

**Organizational Culture, Performance and Public Sector Reforms in Africa:  
The Ghanaian Case**

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## ABSTRACT

Public sector reform programs implemented across Africa, including the World Bank’s “first” and “second” generation reforms, are based on the assumption that all public organizations are inefficient. This paper argues that this assumption is problematic and has had significant implications for policy. By failing to recognize that not all public organizations perform poorly, we ignore any potential lessons that could have been learnt from the experiences of organizations that have managed to perform effectively under the same social, political, economic and institutional environment. The study is based on the premise that the performance of an organization is influenced by the *culture within the organization* – which results from the ways in which organizations adapt to the external environment and the ways they ensure internal integration. Some organizations develop cultures that support, encourage and reward high performance; whereas others adopt a culture that perpetuates poor performance. Thus, public-sector reforms must be viewed as changing, or in some cases sustaining, organizational culture. Using Ghana as a case study, the study highlights lessons that can be learnt from studying differences in the performances of public organizations. It focuses on three-related issues. First, it addresses one major flaw of past reform policies – the assumption that all public organizations are ineffective. Second, it explores the relationship between organizational culture and performance. Third, it provides broad outlines of a comprehensive public sector reform strategy, centered on changing organizational cultures.

## 1. INTRODUCTION

*There is growing body of material on excellence in public management ... Leaders in government can increasingly draw on these examples for their own planning and thinking about cultural change. They can also hold these examples up to others in their organizations. They can point to them as evidence that while government settings may often impose obstacles to improving organizational culture, members of government agencies can overcome these obstacles and develop effective organizational cultures (Rainey, 1996a:165 – emphasis added)*

The importance of well-functioning public sector in the development process is indisputable. Indeed, the proliferation of concepts such as “capacity building,” “public-sector reform” and “good governance” in the development literature are indications of a near-expert-consensus on the need for effective public sector organizations. The challenge is find ways to create effective public sector organizations capable of facilitating national development. In response to this challenge, many African countries, with the support of donor agencies—especially the World Bank—have since the 1980s

experimented with various strategies for reforming their moribund public organizations. Such initiatives has included the “first- and the second-generation” public sector reform programs. The first generation reforms were introduced in the 1980s and focused on reducing the explosive public-sector wage bill. They, however, led to the erosion of public-sector wages vis-à-vis the private sector, and forced many skilled workers to leave public employment, while those who remained became demoralized. The second generation reforms were introduced in the 1990s to improve the quality of the public sector, but this, too, has so far produced disappointing results.

Several reasons have been advanced for the apparent failure of these policies in Africa (Lienert and Modi, 1997; Nunberg, 1999). But more importantly, the complexity of the task of reforming public-sector organizations and the mixed records of past efforts have compelled the governments and the international community to critically re-evaluate existing policies (World Bank, 2002; PricewaterhouseCoopers, 2003). There is now a sober realization that improving the performance of public organizations is a difficult and multifaceted task that must involve fundamental changes in the “rules of the game”. Public sector reforms would also require long-term, high-level commitment, in-depth knowledge and extensive support by civil servants, the national leaders and the international community (World Bank, 2000a). In short, Africa needs a more comprehensive public sector reform strategy to address the perennial problem of poor performance of its public organizations.

The study uses Ghana, a country that has implemented both the first and the second generation public sector reforms, as a case study. It is part of a larger study designed to document the experiences of good and poor performing public organizations. It contributes to the search for an effective public-sector reform strategy by tackling three related issues. First, it addresses one major flaw of past reform policies – the assumption that *all public organizations are ineffective*. This assumption has become the norm because the public sector in Africa has historically performed poorly, and is generally perceived as an obstacle to development (Stein, 1994). Yet not all public-sector organizations in the region perform poorly; indeed, in every African country, one can identify some organizations that perform relatively well, given the constraints that they face (Grindle, 1997; Owusu 2005a). Regrettably, the reasons for the

differential performance of public organizations within countries have not been systematically studied. Understanding the causes of the differences in performance in the public sector could have significant impact on public policy in Africa. For instance, identifying which organizations perform well in a given country and providing an in-depth explanation of why/how such organizations defy the norm could contribute significantly to the ongoing search for effective public-sector reform strategies.

Second, the paper does not only document the differential performance of public organizations; it also explores the relationship between organizational culture and performance. Specifically, it brings the concept of organizational culture, which has been used successfully among private organizations and has recently found widespread application in the public sector in many developed countries, into the discussion of public sector organizations in Africa. The basic premise is that well- and poorly-performing organizations have different cultures that are the product of the interactions between internal and external factors that impinge on the organization (Schein, 1992; 1999). In other words, the performance of an organization is influenced by the culture of that organization. Therefore, important lessons can be learned from studying the differences in the performance of public organizations within the same country and any efforts to transform inefficient organizations that do not include deliberate strategies for changing organizational culture is bound to fail.

Third, it provides broad outlines of a comprehensive public sector reform strategy, centered on changing organizational cultures. Designing effective public sector reforms requires an understanding of the organizational culture—how it is created, sustained, changed and transmitted—and its effect on performance. Thus, public-sector reforms must be viewed as changing, or in some cases sustaining, organizational culture.

The rest of the paper is divided into six sections. The next section reviews public sector reforms in Africa to highlight the reasons for their apparent failure. Section three develops the conceptual framework of the study based on the relationship between organizational culture and public sector performance. Section four discusses public sector reforms in Ghana, while section five presents empirical evidence, including classification of the organizations into good and poor performers, and a discussion of

the characteristics of each group. Section six recommends strategies for designing public sector reforms to achieve organizational cultural change and section seven is the conclusion.

## 2. PUBLIC SECTOR REFORMS IN AFRICA: A BACKGROUND

Since the introduction of World Bank-supported economic reforms in the early 1980s, Africa has become a venue for experimenting with various versions of public sector reform policies. World Bank public sector reform policies can be broadly classified into two: the “quantitative” first-generation, and the “qualitative” second-generation reform programs.<sup>1</sup> The first-generation reforms were implemented between the 1980s and early 1990s. It was undertaken as a part of the economic reforms policies that were implemented across the continent; therefore it focused exclusively on trimming the size of the government. Policies implemented to reduce the size of the public sector included retrenchment, cost-recovery and privatization (Lienert and Modi, 1997). Although it succeeded in reducing the government wage bills, it did not improve the performance of the public sector. One reason for the ineffectiveness of the policy was that it was too narrow (Numberg, 1999).

The second generation reforms began in the 1990s. This time, the policies focused on improving the *quality* of public-sector employment and to make it more attractive (World Bank, 2001; Haque and Aziz, 1998). Specifically, remuneration and promotion policies were used to reward performance; measures were put in place to improve management and accountability; and employees were provided with incentives, skills and motivation. The second generation reform policies also did not produce the desired results. In sum, despite these efforts, most public-sector organizations in Africa have continued to be inefficient (Lienert and Modi, 1997; Numberg, 1999).

The underlying assumption of both the first and second generation reforms is that *all* public organizations are *ineffective*. This assumption has important implications for the design and implementation of the programs. For instance, it leads to one-size-fits-all solutions that fail to take into

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<sup>1</sup> There are indications of the emergence of a “service delivery” third-generation reforms (see Girishankar, 1998; World Bank, 2003). Although this analysis focuses on the first- and second- generation reforms, the recommendations are expected to have wider applications.

consideration the country-specific conditions under which organizations operate. In addition, by failing to consider any possible differences in the performance of organizations within countries or even acknowledge the possibility of the existence of good and poor performers within countries; the policies ignored any potentially valuable lessons that could have been learned from the well-performing public organizations in the same social, political and economic environment. Moreover, because the policies are not based on experiences of organizations in the country, they are often seen by management as outside impositions (Tsikata, 2003) and the performance standards as utopian expectations that could never be achieved in their specific organizations given the constraints they face. As a result, public-sector reform policies generally have been implemented by officials with a lukewarm attitude. Indeed, policies based on the experiences of organizations within a country are more likely to be seen as realistic and have a greater chance of adoption than those derived from organizations in different countries.

The failure of the reform programs has convinced many of the need for a different approach — one that is flexible enough to accommodate country-specific constraints on the organizations (i.e., constraints imposed by the broader socioeconomic and political environment) as well as organization-specific strategies for responding to such constraints. The ability to adapt to constraints is particularly important in Africa, where the performance of public organizations has been influenced by a series of external constraints, including colonial legacies (Ekeh, 1975; Alemika, 1993); the broader culture in which the organizations are immersed (Dia, 1996); the use of public organizations as a tool of popular patronage instead of a mechanism for providing public goods (Sandbrook and Oelbaum, 1999); and the changing livelihood of employees in response to the economic crisis and reforms (Owusu, 2001; 2005). Experiences from both the private and public sector organizations in the developed countries show that some organizations do a better job adapting to their constraints than others (Brewer and Selden, 2000; Rainey and Steinbauer, 1999). The influences of all these factors on the performance of different organizations may hold the key to organizational culture change, and hence performance (Kotter and Heskett, 1992; Rainey, 1996b).

### **3. ORGANIZATIONAL CULTURE AND PERFORMANCE: CONCEPTUAL FRAMEWORK**

Analysts of the African public-sector problem fall into two categories: internalists and externalists. Internalists explain public-sector performance with reference to factors internal to individual organizations — i.e., things that managers and employees can initiate without resorting to outside help. Such studies have focused on worker commitment and trust, specificity of tasks, external competition and corruption (Israel, 1987). The major limitation of this approach is that it offers only a partial explanation of the public-sector problem and does not address the root causes. Consequently, it often leads to quick-fix recommendations, such as increases in wages and/or leaner staffing, for dealing with the complex task of reforming perennially malfunctioning organizations. Externalists attribute the ineffectiveness of the public sector to factors that emanate from the broader socioeconomic and political environment and are considered to be beyond the control of individual organizations, including inappropriate macroeconomic policies, governments that take on too much responsibilities, low and declining salary scales, and the patronage system (Manning, et al. 2000; Bartel and Harrison, 2000; World Bank, 1994). An important limitation of the externalists' argument is that it does not explain why one can find both well- and poorly performing organizations in the same country under similar social, economic and political conditions.

The traditional explanations of the public sector problem raise additional issues that are important to this discussion. The first is the apparent lack of cross-fertilization of ideas between those who stress internal factors and those who are concerned about the influence of external factors on public organizations. As a result of this neglect, the question of why some public organizations are able to perform better under the same political, economic and social environment has not been adequately addressed.

The second is the failure of the traditional approaches to recognize the fact that sometimes reversing the cause of a problem is not enough solution to the problem. Granted that the poor performance of public organizations in Africa initially starts with specific external and internal factors, over time these factors lose their significance as each organization's responses to these factors become entrenched as "the way things are done here". This can be illustrated by examining the relationship between government

policies and the performance of public organizations. African government policies towards organizations differ explicitly or implicitly and this is why it is not uncommon to find relatively efficient and professional attitudes in some public organizations while others consistently exhibit signs of inefficiency and lack of professionalism. For instance, organizations that are considered critical to the survival of government, including those that generate revenue for the government, such as the department of customs and excise, and those whose functions directly affect the economy, such as the Central Bank, are often provided with skilled personnel, resources and leadership to help them succeed (because of this, they also attract qualified personnel). Over time, efficiency and professionalism become the norm in such organizations as the government and the international development community, and the leadership of such organizations work together to promote efficiency. Gradually these organizations develop a culture and corporate identity characterized by professionalism, hard work and efficiency, which promotes effectiveness —what Grindle (1997:488) calls “organizational mystique”—a sense among employees that society regards their organization as “competent, respectable and relatively free of the political entanglements characterizing most public-sector organizations.” Conversely, organizations that are peripheral to regime survival are generally starved of the resources, skilled personnel and leadership needed to make them effective. As a result, they also seldom attract qualified workers – they simply become the tools of political patronage that provide jobs for the middle class and supporters of those holding power. Even when such peripheral organizations are provided with some support, their centrality to the national development agenda often vacillate in response to the changing focus of the government and support from the international community. Over time, these organizations also develop an organizational culture; albeit one that fosters commitment to political elites rather than professional expectations.

This study focuses on the *organizational cultures* of public organizations. It is based on the premise that the performance of an organization is influenced by the culture within the organization. Organizational culture refers to the underlying assumptions, beliefs, values, attitudes and expectations shared by an organization’s members, including unwritten codes of conduct and behavior, such as

practices that are acceptable; practices for which one can be rewarded and those that will cause a reprimand; practices that are tolerated within the organization (General Accounting Office, 1992).

The ways in which organizations adapt to the *external environment* and ensure *internal integration* create the culture and corporate identity of the organization (Schein, 1992; Grindle, 1997).

This study uses a framework developed by Schein (1992; 1999). However, it focuses on how the internal integration and external adaptation challenges confronting an organization combine to create the organizational culture, which in turn influences performance.<sup>2</sup> External factors are factors that are outside the control of the organization, including political interference; goal or mission specificity; client demand and oversight; and the incentive system. Internal factors are things that the management of the organization can initiate, change and implement without resorting to outside help. These may include employees' belief in the organization's mission; recruitment and induction training; setting employee performance expectations and evaluation; employee recognition and sanctions; and autonomy. Organizational culture therefore is the product of the organization's collective process of learning and problem solving in its efforts to survive (Schein, 1992; 1999). In the process, some organizations develop cultures that support, encourage and reward high performance; whereas others adopt a culture that perpetuates poor performance. In sum, although the organizational culture is created by a combination of external and internal factors, once the culture becomes entrenched, the initial causes, whether external or internal, becomes less relevant. Thus, changing the performance of organizations requires more fundamental changes to the organizational culture, than tinkering with the initial factors.

This paper focuses on Ghana because it represents a classic case of what is wrong with Africa's public sector and why the World Bank reform programs have been unable to reverse the trend. The country has implemented both the first and second generation public sector reform with little success. Thus, the lessons from this study could have larger application in Africa.

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<sup>2</sup> According to Schein (1992), understanding organizational culture formation and change involves assessment of three content areas of the organizational culture namely: external survival issues, internal integration issues and the deeper underlying assumptions.

#### 4. PUBLIC SECTOR REFORMS IN GHANA

Similar to many African countries that experienced economic crisis in the 1970s and 1980s, the public sector in Ghana was in complete disarray by the mid-1980s. To accommodate the post-independence rapid expansion of the public service, the government had resorted to wage compression, especially of those in the upper echelons of the salary structure. For example, between 1976 and 1984, public-sector real wages in Ghana declined by 73 percent for unskilled labor and 93 percent for skilled labor (Alderman, et. al., 1995). Salaries were not only inadequate, but payment was also erratic. In addition, most offices, especially those outside the capital city, Accra, were dilapidated and lacked the basic necessities of a functioning office such as paper, pencils, telephones, light bulbs, etc. Employees became demoralized; effectiveness and productivity concerns were relegated to the background as work effort declined, absenteeism and moonlighting increased, and corruption, political hiring, and rent-seeking became widespread (Owusu, 2005a). These conditions made it extremely difficult to recruit and retain technical and professional staff. Gradually the bloated public sector became increasingly incapable of performing basic tasks, let alone to facilitate national development.

The ineffectiveness of the public sector became a serious hindrance when the government embarked on economic reforms in 1983.<sup>3</sup> As a result, public-sector reforms became a central component of the country's adjustment and stabilization programs (Gregory, 1996). Coinciding with the era of the "quantitative" first-generation reforms, Ghana designed a parallel program called the Civil Service Reform Program (CSRP - 1987-1994) to reduce overstaffing and trim redundant civil servants as a part of the effort to reduce government expenditure and help achieve macroeconomic stability. The program successfully reduced the number of civil servants in central government from about 140,000 in 1987 to 90,000 in 1994, with approximately 7,000 layoffs resulting from the removal of "ghost" workers from the government's payroll (Leita, 1999). Despite this success, the overall effect of the programs in terms of efficiency gains was mixed, partly because of its narrow focus and the lack of government commitment.

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<sup>3</sup> Since April 1983, Ghana has rigorously embarked upon World Bank and IMF-supported economic reforms. The program has evolved from the initial objective of reversing economic decline and stagnation to institutional reforms and poverty reduction (Government of Ghana, 1993).

In 1994, the government changed the focus of public sector reforms with the creation of the National Institutional Renewal Program (NIRP) and the launching of the Civil Service Performance Improvement Program (CSPIP). Like the “qualitative” second generation reforms of the time, these programs had broader objectives that included enhancing efficiency and facilitating the development of a proactive and motivated public sector. In October 1997, the government implemented the Public Sector Re-Invention and Modernization Strategy (PUSERMOS) to help transform state institutions, their accountability and performance framework and their relationship with the private sector and civil society. Although the NIRP’s Overview Reform Committee was chaired by the then vice president, Mr. J.E.A. Mills (NIRP, 1998), overall, little progress was made due to lack of political will on the part of government to go through with the promised reforms (Sandbrook and Oelbaum, 1999). A recent evaluation of the reforms concluded that: “... on the whole, the [Public Sector Reform Program] PSRP has failed to effectively manage many of the more fundamental issues and problems facing the public service, such as low salary, corruption and poor delivery of public services” (PricewaterhouseCoopers, 2003:10).

Within the current governmental structure, the Office of the Senior Minister is charged with overseeing public-sector reforms. The Senior Minister has acknowledged the failure of earlier policies and is currently looking for new reform strategies. As the minister put it: “After five (5) years of reform and experimentation ... [t]he public services have not enhanced their ability to deliver services. They have not become more cost effective. And they have not become any more accountable to the public through changes in their methods or work than they were when we started on this reform process.”<sup>4</sup> Although the minister is yet to articulate his vision for public-sector reforms, and if the above pronouncements are any indication of what is to come, we should expect a completely revamped process that might resemble the World Bank’s “service delivery” third-generation reforms now in vogue.

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<sup>4</sup> Statement by the Hon J. H. Mensah, senior minister and chairman, Economic Management Team on Public Sector Reform.

## **5. ORGANIZATIONAL CULTURES OF GOOD AND POOR PERFORMERS**

The data for the study was collected between June and August 2003. It covered Centralized Management Agencies (CMAs) and the Ministries, Departments and Agencies (MDAs) in the capital city, Accra. The selection of organizations and employees for the study proceeded along the following steps. First, a list of 47 public organizations, made up of 6 CMAs, 26 ministries, 13 subverted agencies, and 2 departments, were compiled. Second, a list of 25 “knowledgeables”—persons who live in Ghana and are well-informed about the functionings of public organizations—were also compiled. The knowledgeables included officials in government agencies, bilateral and multilateral agencies, non-governmental agencies, academic institutions, research organizations and the private sector. Third, using survey questionnaire, the knowledgeables were asked to rank the 47 organizations on a scale of 1 to 5 (1 for poor performer; 5 for best performer) based on their capacity to perform the major tasks for achieving their main functions. Fourth, the results from the survey of knowledgeables were compiled and the mean score for each organization determined. The mean scores were used to select the 13 top-ranked organizations and the 13 bottom-ranked organizations were selected for the next phase of the study. Of these 26 organizations, 19 participated in the study, including 9 from the top-ranked and 10 from the bottom-ranked (See Table 1). Fifth, survey questionnaire was administered to employees selected from the 19 organizations; in all, 223 employees (130 from the top-ranked organizations and 93 from the bottom ranked organizations) participated in the study.

### **5.1 Identifying well- and poorly performing organizations**

The method used in this study to classify the organizations into good and poor performers is admittedly subjective and therefore assesses only the relative performance of organizations. The following three-step classification method was employed:

- *Step 1 – Ranking by “knowledgeables”*: The 19 organizations that were studied were all ranked using the mean scores from the survey of knowledgeables (see above).

- *Step 2 – Ranking by employees:* Employees who participated in the survey each were asked to (i) rank their own organization on a scale of 1 to 5 based on its capacity to perform the major tasks for achieving its main functions, and (ii) in comparison with the performance of other public institutions, rank the performance of their organization on a scale of 1 to 5. The mean value of the responses to each question was computed for each organization and the results compared.
- *Step 3 – Final ranking of organizations:* The final performance indicators of the organizations were determined by combining the ranking by the knowledgeable in Step 1 (weighted 0.5) with the employee assessments in Step 2 (each of the 2 questions was weighted 0.25). These indicators were used to classify the organizations into good and poor performers.

[Insert Table 1 here]

## **5.2 Characteristics of well – and poorly performing organizations**

Having classified the organizations into good and poor performers, the next step was to identify the factors that distinguish between these two categories of organizations. These factors were grouped into external factors and internal factors. External factors refer to issues outside the control of the organization; internal factors refer to issues within the organization. The following external factors were analyzed: specificity of tasks; political interference; client demands and oversight; and employee benefit packages.<sup>5</sup> The internal factors included the following: organization mission or mandate; employee recruitment and training; employee performance expectation and evaluation; employee recognition and sanctions (money-related offenses and performance-related offenses); and autonomy. These factors were

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<sup>5</sup> Because individual organizations in the private sector have complete autonomy in the determination of wages and benefits of their employees, the factor is considered as internal to the organization (Schein, 1992). Even some studies of the public sector in developing countries classify the incentive system as an internal issue (Grindle, 1997). It is listed here, however, as an external factor because public organizations in Ghana do not determine the salaries and benefits of their employees; that is a prerogative of the government through the budgeting process.

measured using multiple items from the research questionnaire, and the means for well- and poorly performing organizations were compared.<sup>6</sup>

#### *External factors*

- *Specificity of tasks* refers to the clarity of instructions and policies that come from the government its agencies. Public organizations that have objective, measurable written standards of performance have been shown to perform better (Israel, 1987). Although few public organizations have objective, measurable written standards of performance, most respondents felt that they have a clear understanding of their tasks and the functions of their organizations. However, the data showed no significant relationship between specificity of tasks and the performance (Fig. 1).
- *Political interference* refers to the political context in which organizations operate, including the extent to which they are politically autonomous and operate free from intrusion from politicians (Wolf, 1993). Political interference has been blamed for poor performance of public organizations in Africa (Sandbrook, 1993). Although the data did not show a significant relationship between political interference and performance, it suggested that political interference may be more of a problem among poor performers than good performers (Fig. 1). A more specific question on hiring confirmed this observation: when comparing the incidence of political interference in hiring in good and poor performing organizations, the data showed a difference of 7.8 percent, indicating that political interference plays a relatively important role in hiring among the poor performers (see the measure of political connections in Fig. 2)..
- *Client demands and oversight* is a measure of the effectiveness of civil society in demanding high performance from public organizations. The importance of effective monitoring of public organizations by citizens and the media in influencing performance has been documented (Grindle, 1997; Deininger and Mpuga, 2004). This factor, however, did not turn out to be important in distinguishing between good and poor performers. A possible reason for this is the mostly

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<sup>6</sup> See Owusu, (2004b; 2005b) for a detailed discussion of the methods and the analysis of the factors.

uninformed civil society as well as the general lack of serious investigative journalism that is necessary for drawing attention to public organizations.

- *Incentive system* includes wages and salaries received by employees for services rendered as well as discretionary payments other than direct wages (i.e. fringe benefits). It is generally believed that better benefits packages promote higher performance (Mills, et al. 1994; Kiltgaard, 1997). The data clearly shows that the employee benefits package is arguably the most important external factor – a difference of 12 percent between good and poor performers (Fig 1). However, there was an overwhelming agreement among respondents that salaries are in adequate.

[Insert Figs 1& 2 here)

#### *Internal factors*

- *Organization mission* is the general social contribution and purpose of an organization and its related general goals (Rainey and Steinbauer, 1999). Organizations whose missions are established through an interactive process involving external stakeholders and members of the organizations and is broadly shared and internalized by employees tend to perform better (Grindle, 1997). Using a broad public-sector objective of poverty alleviation and service to citizens, the study finds significant differences between good and poor performers: employees of good performers embrace this public mission more than those of the poor performers (Fig. 3).
- *Recruitment and training* procedures can be used to communicate to employees in very specific terms the organization's performance expectations. Open and competitive recruitment procedures are known to produce highly professional and capable staff (Grindle, 1997). Similarly, well-thought out induction training communicates the desired norms of the organization to new employees. The data show that most job openings in Ghana are not advertised to the public. However, most respondents claim to have gone through the "normal" public-service recruitment process, including entrance examination, interviews and induction training. Yet, the recruitment process is seen as more

transparent and induction training as more comprehensive among the good performers (Fig. 3). This observation is confirmed by the criteria for hiring. Performance on entry tests and good curriculum vitae are the most important criteria in hiring decisions in all organizations; however, these factors are relatively less important among poor performers (differences of 17 percent and 6.6 percent respectively). Conversely, unprofessional recruitment practices such as personal connections, gifts to officials and knowing a senior official are more likely to lead to a job offer from poor performers than from good performers (Fig. 2).

- *Performance expectation and evaluation* are closely related. Performance expectation refers to the degree to which employees are given clear signals about how diligently they should work and about the quality of work expected of them (Grindle, 1997). Performance evaluation refers to the degree to which employees know and understand, on a continuous basis, how effectively they are performing (Hackman and Oldman, 1975). Organizations that have clear and consistent policies about performance expectations and evaluation procedures would be expected to perform better. Overall, there are no significant differences between well- and poorly performing organizations in terms of performance expectation and evaluation (Fig. 3). This finding may be attributed to the fact that in most public organizations, performance evaluation is done rather infrequently—every two or three years—and more importantly, the process is seen by many employees as overly subjective.
- *Employee recognition and sanctions* are interconnected and have similar effect on performance. A transparent process for recognizing employees who go beyond the call of duty in the performance of their tasks can motivate other employees to perform well even in the face of other problems, such as low salary. Similarly, sanctioning employees who perform below expectations and disregard the organization's rules and regulations based on transparent, fair and unbiased criteria could discourage such practices. The combined indicator for employee recognition and sanction shows an insignificant, but counterintuitive relationship – poor performers often recognize, reward and/or promote staff for successful performance more than good performers (Fig 3). However when the measure for employee sanction is isolated and split into sanctions for performance-related offenses and sanctions for money-

related offenses, two patterns becomes clearer. First, employees in all organizations are more likely to be sanctioned for money-related offenses than for performance-related offenses. However, this finding should not be interpreted to mean that money-related offenses are more prevalent than performance-related offenses; in fact, it could as well suggest that management treats money-related offenses more seriously than performance-related offenses. Second, good performers are more likely to sanction employees for performance-related offenses than money-related offenses (the difference between the two groups of organization is 3.8 percent). The converse is true for poor performers – they are more likely to sanction employees for money-related offenses than performance-related offenses.

- *Autonomy* is the degree to which employees are offered the freedom, independence and discretion to make decisions pertaining to the substantive and procedural aspects of their jobs, such as scheduling and determining the procedure to be used in executing the task (Hackman and Oldham, 1975). The impact of autonomy on performance can vary at different levels of an organization. For instance, autonomy from civil service rules and regulations may allow management to use creative ways to deal with the day-to-day problems of the organization. Similarly, employees would be less motivated if they had to refer every little decision to management. While complete lack of autonomy can stifle performance, too much autonomy also can have a negative effect by creating “extreme isolation from communication and exchange with external stakeholders” (Rainey and Steinbauer, 1999:16).

Therefore, the key to effective performance is “responsive autonomy.” I examine two types of autonomies: autonomy in the performance of tasks and autonomy in budgetary issues. In general, organizations in Ghana have more autonomy in personnel issues than budgetary issues. However, autonomy in budgetary matters does not seem important in distinguishing between good and poor performers. Autonomy in personnel issues seem important but not in the direction of our hypothesis: employees of poor performers reported having more autonomy than those of good performers – a difference of 6.4 percent (Fig.3). This finding might be a reflection of a laxity in supervision among poor performers and the vigilance of supervisors in good performing organizations. Further studies,

probably using more refined measures of autonomy, may be needed to throw more light on the relationship between autonomy and performance.

[Insert Figs 3 & 4 here]

### **5.3 Organizational Cultures and Performance: A Summary**

Table 2 summarizes the factors that distinguish between good and poor performers and therefore highlights factors that are central to good performing organizations. Among the external factors, the incentive system turned out to be significant in distinguishing between the well- and poorly performing organizations. There were no significant differences between well- and poorly performing public organizations in terms of the other external factors. Among the internal factors considered, organizational mission, recruitment practices and training, and performance-related sanctions were significant in distinguishing between well- and poorly performing public organizations. There were no significant differences between good and poor performers in terms of the other internal factors considered, namely performance expectations and evaluation, and autonomy. These are the factors that distinguish between the organizational cultures of good and poor performers. However, identifying the elements of the organizational cultures of good performers would require an in-depth study of individual organizations. Below is an initial attempt to sketch out the basic characteristics of good performance cultures, based on the findings.

[Insert Table 2 here]

- i) *Effective organizations have good incentive systems* - The effect of the incentive on performance in Ghana has long been recognized. Real basic salaries in the country declined significantly between the 1970s and early 1980s, and although efforts have been made to reverse this trend, salary levels in Ghana remain very low. However as the results of this study show, differences in public sector benefits, whether based on perception or reality, do exist and this affects performance. Low salary levels tend to create a culture of absenteeism, employee involvement in

alternative employment, rent-seeking and low productivity in poorly performing organizations.

The problem is often compounded by a system of nontransparent benefits and allowances that discourage rather than encourage high productivity.

- ii) *Internal factors help create effective organizations* – The significance of internal factors in creating positive organizational cultures suggests that many of the changes needed to transform public organizations could be initiated by the organizations themselves without substantial external support. In many cases, what the good performers have is effective and motivated leadership, capable of nurturing the development of a good performance culture through recruitment practices, training opportunities, and setting up high expectations and imposing sanctions when necessary.
- iii) *External and internal factors combine to create good performance culture* – The external and internal factors that differentiate good performers from poor performers are not independent of each other—they all work together to create positive organizational culture. For instance, although a generous benefits package is critical in ensuring good performance, good benefits alone would not guarantee good performance. Employees of good performers believe that the services they provide are important to society, that the quality of services is superior and that they are valued by society. Furthermore, salaries in such organizations are higher and therefore there is less corruption. Finally, management in such organizations is also able and willing to demand high performance from employees and to sanction those who fail to meet such standards.

## 6. POLICY RECOMMENDATIONS<sup>7</sup>

Based on the findings of this study, I recommend that public-sector reforms should aim at organizational cultural change and must consider the following:

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<sup>7</sup> We focus here on the broad guidelines for designing public-sector reforms; for more specific strategies for creating change and institutionalizing organizational culture, see (Kotter, 1996). Rainey (1996a:160-163) also discusses strategies for influencing and directing cultural change in organizations. The suggestions offered here also draw on the comments and discussions by the participants of a workshop I organized in Accra to share the findings of this study with selected Ghanaian senior public officials (see Owusu, 2004a)

### **i. Organizational cultural change is difficult, but not impossible**

Resistance to the organizational culture change as way of increasing performance often comes from the use of the cultural analogy. The argument is that if organizational cultures are like societal cultures, then it would be futile to attempt to change them. However, there is overwhelming evidence from both private- and public-sector organizations around the world that organizational culture can indeed be enhanced systematically. As Wilkins and Ouchi (1983:480) argue, “While it may be the case that developing *new* or *very different* social understanding is more difficult than influencing contracts (in a market) or establishing new rules (in a bureaucracy), culture in organizations may be more adaptive and more easily developed than we assume, given the anthropological metaphor” (emphasis in original). The phenomenal transformations of the Ghana Institute of Management and Public Administration (GIMPA) demonstrates that, given a ripe environment and the right leadership, organizational change is possible without significantly altering the external constraints.<sup>8</sup>

A successful change of organizational culture, however, requires that things be done differently. First, merely modifying the actions of a part of an organization will not change the culture; cultural change requires changing the shared behaviors and symbolic context in which specific organizational actions occur. Second, although visionary leadership is a prerequisite for organizational change, a successful and sustainable change must transcend the leader and be anchored firmly in the organization’s culture. As Kotter (1996:14) explained, organizational change will stick only when it becomes “the way we do things around here,” and when “it seeps into the very bloodstream of the work unit or corporate body.” Until the new behaviors become rooted in the social norms and shared values of the organization

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<sup>8</sup> The story of GIMPA’s transformation from an institution that was marked for closure within 24 months (Maastricht School of Management, 2001) to one that has become the pride of Ghana’s public-sector reforms within a period of two years deserves to be documented and used as a model for other organizations in Ghana facing similar problems. Anecdotal evidence, however, points to the critical importance of the support of government and the board of directors, and the relative financial autonomy of the institution. But more important is the timely change in leadership, which brought in an “outsider” who skillfully took advantage of the crisis and implemented very crucial reforms in the institution. This laid the foundation for the turnaround (personal discussions with Professor Stephen Adei, rector and director general of GIMPA, and Mr. David Djanie, the executive director of operations, State Enterprises Commission).

and are transmitted to new employees as a way of doing things, such practices could disappear as soon as the pressures associated with the change effort are removed.

Third, organizational change is often a response to external pressure or circumstances. In the private sector, competition and threats to the company's profits are often cited as the motivations for initiating cultural change in an organization. In the public sector, the civil society<sup>9</sup> can be expected to provide the oversight besides putting pressure on ineffective organizations to reform. Effective civil society, however, requires informed citizenry and the availability of free political process. Because these characteristics are lacking in many African countries, the civil society is mostly driven by non-governmental organization (NGOs). The NGOs, working with the civil society, can exert pressure on public organizations to improve their performance. The involvement of NGOs and the civil society in performance measurement would not only provide the "deep and sustainable demand for institutional reforms on the part of the borrower and society" (World Bank 2000a: xiii) that has so far been missing from the reforms; it could also put pressure on the poorly performing organizations to improve their activities. The effectiveness of civil society in this monitoring and oversight responsibility can be enhanced, however, through the creation of an evaluation foundation, staffed by experts to conduct evaluations and reviews of the organizations, ask the right questions and make such information available to the public through the media in non-technical jargon. Although similar recommendations have been made for Performance Monitoring and Evaluation in Ghana (World Bank, 2000b), there is the need to broaden and refocus the ideas into a useful tool for this purpose.

## **ii. Cultural change is a long-term process and therefore must be tempered with "quick wins"**

Implementing all types of public-sector reforms takes time, and organizational cultural change is no exception. It is therefore critical to have a long-term perspective to public-sector reforms rather than the short-term focus and simplistic solutions that have characterized past reforms. Initiating sustainable

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<sup>9</sup> Civil society in this sense is defined broadly to include stakeholders such as ordinary citizens, NGOs, the media and the parliament, which are all clients of public organizations and therefore have interest in an effective public sector.

reforms requires the full commitment of the national political leaders and the international community, and the support of employees. Lack of commitment by politicians often results in lapses in policy implementation, if not retrogression of policies as happened in the case of Ghana between 1993 and 2000 (Kiragu and Mukandala, 2003). The short-term demands of the foreign donors also “have sometimes compromised longer-terms goals of institutional building, with negative long-terms impacts” (World Bank, 2000a: xiii), creating frequent policy changes and a multiplicity of reporting and accountability requirements. In this sense, the World Bank’s recent admission that “we need to ensure that our lending enhances institutional building ... Longer-term programmatic lending approaches can be help in some settings—both by emphasizing a longer-term institutional focus and by reducing the fragmentation often caused by uncoordinated donor activities” (World Bank, 2002:24), must be followed with relevant policy changes. The commitment of public-sector employees to the reform effort is also necessary to create a sense of ownership and diffuse the “reform fatigue” that has become widespread in the public sector. Instituting a “quick-wins program,”<sup>10</sup> as was done in Tanzania (Kiragu, 2002), would be necessary in making such a long-term approach to public-sector reform acceptable to political and administrative leaders (also see PricewaterhouseCoopers, 2003).

### **iii. Tailor reform policies to specific organizations**

An important lesson from this study is that different organizations—even those in the same country or in the same sector— often have different cultures. Some organizational cultures encourage higher productivity while others act as hindrances. As a result, public-sector reforms cannot be based on one-size-fits-all solutions; rather policies should be tailored to specific organizations, taking into consideration the organizational culture or cultures. This point dovetails with a World Bank decision to “start with a thorough understanding of what exists on the ground and emphasize ‘good fit’ rather than

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<sup>10</sup> “Quick wins” is a way of providing a positive face to public sector reform by demonstrating that reforms are not just all about sacrifices and pains; it also involves significant improvements in service delivery. When reform fatigue among Tanzania’s political and administrative leaders threatened to undermine the reform efforts in the late 1990s, they shifted the focus to a set of “quick-wins” to complement the long-term perspective of the program (Kiragu, 2002).

any one-size-fits-all notion of ‘best practice’” (World Bank, 2002:17). Understanding what exists on the ground requires an understanding of the culture of each organization, including the deeper underlying assumptions. Organizational change therefore entails a good understanding of the nature of the culture, an assessment of the culture, dealing with the multiple subcultures as necessary, understanding the different cultural forms, and using those forms to facilitate change, where necessary (Rainey, 1996a:159).

However, it is important to note that enhancing organizational productivity does not always involve altering the existing culture; in some cases, as with new organizations, a new culture must be created. In well-performing organizations, the task is to find ways to embody and transform the existing culture; while for organizations with multiple cultures, the challenge is to integrate diverse cultures (Rainey, 1996a). Organizational change for each of these would require a different strategy informed by the challenges and opportunities of the culture.

#### **iv. Reforms should focus not only on management, but also on leadership**

Public-sector reform, as implemented in Ghana and other African countries, has focused on improving the management of organizations. Yet the problem of many public organizations is the lack of effective leadership to institute the changes necessary for ensuring the survival of organizations in the face of contemporary realities, including the economic challenges confronting organizations and their employees (Owusu, 2005a). Kotter’s (1996) distinction between management and leadership is quite apt here. According to him, management involves a set of processes to help keep the complicated system of people and technology running smoothly, including planning, budgeting, organizing, staffing, controlling and problem-solving. Conversely, leadership involves a set of processes that create organizations in the first place or adapt them to significantly changing circumstances. Leadership defines what the future should look like, aligns people with that vision, and inspires them to make it happen despite obstacles. Kotter’s cry for effective leadership in the private sector is equally true for Ghana: “Successful transformation is 70 to 90 percent leadership and only 10 to 30 percent management. Yet for historical reasons, many organizations today don’t have much leadership. And almost everyone thinks about the

problem here as one of *managing change*” (Kotter, 1996:26-27; emphasis in the original). Lack of visionary leadership is a serious problem, particularly in Africa’s public sector where a poor incentive system, lack of resources, excessive bureaucratic rules and regulations and political interference in the running of public organizations make it extremely difficult to attract and retain such people.

The centrality of the leadership question in Ghana is illustrated in this study by the finding that internal factors are critical in distinguishing between good and poor performers. Among other things, effective organizations have leaders who are able to create a positive organizational culture given the resources, opportunities and constraints of their organization. Again, good leadership does not always refer to those who can lead organizational change, but depends on the type of organization and its culture (i.e., whether it is a new organization, a well-performing organization or one that has many subcultures). In sum, although there is often the need to improve the management of public organizations, it is critical for the organizations to have a “collectively created” common frame of reference (Mahler, 1997), which can be effectively created only by a *leader*, not a *manager*.

#### **v. Reforming the incentive system is a prerequisite for cultural change**

The importance of adequate salary and transparent incentive system in promoting efficient public sector organizations cannot be overemphasized. Increasing the remuneration for professional, technical and managerial positions would not only stem the outflow of workers from the public sector but also reduce corruption. In the past, political considerations made it difficult to ensure strategic and sustainable salary reform (Kiragu and Mukandala, 2003). And as observed by a PricewaterhouseCoopers report (2003:35), “A particularly challenging aspect of capacity building is to reform and enhance public service salary levels required to enable GOG [Government of Ghana] to recruit and retain personnel with skills, experience and drive to manage the development programmes and to deliver services to the population with efficiency and integrity.” Salary-reform discussions in Ghana must be open and honest; they must be based on dialogue between the government and the other stakeholders, especially the unions. Such a dialogue would not only educate the stakeholders about budgetary constraints faced by the government,

but also would provide an opportunity for the government to press upon the stakeholders the need for increased effectiveness as a way of justifying higher wages. Such discussion could also bring some change and end the unnecessary protection of inefficient employees by civil service rules.

It is important to caution that although generous benefits package is critical for ensuring good performance; good benefits alone would not guarantee good performance. For instance as demonstrated by the study, good performers do not only enjoy better benefits, but in addition, the management of such organizations recruits employees through a relatively competitive system and provides new employees with a comprehensive induction-training program. As a result, employees of such organizations are more likely to see themselves as more competent than poor performers. In addition, leaders of good performers are able and willing to take advantage of the relatively generous benefits provided by the organization to demand high performance from employees. Those who do not measure up to the organization's expectations are sanctioned in a system that is generally seen as fair. Employees of good performers also believe that the services they provide are important to society and that the quality of services is superior. They also believe that corruption is more prevalent in other organizations than in their own. They tend to rely less on secondary jobs as a way of generating additional income and even when they do it, they do not enjoy the support of their colleagues as in the case of the poor performers.

## **7. CONCLUSION**

This study is a first step in documenting the relationship between organizational culture and the performance in public organizations in Ghana. There is a need for further studies to provide a better understanding of organizational cultures and to use that to inform policy. First, there is the need for detailed studies that employs *all* the three aspects of culture in Schein's (1992) framework to analyze well- and poorly performing organizations. Such studies would provide a better understanding of the nature of organizational culture and the impact of the political and economic changes on organizational cultures of public organizations. Such studies should systematically document the relationship between moonlighting among public-sector employees, the organizational culture, and performance. Second, there

is the need for in-depth qualitative studies of organizations to examine the possible existence of multiple cultures and different levels of effectiveness within organizations (for instance, the differences in the cultures of the administration, personnel, and research departments). In addition, it is important to understand the impact of leadership on organizational change and sustainability of leadership-inspired organizational change. Third, the impacts of the broader societal culture on organizational culture also need to be studied. Such studies should be done at two levels. At the continental level, there should be comparative studies of two more African countries to demonstrate the impact of different colonial policies and experiences (such as French, English and Portuguese colonialism; or comparisons of the impacts of the direct and indirect rule practiced by the British in Africa) on the organizational cultures in different countries. At the national level in Ghana, a regional analysis of the impacts of the different cultures on organizational culture would be necessary in the context of the ongoing decentralization efforts.

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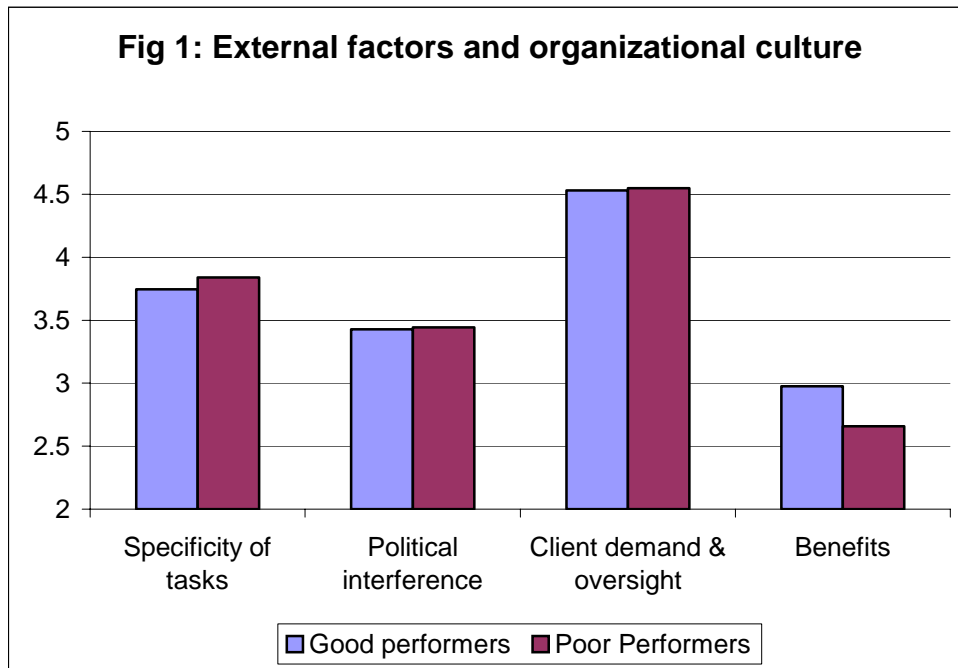
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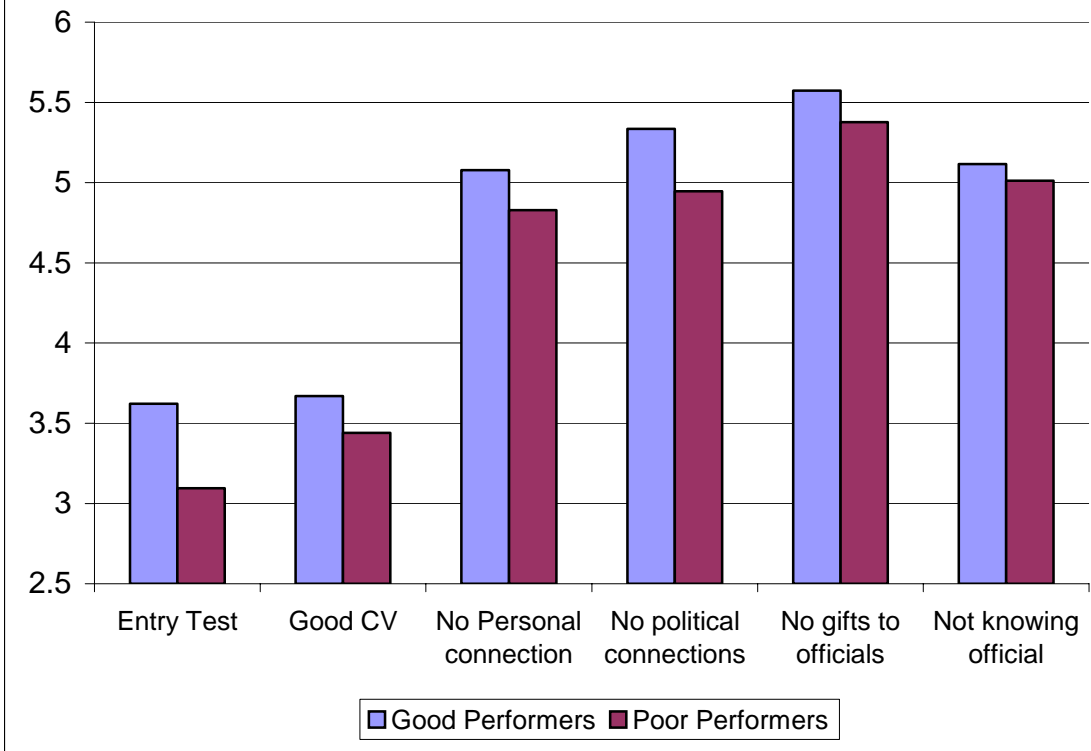
**Table 1: Well- and poorly-performing organizations**

Good performers	Poor performers
1. Ghana Investment Promotion Council	1. Audit Service
2. Internal Revenue Service	2. Department of Community Development
3. Ministry of Finance	3. Department of Parks and Gardens
4. Ministry of Food and Agriculture	4. Department of Social Welfare
5. Ministry of Health	5. Ghana National Fire Service
6. Ministry of Interior	6. Information Service Department
7. Ministry of Local Gov't & Rural Dev't	7. Ministry of Environment and Science
8. Ministry of Roads and Transport	8. Ministry of Tourism
9. National Electoral Commission	9. Ministry of Works and Housing
	10. Ministry of Youth, Sports & Education

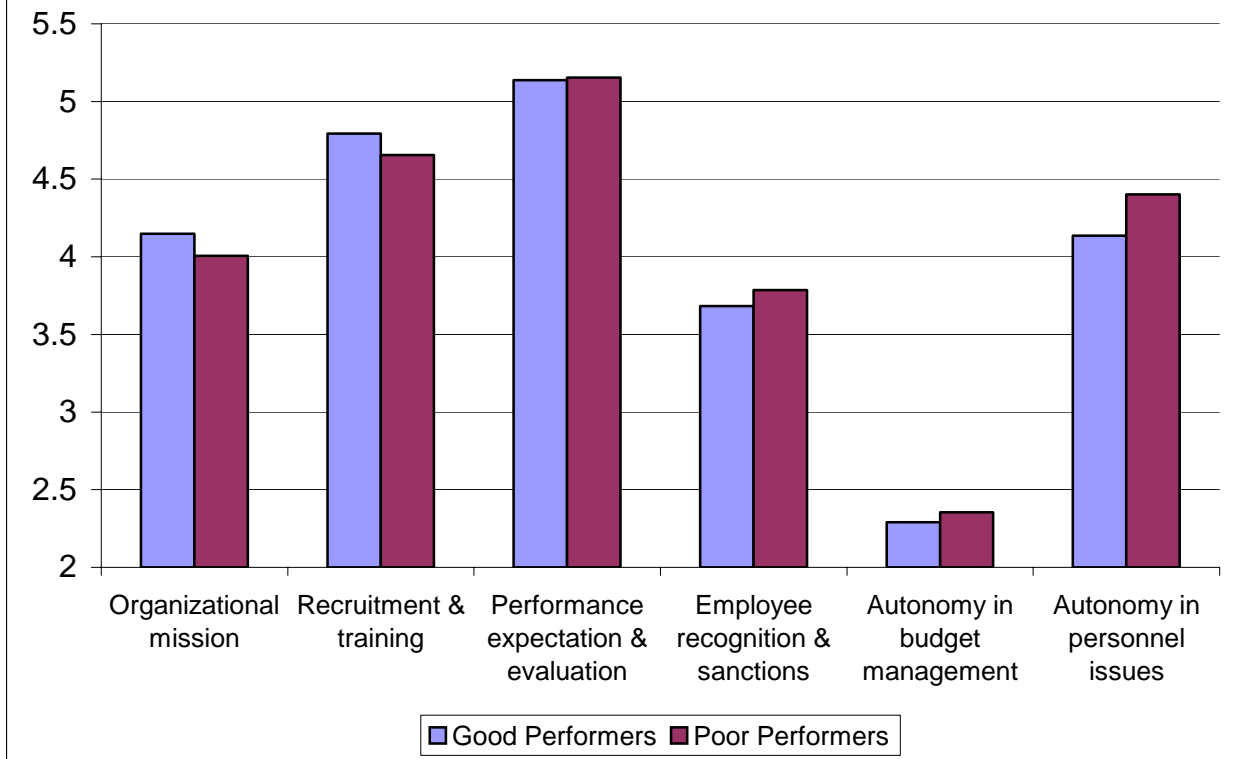
*Note: The Ministries of Defense, Foreign Affairs, Trade and Industries, Lands and Forestry, and Manpower Development and Employment as well as the Police and the Prison Services did not participate in the study.*

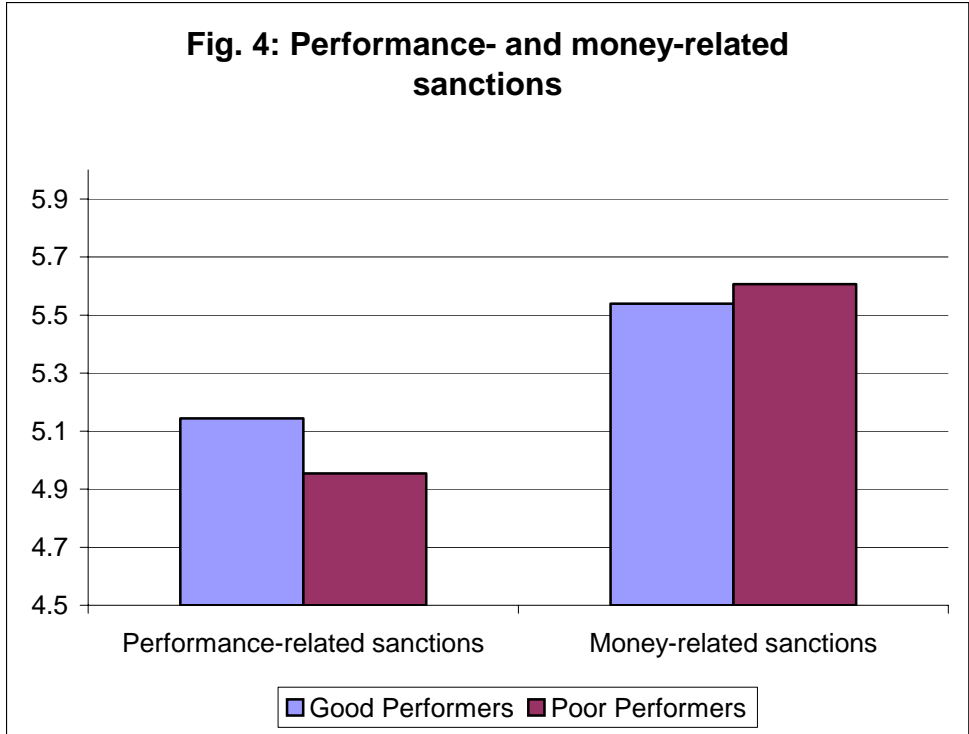


**Fig. 2 Criteria for hiring by good and poor performers**



**Fig 3: Internal factors and organizational culture**





**Table 2: Summary: Are there differences between good and poor performers?**

<b>Characteristics</b>	<b>Result</b>
<b>External factors</b>	
Task specificity	<b>No</b>
Political interference	<b>No</b>
Civil society	<b>No</b>
Benefits	<b>Yes</b>
<b>Internal factors</b>	
Organizational mission	<b>Yes</b>
Recruitment and training	<b>Yes</b>
Performance and evaluation	<b>No</b>
Recognition and sanction	<b>No</b>
▪ Sanctions for performance-related offenses	<b>Yes</b>
▪ Sanctions for money-related offenses	<b>No</b>
Autonomy (personnel and budgetary issues)	<b>No</b>