, not to mention the lack of expertise in this field, making attracting MNCs the only viable solution to this dilemma. This situation has forced the company to open the door for MNCs to participate in the development process, but despite all its efforts only two companies have agreed to work with SGC.

This indicates that the lack of necessary financial resources and expertise is a common problem among Iraqi government organisations and a key factor in requiring them to attract MNCs to foster FDI inflows to address the lack of infrastructure in the country. This is also in line with the literature findings discussed in section 4.4.

8.2.2 The Overall Organisational Environment in Iraq

The findings have clearly shown that government organisations responsible for the delivery of infrastructure in Iraq have poor planning at both the strategic and project levels. This was indicated during both the exploratory and validation stages of the study, which confirmed the

absence of clear procedures to prioritise projects, the lack of clear communication among key stakeholders, and the absence of strategic planning, which were highlighted as weaknesses during the data analysis. This adds to the sparse literature, discussed in section 4.4.3, on the lack of proper planning among government organisations in Iraq. It also supports the discussion of the literature in section 3.5, that good planning can significantly contribute to achieving effective and efficient organisational performance during the lifecycle of infrastructure development programmes.

The procurement system adopted by government organisations is weak, bureaucratic and non-transparent. This was evident from the findings obtained in both the exploratory and validation stages of this research. It was clear that service processes adopted in the procurement phase are bureaucratic and non-transparent, that staff do not follow standard procedures, and that no use was made of available tools and techniques, such as e-procurement and client single window, to facilitate the execution of this stage. This finding supports the literature discussed in sections 4.4.2 and 4.4.4.

The overall project management practices of the government organisations are poor, as clearly highlighted during the exploratory and the validation stages, where many examples were given: the increased number of failed projects, failure to use effective project management tools and techniques, lack of competent project managers, poor project supervision and performance measurement. This finding adds to the limited literature discussed in section 4.4.3. The findings also agreed with the literature highlighted in section 3.5, which underlined the effectiveness of using project management best practices and the establishment of PMOs.

Numerous weaknesses relating to leadership, people management, service processes and performance management practices adopted by Iraqi government organisations were identified. A significant gap was found between the practices in these areas and those of world-class organisations. Issues of leadership included their inadequate in developing a service culture, the absence of an organisational vision, mission and goals, leaders not being customer oriented, resistance to change among key decision makers, and serious intervention from influential members of political parties. Personnel issues included lack of effective professional development programmes, lack of expertise and poor real-time handling of service problems/failure. Service process issues included poor strategic procurement, poor use of IT, complex and highly bureaucratic processes and procedures, an increased number of non-value adding activities, absence of continuous improvement practices and poor quality

procedures. Performance management issues included lack of support for staff, no use of customer complaint data to improve practices, discrimination against customers (local/international companies) and no measurement of customer satisfaction. These findings adds to the scarce literature on the organisational environment in Iraq.

Regulations and the intervention of political parties in internal organisational policies are badly affecting the performance of Iraqi government organisations and their ability to initiate organisational performance improvement programmes. Several of the Iraqi government professionals interviewed stressed that government regulations, bylaws and procedures hindered organisational improvement. Political parties interfered with the internal decisions made by government organisations' CEOs and managers, and with other key organisational activities. Identification of this problem adds to the few studies discussing the factors affecting the performance of government organisations in Iraq.

8.2.3 Organisational Practices and Performance vs FDI Inflows

The overall findings from the case studies reflect a general picture of weak organisational practices and performance, which will without a doubt deter MNCs from working with Iraqi government organisations. The findings showed that the existing organisational environment in Iraq has resulted in few international corporations agreeing to work and invest in the country. This view was supported by the professionals interviewed, who confirmed that a number of organisational practice weaknesses had caused both international and local companies to refuse to, or complain about, working with these government organisations. For example, the complex and non-transparent organisational processes and procedures followed during the procurement stage, which were identified during the exploratory and the validation stages, have triggered many complaints and explained why so few international corporation were willing to work in Iraq. The case was similar in the construction stage, where complex procedures caused unnecessary delays.

A common aspect among these cases is that each has either interacted with MNCs or actually worked with them. This indicates that their views come from real-life experience, not from a vacuum, reflecting that the overall practice and performance of Iraqi government organisations does have a negative impact on attracting MNCs and reducing the flow of FDI. This supports the literature findings discussed in section 2.3.4, which underlined the impact of the performance of government organisations in the host country on attracting MNCs and

fostering FDI inflows. This also added to the literature discussion in section 4.4.2, that Iraqi government organisations are seriously corrupt and hard to do business with.

8.2.4 Continuous Improvement vs Step-Change Improvement in Iraq

All interviewees agreed that the overall practice and performance of their organisation is far behind that of world-class organisations. For a number of reasons, including political and government intervention, they felt that their organisations will require a long time to fully absorb best practice and emulate world-class performance. This arose from their genuine belief that following a holistic organisational performance improvement approach would face considerable resistance from key decision makers and influential political parties within the country. It supports the literature discussed in section 2.3.3, which underlined a number of barriers to holistic organisational performance improvement within the context of the public sector. As a result, a continuous performance improvement approach such as EFQM's will not help decision makers of weak performing organisations to achieve the rapid improvement needed to attract MNCs in the shortest possible time. This supports the argument raised in section 2.5, which stressed that public sector organisations can only benefit from existing performance improvement methodologies in the long term. Therefore, the interviewees' reflection on the need for an alternative approach, able to step change the performance of government organisations in Iraq, is in line with the argument laid out in section 2.5.

8.2.5 Establishing a separate spinout organisation (SSO)

The data obtained from the three case studies show that establishing a SSO parallel to the parent government organisation is a better alternative for decision makers to create an organisational environment attractive to MNCs in a step-change fashion, without disrupting their organisation's existing system. This was also supported by the interviewees' optimistic feedback, that this approach would actually help them to overcome their organisational practice and performance weaknesses and deliver effective performance in a step-change fashion. This approach was greatly welcomed by the case study interviewees as an alternative approach to creating an attractive organisational environment for MNCs. These Iraqi professionals believed that resistance to innovation normally accompanies attempts to introduce changes to the existing organisational system, structure and way of working. However, the SSO is new, independent and under the direct authority of the change champions such as CEOs, governors; it works in parallel with the parent government organisation, making it less prone to resistance.

This finding supports the argument made in section 3.4, which emphasised that establishing and dedicating a SSO is the best approach for weakly performing government organisations to deliver an attractive performance for MNCs in a short period of time. It also adds to the base of knowledge about new concepts for organisational performance improvement within the public sector.

However, in order for this approach to succeed, the findings drew attention to certain factors that must be taken into account:

- Regulations and bylaws, and political intervention
- Achieving the support and commitment of key decision makers and government officials
- Hiring external consultants
- Effective communication and marketing of the proposed change.

Added to the factors discussed in section 3.6, they underline the key factors that need to be taken into account when applying change within public sector organisations.

8.2.5 Validating the Elements of the Proposed Approach

There was consensus among all interviewees about the feasibility and effectiveness of the proposed approach in helping decision makers overcome their performance weaknesses and creating an organisational environment attractive to MNCs in a step-change fashion. The findings extracted from the case studies validate the argument made in sections 3.4 and 6.2.2, that the proposed approach can help decision makers in Iraq deliver better performance in the short term without disrupting their existing organisational system, thereby reducing resistance to change. During the case studies, interviewees provided feedback on all aspects related to the proposed approach. The following sub-sections show interviewees' contrasting views about the various elements of the proposed approach and what needs to be taken into account to effectively implement it:

IV. Top Management Support

The case study findings clearly emphasise the importance of achieving top management support and commitment to the proposed performance improvement initiative, or to any other change initiative, before it begins. This was clearly evident during the exploratory and validation stages of this research. For instance, the findings have clearly shown that the organisation's leadership team seems not to have a strong role in developing a customer-

oriented service culture; nor does it listen or develop a relationship with them. This can be seen in some of the leadership practice weaknesses identified, including the weak quality mindset, no quality values and the weak investment in IT to improve the customer experience. Moreover, the leadership team does not appear to encourage a culture that would employ a systematic use of benchmarking or assessment for the overall service operations to identify points for improvement. This means that striving for achieving top management support to carry out organisational improvement within the context of Iraq public sector is a vital step for change champions to do for such initiative to succeed. This supports the findings from the literature discussed in sections 3.6.1 and 3.7, that achieving top management support is a prerequisite to starting any organisational change initiative within the public sector. The findings also agree with the literature that in order for the champions of change to gain top management support, they need to make sure that the need for change is clearly recognised by key decision makers within the organisation. This finding validates phase one of the proposed approach, that if change is to happen within Iraqi government organisations in Iraq, gaining top management support is the first thing to accomplish. To achieve this step, the interviewees agreed with the activities proposed in phase one of the approach, and detailed a number of factors that need to be taken into account during this phase, as follows:

- a) **Developing a Vision.** The case study findings clearly show that an important step for decision makers to show commitment to change is by first developing an overall vision for change. This will reflect their understanding of the need for change and their willingness to engage their organisation in a performance improvement initiative. This is because the findings highlighted number of occasions were lack of awareness to the need for change among key Iraqi decision makers caused change initiatives to languish. Therefore, even though the proposed approach is designed to avoid disrupting the government organisations existing system and framework, yet working towards having decision makers recognise the need for the proposed change and set a vision towards achieving its objectives is an imperative step for the successful implementation of the proposed approach. This is in line with the literature findings discussed in section 3.6.1, which highlighted the importance of top management's vision for change being established before engaging with the change.
- b) **Conducting Awareness Training Programmes.** The second important step for change champions is to ensure that decision makers agree with the proposed performance improvement approach, by conducting awareness-training programmes

explaining the proposed approach. This was agreed by all the interviewees, and is also supported by the findings from the exploratory stage that training helps staff to understand the need for change and suggest possible solutions to improve their own performance. The literature findings in section 3.6.1 similarly stressed the benefit of awareness training for managers, staff and key stakeholders in supporting any proposed change initiative.

- c) **Highlighting Conflicts with Regulations and Bylaws.** Change champions should study relevant government regulations and bylaws, highlighting any possible conflict with the proposed approach, and including this as part of the training workshops. This is to ensure that decision makers are aware of every aspect of the approach, and to engage them in continuing the performance improvement initiative. This finding adds to the literature of change management as a factor worthy of attention for change champions in developing countries. This is in line with the literature discussion in section 2.2, which underlined that one of the causes hindering economic growth is unsuitable laws and regulations.
- d) **Developing a Detailed Business Case.** All interviewees emphasised that change champions must prepare a detailed business case for the proposed performance improvement approach, to be presented to key decision makers. The business case should provide details of every aspect related to the implementation of the proposed approach, including risk assessment, resources required and an implementation plan. The business case should also detail the authority required by the SSO if it is to conduct its work in line with world-class standards. This agrees with the literature discussed in section 3.6.1.
- e) **Hiring External Consultant.** There was consensus among interviewees that, given the nature of the proposed change and the organisations' lack of experts, change champions need approval to collaborate with specialist consultants during phase one, two and three of the proposed approach. Yet, the case studies findings also emphasised the importance of effectively utilising the skills and expertise of external consultants and working towards effectively transferring these skills to the Iraqi workforce on the various levels.

This activity adds to the literature of change management as a factor worthy of attention to change champions.

V. The Separate Spinout Organisation (SSO)

There was consensus among interviewees that, given the current organisational environment in Iraq, establishing a SSO, in line with best practice, dedicated to working exclusively with MNCs, is an effective approach to creating an organisational environment attractive to MNCs in the shortest possible period of time. This finding supports the argument proposed in sections 3.4 and 3.7.

Key Factors Supporting the Need for SSOs

The findings highlight a number of factors that justify the use of SSOs as an alternative approach for Iraqi decision makers to overcome their existing practice weaknesses and improve their performance in a step-change fashion. These are discussed below:

a) **Political Interventions.** The case studies findings highlight a serious problem affecting CEOs and top management teams from effectively managing their organisations, hindering most change/reform initiatives in Iraqi government organisations. The problem concerns the intervention of political parties in the decision making of top management. These interventions affect the performance of government organisations to the point that CEOs/top management are not able to replace line managers, change their roles or even choose who should succeed a certain departmental manager. This makes it more difficult for management to conduct any reform that might affect the position of individuals supported by the dominant political parties in the area where the organisation is located. Interviewees agreed that this is one of the key problems hindering organisational performance improvement initiatives, thereby affecting the quality of infrastructure development. Similarly, the literature discussion in section 2.2 highlighted one of the barriers to economic growth as excessive government intervention.

On the other hand, the interviewees agreed that establishing a SSO might overcome this problem because there would be no need to disrupt the existing organisational system, thereby avoiding direct confrontation with political parties. This supports the literature review findings discussed in sections 3.4 and 3.7.

b) **Weak Overall Organisational Practice and Performance.** The collective findings from the case studies show that government organisations lack effective practices, especially at the planning, project management and IT levels, that would contribute to delivering efficient performance during the lifecycle of infrastructure project

implementation. This adds to the list of weaknesses of Iraqi government organisations discussed in section 4.4. There was consensus among the interviewees that, given their current organisational environment and the weak overall practices and performance, their organisations require a long time to emulate world-class organisations. This bolstered their support for SSOs as an effective way for top management to deliver better performance in the short term, and as a tool to convince key decision makers to initiate an organisational performance improvement programme. The literature review findings agree; see sections 3.4 and 3.7.

Key Components and Activities of the Proposed Separate Spinout Organisations

a) **Strategic Planning Office.** The findings clearly show that government organisations lack effective planning, and indeed the absence of strategic planning was obvious. Interviewees agreed that poor planning in general is one of the key factors affecting the successful delivery of infrastructure projects in Iraq, validating the literature discussed in section 4.4.3. The findings provided no evidence of a strategic planning process being conducted within the government organisations in question. Accordingly, the interviewees agreed that strategic planning should be a key component of the proposed SSOs, in line with the literature discussion in section 3.5.1. The findings also supported the prioritisation of activities, suggested in the proposed approach, to be conducted by the strategic planning office within the SSO. The following points will elaborate:

- **Understanding Customer Needs.** The interviewees indicated that identifying and understanding customers' needs is not something that their organisations normally do. They had no evidence that their organisations used customer complaints to improve their system to increase the level of satisfaction. This supports the findings obtained during the exploratory stage, discussed in chapter 6. Thus, because a key objective of the proposed approach is to help create an organisational environment attractive to MNCs, the interviewees agreed that this should be one of the key activities of the proposed SPO. This is in line with the best practices discussed in section 2.4, as well as innovation discussed in section 3.2.
- **Develop Strategic Plans to Address Customers' Needs.** Along with developing a long-term comprehensive strategic plan for their organisations, the interviewees emphasised the need for plans to take into account customers' requirements and make sure that the organisational system is designed in a way that would address these

requirements. They agreed that this would help the SSO to achieve better customer satisfaction and thereby improve the chances of attracting more MNCs. This is also at the heart of the best practices of the organisational performance improvement methodologies, discussed in section 2.4, and innovation, discussed in section 3.2.

- b) Project Management Office.** The interviewees agreed that their organisations lack effective project management tools and techniques, considering this as one of the key factors affecting the successful delivery of infrastructure projects. This is in line with the discussion in section 4.4.3, which underlined the lack of project management as contributing to the underdevelopment of infrastructure in Iraq. The findings support the importance of the PMO as one of the key components of the SSO. This is in line with the literature discussion, section 3.5.2, which highlighted PMOs as a key contributor to effective and efficient organisational performance. The findings also supported the activities suggested for the PMO, as follows.
- **Developing a Prioritised List of Strategic Projects.** The project prioritisation process is strongly supported by the case study findings. Interviewees stressed that, as with strategic planning, the prioritisation process should consider customers' needs as well as making sure that important strategic projects emphasised by customers were given the utmost priority. The findings support the notion that after developing an organisational strategic plan, the SSO should prioritise the projects and select a group of strategic projects of high importance to the organisation and having a great impact on customers' experience. This agrees with the literature discussion in section 3.3, which underlined the importance of organisations understanding their customers' needs and developing the right products or services to satisfy these needs in an affordable and simple way.
 - **Developing the Processes and Procedures for Effective Projects Implementation.** The interviewees agreed that their overall practices are weak, resulting in a weak overall performance, and they therefore agreed that new processes and procedures for project implementation should be developed in line with world-class standards. They should cover the entire lifecycle of project implementation, from the planning stage, through devising project tenders and contracting procedures, to supervision of the execution stage. This is in line with the literature findings discussed in section 3.4, which emphasised that when managers are confronted with the need for disruptive change that would entail significant change to their business model and technology , they should ensure that new processes are developed to meet the new performance

requirements. Thus, the findings support that the belief that SSOs need to design new processes and procedures for effective project implementation.

- **Implementing Integrated IT Solutions.** The findings show a consensus among interviewees about the absence of effective IT solutions during the lifecycle of infrastructure projects implementation, supporting the findings obtained during the exploratory stage and adding to the organisational weaknesses discussed in section 4.4. The interviewees agreed that the proposed SSOs need to effectively utilise available IT solutions, such as e-procurement, and integrate them into the operational system, to improve organisational performance. This supports the literature discussion in section 3.5.3.
- **Developing a Client Single Window.** Developing a client single window is one of the key factors interviewees felt would help in the development of an organisational environment attractive to customers, including MNCs. The findings show that customers normally struggle through the existing routine of government organisations when having to process any type of project related to paper work. Creating a client single window is an effective step towards achieving a better organisational environment for MNCs. This agrees with the literature discussed in section 3.5.3, which highlighted the benefit of a client single window in achieving transparency and reducing bureaucracy and corruption at key stages, such as procurement.
- **Communication and Marketing.** Interviewees confirmed that it is very important for change champions to effectively communicate and market the SSOs' achievements during and after their establishment. They agreed that keeping key decision makers up to date with the progress of SSOs is important in ensuring their continuing acceptance of the new system, and marketing the successes of SSOs will further ensure the commitment and support from key decision makers. This is in line with the literature discussion in section 3.6.
- **Performance Management.** Interviewees also recognised effective performance management of the SSOs as a key to the successful implementation of the proposed approach. They emphasised that without proper performance management by a specialised consultant, SSO establishment and/or operation might not conform with the world-class standards they are expected to emulate. Therefore, it is a key component of the proposed approach. This is also at the heart of the best practices of the organisational performance improvement methodologies, discussed in section 2.4.

VI. Carrying out Projects and Producing and Marketing “Quick Wins”

The findings have strongly emphasise the importance of SSOs effectively carrying out a selected group of projects that are strategically planned to be delivered by MNCs. Change champions should ensure that ongoing training and support are provided for the staff of SSOs by the external consultant, to ensure their delivery of world-class performance during the lifecycle of project implementation, at the contact points with MNCs. This will make sure a smooth transfer of knowledge and expertise from the consultant to the SSO staff to help them emulate world-class standards in reasonable period of time. The interviewees agreed that this would help in regaining the trust of international corporations, and this in itself is a significant achievement for SSOs. The interviewees also saw marketing the successes of SSOs with key decision makers as a significant factor not just for securing the decision makers’ support and commitment but also for paving the way for more comprehensive organisational reform within the Iraqi public sector. This supports the literature findings discussed in sections 3.6.2. and 3.7. Thus, this phase is where the CEOs of government organisations in Iraq can regain the trust of MNCs, using them as a tool to convince key decision makers to approve a gradual transformation of government organisations’ overall practices and performance.

VII. Institutionalising Change

The case study findings validate that institutionalisation of best practices throughout government organisations should follow the successful operation of the SSOs, confirming the literature discussed in section 3.6.3. Interviewees agreed that following the gradual transformation of government organisations through sub-PMOs, as suggested by the proposed approach, should lead to a smooth and straightforward change with the least possible disruption to government organisations’ work. However, the interviewees stressed that in order to get approval actually to start this phase, certain factors need to be considered by the change champions.

The interviewees stressed that the existing organisational culture is one of the key factors impeding holistic organisational change. Political interference in the decisions made by top management of government organisations is a significant factor that can hamper initiatives from the start. Regulations and bylaws that govern most of the procedures associated with the key project implementation phases, such as planning, procurement and construction, must also be taken into consideration. Lack of awareness among most public sector personnel about the benefit and effectiveness of best practices, and how they positively impact the performance of government organisations, is a further factor to consider. The findings

emphasise that lack of knowledge among staff is a trigger for resistance to change. Thus, the interviewees agreed that unless these challenges are overcome, this phase will take a long time to implement, supporting the literature discussed in section 3.6.3.

Accordingly, the findings emphasise that in order to overcome such challenges and increase the chance of gaining approval to start this phase, change champions need to communicate and broadcast the benefits of best practices and the successes that have been achieved by the SSOs in following world-class standards. Such communication and marketing should reach a wide array of decision makers, including political parties, for example by conducting awareness workshops explaining what needs to be done for such benefits to be achieved. This supports the literature discussed in section 3.6.3.

8.3 THE STRATEGIC APPROACH

The strategic approach to achieving the aim of this research is the product of multiple data collection stages. The development process started with the literature review stage, where a number of underpinning factors were identified, guiding the research towards developing the strategic approach. These underpinning factors emphasised the need to carry out an exploratory stage to understand the overall practice and performance of government organisations in Iraq, identify the level of organisational weaknesses and staff opinion about what needs to be done to improve organisational performance. The findings from the exploratory stage, along with those obtained from the literature review, guided the development of the proposed approach during the development stage. The proposed approach was then presented to decision makers in Iraqi government organisations to validate its applicability and effectiveness, using a case study approach. The findings obtained from the case studies were listed, discussed and compared with each other in the earlier sections; the final approach will be discussed in this section.

Note that **change champions**, in the Iraqi public sector context, are those individuals who firmly believe in the need for improvement in organisational performance; they may be the CEOs of government organisations, alone or with other key strategic-level managers such as deputies, assistants and other senior managers. **Key government stakeholders and decision makers**, in the context of the Iraqi public sector, may be the heads of city councils, with other members of the council in the case of local government; or ministers with their senior managers in the case of other government organisations, representative of a given government ministry; or influential members of political parties.

The strategic approach emphasises that in order for decision makers to overcome their organisations' performance weaknesses, create an organisational environment attractive to MNCs in a step-change fashion, and institutionalise best practices, they need to follow the following four phases.

8.3.1 Phase One: Ensuring Top Management Support for the Change

In order to achieve the aim of this phase, change champions responsible for the delivery of infrastructure need to:

- **First**, set a vision for change and believe in the need for organisational performance improvement.
- **Second**, ensure that the concerned decision makers understand the organisation's overall practice and performance weaknesses and the urgent need for organisational performance improvement. They should also make sure that decision makers understand the details of the proposed step-change organisational performance improvement and its implementation plan, and discuss the aspects of implementation that requires the decision makers' approval, or help in facilitating approval from higher government officials.

Change champions can achieve this by conducting awareness training workshops. these awareness training workshops should be effectively utilised to achieve key decision makers' acceptance of change and an understanding of the benefits of such change to the government organisation in general, to creating an organisational environment attractive to MNCs and to the development of infrastructure in Iraq as a whole. Change champions should ensure that decision makers are aware of the resources required for establishing the SSO, and the aspects of government regulations and bylaws that can hinder the implementation of an improvement programme.

8.3.2 Phase Two: Establishing a Separate Spinout Organisation (SSO)

Change champions cannot start this phase unless key decision makers' support and commitment for the proposed change has been gained. During this phase, the change champions establish a SSO in line with best practices, by hiring a consultant who is expert in this field, and selecting a group of elite employees or hiring newly qualified ones, from Iraq, to operate the unit. The aim of establishing this SSO is to dedicate it to work exclusively with MNCs during the lifecycle of those infrastructure projects which decision makers are willing to award to MNCs. Change champions work to regain the trust of MNCs by letting them

experience a world-class performance, previously not delivered because of the weak overall practices of their government organisation. Another important benefit of the SSO is helping change champions to adopt best practices and deliver world-class performance without the need to disrupt the existing system of the parent organisation. This has been shown to avoid resistance to change from government organisation staff. It is also agreed to be an effective approach for initiating an organisational performance improvement process within by providing a realistic example of the benefits government organisations can achieve by adopting best practices.

The structure, key components and priority activities of the SSO are explained below:

I. The Location and Responsibility of the Separate Spinout Organisation (SSO)

Change champions should ensure that the SSO is located in the organisational line of responsibility and reporting system directly underneath the governor, in the case of local government, or the director general in the case of other government organisations. The SSO should work parallel and not in conjunction with the parent organisation, as depicted in Figure 7.5.

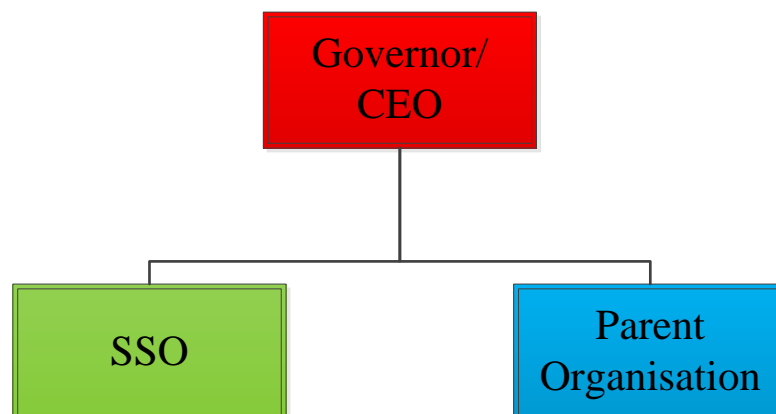


Figure 7.5: The Position of the Separate Spinout Organisation

This is because the SSO should be designed to follow world-class best practices while the parent organisation is still operating the weak practices that are far behind those of the SSO. Therefore, making the SSO work in conjunction with the parent organisation would affect its overall performance and make it just another line of bureaucracy with the same poor practices being followed by the parent organisation. Moreover, change champions should ensure that the SSO is delegated all the authority it needs for effective execution of its job, and is fully

accountable for the successful delivery of the assigned projects and for ensuring that MNCs are highly satisfied with its performance.

II. Key Components, Structure and Priority Activities of SSOs

The three key components of SSOs are strategic planning, project management and IT. Given that government organisations' poor use of all three is one of the key weaknesses identified in this research, the approach requires creating an SPO and a PMO directly underneath the CEO of the SSO. This is to be followed by a number of supporting departments to carry out the projects, from the planning stage, through devising projects tenders and contracting procedures, to supervision of the execution stage. The size of the staff that will operate the SSO depends on the size and number of projects assigned to it. Thus, it is expected to be small initially, with only a few projects, but as its benefits, effectiveness and achievement become apparent, more strategic projects will be assigned, necessitating staff expansion. To achieve greater customer satisfaction, both for external customers such as MNCs and citizens, and for internal customers such as any concerned government organisation or official body, the entire SSO is represented to customers, both onsite and online, by a client single window; see Figure 7.6.

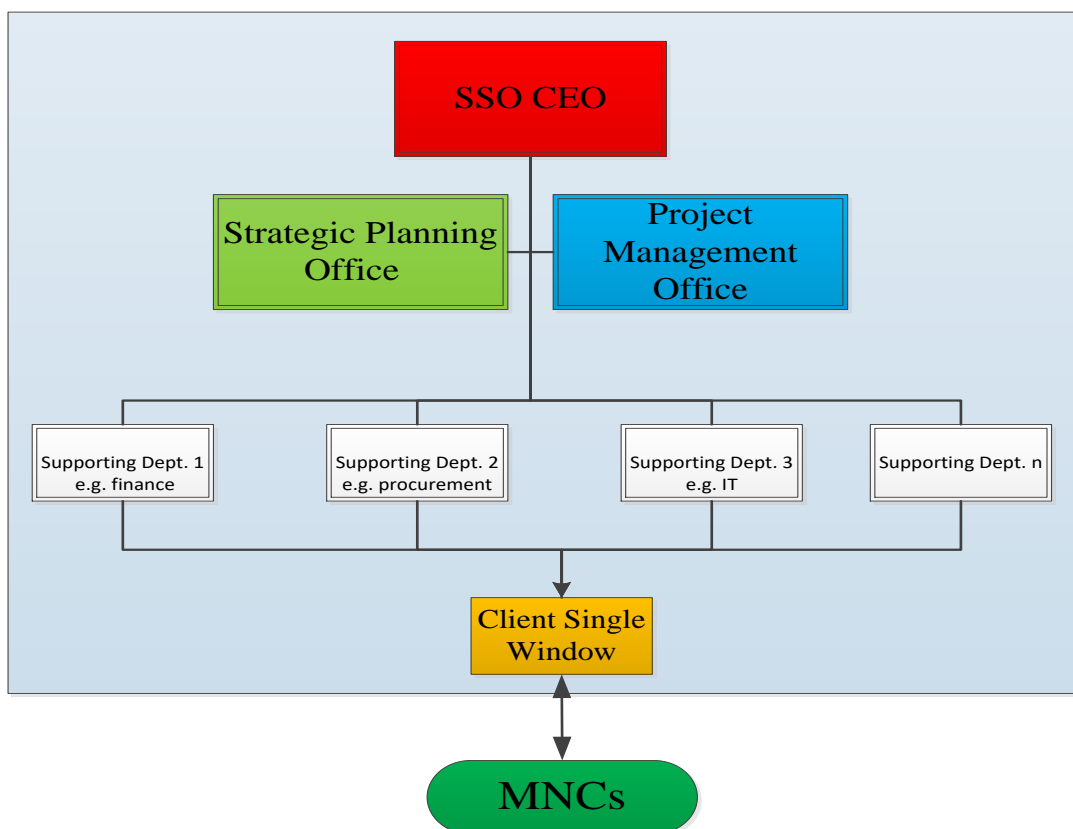


Figure 7.6: Overall Organisational Structure of SSO

In addition, through its strategic planning and project management offices, the SSO should ensure that the following activities are addressed, maintained and continuously improved, as they represent high-priority activities for overcoming key organisational performance weaknesses and regaining the trust of customers, especially MNCs and citizens:

a) Identifying internal and external customers and their needs

The SSO should ensure that internal and external customers of the government organisation it is representing and who are affected by its performance, are identified and that their needs are prioritised in accordance with the customers' wishes rather than those of the SSO or any other decision makers. For example, in terms of local government, internal customers can be governmental agencies that are affected, positively or negatively, by the infrastructure projects being implemented by the local government. They may also be political parties governing the city with majority of seats. External customers may be MNCs or any respected international corporations wishing to work with the local government, or which the local government wishes to attract to address its infrastructure needs. External customers, in the case of local government, are also the citizens who are the direct recipients of the service and who are affected by the lack of infrastructure within their cities.

b) Developing a strategic plan to address customers' needs

The SSO's next significant job is to analyse the various customers' needs and develop effective strategic plans to address them. Plans that may satisfy internal customers can include process improvement, better communication and regular tracking of their needs. Plans that may satisfy external customers, such as MNCs, can include developing better business processes, communication techniques, and effectively utilising IT throughout the lifecycle of infrastructure projects implementation. Citizens expect plans to provide them with the services they require every day, such as electricity, drinking water, effective sanitation, clean and effective roads and bridges and better health services.

c) Developing a prioritised list of strategic projects

According to the level of priority given to each customer need, the SSO should develop a prioritised list of projects that will have a direct and significant impact on the customers' satisfaction levels with SSO performance. Of course, not all the projects will be carried out by the SSO, as initially the parent organisation will retain the bulk of infrastructure projects; however, the champions' aim is for the SSO to handle the group of projects that have a high impact on customers. This is because successful delivery of these projects will help the SSO

achieve a good reputation among key decision makers and customers and will help pave the way for change champions to achieve support for institutionalising best practices throughout their parent organisation.

d) Developing a list of A to Z processes and procedures for project implementation

As the aim of establishing the SSO is to create an organisational environment that emulates world-class standards, the SSO should ensure that the processes and procedures required throughout to implement projects conform to best practices.

e) Implementing integrated IT solutions

Government organisations in Iraq make poor use of IT for facilitating project implementation. Therefore, the SSO should be key in the effective use of IT during the lifecycle of infrastructure projects implementation, making sure that the IT solution is utilised effectively, simplifying processes and procedures and eliminating wasteful activities that could better be achieved using IT solutions.

f) Developing a client single window

Developing a client single window is considered one of the key “quick wins” of SSOs, as it will have a significant impact on the level of customer satisfaction, ensuring better accessibility to the SSO and increasing the level of transparency and integrity throughout the lifecycle of project implementation.

g) Communication and marketing

The aim of this activity during this phase is to ensure that key decision makers are kept informed of the progress of SSO implementation and achievement, and that the aim and benefits of this improvement are broadcast to all stakeholders, including decision makers and international corporations.

h) Performance management

Performance management ensures that SSOs conform to the standards, success criteria and KPI that were agreed during phase one of this approach.

8.3.3 Phase Three: Carrying out Projects and Producing “Quick Wins”

During this phase, change champions, with the help of external consultants, should ensure that the SSO is ready to carry out the assigned group of projects following world-class standards. It is the result of this stage that will determine whether the SSO delivers the benefits it was

established to achieve, and be the example that change champions can use to convince key decision makers to introduce total organisational reform.

8.3.4 Phase Four: Institutionalising best practices - Gradually Expanding the Separate Organisations through Sub-PMOs

As discussed earlier, the aim of phases two and three of this approach is to help change champions deliver better performance in a step-change fashion during the lifecycle of the group of infrastructure projects assigned to MNCs, without disrupting the existing parent organisational system. The phase also aims at communicating and marketing the success of the new organisational structure to a wide range of decision makers so that they can observe the real benefits achievable from the adoption of best practices, and their impact on the overall performance of their organisation. Another objective of broadcasting the successes of the SSO is to ensure continuing commitment for change and support for the SSO and to seek decision makers' approval and support for institutionalising the successful SSO throughout the government organisation. Even with the existence of a SSO, the parent organisations with all its poor overall practices and performance, remains responsible for carrying out a significant share of the projects represented in the organisational strategic plan. Therefore, continuous communication and marketing of the SSO successes and comparison of its performance with that of the parent organisation through a series of awareness workshops for decision makers and other government officials, has been found to help achieving approval to commence total organisational reform.

In addition to broadcasting the achievements of the SSO, champions of change may need to think about using their political advantages and power to gain higher and expanded support for this institutionalisation process among key decision makers. If they get approval for such an initiative, then and only then can they follow the steps to institutionalise the SSO's system throughout the rest of the organisation. These steps are based on the findings from the literature and the exploratory stage:

Since the strategic plan was developed by SSOs during phase 2 to address the customers' needs, only a small group of projects will be implemented by SSOs, the rest remaining the responsibility of the parent organisation. Because the findings have shown that government organisations manage the implementation of infrastructure projects on a programme basis, this phase proposes that, in order to ensure gradual transformation of the

parent organisation's system, all the remaining projects should be executed following the SSO pattern., Champions of change should follow these steps:

- I.** The first step is to relieve, gradually, the parent government organisation's responsibility for executing the remaining portfolios of projects (on a portfolio/programme after portfolio/ programme basis) not already being handled by the SSO. Consequently, every time the responsibility to execute a certain portfolio/programme is taken from the parent organisation, a group of redundant personnel will be created. Thus,
- II.** The second step is for change champions to establish a new sub-PMO (say sub-PMO X) under the responsibility of the SSO and design it in a similar fashion to the SSO in its terms of reference, processes, procedures and IT systems, with the help of the expert consultant (if required). Then,
- III.** The third step is to train these redundant personnel to form a heavyweight team to handle the operation of this new sub-PMO X, that will be assigned the responsibility of executing the portfolio of projects taken from the parent organisation. This sub-PMO X is monitored, controlled and assigned responsibilities by SSO. Then,
- IV.** The fourth step, taken as soon as sub-PMO X has proven successful, is to start relieving the parent organisation from the responsibility of executing a second portfolio, following a similar approach to establish a second sub-PMO (say sub-PMO XX) under the SSO, to take over this responsibility. This process continues until all portfolios/programmes have been transferred to the new sub-PMOs. This approach will incur minimum disruption to government organisations' ongoing work and ensure transparent, gradual transformation of their overall practice and performance into one that can emulate world-class standards and satisfy all customers.

Nevertheless, as discussed in chapter 2 and 3 and supported by the data collection findings, change/organisational performance improvement is not an easy task and there are a number of aspects to consider to ensure successful implementation of organisational change, such as organisational resistance to change. Thus, the approach proposes this phase for Iraqi decision makers as a long-term organisational performance improvement approach to gradually transform their government organisations into ones that emulate world-class organisations. Figure 7.7 illustrates the strategic approach.

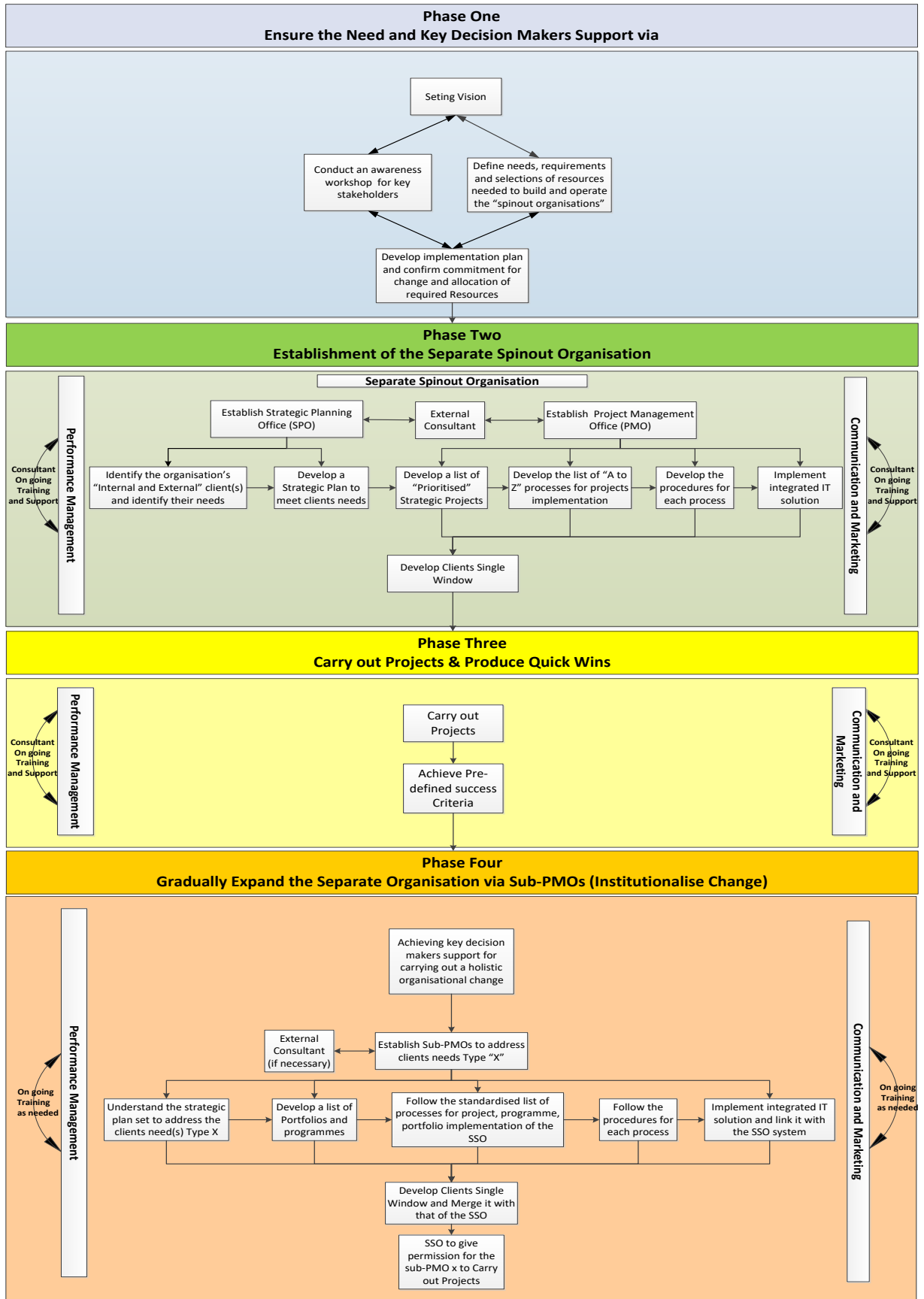


Figure 7.7: Proposed Approach

CHAPTER NINE: SUMMARY AND CONCLUSION

9.1 INTRODUCTION

Iraq, like many developing countries, has a considerable shortage of infrastructure. About 60% of Iraqi households suffer from the lack of at least one of the following: access to improved drinking water, access to improved sanitation facilities, a minimum of 12 hours of electricity a day from the public networks, or food security (JAPU, 2013). On top of this, the recent crisis in the price of oil and the sudden increase in the budget deficit have significantly affected the amount of funding available for key development sectors, making it even more difficult for the GOI to address the country's urgent infrastructure needs, including an immediate two million housing units (Sait and Nkuuhe, 2013) and critical services such as water and electricity. Infrastructure development is considered a key facilitator for achieving economic growth. Attracting FDI has been highlighted as an effective approach to addressing the significant infrastructure investment needs, although attracting it is not necessarily easy. The literature stresses that a key step to achieving this task requires governments to create an organisational environment attractive to MNCs to foster FDI inflow. Therefore, this research aims at helping decision makers of government organisations in Iraq to overcome their organisational performance weaknesses and create an organisational environment attractive to MNCs in a step-change fashion. This aim has been achieved through meeting several specific research objectives.

This chapter summarises the research, and evaluates it against the original objectives. The key findings and conclusions are presented and the limitations discussed. The final section makes recommendations for future research.

9.2 DISCUSSION

The specific tasks of this research are summarised and discussed below, with respect to the original research objectives.

OBJECTIVE ONE – To develop an understanding of the concept of FDI: its definition, contribution to economic growth and how the host country's organisational environment can deter MNCs and thereby affect the flow of FDI

A thorough literature review was carried out to understand the various aspects of the concept of FDI, including its definition, general benefits and contribution to infrastructure development and economic growth; factors that can deter MNCs, and thereby affect the flow of FDI, were identified. The first half of chapter two achieved this. It stressed that FDI can significantly help developing countries, such as Iraq, to address their infrastructure investment needs, as well as through the transfer of positive spillover, such as productivity gains, knowledge and technology transfer and human capital development in the host country (BKPM, 2010; OECD, 2002; Wang et al., 2013).

However, it was concluded that attracting MNCs is not an easy task, as governments are required to address a number of key factors that have a considerable impact on the country's ability to do this. These are categorised as government or country-level, and organisational level factors. The former include political and social stability, market size and business conditions. These are widely discussed in the literature and there have been numerous studies offering recommendations for decision makers in the developing world on how best to address them effectively. Because of this richness in the literature, the researcher has not included this type of factors within the scope of this study.

Synthesis of the literature nevertheless emphasised that addressing these country/government-level factors alone will not suffice in creating an environment attractive to MNCs; governments in the developing world are also required to address their organisational level factors. Government organisations' level of transparency, bureaucracy and corruption have been identified as representatives of organisational level factors that decision makers in the developing world must address to create an environment attractive to MNCs.

It has been concluded that these organisational factors reflect the quality of government organisations' performance; thus improving the overall performance of government organisations in the host country is the key towards creating an environment attractive to MNCs. As to government/country level factors, the literature did not provide an approach that would guide decision makers in the developing world, such as Iraq, on how to overcome their performance weakness and create an organisational environment attractive to MNCs in a step-change fashion. Accordingly, this study aimed to develop a strategic approach to help Iraqi decision makers to overcome their performance weaknesses and create an organisational environment attractive to MNCs in a step-change fashion. The second objective follows from this.

OBJECTIVE TWO – To identify, understand and evaluate the available organisational performance improvement approaches and highlight the critical steps that can be followed to create an organisational environment attractive for MNCs in a step-change fashion

To achieve this objective, a further extensive literature review was carried out, to identify, understand and evaluate the available approaches, models or frameworks that can help decision makers in the developing world overcome their performance weaknesses. The second half of chapter two examined the available organisational performance improvement methodologies, that generally fall under the umbrella of Total Quality Management (TQM): EFQM, Baldrige, Lean, Six Sigma and PROBE. The literature review showed how effective these methodologies are in assessing organisations' practices and performance and in identifying their weaknesses and strengths; it also highlighted a number of barriers that significantly affect their successful implementation within the context of the public sector, concluding that their use in achieving organisational performance improvement is a long-term approach, not a short-term fix. The literature synthesis showed no solutions that can bridge the gap between these existing performance improvement methodologies and the speed with which organisations must transform their performance to overcome their weaknesses and attract FDI. It was therefore concluded that a search for an alternative approach, to address the specific aim of the research, was required.

Searching for such an alternative approach was the aim of chapter three. It concluded that overcoming government organisations' performance weaknesses in a step-change fashion requires decision makers to innovate and consider combining multiple innovative approaches to achieve the desired outcome.

Accordingly, the chapter shed light on innovation, its definition, types, links to organisational performance, why some innovative implementations fail, and how to successfully implement innovation in a step-change fashion. The chapter also examined some of the effective organisational tools and techniques and their role in improving organisational performance, including: strategic planning, project management office and integrated IT solutions. It also highlighted the main considerations that change champions (decision makers) need to take into account when implementing organisational change in the public sector. After a rigorous understanding and evaluation of various innovative approaches, six steps were identified to guide this research towards developing a strategic approach capable of helping Iraqi decision

makers to create an organisational environment attractive to MNCs in a step-change fashion, and to institutionalise best practices. These steps are summarised below (discussed in detail in section 3.7).

The **first Step** required understanding and assessing the overall practice and performance of government organisations in the host country and identifying how weak their practices are compared to best practices, using a standard practice and performance benchmarking tool called PROBE (discussed in chapter 2).

The **second Step** built on the findings of step one and suggested that, if the gap between existing and best practices was significant, the change champions should establish a separate spinout organisation (SSO) in line with best practice, and dedicate it to work exclusively with MNCs during the lifecycle of infrastructure project implementation. The SSO works parallel to, not in conjunction with, the parent government organisation, and under the direct authority of its own CEO or governor. The SSO allows the project to follow a new business model with different values and priorities from those of the parent organisation. According to Barahona and Elizondo (2012), the SSO is an independent organisation with other values and skills, not threatened by the possibility of having to do new things, and not seeing the potential market in the same way as the threatened entity, the parent organisation. It does not retain anything from the organisation it is replacing. At the highest level, it may have contacts that facilitate the use of some resources, but basically it “forgets” how the parent organisation did things and how it saw customers, such as MNCs and local contractors. A heavyweight team ensures that new processes can emerge. Otherwise, there is a risk that the SSO will remain immersed in the assumptions, values and decisions of the parent organisation.

On the other hand, if the gap is small, the step suggests that decision makers establish an in-house team (cross-functional or lightweight); it remains within the existing government organisation, and assigns it to work with MNCs during the lifecycle of infrastructure project implementation.

After deciding on a suitable organisational structure to work with MNCs, the **third step** emphasises the importance of support and commitment from key decision makers for such an organisational change, before beginning the implementation of any proposed performance improvement approach.

After approval for the proposed change has been granted, the **fourth Step** requires the change champions to commence establishing a suitable organisational structure, either in-house or as a SSO. This step also advises change champions to consider adopting some of the critical elements that might be missing from the parent organisation, such as strategic planning, project management and IT.

The **fifth step** encourages the change champions to ensure that the chosen organisational structure (whether in-house or SSO) is given the necessary authority to carry out the assigned projects and to produce quick results. KPIs or predefined success criteria for the established organisational structure help measure its performance. Change champions must also work hard at broadcasting information about the successes achieved by the newly established organisational structure, to ensure the continuing support and commitment of key decision makers.

When the predefined success criteria have been achieved, the, the **sixth step** advises change champions to seek key decision makers' approval to gradually institutionalise the best practices adopted by the newly established organisational structure throughout the rest of the organisation.

In following the first step, chapter four reviewed the relevant literature to understand and assess the overall practices of government organisations in Iraq and compare their weaknesses and strengths to world-class standards. The literature showed the organisational environment in Iraq to be seriously corrupt and non-transparent. Beneath this tip of the iceberg are organisational practices which need to be benchmarked against world-class standards to identify the weaknesses that are causing such unsatisfactory performance. However, the literature search found no publications that had assessed or compared the existing overall practices and performance of government organisations in Iraq with world-class standards. Thus, the third objective of this research was to explore the overall practice and performance of an Iraqi government organisation responsible for infrastructure development and identify its weaknesses and strengths.

OBJECTIVE THREE – To explore the overall practice and performance of government organisations in Iraq and identify key weaknesses and strengths

To collect the data necessary for achieving this objective, the philosophical stance of the research and a suitable research design and data collection methods were established, as

described in chapter five of this thesis. A case study approach was found to be appropriate, and selection criteria identified a government organisation responsible for infrastructure development in one of the biggest cities in Iraq, as a suitable case for the exploratory study. This case study organisation is responsible for all stages of infrastructure project delivery, and three data collection steps were employed in chapter six (illustrated in Figure 6.2).

- The **first step** focused on developing a set of questions, conducting a series of semi-structured interviews and performing observations to understand the organisation's structure, overall system, approach in carrying out its projects and key problems. The set of data collected also highlights customers' (local contracting companies) satisfaction level with some of the key practices adopted by the government organisation.
- The **second step** focused on assessing the organisation's overall practices and performance and comparing them to world-class standards, identifying the gap between them using the PROBE benchmarking tool described in chapter 2.
- The **third step** first focused on delivering an awareness workshop to show interviewees a summary of the findings obtained during steps one and two of the exploratory stage, as well as delivering information about the best practices currently used world-wide to enhance organisations' performance. The step then focused on soliciting feedback from the interviewees about the organisational issues that considered required immediate attention from top management to improve their organisation's performance.

The overall findings from this exploratory stage revealed numerous organisational weaknesses and identified a significant gap between the overall practice and performance of the government organisation and that of world-class organisations working in the same field. The following are some of the key organisational weaknesses identified:

- Poor planning
- Lack of strategic planning,
- Weak procurement system,
- Conflicting regulations
- Lack of effective project management,
- Lack of effective communication among key project stakeholders during the lifecycle of infrastructure projects,

- Poor performance management,
- Poor leadership in developing a service culture
- Poor customer orientation
- Poor service processes
- Ineffective use of IT
- Poor personnel management
- Lack of skilled personnel and effective professional development programmes.

These findings set a baseline from which a suitable step-change organisational performance improvement approach was created. Objective four was established to achieve this goal.

OBJECTIVE FOUR – To propose an approach to help Iraqi decision makers create an organisational environment attractive to MNCs in a step-change fashion.

Achieving this objective meant looking at the overall findings (obtained to address objective three) through the lens of the SIX critical steps synthesised in chapter 3. This has been done during the development stage of this research. The general outcome of the exploratory stage clearly showed a significant gap between the overall practice and performance of the case study government organisation and those of world-class standard. For example, the PROBE benchmarking results positioned the government organisation in the could-do-better category of the world-class grid. As discussed in chapter 3, organisations falling into this category normally require 5 to 10 years to emulate the best in class (see discussion in section 2.5). Examination through the lens of the innovation models of Christensen and Overdorf (2000) and Davila et al. (2006, 2012) made it clear that the case study organisation requires a significant change to its existing business model and use of technology to deliver world-class performance during the lifecycle of infrastructure projects implementation. This means that organisational improvement of this kind would be radical and disruptive to the existing system of government organisations and thus can face considerable resistance, as discussed in chapter 3. The overall findings of the exploratory stage satisfied the requirements of the first synthesised step, discussed in chapter 3 and explained in objective three above.

Accordingly, the researcher proposed that initially, and to attract MNCs to foster FDI inflows, decision makers (mainly change champions) in government organisations should establish a **Separate Spinout Organisation** (SSO) and dedicate it to work exclusively with MNCs during the lifecycle of those infrastructure projects that decision makers were willing to award to MNCs. This conclusion satisfied the requirements of the second synthesised step, discussed

in chapter 3 and explained in objective three above. The remaining four synthesised steps helped in shaping the body of the approach to guide Iraqi decision makers through overcoming their performance weaknesses and creating the desired organisational environment. Thus, the proposed approach consisted of four main phases:

- **Phase One** concerned with the need for key decision makers' support and commitment to the proposed change. Given that the leadership index of the explored case study organisation, obtained via the PROBE tool, was far below that of world-class organisations, key decision makers should be made aware of the details of the proposed approach, especially of the SSO and the resources required for its implementation. Thus, phase one required change champions to first ensure a vision for change was set and then utilise training workshops to make key decision makers aware of the details of the proposed approach and its corresponding benefits.
- **Phase Two** concerned with the actual establishment of the SSO, with the help of an external consultant. The findings obtained during the exploratory stage highlighted a number of key organisational weaknesses, including the lack of strategic planning, poor project management, and poor use of IT, poor customer orientation, poor service processes and poor performance management. In line with the synthesised findings in chapter 3, this phase proposed that change champions should include a strategic planning office (SPO) and project management office (PMO) as key elements of the SSO. This would ensure that the SSO clearly identified the government organisation's customers, understood their needs and developed strategic plans to address them. These offices would also ensure that projects are prioritised effectively and new processes and procedures for project implementation designed from start to finish. An effective IT solution should be integrated in the SSO system, with development of a client single window to ensure that the SSO operated as smoothly as possible, showing high transparency, simplicity and integrity.
- **Phase Three** concerned with the SSO carrying out projects and producing "quick wins". Predefined success criteria or KPIs for the SSO should have been set during phase one of this approach. This phase was to ensure that the SSO had been assigned the responsibility previously agreed on, with authority to carry out its work efficiently and effectively. During this phase, ongoing training and support to the heavyweight team running the SSO was proposed, with ongoing communication and marketing of

the successes of the SSO to key decision makers to ensure their continuing support and commitment.

- **Phase Four** concerned with convincing key decision makers to gradually institutionalise best practices (those successfully adopted by the SSO) throughout the organisation, via sub-PMOs. Change champions should continue to broadcast the SSO's successes, paving the way for acceptance of the holistic performance improvement programme, to emulate that of the SSO.

This proposed four-phase approach was presented to key decision makers of three government organisations in Iraq, to validate its applicability, suitability and effectiveness in helping them overcome their performance weaknesses and create an organisational environment attractive to MNCs in a step-change fashion. This process has been carried out to satisfy the fifth objective of this research.

OBJECTIVE FIVE – To validate the applicability, suitability and effectiveness of the proposed approach using case studies; and to develop the final strategic approach.

To achieve this objective, supporting data was collected by:

- First confirming the two underlying aspects or factors that led to the development of the proposed approach, which are the need to attract FDI and the need for organisational performance improvement; and
- Second, evaluating and confirming the core elements of the proposed approach, i.e. its four phases and their underlying components; see in Figure 6.17.

In order to collect the required data, three Iraqi government organisations were selected as suitable case study subjects, by applying the criteria specified in chapter 5. Semi-structured interviews were used as the primary data collection method, supported by document review as a secondary source to confirm some of the outcomes generated during the interviews. The cross-case discussion of the outcome of these three case studies confirmed government organisations need to attract MNCs for two main reasons:

- To address their infrastructure investment needs; and
- To fill the gap in expertise.

The three case studies confirmed the need for organisational performance improvement by highlighting a number of existing practice and performance weaknesses. These weaknesses confirmed the need for significant organisational performance improvement to ensure successful delivery of projects and transparent relationship with MNCs. They were

categorised under headings: *leadership, people, service processes, performance management* and *how long the interviewees thought it would take their organisations to emulate world-class standards*. The cross-case discussion confirmed that the proposed approach was applicable to the context of government organisations in Iraq, and an effective tool in helping change champions to overcome their organisations' performance weaknesses and create an environment attractive to MNCs in a step-change fashion. However, for such an approach to succeed, they identified certain considerations:

- Regulations and bylaws, and political intervention
- Effective communication and marketing of the proposed change among key decision makers/government officials
- The support and commitment of key decision makers/government officials for carrying out the proposed approach
- Hiring external consultants.

These findings validated the proposed approach in addressing the aim of this study.

9.3 SUMMARY OF KEY FINDINGS

This section summarises the key findings of the research.

- Iraq has a considerable lack of infrastructure on various levels, and government of Iraq (GOI) is struggling to address this problem. The validation stage confirmed that lack of finance and poor performance in both government and private organisations were the main contributors to GOI's inability to address the problem. The overall research outcome has highlighted the need to attract MNCs to foster FDI inflows to address Iraq's infrastructure investment needs and to fill the gap in expertise. This finding was confirmed by the views solicited from government organisations' professionals, who agreed that the available financial resources are insufficient to meet the infrastructure needs within their jurisdictions. They emphasised that local contracting companies do not have sufficient capacity or expertise to carry out most of the strategic projects required. This finding supports the literature discussed in sections 4.4.5 and 4.4.6 and adds to the findings of Fay and Toman (2010) and UNCTAD (2013).
- The existing organisational environment in Iraq has resulted in few international corporations agreeing to work and invest in the country. This view was supported by the professionals interviewed, who confirmed that a number of organisational practice

weaknesses had caused both international and local companies to refuse to, or complain about, working with these government organisations. For example, the complex and non-transparent organisational processes and procedures followed during the procurement stage triggered many complaints and explained why so few international corporations were willing to work in Iraq. The case was similar in the construction stage, where complex procedures caused unnecessary delays. This added to the literature discussion in section 4.4.2, that Iraqi government organisations are seriously corrupt and hard to do business with.

- Government organisations responsible for the delivery of infrastructure in Iraq have poor planning at both the strategic and project levels. This was indicated during both the exploratory and validation stages of the study, which confirmed the absence of clear procedures to prioritise projects, the lack of clear communication among key stakeholders, and the absence of strategic planning, as weaknesses identified during the data analysis. This adds to the sparse literature, as discussed in section 4.4.3, on the lack of proper planning among government organisations in Iraq. It also supports the discussion of the literature in section 3.5, that good planning can significantly contribute to achieving effective and efficient organisational performance during the lifecycle of infrastructure development programmes.
- The procurement system adopted by government organisations is weak, bureaucratic and non-transparent. This was evident from the findings obtained in both the exploratory and validation stages of this research. It was clear that service processes adopted in the procurement phase are bureaucratic and non-transparent, that staff do not follow standard procedures, and that no use was made of available tools and techniques, such as e-procurement and client single window, to facilitate the execution of this stage. This finding supports the literature discussed in sections 4.4.2 and 4.4.4.
- The overall project management practices of the government organisations are poor, as clearly highlighted during the exploratory and the validation stages, where many examples were given: the increased number of failed projects, failure to use effective project management tools and techniques, lack of competent project managers, poor project supervision and performance measurement. This finding adds to the limited literature discussed in section 4.4.3. The findings also agreed with the literature highlighted in section 3.5, which underlined the effectiveness of using project management best practices and the establishment of PMOs.

- Numerous weaknesses relating to leadership, people management, service processes and performance management practices adopted by Iraqi government organisations were identified. A significant gap was found between the practices in these areas and those of world-class organisations. Issues of leadership included their inadequate in developing a service culture, the absence of an organisational vision, mission and goals, leaders not being customer oriented, resistance to change among key decision makers, and serious intervention from influential members of political parties. Personnel issues included lack of effective professional development programmes, lack of expertise and poor real-time handling of service problems/failure. Service process issues included poor strategic procurement, poor use of IT, complex and highly bureaucratic processes and procedures, an increased number of non-value adding activities, absence of continuous improvement practices and poor quality procedures. Performance management issues included lack of support for staff, no use of customer complaint data to improve practices, discrimination against customers (local/international companies) and no measurement of customer satisfaction. These findings adds to the scarce literature on the organisational environment in Iraq.
- Regulations and the intervention of political parties in internal organisational policies are badly affecting the performance of Iraqi government organisations and their ability to initiate organisational performance improvement programmes. Several of the Iraqi government professionals interviewed stressed that government regulations, bylaws and procedures hindered organisational improvement. Political parties interfered with the internal decisions made by government organisations' CEOs and managers, and with other key organisational activities. Identification of this problem adds to the few studies discussing the factors affecting the performance of government organisations in Iraq.
- There was general agreement among the government organisations' professionals that their organisations will require a long time to fully absorb best practice and emulate world-class performance. This arose from their genuine belief that following a holistic organisational performance improvement approach would face considerable resistance from key decision makers and influential political parties within the country. It supports the literature discussed in section 2.3.3, which underlined a number of barriers to holistic organisational performance improvement within the context of the public sector.

- Establishing a separate spinout organisation (SSO) and dedicating it to work with MNCs would be an effective approach for change champions to follow, enabling them to deliver effective performance in a shorter period of time and without disrupting their organisation's existing system. This approach was greatly welcomed by the case study interviewees as an alternative approach to creating an attractive organisational environment for MNCs. These Iraqi professionals believed that resistance to innovation normally accompanies attempts to introduce changes to the existing organisational system, structure and way of working. However, the SSO is new, independent and under the direct authority of the change champions such as CEOs, governors; it works in parallel with the parent government organisation, making it less prone to resistance. This finding confirmed the argument made in section 3.4 and adds to the base of knowledge about new concepts for organisational performance improvement within the public sector.
- To initiate a holistic organisational performance improvement programme (institutionalisation of best practices) in Iraqi government organisations, key decision makers need to be firmly introduced to the benefits to organisational performance of adopting best practices. This agrees with the literature reviewed in section 3.6, which underlined the importance of top management's acceptance of and support for any proposed change within the context of public sector organisations.

9.4 MAIN CONCLUSIONS

The following section describes the main conclusions drawn from both the literature review and the case studies.

Main conclusions from the literature review stage:

- Infrastructure development is considered a key contributor to economic growth in countries worldwide. Developing countries, such as Iraq, have a considerable lack of infrastructure, and a key factor impeding infrastructure development is insufficient financial resources. Other factors relative to the context of Iraq include weak overall performance of government organisations and a high level of non-transparency and corruption, lack for proper planning, project management and qualified civil servants, and an underdeveloped private sector. FDI is a key pillar in helping developing countries address their infrastructure investment needs, as well as providing positive

spillovers such as transfer of skills and technology, and human capital development. Given Iraq's urgent need for infrastructure development, attracting FDI must be considered a high priority by the GOI.

- Attracting FDI is not easy, requiring the decision makers of host countries to create an environment attractive for MNCs to foster FDI inflow. Governments must address two key levels: government/national level and organisation level factors. The former include political and social stability, market size and business conditions. This level of factors has been widely discussed in the literature with studies offering recommendations for decision makers on how to address them effectively. Non-transparency, bureaucracy and corruption, which are indicators of the quality of government organisations' performance, are commonly cited as interrelated organisational factors that have a significant impact on the number of MNCs accepting work in a given country. Thus, improving the performance of government organisations in the developing world should significantly help in attracting MNCs and fostering FDI inflow. However, the available literature proposes no approach, framework or model to help decision makers in the developing world or elsewhere overcome their organisational performance weaknesses and create an organisational environment attractive to MNCs.
- The available organisational performance improvement methodologies reviewed in this thesis were highlighted as effective tools for decision makers to identify weaknesses in their practices, and to develop improvement plans to address these and achieve the desired performance. However, it was stressed that the perceived benefits of these models can only be gained in the long run, especially in the public sector, especially if the organisations using them have particularly weak overall practices. The reasons for this are many, but on top of them comes resistance to change, as best practices normally require decision makers to ask staff to change their current habitual way of doing things and follow new, unfamiliar methods.
- An alternative approach was synthesised from the literature, potentially capable of helping decision makers of government organisations in the developing world overcome the performance weaknesses and deliver a performance attractive to MNCs in a step-change fashion, during the lifecycle of infrastructure development programmes, without disrupting their organisations' existing systems, and facing the inevitable challenge of resistance to change. This approach suggests that decision makers first need to identify the gap between the existing practices and best practices,

using any relevant self-assessment practice and performance benchmarking tool. Secondly, if the gap is significant, the approach suggests they establish a separate spinout organisation (SSO), in line with best practices, and dedicate it to work exclusively with MNCs, in parallel with the parent government organisation. If the gap is small it would be sufficient to establish a functional or lightweight team within the parent organisation, to work with MNCs during the lifecycle of the infrastructure development programme.

- The literature strongly emphasised the role of strategic planning, project management and integrated IT solutions in helping public sector organisations deliver effective and efficient products and/or services to customers. Effective strategic planning helps them understand and prioritise their customers' needs, and develops focused plans to address these. Project management, on the other hand, helps organisations develop appropriate processes and procedures to deliver projects successfully throughout their lifecycle. Integrated IT solutions, such as e-procurement and project management software, are found to significantly contribute to improving transparency and reducing bureaucracy and corruption, as well as carrying out their project successfully.
- The literature emphasised that achieving top management support for change, producing “quick wins” and institutionalising best practices are the key change facilitators which public sector change champions must not overlook while carrying out organisational performance improvement programmes. Ensuring top management support for change has been identified as a prerequisite for any change initiative within the context of public sector organisations. Achieving the predefined success criteria of the proposed change, in the form of “quick wins”, is another important change management factor that contributes to sustaining top management support and commitment, as well as engaging staff in the change. The change management literature identifies institutionalising a successful change initiative, such as the adoption of best practices, as the goal that change champions should strive towards. However, especially in the public sector, institutionalisation can take a long time, requiring managers to be patient and set long-term plans to achieve the desired outcome.
- Few studies were found on the organisational environment of government organisations in Iraq, making it difficult for the researcher to understand how weak are the practices adopted by such organisations compared to peer world-class organisations. Proposing an approach to improve organisations' performance in Iraq

required the researcher to investigate such practices and highlight their weaknesses and strengths.

Main conclusions from the case studies

- The case study process stressed the considerable lack of infrastructure in Iraq and the effective role MNCs can play in helping address this lack, as well as the lack of expertise, emphasising that few MNCs have decided to work/invest in the country.
- The overall practice and performance of the government organisations responsible for the delivery of infrastructure in Iraq is weak and contributes to the underdevelopment of the country's infrastructure. The case study process identified a number of weaknesses associated with the planning, procurement and construction stages carried out by the government organisations, and confirmed that local contracting companies are especially dissatisfied with the performance of the organisations. The case study process also showed up the significant gap between the overall practice and performance of Iraqi organisations and world-class organisations, concluding that they will take a long time to fully absorb best practices and holistically emulate world-class performance.
- Ineffective regulations and bylaws, and excessive intervention by government and political parties in the internal operations of government organisations in Iraq, were indicated as a solid barrier preventing change champions from successfully carrying out any holistic performance improvement initiative.
- The case study process revealed that an applicable, suitable and effective approach for change champions of any Iraqi government organisation responsible for the delivery of infrastructure to overcome performance weaknesses and create an appropriate organisational environment attractive for MNCs in a step change fashion, without disrupting existing systems, would be by establishing a SSO. This would conform to best practice, with the help of an external consultant, and be dedicated to work exclusively with MNCs during the lifecycle of those infrastructure projects that decision makers were willing to award to MNCs. It would take into account the effective utilisation of strategic planning, project management and integrated IT solutions. To successfully implement this approach, change champions should first obtain key decision makers' support and commitment by showing the need for and benefit of the approach in helping deliver better performance in a short period of time, without disrupting the existing organisational system. Secondly, after receiving

approval and establishing the SSO, change champions should confirm that the SSO was performing effectively and achieving the predefined success criteria. Sustaining key decision makers' support and commitment would require active communication and marketing of the successes of the SSO.

- The case study process concluded that even after the SSO achieved its aim, approval to institutionalise its system to the rest of the parent government organisations would take a long time. This time might be reduced by the active communication and marketing of the SSO's successes.

9.5 RESEARCH MAIN CONTRIBUTIONS

The contribution to knowledge of this research is as follows:

1. Contribution to Research

- Other studies have underlined the urgent need for governments in the developing world to address their countries' considerable lack of infrastructure, and how FDI can significantly address this lack. The quality of government organisations' performance in the host country has been highlighted as a key factor in attracting MNCs and fostering FDI inflows. However, no research to date has suggested a framework, model or approach to guide decision makers in the developing world, or elsewhere, in how to overcome their organisations' performance weaknesses and deliver organisational performance attractive to MNCs in a step-change fashion. This research has attempted to fill this gap by proposing such an approach for decision makers of government organisations in Iraq. It can be considered as a trigger for further research in this field.
- Studies have stressed the benefits of using existing organisational performance improvement methodologies, such as EFQM, Baldrige and Six Sigma, to help public sector organisations address their practice weaknesses and deliver excellent performance. However, these studies have shown that, depending on their level of maturity, such organisations can take a long time to emulate the concepts encapsulated in these models. Nevertheless, the available literature has not attempted to bridge the gap between these existing performance improvement methodologies and the speed with which public sector organisations need to transform their performance so as to overcome their weaknesses and attract FDI. This research has attempted to bridge this gap by synthesising six interconnected critical steps from the literature, with the aim

of guiding researchers to develop and propose an approach capable of helping change champions in the developing world to deliver effective performance to satisfy customers in a step-change fashion, and gradually institutionalise best practices. This study is the first to apply these steps and produce a step-change performance improvement approach, although more research is required to apply these steps in different contexts to improve their validity.

- Few studies have discussed the overall practice and performance of government organisations in Iraq or highlighted their performance weaknesses, which represent only the tip of the iceberg of the Iraqi organisational environment. This study has investigated the subject in more depth and has identified numerous practice weaknesses and their impact on government organisations' performance, helping to uncover what is underneath the iceberg. It is the first research to use a standard practice and performance benchmarking tool to compare the overall practice and performance of Iraqi government organisations and world-class standards, and to identify the extent of the gap. These findings will help researchers interested in developing solutions to help decision makers in Iraq transform the performance of government organisations to emulate those best in class.

2. Contribution to Industry

- Iraq is clearly a country with great potential for investment. However, the findings from the both literature and the case studies have clearly shown that its organisational environment is not investor friendly, and that improvement is urgently required to attract MNCs. The strategic approach proposed by this study contributes to the process of building an environment attractive to MNCs to foster FDI inflow to Iraq.

3. Contribution to Governments

- Governments in developing countries such as Iraq demonstrate an overwhelming and urgent need to attract FDI to overcome the lack of financial resources necessary to address their infrastructure investment needs. Studies have provided recommendations to help governments officials set the right policies, laws and incentives to attract MNCs and foster FDI inflow, but they have said little about how to help government officials create a suitable organisational environment. This study contributes by proposing a strategic approach for decision makers in Iraq, which aims to help guide them in creating an organisational environment attractive to MNCs in a step-change fashion, and in gradually institutionalising best practices.

9.6 RESEARCH LIMITATIONS

Although the aim and objectives of this research have been met, this section highlights some limitations. The research focused on the public sector in Iraq, and more specifically on government organisations responsible for the delivery of infrastructure. It might be expected that factors other than those covered here would emerge if this study were expanded to cover other types of organisation or countries other than Iraq. Due to time and other practical limitations, the strategic approach could not be implemented in real government organisations, and validation of the research relies only on Iraqi decision makers' views to validate the applicability and suitability of the proposed approach in the given context. An actual application of the proposed strategic approach would have provided more data and perhaps revealed other factors that, if taken into account, would have contributed to a more effective implementation. However, time limitations prevented this.

9.7 FUTURE RESEARCH

This study examined available organisational performance improvement methodologies used across the public and private sectors and then produced a strategic approach to achieve the aim of the research. However, during the study, areas were identified for further research. These are listed below:

- The strategic approach, detailed in chapter 7, should be applied in a real government organisation in Iraq and be further improved in accordance with the outcomes of the study. The strategic approach should be tested following a longitudinal case study or action research.
- The general aim of the six critical steps synthesised in chapter 3 was to help guide the research towards developing an organisational performance improvement approach capable at helping decision makers of any government organisation to overcome their performance weaknesses and deliver effective performance in a short period of time. In this research, following these steps helped the researcher to develop and propose an approach capable of helping decision makers in government organisations responsible for infrastructure development in Iraq, overcome their performance weaknesses and create an organisational environment attractive to MNCs in a step-change fashion. However, this was just one real-life scenario, and to confirm that these steps can actually improve organisational performance they should be applied in other real-life scenarios to see how far they can be generalised.

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APPENDICES

Appendix 1 Interviews Questions Relative to the Exploratory Stage

I. Interview Guide for Data Collection Step 1: Task One

- a) Interviewee name and contact details
- b) Job title and brief profile
- c) Organisation size and structure
- d) What are the organisation's role and responsibilities during the lifecycle of infrastructure projects implementation in the city?
- e) Explain in detail the various processes and activities the organisation performs to carry out its projects
- f) What is your opinion about your organisation's overall practices and performance?

II. Detailed Process Model for The Procurement Phase

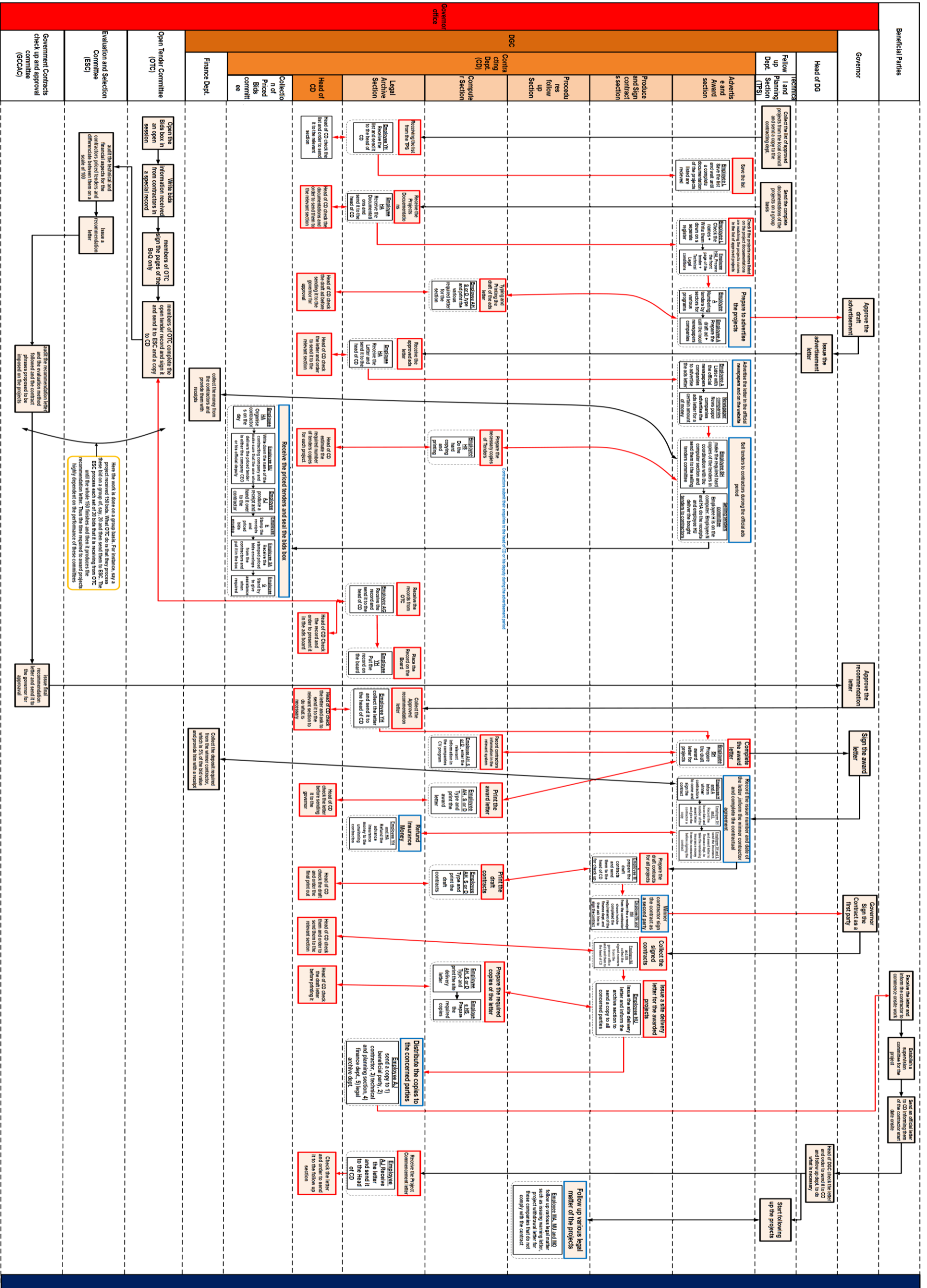


Figure 6.6: Detailed Process Model for The Procurement Phase

III. Interview Guide for Data Collection Step 1: Task Two

- a) Interviewee name and contact details
- b) Type of organisation
- c) Job title and brief profile

Customer Satisfaction with the Advertisement phase

- d) Is the period between advertising tenders and closing bids corresponding to/appropriate for the size of the projects?
- e) Are projects advertised in the right places?
- f) How easy is it to get the information relative to the newly advertised projects?
- g) How satisfied are you with the information provided in the adverts?
- h) How satisfied are you with the advertisement phase?

Customer Satisfaction with the Selling tenders phase

- i) Are the procedures for buying tenders clear and easy to follow?
- j) How long does it take to get a tender?
- k) Does the organisation clearly specify project requirements?
- l) Does the contractor receive a complete tender document? If so
- m) Are the project specifications detailed clearly?
- n) Are project designs prepared by qualified consultants?
- o) Are projects' bill of quantities accurate?
- p) How satisfied are you with the selling tender phase?

Customer Satisfaction with the Submitting Tenders Phase

- a) Are the procedures for submitting tenders clear and easy to follow?
- b) How satisfied are you with staff treatment?
- c) How long does it take to submit a bid?
- d) How satisfied are you with the submitting tenders phase?

Customer Satisfaction with the Awarding Phase

- e) Are contractors invited to an open tender ceremony/day?
- f) How long does the process of open tender and tender analysis normally take?
- g) Is the process of announcement of the selected contractor/consultant transparent and quick?

- h) Does the selected contractor/consultant receive a complete set of drawings, project specifications and contract?
- i) How satisfied are you with staff treatment?
- j) How satisfied are you with the awarding phase?

IV. PROBE Questionnaire Survey

The PROBE™ concept is based on the Made in Europe studies 1996, 1998. See PROBE User Guide for acknowledgements.

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Website www.probe-network.com

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PROBE for Public Service

Questionnaire



Welcome to PROBE for Public Service

PROBE™ is one of the world's leading organisational assessment and best practice benchmarking tools, used in over 40 countries to promote and support the pursuit of Business Excellence across all sectors. Thousands of organisations have benefited from PROBE's insights and contributed to its unique knowledge base, supported by facilitators and agencies committed to the spread of good business practices that deliver improved organisational performance.

PROBE for Public Service is a version of the PROBE tools that has been carefully adapted for use in government organisations and providers of public services, while maintaining comparability with other sectors as an aid to mutually-beneficial learning across sector boundaries.

PROBE seeks to assess *today's* position: a snapshot of the current state of your organisation, examining both the practices you employ and the performance you achieve, across a broad range of business processes. By focusing on these key processes, you will establish a comparative position against world class standards, benefiting from more than a decade of research which has established PROBE's distinctive approach and knowledge-rich database. PROBE invites you to reflect upon your organisation's strengths and areas for improvement, and assists you to think through opportunities for learning and plans for change.

The notes which accompany each question have been included to help you prepare for answering the questionnaire. They should enable you to gather all appropriate information and to ask the right questions of your organisation.

The information you give us will be treated as strictly confidential. It will be used in only two ways:

- Firstly, and most importantly, for an analysis of your comparative position which will be fed back directly to you
- Secondly, for broader analysis of suitably-sized comparison groups, within which the identity of individual organisations is carefully concealed. Such analysis helps to inform policy at sectoral, regional and national levels.

Data from your organisation will not be used in any other way without your permission. In return, we ask that you respect the spirit of objectivity and confidentiality that characterises PROBE, by treating the results and report as confidential and not for release outside your organisation.

Thank you for using PROBE. In doing so you have taken an important step in the process of learning, planning and acting which is so vital to your efforts to achieve and maintain Excellence.



All the information in this questionnaire is confidential when complete
© PROBE Network LLP.

Please complete your details:

Organisation name (the legal company name)
Division, organisational unit or site name (see note below about 'Choosing the scope of your PROBE benchmarking process')
Personal details
Name
Position
Date/time/venue of initial PROBE team 'Pre-meeting' (led by the PROBE Team Leader)
Date/time/venue of 'Facilitated workshop' (assisted by an accredited PROBE facilitator)
Date/time/venue of Action Planning meeting (assisted by an accredited PROBE facilitator)

Using this document

This copy of the questionnaire is for your own use, you will not be asked to submit it to your PROBE facilitator. Please use this document to record any notes or queries that occur to you as you read the questions, and to record your initial thoughts about the scores that you believe would best represent your organisation's practices and performance in each of the areas covered by the questions.

As you move further through the stages of the PROBE process, you will have opportunities to discuss the questions and scores with the other members of your PROBE team. You may wish to make notes about others' comments and scores for each question, and to note the team's decisions about agreed scores. Eventually, the PROBE facilitator will ask the team leader and the team to confirm the final, agreed score for each question, and this information will then be used to generate some useful feedback for you and your organisation.

Choosing the scope of your PROBE benchmarking process

PROBE can be applied either to an entire organisation, or to a part of an organisation such as a department, team, site or unit. From the outset, the PROBE team needs to clearly define the scope of the 'organisational unit' upon which the benchmarking process will focus. Having made this decision,



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throughout the questionnaire the terms 'the organisation' and 'your organisation' should be understood to refer to the chosen 'organisational unit', except where the context requires a broader view to be taken (e.g. where corporate policies that are not determined within the organisational unit are relevant to particular questions).

The PROBE for Public Service Questionnaire

How to fill in the questionnaire

The questionnaire starts on the following page. Each set of questions asks you about a particular aspect of your organisation, for example *Service Quality*. Each aspect is broken down further: for example, one of the questions about *Service Quality* is 'Reliability'. Within each question, there are three statements which portray practice or performance which typifies 'best practice' (in the right-hand column) and something which would be some distance away from 'best practice' (in the middle and left-hand columns); please choose the statement most appropriate to your organisation. Each statement equates to a score to be written in the box provided.

Each question is accompanied by guidance notes which set the scene, suggesting that you have the ideas described/questions posed in the guidance note in mind as you make your judgements about the score. Underneath each question, there are a few lines where you can make your own notes. For example, you may wish to note your reasoning in choosing a particular score, as a reminder for your discussions with colleagues.

How to score

Choose the statement most appropriate to your organisation, and this gives you a score – the number in the coloured band above that statement. If you feel your organisation is between two statements, you should choose the number in the coloured band between these two statements. In the example below, the organisation questioned felt that statement two was most appropriate to them and so they scored 3. If they had felt they were between statements one and two, they would have scored 2.

Question Title	1	2	3	4	5
Guidance notes... guidance notes... guidance notes	Statement one		Statement two		Statement three

NOTES:

Statement two is most appropriate to our organisation, so we score 3

SCORE:
3

If you see differences across the organisation, where some areas are more advanced than others, you will need to make a judgement about the score that best represents the overall position – ask yourselves 'where is our centre of gravity on this question?' Bear in mind the relevant proportions of activities/customers/employees – for example, if sophisticated training for quality processes are in place, but they only cover 25% of employees, this should be taken into account in deciding the appropriate score for the relevant PROBE question.



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Please remember that there is no 'pass' or 'fail' for a PROBE benchmark – the intention is to help your organisation to identify strengths and opportunities for improvement, not to provide it with a badge or a certificate to hang on the wall. We seek to assess the true position of your organisation today, not where it will be when current plans and projects deliver the results you expect. For example, a pilot implementation does not warrant the maximum score of 5. Benchmarking will only ever be of value to you if your assessments are true reflections of the practices and performance of the organisation as it is now.

Throughout the questions, the term '*customer*' is used to embrace both primary customers (e.g. residents, clients, students, patients) as well as secondary customers (e.g. businesses, employers). In some cases, services for primary customers may be required by law, whereas service offerings to secondary customers may be discretionary subject to capability or capacity. See also the Glossary at the end of the questionnaire, which clarifies the meaning of a number of words and terms used in the PROBE questions and guidance notes.

The term '*sector*' is intended to embrace those peer organisations that operate as government departments or public service providers in the same field as your own organisation. As such they may be from any region or country. The term '*market*' may be interpreted as any grouping of people in receipt of the public service such as: areas, communities, age-groups, ethnic groups, wards, boroughs or postcodes/zip codes.



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ORGANISATION AND CULTURE

Management style

	1	2	3	4	5	
<p>1 Role of leadership in developing a service culture</p> <p>How well does the leadership team communicate and reinforce clear values and high performance culture? Does this include developing a service mindset throughout the organisation? Do executives drive service culture by example? Does the focus on anticipating and exceeding needs actively drive up the ambition of the community? Do the executive and non-executive/members reach solid consensus on priorities for best use of resources for best possible service to the community?</p>	<p>Little attention paid by top management</p>	<p>Supported by top management, delegated down</p>			<p>Top management visibly promotes a service culture and actively participates</p>	
<p>NOTES:</p>						<p>SCORE:</p>

	1	2	3	4	5	
<p>2 Leadership style</p> <p>Consider the organisational structure. Establish where decisions - day-to-day and strategic - are made. Remember that delegation and working in teams are not the same as empowerment. Consider the role of the manager and the skills of individual team members. Do the employees perceive that the organisation encourages an open atmosphere, so that staff can debate areas for improvement without feeling threatened? How quickly are decisions turned into actions?</p>	<p>Managers are autocratic with little cross functional communication. Bureaucratic organisation, slow to take decisions.</p>	<p>Flat organisation: teamwork encouraged</p>			<p>Managers behave as leaders. Extensive employee empowerment and participation. Employees perceive that openness is supported and encouraged</p>	
<p>NOTES:</p>						<p>SCORE:</p>



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3 Shared vision, mission and goals	1	2	3	4	5
<p>How were vision, mission and operational goals developed? Who was involved in the process? Are they communicated and understood at all levels in the organisation. Is there documentation supporting this communication and the methods employed? How have these organisation-wide statements been translated into practical operational goals for departments and individuals? Are priorities deflected by political pressures? Do employees believe managers can deliver on the vision?</p> <p><i>Note that the introductory notes on page 3 include an interpretation of the meaning of the words 'the organisation', which may refer to an entire organisation or to a unit, department, service or team, depending on the context in which you are undertaking the PROBE benchmarking process.</i></p>	<p>No shared plan or vision statement</p>	<p>There is a written mission statement. Management share vision, but beyond management it is shared only to a limited extent</p>	<p>Common vision, shared by all. Employees involved in goal setting, and totally bought-in</p>		
	<p>NOTES:</p> <hr/> <hr/> <hr/>				<p>SCORE:</p>



Service culture

4	Customer orientation	1	2	3	4	5
<p>How customer-oriented is the whole organisation? How well are customers' requirements and expectations understood? Has this been incorporated into the organisation's plans as a key goal, or is the organisation internally focused? Has this been validated through measurement of customer expectations and satisfaction? How are their needs disseminated within the organisation? Has the concept of internal customer/supplier relationships been adopted? Is public perception locked in out of date impressions?</p> <p><i>Note that the introductory notes on page 3 include an interpretation of the meaning of the word 'customer' in a public service context. There is also a more detailed guidance note in the Glossary at the end of this questionnaire.</i></p>		Customers' service expectations and satisfaction not known		Customer requirements identified, including those of internal customers		Customers are the central focus of business/service planning. Expectations and satisfaction are measured
		<p>NOTES:</p> <p>_____</p> <p>_____</p>				

5	Quality values	1	2	3	4	5
<p>Has the organisation defined its quality values such as customer focus in its mission and goals? Are quality values embedded in the organisation, and are they part of the way the organisation works - for both management and staff?</p>		Quality values not part of the core values of the organisation's employees		Quality values adhered to by individual management and staff members		Quality values explicitly addressed in organisation mission statement and actively promoted
		<p>NOTES:</p> <p>_____</p> <p>_____</p>				



Employee management

6	Recognition and reward	1	2	3	4	5	
<p>Recognition and reward of exceptional individual performance can reinforce and promote outstanding service. How do you get external and internal feedback on individual service performance against expectations? Are there 360° (including upwards) appraisals? How is this translated into recognition and reward? Does succession planning favour existing post holders?</p>	<p>No feedback or recognition of service performance at employee level</p>		<p>Recognition by management of exceptional individual performance</p>			<p>Recognition is everyone's responsibility and is based on exceeding both internal and external expectations, as individuals and as team members.</p>	
	<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>						<p>SCORE:</p> <div style="border: 1px solid black; width: 40px; height: 40px; margin: 0 auto;"></div>

7	The development of people	1	2	3	4	5	
<p>Is there a formal people-development plan that is linked to organisational/service needs? To score 2 or more requires a plan that covers development needs, which includes allocation of appropriate resources. Have you achieved Investors in People accreditation and/or won a National Training Award? The score will depend upon the type, amount and effectiveness of education and training across the whole organisation so that individual, team and organisation/service needs are systematically met.</p>	<p>The development of people is ad hoc and likely to be limited in range, content and effectiveness</p>		<p>Training is planned and evaluated. Skill development and training is available for all employees. Investors in People (or equivalent) have been well and consistently applied and accreditation secured/renewed</p>			<p>People development is highly sophisticated, drives the organisation/services forward systematically. Many approaches used and continuously refined. Benefits well-established, strong evidence of improved performance for individuals, teams, whole organisation</p>	
	<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>						<p>SCORE:</p> <div style="border: 1px solid black; width: 40px; height: 40px; margin: 0 auto;"></div>

8	Education and training for quality	1	2	3	4	5	
<p>What are the organisation's plans and actions for education and training in quality? (For example quality tools and techniques). What percentage of the organisation do they cover? Do new recruits receive quality training? Training in quality should enhance employees' ability to solve problems and improve service delivery. <i>Examples of quality training are tools and techniques such as flowcharting, mapping customer journeys, pareto analysis and cause and effect diagrams.</i></p>	<p>Limited training for quality</p>		<p>Some quality training, focus on improvement of 'quality' knowledge</p>			<p>Comprehensive quality training and education plan. Effective training in quality values, continuous improvement principles, quality tools and techniques. Genuine and sustained impact upon managers' and staff attitudes and work practices</p>	
	<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>						<p>SCORE:</p> <div style="border: 1px solid black; width: 40px; height: 40px; margin: 0 auto;"></div>



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9	Employee Involvement	1	2	3	4	5
<p>How do staff contribute to the operation of the service and decision-making process? What systems exist to involve staff? (For example, quality programmes, suggestion schemes, quality circles). What measures exist to assess the success of these schemes? In what ways, if any, do staff exhibit empowerment? Is action taken on issues raised or identified by staff?</p>		Involvement is blocked by attitudes of both management and employees		We have tried improvement teams and suggestion schemes with limited success		Employees highly involved. Are able to make real contributions to organisational improvement
		<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>				

10	Support for employees	1	2	3	4	5
<p>Front-end and other staff can only provide outstanding service if they have the necessary resources and support such as technology, information and effective service processes. How do you ensure that this is always the case? Do you solicit feedback from staff on the quality of resource available?</p>		Inadequate support (e.g. technology and service design) for staff providing customer service		Reasonable support for staff, but shortages in resources do not always allow staff to satisfy customers		Staff feel that they receive adequate support and resources to do their job and to fully satisfy customers
		<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>				

11	Measurement of employee satisfaction	1	2	3	4	5
<p>How is employee satisfaction measured? Are employee surveys used on a regular basis to assess morale within the organisation? What indicators are used to assess employee satisfaction and morale? Do you know the linkages between employee satisfaction, absenteeism, workforce performance and customer satisfaction?</p>		No measurement of employee satisfaction, relying instead on informal means to assess morale.		Some measurement of employee satisfaction, which helps to inform the organisation about staff morale, but which stops short of formal measurement e.g. monitoring of views expressed during appraisals, indirect measures such as absenteeism, turnover etc.		Systematic employee satisfaction measures collected and related to customer satisfaction data. Findings are widely communicated, identified improvements are acted upon and this follow-up is clearly visible to all.
		<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>				



ORGANISATION AND CULTURE - RESULTS

Internal service quality

12 Level of employee satisfaction	1	2	3	4	5	
<p>What is the overall level of staff morale? What data is this based on? What is the current and likely future trend?</p> <p><i>You cannot score more than 2 if there is no year-on-year measurement.</i></p>	Moderate or serious internal morale problems		Stable atmosphere. Good employee satisfaction, with positive trend		Optimism and confidence. Highest levels of employee satisfaction	
	NOTES:					SCORE:

SERVICE CONCEPT AND PROCESSES - DRIVERS

Understanding the customer

13 Listening to the customer	1	2	3	4	5	
<p>How does your organisation capture the voice of the customer? Are informal means such as employee feedback and customer complaints exploited? What formal mechanisms are there such as research into user needs, customer surveys and focus groups to identify current and future expectations? How is this data used to improve existing services and design new services?</p> <p><i>To score more than 3 you must effectively use a range of customer feedback mechanisms to improve service delivery.</i></p>	Only customer interactions are those associated with the provision of the service. No direct customer input to the development of new services		Done mainly through informal means and complaints. Translation of these into service standards and used in improving existing services		A range of both formal and informal mechanisms to identify customer expectations of service. Fed into service design, service standards and development of services	
	NOTES:					SCORE:



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Service design and development

14	Innovative environment	1	2	3	4	5
<p>Is the environment in the organisation one where people know that they can put forward innovative ideas and expect support? Can staff try new ideas without being held back by fear of failure? How are innovations encouraged?</p>	<p>Entrepreneurial ideas are discouraged. New ideas considered only if return is substantial</p>	<p>Innovations are encouraged, but originator generally takes responsibility for risk of failure. Collaboration across departments is not facilitated</p>	<p>Exploitation of new ideas is supported and funded. Risks are minimised via 'fail-safe' mechanisms. Successes are publicly rewarded</p>			
	<p>NOTES:</p> <p>_____</p> <p>_____</p>					<p>SCORE:</p> <p>_____</p>

15	New service design and development process	1	2	3	4	5
<p>Continuously enhancing existing services, and developing appropriate new services, are key processes. What are the processes for incorporating changing customer and society requirements and technology into service designs? To what degree is there a formal and reproducible process? Is the process consistently followed? Is this process also subject to improvement?</p>	<p>No identifiable process for new or existing service development. Ad hoc basis</p>	<p>Services developed and improved regularly but no set process</p>	<p>Formal and reproducible processes for developing new and enhancing existing services. Processes are regularly reviewed and improved</p>			
	<p>NOTES:</p> <p>_____</p> <p>_____</p>					<p>SCORE:</p> <p>_____</p>

Delivery system and processes

16	Role of support services	1	2	3	4	5
<p>Support functions, the part of the organisation that does not interface with the customer, is no longer the behind-the-scenes processing for the organisation – it is increasingly a central part of the processes that deliver the services. How integrated are support services with service delivery? How are support process capabilities being used to create improvement opportunities and deliver superior service?</p>	<p>Provide transaction, administrative, or service support only, but often a source of complaints</p>	<p>Contribute to service, play an important role in the total service and are given attention, but still play a separate role from front line staff</p>	<p>Proactive and develop superior processes and create new service opportunities for the organisation</p>			
	<p>NOTES:</p> <p>_____</p> <p>_____</p>					<p>SCORE:</p> <p>_____</p>



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17 Management of service and support processes	1	2	3	4	5
<p>Process management is at the centre of achieving service excellence. How do you go about identifying the core processes in your organisation? Have these been redesigned where appropriate? Have you moved from a functional to a process mindset? How do you set responsibility for key processes (process owners) and how are the processes managed to maintain performance? Is the concept of process capability well understood and effectively used?</p>	No proactive attention to service processes (e.g. handling enquiries/requests/bookings, scoping/contracting, service delivery, service completion/discharge, etc)		Key processes defined and mapped. Initial steps taken toward redesigning and improving these processes		Key service and support processes managed and redesigned where needed. Process owners in place. Process performance measured as a driver for improvement
	<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>				<p>SCORE:</p>

18 Customer relations	1	2	3	4	5
<p>Many organisations are investing in developing customer relationships. These relationships can provide the ability to offer customer-specific solutions, with service often customised to individual needs. What does the customer receive from and provide to relationships? Do your customers perceive you as being easy to work and interact with?</p>	Relationships with customers limited and often dissolve. Little attention is paid to using relationships in service provision		We are beginning to invest in relationships with customers. There is limited development of individual customer solutions		Our processes are designed to use relationships with our customers to customise/provide solutions that create value and mutual benefit. We are easy to work and interact with.
	<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>				<p>SCORE:</p>

19 Current use of IT	1	2	3	4	5
<p>Information technology has the potential both to make service and support processes more effective and to create totally new ways of working. How good are your information systems? How well are they supporting the key processes? How far have you exploited IT's ability to generate new ways of working for the organisation as a whole (e.g. Customer Relationship Management)? How integrated are your systems?</p>	Information Technology used just for standard applications (e.g. accounts, invoicing, payroll)		Investment in IT to improve functional performance, with little change in service and support processes		IT and other technologies used to support redesign of processes in order to change the basis of service delivery
	<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>				<p>SCORE:</p>



20	Managing 'moments of truth'	1	2	3	4	5
<p>Each point of contact with customers is a 'moment of truth', each with the opportunity to succeed or fail in the eyes of the customer. How systematic are you in identifying key moments of truth? A moment of truth can be: spotting and reporting yesterday's milk on a doorstep, a clean and tidy vehicle, a courteous telephone manner etc. How do you ensure that each is delivered with excellence and opportunities for failure are minimised?</p>		Processes for delivering customer service not identified, nor well understood		Service processes understood and key customer contact points ('moments of truth') identified/mapped. Manner of dealing with 'moments of truth' depends upon the individual's innate initiative.		We ensure that every customer contact is delivered with excellence, and potential problems are anticipated and prevented.
		<p>NOTES:</p> <hr/> <hr/> <hr/>				

Use of IT and electronic communication

21	Electronic communication & E-commerce	1	2	3	4	5
<p>How are you exploiting electronic communication & E-commerce opportunities? The rapid growth of the web, electronic data interchange and customer relationship management (CRM) presents multiple opportunities for organisations to interact with their customers/suppliers and to create new service opportunities (e-payment, distance learning etc). <i>Having a good quality website scores only 2. To score beyond this you would need to provide the opportunity for customers to interact with you, to deal with you or have part of your service available online. In particular a 5 score would not be achieved without full participation in e-procurement initiatives.</i></p>		No method of electronic communication / commerce currently being used		Use of electronic means goes beyond simple website. Customers are able to search for information and there are some interactive capabilities. A small percentage of our service is delivered electronically		We make extensive use of electronic means to deliver parts of our service, to allow our customers to interact with us online, and in our procurement practices. A substantial percentage of our customer and supplier base interact with us electronically.
		<p>NOTES:</p> <hr/> <hr/> <hr/>				



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Working with suppliers

22 Strategic procurement	1	2	3	4	5
<p>In today's environment many more service jobs are being performed on a contract basis using specialist suppliers (i.e. outsourcing, commissioning). How mature are the organisation's corporate procurement processes? Are they benchmarked against world class best practice? Is the trade-off between organisational cohesion and economic benefits well appreciated? Are all opportunities for collaborative procurement fully embraced?</p>	<p>There is limited use of specialist service providers. A balanced evaluation of alternative service providers is not regularly undertaken. The working assumption is that most activities will remain in-house</p>	<p>The procurement process does consider alternative sources of supply for existing internal services as well as seeking to embrace collaborative opportunities</p>			<p>Corporate procurement is undertaken as a strategic business process taking into account not only cost benefits but also long term service implications and organisational synergies for the network of public service organisations</p>
<p>NOTES:</p>					
<p>_____</p> <p>_____</p> <p>_____</p>					<p>SCORE: _____</p>



SERVICE CONCEPT AND PROCESSES - RESULTS

Service effectiveness

<p>23 Innovativeness</p> <p>How many new services and innovative ways in which services are delivered have been developed in the past three years? How does this compare with public service norms? What percentage of your activities comes from these innovative services and approaches?</p>	1	2	3	4	5	<p>SCORE:</p>
	<p>No recent innovations in service concept and processes</p>	<p>Regular innovations in service, and an occasional major breakthrough innovation</p>	<p>Many innovations. Recognised as a leading innovator in the sector</p>			
<p>NOTES:</p>						

<p>24 Service meeting customer needs</p> <p>No matter how good and motivated the employees, if a service is not designed to meet customer needs it may not produce results that create satisfied customers. What do your customers tell you about the design of your service relative to their needs? Is this continually improved in line with increasing customer expectations? Is there a level of genuine partnership between all local public service organisations for the benefit of the community?</p>	1	2	3	4	5	<p>SCORE:</p>
	<p>Service does not consistently meet customer needs</p>	<p>Service generally meets customer needs</p>	<p>Service produces results that consistently meet and exceed customer needs. The service is also clearly 'joined up' with adjacent public service organisations for the benefit of all customers</p>			
<p>NOTES:</p>						



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SERVICE DELIVERY – DRIVERS

Managing for improvement

	1	2	3	4	5	
<p>25 Continuous improvement</p> <p>Continuous improvement is a core theme of quality management. How is continuous improvement organised? What training is there for employee teams? Are „lean“ tools and „kaizen“ (continuous improvement) techniques used? (e.g. value stream mapping, cycle time reduction, cause-and-effect analysis, statistical process control, creative thinking techniques etc.).</p>	No systematic programme of continuous improvement or use of quality tools		Forced to make improvements by our customers and/or stakeholders. Limited effective use of quality tools		Committed to continuous improvement. Emphasis on understanding quality problems before taking action. All employees use quality tools, and they are used effectively	
NOTES:						SCORE:

	1	2	3	4	5	
<p>26 Problem solving</p> <p>How are problems treated? Is there a team approach to identifying causes and developing solutions, as opposed to escalation to management? Are employees or individuals penalised when problems arise, or is there a belief that procedures are at fault and may need revision to become „fail-safe“? What training is given to employees to enable them to solve problems? Is there a desire to learn from problems or just the application of a quick fix?</p>	Crisis mindset, finger pointing. Blame culture is a barrier to the gathering of facts. Solutions tend to be „quick fixes“.		System for identifying and responding to problems, using process analysis and teams. Moving beyond „fire-fighting“. Some people trained in formal „problem-solving“ techniques		Problems viewed as opportunities for further improvement, and all staff empowered to act	
NOTES:						SCORE:

	1	2	3	4	5	
<p>27 Quality mindset</p> <p>What steps have been taken to move from a „checking“ mindset to a view that quality is everybody’s responsibility? What training is provided to equip employees with required tools and skills? How does the organisation’s quality vision compare with your sector’s achievements and trends?</p>	Problems will happen... we’ll deal with customer complaints...“		Monitoring and checking, with some data collection		Total quality mindset. Quality is everyone’s job, and employees take ownership of processes	
NOTES:						SCORE:



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28	Quality procedures and framework	1	2	3	4	5	
<p>To what degree do you have well documented procedures in your organisation? For example, having current ISO9000 service certification or an equivalent would suggest a score of 3. Does the organisation / unit use any self-assessment frameworks such as the EFQM Excellence Model, Baldrige Framework, Charter Mark or 'Investors in Excellence' to drive process improvement in services and support processes, <u>over and above mandatory assessments</u>? A high score also suggests robust financial processes without audit issues. The business processes are open and transparent, meeting the spirit as well as the letter of the law.</p>		No procedures for quality management in place		Quality management procedures are documented, but limited in scope			All business processes and financial controls are thoroughly documented, constantly improved, tested against world class best practice, open and transparent, fully auditable and accountable. Comprehensive framework in place to drive the pursuit of excellence
		<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>					<p>SCORE:</p>

29	'Real-time' employee handling of service problems/failures	1	2	3	4	5
<p>How are service problems and failures dealt with? To what degree are employees explicitly and appropriately empowered to deal with these, and to take immediate decisions to resolve problems without recourse to supervisors? What training and support are given to do this?</p>		Service problems/failures not identified or responded to		Sporadic resolution to service problems and failures in delivery		Employees empowered to deal with failures/problems in real time and make immediate decisions
		<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>				

30	Problem handling strategy for service recovery	1	2	3	4	5
<p>Effective customer problem handling can turn a negative experience into a positive one. Where problems occur frequently: have these been identified, have both preventive action and explicit policies been developed to deal with these? Are there procedures in place to ensure that all customer problems are dealt with rapidly, and with minimum hand-ons (transfers)? How do you ensure that your problem handling policies are effective?</p>		No explicit strategy for handling problems – service recovery		Staff use defined procedures for dealing with routine problems quickly. Non-routine problems take a lot longer		Explicit strategy for action consistently yields fast and personal service recovery
		<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>				



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31	Use of customer complaint data	1	2	3	4	5
<p>How are complaints captured? Is it easy for a customer to contact your organisation/unit with a complaint or problem? Do you make it clear how and to whom complaints can be addressed, and use tools such as free phone numbers? What do you do with complaint data?</p> <p><i>If complaint data (i.e. low numbers of complaints) is used as a performance measure for managers, you can score no more than 3 on this question. To score a 5, you must see complaints as valuable feedback, to be actively solicited and used for service improvement.</i></p>		No procedures for capturing or using customer complaint information		Customer complaint data is captured and used as a measure of service performance		Customer feedback and complaints actively solicited and used for service improvement
		<p>NOTES:</p> <hr/> <hr/>				

Flexibility and responsiveness

32	Employee discretion	1	2	3	4	5
<p>In terms of giving staff the discretion to act within a wide range, where are you on the pendulum of tight control, limited procedures or complete freedom to act? Are staff working effectively in self-managed teams? What policies and training do you have to support this?</p>		Staff are actively discouraged from challenging procedures		Staff have limited discretion within tightly defined limits		Staff have broad discretion (empowerment) to take any action they deem necessary
		<p>NOTES:</p> <hr/> <hr/>				



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SERVICE DELIVERY – RESULTS

Service quality

<p>33 Reliability</p> <p>Of all aspects of service quality, reliability in the delivery of service is seen as fundamental. Without reliable service, customers will not respond to other aspects of service quality. What is reliability to your customers? How well do you deliver what is promised?</p>	1	2	3	4	5	<p>SCORE:</p>
	Customers frequently feel let down	We usually deliver what is promised, with some minor delays or problems	Seen as an organisation that you can always rely on to deliver the promised service	NOTES:		

<p>34 Quality performance, relative to your sector</p> <p>In terms of quality, how do you compare with others in your sector? How do your targets and achievements relate to your peers' performance? What data do you have to support this view?</p>	1	2	3	4	5	<p>SCORE:</p>
	Poor overall quality record, compared to sector norms	Achieved levels about equal to sector norms	Achieved a reputation for excellence in quality services that is notable in the sector and significantly better than peer organisations	NOTES:		

<p>35 Staff responsiveness</p> <p>Responsiveness is both the speed with which staff respond to customer needs, and the degree to which they listen to customers and try to respond to their individual needs even when not part of the core service. Do your customers see your staff as responsive?</p>	1	2	3	4	5	<p>SCORE:</p>
	Staff seen as slow to respond to customer needs	Staff respond rapidly to customer needs	Staff go out of their way to respond to customer needs even when not part of core service	NOTES:		



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36 Accessibility	1	2	3	4	5
<p>Customer service research indicates that customers have rated accessibility as the number one service criterion. Accessibility covers a wide range of issues – it includes being open when customers want to use the service, the ability to contact the right person whenever needed, ease of access such as not having to wait for phones to be answered, and physical accessibility such as ease of parking, wheelchair access, closeness to public transport etc. What are the key aspects of accessibility to your customers? How well are these met?</p>	Availability and hours of operation to suit staff and organisation. Often long waits on telephone, physical access/parking difficulty		Easy to get through on phone. Staff available within normal working hours, but only limited availability outside that time. Physical access acceptable		Customers can get through to relevant person rapidly without waits on phone systems. Excellent physical access/ parking. Overall accessibility for customers/opening hours - meets their needs without time or other constraint
	<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>				

37 Impact on Society	1	2	3	4	5
<p>Increasingly organisations are seeing their social responsibilities lying outside their immediate environment and extending to society as a whole. What is your organisation doing to attend to social and environmental issues in the communities in which you operate and to support its staff in this area? How is the organisation addressing the challenges of climate change and sustainability, fair trade and the role of the third/voluntary sector?</p>	Attention to social and environmental issues restricted to compliance (regulatory)		Attention to social and environmental issues extends beyond compliance obligations		Systematically addressing activities such as energy conservation support for local communities, sustainable procurement, recycling, etc.
	<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>				



SERVICE VALUE AND MEASUREMENT – DRIVERS

Costs and value

	1	2	3	4	5	
<p>38 Elimination of 'waste' (non value-adding activities)</p> <p>Activities that do not add value to the customer can be considered as „waste“. How are wasteful activities identified? What steps are being taken to eliminate waste or non-value-adding activities?</p>	<p>The activities of the organisation have not been questioned for some time</p>	<p>Non-value-adding activities becoming a focus of managerial attention</p>	<p>Programmes in place to improve productivity and to tackle all activities that do not add value to the customer</p>			
<p>NOTES:</p>						
						<p>SCORE:</p>

Service standards

	1	2	3	4	5	
<p>39 Visibility and communication of service standards</p> <p>How does your organisation ensure that the key performance standards and outcomes are visible to all staff and customers?</p>	<p>No service standards in place, or existing standards are known only to management</p>	<p>Standards are communicated and are clear to all staff</p>	<p>Key standards are visible to both staff and customers</p>			
<p>NOTES:</p> <hr/> <hr/> <hr/>						
						<p>SCORE:</p>

40	Challenging standards	1	2	3	4	5
<p>Challenging goals can lead to superior performance, while easy-to-achieve standards can rarely motivate an organisation to improve. How realistic and challenging are the standards that you set yourselves? Are they related to best-in-class? Are these standards updated as performance improves and customer expectations increase? Are your standards based on world-class, local or domestic levels of performance?</p>		Standards easily met, do not impact on management or employee behaviour		Realistic standards that a competent organisation should achieve		Challenging standards set based on external benchmarks of performance/stretch goals
		<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>				

Performance measurement

41	Systematic use of benchmarking	1	2	3	4	5
<p>Many organisations benchmark products and services or compare metrics/measures with those of their peers. These approaches can help pinpoint shortfalls, but are limited in their contribution to learning and improvement. Best practice (or "diagnostic") and process benchmarking use comparisons with what others are doing. Does your organisation/unit make effective use of process benchmarking – the search for and implementation of best practice – from any sector? If this activity exists, how is it formally incorporated into improvement activities and what has it achieved?</p>		No benchmarking activity (other than current use of PROBE benchmarking process)		Some comparison of external performance measures and sharing of good practice within own organisation. Emphasis on metric comparisons and/or limited ongoing use of diagnostic benchmarking and/or self-assessment against models of organisational excellence		Considerable effort to compare performance against peer organisations and to seek out best practice from beyond our sector. Making effective use of diagnostic and process benchmarking as aids to learning and improvement
		<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>				



42	Performance measurement and reporting	1	2	3	4	5
<p>Increasingly organisations are looking to performance reporting going beyond financial and activity figures, to encompass a more balanced and holistic set of perspectives. How broad is the set of measures that your organisation uses? Are approaches such as „balanced scorecards“ or the EFQM Excellence Model or Baldrige Framework used?</p>		Focus on costs and activity volumes (e.g. primarily accounting or finance driven)		By costs and non-financial measures of process outcomes		Using multiple measures to achieve a balance, such as customer satisfaction, activity, staff morale & financial measures (for example, through development and effective use of a balanced scorecard)
		<p>NOTES:</p> <hr/> <hr/> <hr/>				

43	Customer satisfaction measurement	1	2	3	4	5
<p>What measurements are in place to track customer satisfaction? Are processes reactive to customer complaints or do they seek to understand customer requirements in more detail? When problems are identified is there a formal ownership and resolution process? How are causes identified and activities managed to prevent recurrence?</p>		Limited measurement of customer satisfaction. Limited impact on service and process improvement.		Regular measurement of customer satisfaction in large broad-based samples of customers		Careful and sophisticated identification of the dimensions of customer satisfaction by segment, using a broad range of measurement tools and approaches. Effective deployment of lessons learned as a driver for service and process improvement
		<p>NOTES:</p> <hr/> <hr/> <hr/>				



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SERVICE VALUE AND MEASUREMENT – RESULTS

Customer satisfaction and value

	1	2	3	4	5	
<p>44 Level of customer satisfaction</p> <p>What is considered to be a good level of customer satisfaction and how is it defined? What proportion of your customers are satisfied or better? A delighted customer is one whose expectations are not only met, they are exceeded. They will feel strong loyalty to your organisation/unit and willingly tell others of their high opinion of your services. What proportion of your customers are delighted with your services?</p>	Customer expectation often not met. Some customer complaints		Little customer dissatisfaction. Expectations met, but rarely exceeded		Many delighted customers. Expectations are often exceeded	
NOTES:						SCORE: <input type="text"/>
<hr/> <hr/>						

	1	2	3	4	5	
<p>45 Value (quality/price)</p> <p>How do your customers perceive your services in terms of value for money? What data do you have to support this?</p>	Customer perception of value is lower than peer service providers		Value for money is on par with peer service providers		The organisation is perceived as offering high value	
NOTES:						SCORE: <input type="text"/>
<hr/> <hr/>						

Customer loyalty

	1	2	3	4	5	
<p>46 Customer retention</p> <p>For customers who have a choice, how loyal are they? Do they choose to return to you, or do they frequently switch to other service providers? What data do you have on customer retention? Is this high or low relative to other service providers? If you are a natural monopoly, how loyal would your customers be if they had a choice of suppliers?</p>	High rate of customer turnover		Customer retention is typical for our sector		Customers are exceptionally loyal	
NOTES:						SCORE: <input type="text"/>
<hr/> <hr/>						



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Financial (business) performance

Some of the questions in this final section are of a rather different nature to those in the earlier sections. Some PROBE Team members may be less familiar than others with the financial/performance data covered here, and the team may even need help from outside its core membership to gather data relevant to these questions. Arriving at agreed answers for the questions in this section may be a rather different process than for the earlier sections—this is quite normal and not a cause for concern.

<p>47 Margins relative to sector</p> <p><i>For service/activity areas where this question is applicable (e.g. where the organisation is trading & charging for some of its services and is able to generate surpluses):</i></p> <p>What is the gross margin on sales relative to your sector? If your organisation doesn't know how the sector performs then a score of 3 is probably all that can be justified.</p>	1	2	3	4	5
	Below sector average		At sector average		Above sector average
<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>					
					SCORE:

<p>48 Market share</p> <p><i>For service/activity areas where this question is applicable:</i></p> <p>Is market share used as an active measure of organisational performance or just a result of strategic/management decisions? Has any independent confirmation been sought of market position over time and likely trends, new competitors or changes in consumer profiles? What is the current trend in market share?</p> <p><i>Note that the introductory notes on page 3 include an interpretation of the meaning of the word 'market' in a public service context.</i></p>	1	2	3	4	5
	Declining		Static		Increasing
<p>NOTES:</p> <p>_____</p> <p>_____</p> <p>_____</p>					
					SCORE:



<p>49 Cashflow</p> <p>Use today's position, but assess the general direction of cashflow over the last few months to determine whether it is moderately or strongly flowing in any one particular direction. Does income balance with expenditure including devolved budgets? Exclude the effect of capital investment.</p>	1	2	3	4	5
	Negative		Neutral		Positive
NOTES:					
<p>_____</p> <p>_____</p> <p>_____</p>					<p>SCORE:</p> <p>_____</p>

<p>50 Overall efficiency/productivity trend within organisation</p> <p>Use a year-on-year assessment of efficiency or productivity gains. How is efficiency or productivity measured? (e.g. output per head? Return on capital employed?) To date, what has been the key contributor? How is progress going to be maintained in the future?</p>	1	2	3	4	5
	Decreasing		Moderate improvement (2-5% per annum)		Consistently improving. Significant gains (15%+ per annum)
NOTES:					
<p>_____</p> <p>_____</p> <p>_____</p>					<p>SCORE:</p> <p>_____</p>

<p>51 Operating Costs</p> <p>Is your organisation/unit a low-cost deliverer of the services it delivers? Is the organisation proactively seeking out information about how its costs compare?</p> <p><i>If you do not know the relevant cost 'norms', then a score of 3 is the most that can be justified</i></p>	1	2	3	4	5
	High		Average for sector		Lowest costs in sector
NOTES:					
<p>_____</p> <p>_____</p> <p>_____</p>					<p>SCORE:</p> <p>_____</p>

<p>52 Prices</p> <p><i>For service/activity areas where this question is applicable (e.g. where the organisation is trading & charging for some of its services):</i></p> <p>For equivalent services, do you seek to charge a premium price or does your organisation seek to undercut the prices of competitors?</p>	1	2	3	4	5
	Lower than competition		Same as competition		Higher than competition
NOTES:					
<p>_____</p> <p>_____</p> <p>_____</p>					<p>SCORE:</p> <p>_____</p>



Glossary

Balanced Scorecard

Using performance measures that cover both drivers (operational performance, organisational learning & growth) and results (financial performance & customer (market) performance), in such a way that they provide effective insights into short- and long-term performance and the „levers“ through which performance can be enhanced

Baldrige Framework

See description under „EFQM Excellence Model“ below

Benchmarking

The search for practices that lead to superior performance. Comparing your processes and performance against those of other organisations as an inspiration and aid to learning and improvement

Charter Mark

The UK Government’s national standard for excellence in customer service

Customer

In the context of public services, the word “customer” encompasses anyone who uses, experiences, funds, commissions or benefits from the services. „Customer“ may be used to embrace both primary customers (e.g. residents, clients, students, patients) and secondary customers (e.g. businesses, employers). In some cases, services for primary customers may be required by law, whereas service offerings to secondary customers may be discretionary subject to capability or capacity

Data Mining

Processes of systematically searching large databases, typically of customers, for patterns and insights

EFQM Excellence Model

The European Foundation for Quality Management are the developers and custodians of the EFQM Excellence Model, widely regarded as the most effective tool available for holistic, in-depth organisational assessment as an aid to continuous improvement and the pursuit of excellence. Similar and strongly linked to its American and Japanese counterparts, respectively the Baldrige Framework and the Deming Prize framework.

Electronic Communication/Commerce

The use of the Internet or electronic data interchange to support the organisation’s interaction with customers, suppliers and partners

GroupWare

Software that supports data sharing by a wide range (groups) of people

Innovation

The successful exploitation of new ideas, including adopting/adapting an idea which has been used elsewhere but is new to this setting/context

Investors in Excellence

Recognition scheme designed to stimulate improvement in all key areas of an organisation, and to publicly acknowledge and encourage an organisation’s commitment to the pursuit of continuous improvement and organisational excellence

Investors in People

UK-based standard and guidance which defines good practice in people development, and enables organisations to obtain feedback and recognition in this area

Kaizen

A Japanese word meaning „continuous improvement in small steps“, common parlance in many organisations committed to quality improvement. The philosophy of „kaizen“ is central to an understanding of how many leading organisations have established and maintained momentum in their efforts to improve

Market

The term „market“ may be interpreted as any grouping of people in receipt of the public service such as: areas, communities, age-groups, ethnic groups, wards, boroughs or postcodes/zip codes.

Moments of Truth

Any interaction between an organisation and a customer (face-to-face, telephone, written etc.) is potentially important for service effectiveness and the customer’s perception of the organisation and its services. A „moment of truth“ is a key interaction during which the organisation/unit has the opportunity to get things very right for the customer, or to get them very wrong. A well-handled „moment of truth“ can have very positive effects, but if it goes badly the service outcome and the organisation/unit’s reputation can both be seriously damaged. A moment of truth can be a turning point in the customer/service-provider relationship

Process capability

The capability of a process to perform consistently well against the required targets/standards. Bearing in mind that variation is always present in any process, and can never be eliminated, improving process capability is about ensuring that the process variation rarely takes performance outside the target range. In technical/statistical terms, „six sigma“ capability means that performance will be outside target/standard range only 3.4 times per million opportunities. „5 sigma“ equates to 233 „defects“ per million.

Quality Function Deployment A simple yet powerful technique for matching the design of products and services to customer requirements

Sector

The term „sector“ is intended to embrace those peer organisations that operate as government departments or public service providers in the same field as your own organisation. As such they may be from any region or country.

Service Mapping

A technique for mapping interactions between customers and the organisation/unit over the whole service process. Maps may also be produced of „customer journeys“ - effectively a service map as perceived from the customer’s perspective. This often provides invaluable insights into aspects which are unsatisfactory in terms of the customer’s experience, despite the best efforts of all concerned to deliver effective and high-quality services

Real Time

At the same time, without delay

Service Culture

A culture where the importance of service to all customers, internal and external, is embedded in everybody’s behaviour.

Service Guarantee

A promise of recompense if a certain standard of service has not been delivered

Service and Support Processes

A „process“ is set of activities, often involving different functions, that produces an end result. Organisational processes (often referred to as „business processes“) can be categorised as being directly involved in service delivery, or as being “support” processes

Value The ratio of service level to price.
High service and low price = high value

1509000

A series of international standards which assist organisations to develop effective quality-focused procedures and to assess them for on-going effectiveness and scope for improvement. Organisations can submit their quality systems for external assessment by accredited assessors, and if successful can receive certification of the effectiveness of their systems and procedures

World Class

An organisation that deploys practices and achieves resulting performance levels that match the best in the world



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PROBE for Public Service



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The PROBE™ concept is based on the Made in Europe studies 1996, 1998. See PROBE User Guide for acknowledgements.

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V. Assessment of Interviewees' Views About What Needs to Be Changed

The questions ask what interviewees think about their current organisational system and what should be immediately changed

Name:				
Job Title:				
Q1) After attending the training programme, I feel that:				
(Please rank: 3 Agree; 2 Not Sure; 1 Disagree)				
	1	2	3	Comments
The performance of the organisation can be significantly improved				
Strategic planning principles/best practice are not being used by top management				
There is a lack of using project management best practices in the management of the organisation's projects				
Strategic planning and project management best practices can help reduce the high rate of failed projects				
My job description needs to be clearly defined				
My role and responsibility need to be clearly defined				
The role of the Heads of Departments needs to be more of a visionary nature rather than an approval role				
Current regulations are hindering improvements				
Employees need to be empowered to take responsibility for their own work				
Many of the current processes have no value and could be eliminated to improve performance				
Work is based on individual performance rather than teamwork				
Our services to customers can be improved				
The current structure of the organisation makes it difficult to improve our contact with customers				
There is a need for a quality assurance process to ensure that customers receive the best service				
Is there anything else you want to add?				
Q2) After attending the training programme, I feel that there is an immediate need for:				
(Please rank: 3 Agree; 2 Not Sure; 1 Disagree)				
	1	2	3	Comments
Change				
Improving business processes of the department				
Strategic planning				
Project management office				
Client single window				
Focused training and capacity building				
Better use of IT				
Develop a common vision among employees				
Redefinition of roles and responsibilities to match clear objectives of the department				

Need to empower employees				
Is there anything else you want to add?				

VI. Details about PROBE Overall Practice and Performance

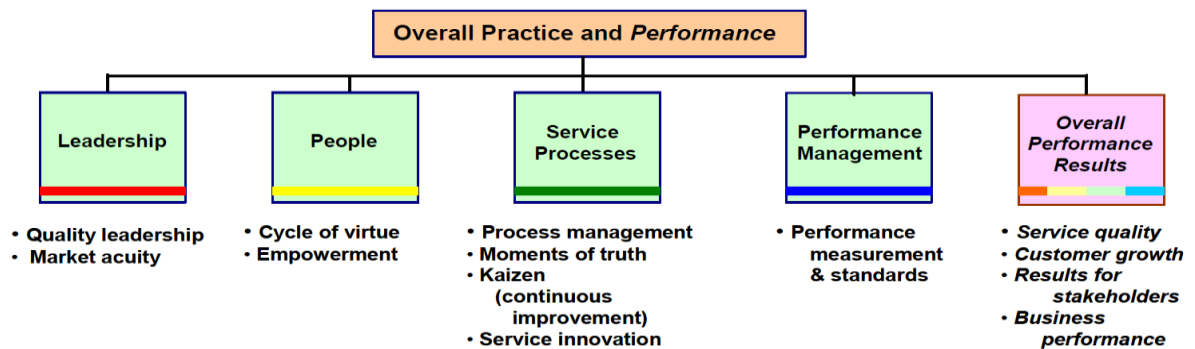


Figure: Themes of the Overall Practice and Performance (Source: PROBE, 2009)

According to PROBE (2016) the Leadership theme is divided into two sub-themes, namely Quality Leadership and Market Acuity.

Note that the meaning of customer in this research is “the local and/or international companies/MNCs”.

Quality leadership means that:

- The senior management of the organisation demonstrate their leadership through communicating and reinforcing clear values and performance orientation, and exert personal leadership of the organisation’s quality programmes
- Quality values are actively promoted throughout the organisation
- There are shared vision and goals
- Managers are leaders of empowered people
- Openness inside the organisation is encouraged
- There is a problem-solving culture
- Customers are the focus of business planning.

Market acuity means that:

- The organisation listens to customers, understands what drives value for them, and builds strong customer relationships
- It listens to the employees as well and uses teams and teamwork effectively

- It benchmarks itself against other organisations to understand better how they serve customers.

People, central to the effective delivery of service, is divided into the cycle of virtue, and empowerment. The cycle of virtue is a set of three activities, each of which mutually reinforces the others (PROBE, 2016):

- The first is training and education. There is a strong focus and resources invested in developing the knowledge and skills of employees
- This is supported by employee involvement, for example in improvement programmes and ongoing contributions to the organisation's development
- Recognition and reward of exceptional performance, in both front office and support roles, reinforce the virtuous cycle. This in turn leads to motivated and retained employees, ready and willing to continue to develop their knowledge and skills, raising the overall standards within the organisation.

Empowerment, on the other hand, has many aspects:

- The first is giving employees the discretion to act within a wide range, often supported by self-managed teams. This leads to and is supported by widening the flexibility of employees;
- A key area where employees can effectively exploit empowerment is in handling problems and complaints: service recovery.

In terms of service processes, four sub-themes to which leading-edge service organisations pay attention to are: process management, moment of truth, kaizen, and service innovation.

Process management within world-class organisation means that:

- Core processes have been identified and redesigned or improved. The organisation thinks 'process'.
- Information technology is used to make business processes more effective and sometimes to create whole new ways of doing business.
- The organisation has stable, long-term relationships with suppliers, who are viewed as partners.

Moments of truth within world-class organisations means that:

- Customer-facing processes are mapped and the key interactions – the moments of truth – are known and managed
- This is supported by proactive support functions
- Service recovery processes are in place to deal with service problems and failures
- There is a focus on process, ensuring high levels of accessibility of service
- Non-value-adding activities (waste) are eliminated.

While kaizen:

- Implies a continuous improvement of processes. Quality problems are addressed and employees frequently use a wide range of quality tools
- Organisations that are committed to continuous improvement emphasise training and education of employees in quality-focused techniques and approaches
- This in turn is supported by quality assurance procedures and use of assessment/improvement models such as the EFQM Excellence Model or the Baldrige Approach.

Service innovation within world-class organisation means that:

- There is an innovative environment
- There is a reproducible process for improving existing services, designing new services and responding to service innovations from competitors and peers. Customer input is seen as vital.

Performance management, on the other hand, is concerned with ensuring that the processes described above lead to improved performance, increasing value for both the customer and the organisation. Performance measurement and standards means that:

- Effective organisations set standards that are based on customer needs and are challenging
- These standards will be visible to both employees and customers
- To ensure effective performance, leading organisations ensure that they provide employees with the resources and support to achieve these standards of performance
- Organisations use measures from a wide range of sources to drive service quality and business performance and improve processes; these include:
 - Proactively measuring customer satisfaction.

- Using customer complaint and feedback data for process improvement, not just for measuring performance.

Effective adoption and implementation of all the practices encapsulated in these four themes, namely leadership, people, service processes and performance management should lead to effective and efficient overall performance results. According to PROBE, good service management will lead to improved performance on a number of dimensions as follows:

1) Service Quality

- Good service management leads to high service quality on dimensions such as reliability and staff responsiveness
- A well designed and delivered service will meet customer needs, providing a clarity of service concept and a distinctive service
- These in turn will lead to perceived value and quality, growth in customer satisfaction.

2) Customer Growth

- Quality and productivity lead to both increasing the customer base through expanded sales and to increased customer retention which can, over time, result in more profitable customers
- These organisations tend to also have fast and repeatable service/product development, and to be innovative.

3) Results for Stakeholders

- Contemporary developments emphasise the importance of both satisfying employees and paying attention to the organisation's impact on society and the broader environment. Leading organisations combine proactive attention to society and to employee loyalty, displaying altruism and a sense of balance in their pursuit of business performance.

4) Business Performance

- A key measure of a successful service organisation is its overall business/financial performance, on dimensions including:
 - margins (or budget achievement)
 - cash flow
 - market share
 - productivity/efficiency
- Leading service organisations are able to combine the benefits of cost leadership with the ability to charge premium prices for their high-quality services.

Appendix 2 Interviews Questions Relative to the Validation Stage

The interview questions were constructed around the two main themes of the research enquiry, depicted in the table below.

Table: Interview Themes and Questions

Themes	Interview Questions
<p>a) The need for FDI, current organisational environment and MNCs and how long it will take an organisation to emulate best practice</p>	<p>Q1. Given the current situation, how do you see the need for MNCs to address your infrastructure investment needs? Please explain your answers.</p> <p>Q2. How do you evaluate the favourability of your organisational environment to MNCs? Please explain your answers.</p> <p>Q3. How easy would it be to improve the performance of the organisation and make it emulate best practice? And how long would such a process take? Please explain your answers.</p>
<p>b) The feasibility of having a Separate Spinout Organisation to work with MNCs in the context of Iraq, and the effectiveness of the components incorporated within the proposed approach</p>	<p>Q4. How feasible and effective would it be to establish a separate spinout organisation to work with MNCs? Please explain your answers.</p> <p>Q5. As a key member of the organisation, are the activities/processes within phase I of the proposed approach are enough to ensure the need for change and key stakeholders' commitment to establish the spinout organisation? Please explain your answers.</p> <p>Q6. As a key member of the organisation, what is your opinion of the proposed activities to be carried out by the spinout organisation? Please explain your answers.</p> <p>Q7. As a key member of the organisation, what are the types of "quick wins" the spinout</p>

	<p>organisation needs to deliver to be considered as a worthwhile investment? Please explain your answers.</p> <p>Q8. As a key member of the organisation, what is your opinion about phase IV of the approach, designed for the gradual performance transformation of your parent organisation to emulate the spinout organisation example?</p>
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Appendix 3 Previous Publications where PROBE is Used

PROBE-related Publications

A listing of publications arising wholly or partly from activities based around the use of the 'PROBE' best practice benchmarking methodology.

2014

- Morley, M.A., Robson, A., Waring, T., and Yarrow, D.J. (2014). Benchmarking Revisited, is North East England Still Engaging? British Academy of Management 2014 Conference, Belfast, Northern Ireland, 9-11 September 2014.
- Al-Tameemi, K.S. and Alshawi, M. (2014). The Impact of Organisational Culture and Leadership on Performance Improvement in Iraq. *The Built Environment Review*, 7, 1-15.
- Bryant, S. (2014). A decade of manufacturing: what can we learn from the past and what does the future hold? *Solutions*, Edition 2014/1, 3-4, Eight Mile Plains, Queensland: QMI Solutions, available at: <http://qmisolutions.com.au/business-improvement-resources/solutions-newsletterarchive/>
- Bryant, S. (2014). Gaps in manufacturing performance revealed *Solutions*, Edition 2014/2, 3-4, Eight Mile Plains, Queensland: QMI Solutions, available at: <http://qmisolutions.com.au/businessimprovement-resources/solutions-newsletter-archive/>

2013

- Murphy, E., Ledwith, A., Gallagher, J., Nolan, M. and Keegan, R. (2013). Made in Ireland 4 – Benchmarking Ireland's SMEs – The Thousand Benchmark Report. Enterprise Ireland/University of Limerick
- United Nations Industrial Development Organisation (2013). SPX New Generation: Impact Report 2013. Pretoria, South Africa: UNIDO SPX
- Viljoen, H (2013). International Wineries Sustainable Study. Accepted for publication in Wineland, May 2013, available at: <http://www.wineland.co.za/>

2012

- SASSDA (2012). "Sassda-Unido bears fruit for members: Unido's benchmarking and supplier development activities can help a company enter and compete successfully by global standards", *Stainless Steel, Magazine of the Southern Africa Stainless Steel Development Association*, Third Quarter 2012.

2011

- Braunginn, E., Keegan, R., Nolan, M. and Gallagher, J. (2011). Made in Ireland III – Practice and Performance of Irish SMEs: Have things changed?. Enterprise Ireland/The Ohio State University

2010

- Robson, A. J. (2010). The voyage to excellence: A quantitative study from regional and sectoral benchmarking investigations. PhD by Published Work, Newcastle upon Tyne, UK: Northumbria University.

2009

- The PROBE Partnership (2007). Achieving Best Business Practice and Performance in the UK Dairy Industry through PROBE Benchmarking, London, UK: Dairy UK. [Confidential report].

2008

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Appendix 4 The List of Journal and Conference Publications by The Author

- Al-Tameemi, K.S. and Alshawi, M. (2014). The Impact of Organisational Culture and Leadership on Performance Improvement in Iraq. *The Built Environment Review*, 7, 1-15.
- Al-Tameemi, KSA, Alshawi, M and Ahmed, V 2015, Disruptive innovation: a potential approach to transform public organisations' performance in Iraq to successfully attract FDI, in: *The 12th International Post-Graduate Research Conference in the Built Environment*, 10-12th June, 2015, Media City, Manchester.

(This paper received the conference Brandon Award for the Most Innovative Research for Developing Country)