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Hayden, Robert Charles; Query, Michael Francis; Shipley, Graham Thomas; Snead, Leonard Alexander III

Monterey, California. Naval Postgraduate School

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NAVAL POSTGRADUATE SCHOOL

Monterey, California



THESIS

H3594

A FIELD STUDY OF CONTROL SYSTEMS IN
ENVIRONMENTS WITH ILL-DEFINED
TECHNOLOGY AND OUTPUT

by

Robert Charles Hayden
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Graham Thomas Shipley
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December 1989

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Approved for public release; distribution unlimited

Prepared for:
Naval Postgraduate School
Monterey, California

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NAVAL POSTGRADUATE SCHOOL
Monterey, California

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A Field Study of Control Systems in Environments
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ABSTRACT

The purpose of this study is to investigate how resources are controlled in environments with ill-defined technology and output. Of interest is whether such profit and nonprofit organizations have similar control structures and processes. Organizations in three different industries were investigated: child care, information services, and fire protection. The study provides a basis to develop and understand control processes in the specific environments studied.

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I. INTRODUCTION

A. BACKGROUND

Technology can be defined as the means and process by which an organization produces its outputs. With few exceptions, the control of resources in organizations as having ill-defined technology and output is not as well understood as in entities identified as having well-defined technology and output (Anthony, Dearden, and Bedford, 1989). The distinction between well- and ill-defined technology is the degree to which the means to achieve a specific end or output can be specified. Levitt and Nass (1989) define the concept as "ambiguous technology." The ambiguity derives from "unclear connections between means and ends" (Levitt and Nass, 1989, p. 193). Not only can clarity be lacking in the means-ends connections, but there is also difficulty in measuring or evaluating the output of the entity. That is, the output can be called ill defined.

Given the relatively large role such technology and output play in our society (see Heskett, 1986), a systematic understanding of the phenomena has become important. The purpose of this study then is to investigate how resources are controlled in environments with ill-defined technology and output.

The institutional and technical-rational models of organizations lead one to expect that the control of resources in environments with ill-defined technology will differ in the profit vs. nonprofit¹ sectors (Euske and Euske, 1989; Meyer and Rowan, 1977; Thompson, 1967). As Euske and Euske (1989) have argued, the distinction depends not only on the profit-nonprofit distinction, but also on the source of resources (i.e., are resources primarily from a single source or from a broad base). Expectations would be that the control systems in the client-funded profit organization would be oriented toward efficiency, while the control systems in the nonprofit organization with a single source of funding (sometimes referred to as block funding) would be oriented toward maintaining the legitimacy of the organization. These differences are argued to be manifested in a number of ways. For instance, rationality serves different purposes in the two types of organizations. In the nonprofit organization, rationality is used to project an image of legitimacy to the organization's publics. In the profit organization, rationality is used to discover ways to become more efficient. A more specific example is that resource generation for the nonprofit organization depends on maintaining legitimacy. Resource generation in the profit organization is promoted by

¹Adopting the position presented by Anthony and Young (1984, p. 35), the term nonprofit is used here rather than not-for-profit.

managing the internal technical core so that the organization performs efficiently. As another example, the nonprofit organization uses the structure of the organization as a means to integrate the organization with its environment and decouple the technical core from the structure. The profit organization would use its organizational structure as a means to buffer the organization and its technical core from the environment. Table 1.1 presents differences that would be expected from the two perspectives.

B. RESEARCH DESIGN AND SITES

In order to isolate the factors of interest in this study, a multi-organization and multi-industry design was adopted in the following manner. To capture the profit-nonprofit and funding dimensions, an industry was sought that had ill-defined technology and output, profit and nonprofit organizations, and both client-funded organizations and organizations with single major sources of funding. The child care industry met these criteria. "Good care" and the means to achieve such care are not well defined or easily measured. Relatively clear minimums of care are expected by parents--clean facilities, children who do not appear to be mistreated,--but beyond such obvious measures of performance, good and appropriate care is difficult to define and measure. The child care industry also has both profit and nonprofit organizations. Moreover, it tends to have small, single-unit

TABLE 1.1

IMPLICATIONS OF THE TECHNICAL-RATIONAL
AND INSTITUTIONAL MODELS

<u>CHARACTERISTIC</u>	<u>MODEL</u>	<u>MEANING TO MANAGERS</u>
Evaluation Criteria	T-R I	Efficiency. Legitimacy.
Rationality	T-R I	A means to discover the most efficient way to operate. Is projected for the organization as a means to gain legitimacy.
Organizational Structure	T-R I	A means to buffer the organization and its technical core from the environment. A means to integrate the organization with the environment and decouple (buffer) the technology from the structure.
Resource Generation	T-R I	Manage internal technical core so that the organization performs efficiently in the market place. Ensure the organization conforms to environmental expectations so that the appropriate funding level can be maintained.
Management of Staff	T-R I	Coach, motivate, and reward behaviors that achieve efficiency. Ensure that staff maintain required credentials.
Staff Technical Performance	T-R I	Closely tied to output -- evaluated by the manager. Not closely tied to output -- evaluated by the manager.
Organizational Performance	T-R I	Evaluated in the market place. Evaluated by members, constituents, and clients.
Board of Directors	T-R I	A vehicle for providing direction to the organization. A vehicle for maintaining legitimacy.

T-R = Technical-Rational

I = Institutional

Source: Adapted from Nancy A. Euske and K. J. Euske "Nonprofit Organizations: Employing the Other Side of Rationality".

operations with small staffs that perform multiple functions. Such characteristics facilitate the observation of variation in the structure and processes of control systems across organizations.

To understand the effects of technology better, a second type of industry was sought. In this case, the desired industry's core technology would have the same characteristics as described for the child care industry, but the industry would have larger organizations, with personnel and departments that specialize in various aspects of the control process. Because within a particular organization there would be variability in how well defined the technology and output are, these organizations could provide information on the effect of the varied technology on the control system. The fire-protection and the information-services industries met these criteria. "Good fire protection" and "good information services" indicate neither specific means nor outputs. Fire departments and information services have staff and departments that specialize in various functions. Some functions have technology and output that are not as well defined as other functions. In areas of well-defined technology (e.g., how to enter a burning building), expectations would be for the departments in the profit and nonprofit organizations to operate more similarly than in areas of ill-defined technology.

C. RESEARCH PROCESS

The data were gathered from the organizations through a series of interviews and the investigation of archival data. The protocol for the interviews is presented in Appendix A. In each organization, at least two individuals were interviewed, except for one organization that had a staff of three, where only one individual was interviewed. A list of the individuals interviewed is presented in Appendix B. The interviews lasted two to four hours. Additionally, when documentation existed, it was reviewed to validate the interview data. A list of the documents reviewed are listed in Appendix C.

D. REPORT ORGANIZATION

Chapters II, III, and IV present the results of the interviews and inspection of the archival data for the child care centers, information-services organizations, and fire departments included in the study. Chapter V presents a distillation of the results in a format corresponding to Table 1.1. Chapter VI contains the analysis of those results.

II. CHILD CARE CENTERS

A. INTRODUCTION

This chapter describes the child care centers that were part of this study. The necessary information to develop these descriptions was gathered from interviews with two individuals from each center, as well as a review of written literature from each center.

The operation of licensed child care centers is basically the same throughout the industry: young children are left in the custody of certified care-givers at a licensed facility that provides a combination of supervision, education, and recreation. The operation of all state-licensed child care centers must conform with state regulations. For the centers included in this study, the state regulations are approximately 40 pages long, and are updated by the state as needed. These regulations create a degree of standardization within the industry. One center included in the study, Child Care Center E, is operated by a federal government agency and is certified and regulated by that agency.

Of the eight child care centers in this study, two (Child Care Centers A and B) are profit oriented and wholly client funded; two (C and D) are nonprofit, client funded with rent-free facilities from the sponsoring (or host) organization; two (E and F) are nonprofit, client funded, and receive minor

funding (less than five percent) and subsidized rent from a sponsoring organization; two (G and H) are nonprofit and receive a large amount of funding from the state, in addition to client funding sources. Child Care Center G receives 50 percent of its funding from a state latchkey grant, and Child Care Center H receives 75 percent state funding. Table 2.1 is a list of the eight child care centers with a brief description of its type of funding received and whether the center is profit or nonprofit.

TABLE 2.1
CHILD CARE CENTER CHARACTERISTICS

<u>Alias</u>	<u>Characteristics</u>
A	Profit/client-funded
B	Profit/client-funded
C	Nonprofit/client-funded; rent subsidized
D	Nonprofit/client-funded; rent subsidized
E	Profit/client-funded; minor block-funded; rent subsidized
F	Nonprofit/client-funded, minor block-funded; rent subsidized
G	Nonprofit/client and block-funded
H	Nonprofit/block-funded and minor client-funded

B. CHILD CARE CENTER A

1. General Overview

Child Care Center A was a privately owned, client-funded, profit child care center that was formed as a corporation with the owner holding 100 percent of the shares. Located in a shopping mall, Center A opened in July 1987 and was designed to provide "drop-in" child care. That is, Center A provided day care on a short-term basis (up to four hours) for anyone who cared to drop in, no appointment necessary. The staff consisted of the owner, a director/teacher, four teacher's aides and various substitute teacher's aides, who worked on an as-needed basis. The state had certified Center A for up to 20 children at one time. The normal enrollment was also 20 children. The center was open from 10:00 AM to 9:00 PM daily. Since opening, Center A had also started a preschool program that served 12 children on Mondays and Wednesdays from 10:00 AM to 12:30 PM.

2. Goals

When the owner opened Center A, she had two goals. First, she wanted to "provide parents with a baby-sitting service they could feel secure with." Second, she said she wanted to make a profit. The director also was concerned with profitability. The director said her original goal was "to make it through the first year." The center's goals were listed in the original brochure published for Center A's opening: "The philosophy of our business is to provide a safe

and enjoyable experience for each child while they are at our center."

The owner and director stated that they did not write down any strategies to accomplish these goals. The owner has been "keeping the strategies in her head." The main strategy for providing quality child care was to ensure that all employees had what the owner said was "nurturing ability"--that is, the ability to "make children feel good about themselves."

There were two strategies designed to meet the goal of profitability. First, the owner started the preschool program to provide the center with a stable source of income. Second, she started a prepaid program, through which parents can buy day-care hours in advance, at a discount. This step also provided a more stable source of income for the center.

After making it through the first year of business, the owner expanded her goals to include: expanding the business to other shopping malls, "franchising it in another couple of years," and expanding service to allow full-time care, which would require a non-mall location for full-timers. The owner saw these new goals as being "evolutionary rather than revolutionary," a part of trying to expand her business. She stated that none of the goals was written down.

There were no written strategies for expanding the business, or adding franchising or full-time care. The owner believed these goals required a long-term approach: "The lack

of assets makes it difficult to obtain financing" required to expand the business. The owner believed that she must obtain financing through the Small Business Administration, but "The Small Business Administration won't fund start-up businesses; you must first be four years old and a going concern." The owner's long-term strategy was to accumulate information while waiting for this four-year period to expire. She also has considered approaching local employers for subsidies. As the four-year waiting period wanes, the owner intends to set forth her ideas and strategies in a formal, written plan.

3. Standard Operating Procedures

Center A did not use written standard operating procedures (SOPs). The owner explained that the lack of SOPs resulted from the variable nature of drop in child care. The director noted, "You have different kids everyday." Center A employed standard procedures for child check in, but they were not written down. The owner and director relied on verbal instruction and informal monitoring to ensure that employees followed standard procedures.

The check-in requirements for drop in day care were unique, and Center A adapted its procedures to meet these unique requirements. The employees were required to use the state-mandated sign-in/sign-out record sheets and accident-report forms. In addition, employees were required by the center to take a polaroid picture of parent and child and attach this picture to a control card. The center used the

picture and card, not required by the state, to prevent the wrong person from picking up the child.

Archival records showed that formal written SOPs were drawn up for a check-in procedure prior to Center A's opening. These instructions were very detailed and required even more identification than the center actually used. The director stated they no longer used these written instructions because the verbal instructions were adequate.

4. Organizational Structure

Center A did not have an organizational chart in any of the archival material. The director and owner stated that they did not have or use such a chart. The owner said that she structured Center A to meet state requirements. The owner hired the director, because the state required a director to have 12 credits of Early Childhood Education, which the owner did not have. The 12 credits that the director earned also allowed her to teach the preschool. The director also said that the four teacher's aides were hired to meet the minimum state-required number of teachers and teacher's aides for the 20 children the state certified to be the maximum allowed at Center A.

Neither the owner nor the director discussed or showed any written process by which they determined the number of staff that should be on duty on any particular day to meet state requirements. Instead, they discussed their verbal procedure of adjusting the number of staff based on the

expected number of children for a particular time period. They first discussed with each other the anticipated number of children for any particular time period. They then adjusted work schedules so that the state-required number of employees were at work to meet the anticipated number of children. The director said that they would turn away children whenever Center A reached the state limits for the number of children that the employees on hand could care for.

5. Budget Process

Center A's owner stated she handled the budget process completely by herself. The owner did not restrict the director in spending. "Buy whatever you need" was the guidance the owner provided the director. The owner did not provide any formal feedback to any of the employees on Center A's budget status.

The director's statement reflected a different understanding of the budget. The director believed that the budget reflected the center's income. She stated she based her spending on the status of the budget: "I know how the budget is doing, what's coming in. So I spend based on that."

The actual budgeting that was done by the owner was informal. She said, "I go by the seat of my pants a little bit." She did state, however, that she prepared monthly budgets and variance analysis for her own use, in addition to preparing annual statements. Since overhead such as rent, utilities, and payroll varied little from month to month, her

variance analysis concentrated on variance in revenue: "I look for plateaus in revenue."

Even though variance analysis was based on revenue, some budget items were not based on revenue. Center A's lease required a minimum level of advertising, but the owner stated she refused to allow revenue or lease constraints to determine her advertising budget. She said, "Advertising is not based on dollars available, but rather on what needs to be done to keep Center A a going concern."

As discussed previously, decisions on the size of the staff were based on the state-regulated child/staff ratios. Decisions on the amount of fixed equipment (e.g., large recreational equipment) and minor recreational supplies (e.g., toys, games, and crayons) were determined by state requirements and by what the director felt she needed to run the center.

The owner did not see salaries and the price of Center A's services as functions of the budget. She treated these items as part of her marketing plan. They are discussed in the next section.

6. Marketing

The owner handled all marketing for Center A. She stated that she had no formal marketing program, nor had she conducted any formal marketing studies. An example of the informal nature of Center A's marketing was its pricing and salary determinations. The owner said she originally planned

to price Center A's services much higher than the current price, but she lowered the price when she talked to parents and her accountant. The owner found that, with her original higher prices, parents lost interest when she told them the price. Her accountant advised her to lower her prices, because her original price "wouldn't fly in this area." When she lowered her prices, the owner said that received favorable verbal feedback from interested parents. The owner said she also determined her staff salaries by verbal feedback. After phoning other child care centers and finding out what they paid, she set Center A's salaries at approximately the average of what these other centers paid.

Marketing was also a function of the owner determining what was required for Center A to be more profitable. The preschool and prepaid programs were examples. The preschool program came out of the owner's "feeling" that there was a market for a preschool at Center A. The preschool program was desirable to the owner because it would provide a more stable source of income. The prepaid program came out of consistent verbal feedback from parents who requested that Center A allow them to pay for services in advance at a discount.

The main form of advertising was by word of mouth from satisfied parents. In addition, the owner had a listing in the Yellow Pages and used television, radio, and newspaper advertising. The owner said, "The most effective [of these] form[s] of advertising was television."

No formal, written documentation of the marketing process was found.

7. Organizational Performance/Customer Satisfaction

Center A had no formal assessment method for determining organizational performance. Informal assessment centered on two criteria. First, the owner rated Center A against profitability and revenue objectives. She proudly stated, "The first quarter of this year increased total revenue by 92 percent over the first quarter of last year--the second largest growth in the mall." The second criterion was customer satisfaction, obtained from informal feedback from the parents. Both the owner and director stated that parent satisfaction was very important in measuring performance. The director said, "Parents are the most important to impress, because you're going to take care of their kids."

The owner stated that she used no formal means of measuring performance because "it would be incongruent with the atmosphere." The owner also mentioned that she informally discussed customer satisfaction with the staff.

8. Staff Management/Hiring/Employee Evaluation/Training

Center A used an informal method of staff management. The owner saw herself as a "motivator and a friend" and used informal verbal feedback as her main staff-management tool. The current director saw herself as a "trainer" and also used informal verbal feedback, with the goal of "keeping employees

on the right track" and showing new employees "this is how things are done."

The owner had no formal process for soliciting ideas from her staff. She had an open-door policy and said she received informal verbal feedback from the director and other staff. The director stated that the owner would occasionally have staff meetings in which she would discuss how "things were going."

Staff hiring was done more formally than staff management. Center A used a two-page interview questionnaire, followed up by an interview with the owner. The owner said that all individuals were initially hired as substitutes. Full-time employment was not offered until a new employee was observed with children.

Many factors determined whether to hire an applicant. First of all, the applicant had to meet the state requirements for the position offered. The owner stated that she could not hire a person unless she or he met state requirements. The next criterion was an applicant's "nurturing ability, the ability to respond well to children and make them feel good about themselves" (as discussed above). The owner said, "I'm looking for a nurturing person." The final criterion for hiring was whether or not an applicant could work flexible hours. The owner required this because she sometimes had to reduce employees' working hours when demand for Center A's services was low.

Center A used no formal, written evaluation process. The owner and director said they used only informal verbal comments for employee evaluations. The owner used the same "nurturing ability" criterion used for hiring as the criterion for measuring employee performance. No special emphasis was placed on meeting education above state requirements: "Simply because they have Early Childhood Education does not make them a nurturing person." The director said she also provided informal feedback on how well the employee responded to children.

The owner stated that the reason they did not use written evaluations was to avoid legal problems. She preferred to reduce a troublesome employee's work hours until she or he voluntarily quit, rather than use formal evaluations to build a case for firing someone. She believed this approach avoided the legal problems that might come from a firing.

Training was also conducted on a very informal basis. The director provided verbal, informal instruction to all new employees during the substitute trial period of a new applicant. No written instructions were used. The owner said that she encouraged employees to "pursue whatever education they wanted," but she did not provide any time off or tuition assistance subsidies for her employees.

9. Professional Societies

The owner belonged to the Chamber of Commerce but no day-care organizations. The reason was that no day-care organizations "fit drop-in care" that Center A provided.

10. Public Relations

Center A did not have a formal public-relations program. It relied on radio, television, and newspaper advertising to supplement word-of-mouth public relations.

11. Higher Level Relationships/Board of Directors

Center A's higher level relationships consisted of only those with the state licensing agency. The center had to maintain good relations with the agency to maintain its license. The unique nature of Center A's drop-in care required the owner to work closely with the state. The owner described the process of obtaining a state license as a mutual effort between her and the state. "They [the owner and state] learned licensing together," since no one had ever licensed a drop-in care center before.

Center A had no board of directors, although the owner sought the advice of her attorney and CPA on policy decisions.

C. CHILD CARE CENTER B

1. General Overview

Child Care Center B was a privately owned, client-funded, profit-seeking child care center. It was a certified Montessori school established in 1978. The organization was

legally a corporation, with the owner holding 100 percent of the shares in the corporation. Besides the owner, who was also the director, there was a staff of three--an assistant director (head teacher), a full-time teacher, and a part-time teacher. The state authorized enrollment for the center at 36 children; the normal enrollment was 36 children. The center operated between the hours of 7:30 AM to 5:30 PM five days a week.

2. Goals

The director/owner listed three goals for the organization: first, maintain full capacity enrollment; second, meet state licensing requirements; third, provide a quality, Montessori education. Of these three goals, only the third was written in the organization's literature (in the Parent's Handbook). For the director/owner, full-capacity enrollment was considered critical to the success of a child care center. She stated that a "lovely, quality day care is nice, but if it is operating below capacity, it won't survive." In contrast, the assistant director listed only two goals of the organization: first, "provide a safe, loving environment for the education of small children" and second, "help the working parent." The assistant director's first goal closely matched the written purpose of the organization as published in the Parent's Handbook.

The director/owner of Child Care Center B listed three strategies to achieve the organization's goals--first,

marketing; second, maintaining a close relationship with the parents to promote positive word-of-mouth advertising; and third, operating the center on a year-round basis.

3. Standard Operating Procedures

There was no evidence that Child Care Center B generated its own SOPs. The director/owner stated that the state-regulations binder, along with the Montessori manuals, could be considered SOPs for the center. Although Child Care Center B had to operate in accordance with the state regulations, the presence of the binder was a legal requirement, not a functional tool for the daily operation of the center. The Montessori administrative manuals are a series of three volumes, approximately 200 pages each, that provides a certified Montessori school with a reference for operating in accordance with approved Montessori procedures. The director/owner "does not refer to these manuals very often," because she has operated a Montessori school for so long that she knows the procedures without having to use the manuals.

The assistant director was aware of the Montessori manuals and the state-regulations binder, but she stated that she did not use these references in her daily operations. Both the director/owner and assistant director stated that staff members were notified of procedure/policy changes at Monday staff meetings.

4. Organizational Structure

There was no written organizational chart for Child Care Center B. The director/owner was able to describe the structure at the center without the assistance of a written chart. She also knew "what positions need to be filled." The assistant director was able to identify the structure from memory exactly as the director/owner had identified it.

Because Child Care Center B operated at the state-required 12:1 child-to-staff ratio, vacancies were filled immediately. The director/owner did not hire teacher's aides, since an aide only increases the required ratio from 12:1 to 15:1. The 36-child capacity matched well with three teachers on staff. A part-time janitor was employed by the center.

All members of the organization interacted openly and frequently with the parents (clients). The Parent's Handbook promoted an open-door policy and stated:

We enjoy having the parents of our students visit at [Child Care Center B]. You are very welcome to observe or participate. Please stop by at any time. The doors are always open to you.

The organization was structured so that the director/owner was fully responsible for the "business end" of the organization. She stated that the assistant director was responsible for the daily operations of the center and that the director used a "hands-off" management style in dealing with her employees. This "hands-off" style ensured that the

assistant and staff concentrated on the smooth operation of the center and the quality of care given.

5. Budget Process

The director/owner stated that Center B did not have a formal budget. There was also no evidence of a formal budget in the archival materials. She stated that each year she sat down with the assistant director and the board of directors to review the previous year's income statement and discuss tuition and salary levels for the next year. A copy of the previous year's unaudited financial statements was found in the center's Administrative Handbook. The director/owner indicated that she is the major force in determining and executing their "budget."

According to the director/owner and the financial statements, approximately 40 percent of the center's expenses (phone bill, rent, food bill) have remained relatively constant. She indicated that the major variables in the determination of income were tuition and salaries. The director/owner reviewed the financial position monthly in order to assess the financial position of the center. She indicated that she could not raise tuition on short notice and that any corrective action usually meant, "I will pay myself less because I can survive on my real estate dealings, or else I will delay payments on accounts payable or taxes payable."

Decisions on the size of the staff depended on state-regulated child/staff ratios. Decisions on the amount of

fixed equipment (e.g., playground equipment) and minor recreational supplies were also determined to a certain extent by the state. The center had to provide a certain amount of educational and recreational equipment as mandated by the Montessori society. The director/owner stated that decisions to provide equipment beyond the state and Montessori minimums or decisions on when to replace equipment depended on the "availability of excess funds." These decisions rested with the director/owner.

6. Marketing

The director/owner was concerned with marketing as a means of maintaining full enrollment, which she said was critical to survival. She was responsible for marketing strategies and readily identified that the center's major clients were "young professional working couples, or single parents, with children." She had taken several steps in the area of marketing.

First, she identified the needs of potential clients by requiring that the staff ask prepared questions of prospective clients who telephoned and/or visited the center. Some examples of these questions are "What are you looking for in a nursery school" or "How did you learn about Child Care Center B?"

Second, she ran a daily advertisement in the local newspaper. She stated that Child Care Center B was "the only preschool or day care in [the local area] that runs a daily

advertisement." The director/owner said that this advertisement was the most successful marketing device she used and that she was "very pleased with the response."

Third, the center advertised in the Yellow Pages. The size of this listing was reduced after the local newspaper advertisement proved to be successful.

Additionally, the director indicated that there were "five or six" national Montessori professional societies that performed market studies and tuition comparisons. She stated, however, that she did not use these studies and was not very familiar with them.

7. Organizational Performance/Customer Satisfaction

No evidence could be found in the center's archival data of a formal method for assessing organizational performance. Aside from annual state inspections, there was no quality-control program. The director/owner stated that she kept an eye on performance and quality; she also considered comments from staff and parents to assess the center's performance informally. She indicated that quality vs. quantity decisions were considered very carefully. She was proud of the quality of care provided by the organization and stated, "I don't cut corners on quality."

The organization did not have a formal program to measure customer satisfaction. Satisfaction was measured informally by parent feedback obtained from the open-door policy and formal teacher/parent conferences. An invitation

for parent feedback was published in the Parent's Handbook and the monthly newsletters. Problems and praises from parent feedback were discussed at weekly staff meetings in order to improve service and motivate staff.

8. Staff Management/Hiring/Employee Evaluation/Training

As previously mentioned, the director/owner described her style of management as "hands-off." She stated that "my staff is as self-motivated as I am." The assistant director supported this assertion. Both the director/owner and the assistant director indicated that, because of the assistant's nine years of working for the director/owner, the assistant knew how the director/owner wanted the organization to operate.

According to the director, no formal system existed to gather ideas from the staff. Input was solicited from the staff on an informal basis at the weekly staff meetings. No suggestion boxes or suggestion forms were found at the center. The director/owner stated there was a "team-teaching attitude," in which staff input was considered important to the organization. She said, "The children benefit from staff ideas," and she was able to cite several examples of employee ideas that were implemented at the center. For example, a hand-washing station was installed outside at the suggestion of one of the teachers. The assistant director supported these statements made by the director/owner.

The director/owner listed the most important factors considered when hiring new personnel. First, the applicant had to have the required state and Montessori teaching credentials. Second, "if they want to work in day care, they must be self-motivated." Third, experience was an important factor. Finally, the legally qualified applicant had to be able to fill a vacancy immediately. The director/owner stated that the last person who had been hired was to fill a vacancy and the center needed a part-time teacher quickly. The first credentialed person who applied was hired.

The director/owner and assistant both stated that there were no formal employee evaluations or position descriptions at Center B, and no evidence of such was found in the archival data. The director/owner informally advised the staff of how they were performing. If a problem arose, it was discussed; if it was serious, she took the person to lunch to discuss the problem. With no opportunities for advancement, employee evaluations were not considered important. The director/owner stated that, "if someone wants to advance, they can leave and open their own day care." The assistant director indicated "I have tried to convince (the director/owner) on several occasions to use formal evaluations." She felt that formal evaluations and position descriptions would help morale by allowing the staff to "know where they stand."

There was no evidence of a formal training program for the employees at Center B. The director/owner stated, however, that she encouraged employees to pursue further education and training by posting educational opportunities and by sponsoring some education and training. The extent of the sponsorship was paid salary, tuition, travel, and lodging. According to the director/owner, employees had been sponsored "several times a year" by the organization. At the time of the interviews, one of the full-time teachers was being sponsored at a week-long training seminar. Sponsorship had been available to all the teachers. The selection had been determined by the director/owner and was based on the situation, funds availability, and the desire of the employee to pursue further education. The selection for sponsorship was not a performance reward. The director/owner stated that she set aside \$1500 per year for the purpose of sponsoring employee training. She also said that the center "provides support in order to bring back new ideas and improve the quality of service."

The orientation of new employees was informal. The director/owner (sometimes the assistant) explained procedures and policies to new employees. The amount of time spent with the new employee was subject to the director/owner's subjective assessment of the situation and the new employee's ability to understand the organization's procedures.

9. Professional Societies

The director/owner did not keep track of employees' memberships in professional societies. She stated, and the financial statements substantiated, that she belonged to several professional societies. Membership dues were paid for by the center as business expenses. The director/owner considered her memberships useful to the organization, because she made information (journals, pamphlets) from these professional societies available to the staff.

According to the director/owner, employee attendance at professional society workshops was encouraged. She indicated that these workshops provided good exposure for the employees (broadened their views) and positive public relations for the center. Other industry professionals became aware of Center B through contact with its employees at these workshops.

10. Public Relations

According to the director/owner, it was important for the center to project a professional image to the public. She wanted "the public to think of [Center B] as a clean, quality day care." The director/owner stated that she was responsible for maintaining the center's professional image, which was promoted by hosting parent/child activities and by providing scholarships to families in financial need. Parents were encouraged to bring guests to the parent/child activities, which included cookouts and plays. According to the

director/owner, these activities were scheduled every other month, and she set aside \$100 a month to fund the activities.

11. Higher Level Relationships/Board of Directors

Since the owner was the sole shareholder in the corporation, she described the board as a legal requirement filled by family members who served as advisors to the director/owner. Board approval was not required for any expenditures. The board met approximately three times a year.

According to the director/owner and the assistant director, members of the board (e.g., the owner's father) occasionally visited the school and supplied nonbinding advice to the director/owner.

D. CHILD CARE CENTER C

1. General Overview

Child Care Center C was a church-sponsored, nonprofit, client-funded, rent-subsidized child care center. It received its rent subsidy from the church that started the center as a ministry to the community in 1979. The church did not charge Center C for rent on the use of the church facilities that housed Center C's activities. The staff consisted of one director, one teacher, and one teacher's aide. The state-authorized enrollment for the school was 36 children. Center C accepted only 25 children at one time. The school operated from 7:30 AM to 5:30 PM, Monday through Friday.

2. Goals

Center C's original goals were to provide preschool, morning-only classes, charging the lowest possible fees. The center was viewed as an evangelistic outreach to bring children and their parents into the church. Religious training was a featured part of the curriculum.

Center C's goals had changed over time. In 1980, it expanded to an all-day curriculum in response to demands of parents. (No formal study was done; the parents simply kept requesting full day care.) The director stated that the evangelistic efforts and religious education have been reduced: "Parents have shown little interest in joining the church." Also, the pluralistic characteristics of the children at Center C tempered the importance of the religious training: "We want the kids to be comfortable with their own beliefs and not uncomfortable with their exposure to Jesus." The director wanted to de-emphasize theological beliefs and "introduce Christianity concepts" to foster this atmosphere of comfort. Formal written goals published in Center C's policy statement stated, "The objective of [Center C] is to teach the children the concept of God as our Father and Jesus as His son and our friend." The director also stated that she hoped Center C prepared the children for kindergarten by teaching them to be "socially adept, with good self esteem.... academically prepared for kindergarten."

The long-term strategy for Center C to pursue these goals included trying to have the capabilities for all pupils to attend for a full day. As the director stated, "We want all kids to be at the center five days per week, full time. We want to do this because we can do more with the kids and because it's better financially for the school. A part-time still holds down a slot at school." The director believed that, within the constraints of the facility and staff, Center C could have a larger budget and do more with full-time instead of part-time students.

3. Standard Operating Procedures

The overall SOPs were the state laws and regulations related to licensing of children's day-care facilities. All policies and procedures at Center C were required to fit within this framework. In addition, Center C used one informal SOP: the master schedule. Not a formal document, the master schedule was a poster board placed on the wall that provided a general time line of the week's activities. The director said she used the master schedule to keep her staff and herself on an organized schedule each week. She changed this schedule as she felt the need, without any formal analysis.

4. Organizational Structure

The director said no written organizational chart existed for Center C. She also stated that the number of staff was based on state requirements and the director's

decision that Center C would enroll no more than 25 children at one time. Since the state required one teacher per 12 students and would permit an additional three students per teacher's aide, Center C required a staff of three--two teachers and teacher's aide. The director said she and the teacher both had the state-required 12 units of Early Childhood Education. The director felt, that with a staff of three, she didn't need to have any written organizational structure.

5. Budget Process

Center C did not have any formal, written budget procedures. The director, who had the most input, drafted a yearly budget with the help of the church bookkeeper. This document was presented for the approval of the church Child Care Committee. The director stated that the budget was based on trying to do the most for the children "while keeping the tuition as low as possible." The director also stated that very few changes to the budgets were made by the Child Care Committee. In addition to the annual budget submissions the Child Care Committee reviewed the budget monthly, based on reports provided by the director and audited by the church bookkeeper.

The rent subsidy provided by the church helped Center C keep tuition low. The church also assisted when the center ran into cash-flow problems. The director stated, "If we get short, say I forgot about needing to make a liability

insurance payment, the church comes to the rescue and bails us out." The church was repaid when cash became available.

The director said that the monthly meetings of the director and Child Care Committee centered on budget concerns. Special emphasis was placed on funds being spent in accordance with the budget. The director mentioned that one of the Child Care Committee members with banking experience monitored budgeted spending very carefully: "She makes sure that I spend funds on exactly what I said [in the budget] I would spend them on."

The Child Care Committee also used the budget in their role as watchdog over the rent-subsidized facilities. The director noted, for example, that the Child Care Committee had required her to spend more on maintenance of the facilities than she had originally budgeted. Janitorial service was recently expanded from two days to five days per week. The director stated, "The church members are much more concerned about fingerprints than I am."

The director said that the budget process also played a part in setting the enrollment limit of 25. The director knew what enrollment was required to meet operating expenses within the boundaries set by the rent subsidies and safeguards against cash-flow problems. She stated,

If we have 15 paying regularly, then we meet expenses for a director and a teacher's aide. If we get 20, we can pay for an additional teacher too. If I go more than 25, I'd have to buy more equipment and it would be too crowded. The

state thinks we have adequate space for 36. With that many children, it gets too wild; 20 is perfect.

6. Marketing

The director did not see the need for an extensive marketing program. The director advertised in the Yellow Pages and newspaper, but she did not view other child care centers as competitors. There were always enough children who needed child care to keep Center C full: "There's always a need for our services."

The director's view that there would always be a demand for Center C's particular set of services was also shown in her referral policy. She referred children and parents to other child care centers if Center C did not meet the parents' and children's needs. This policy was especially applied to low-income parents who qualified for state child care assistance funds: "If parents qualify for low-income assistance, I recommend they go to the local school district's program."

7. Organizational Performance/Customer Satisfaction

The main form of organizational-performance and customer-satisfaction feedback was informal, verbal feedback from parents. The director gave the following example: "One parent didn't like the smell of our antiseptic. We changed for a while until her child graduated."

When Center C was first organized, the monthly meetings between the director and the Child Care Committee

(discussed previously) were supposed to be the main form of parental feedback. The director and committee wanted to use these meetings as a means of getting parents involved in the child care program. The director said that parents were invited to attend these monthly meetings; this invitation was also extended in Center C's brochure. The director said parents chose not to attend the meetings, however, which left informal conversation as the only feedback received from parents.

8. Staff Management/Hiring/Employee Evaluation/Training

The director used a combination of formal and informal management at Center C. Because of the small size of the staff, the director saw no need for formal staff meetings. She said the main form of staff feedback to her was informal comments she would receive during the work day.

Center C had two sets of written position descriptions. One set was written by the director for the teachers, and one set was written by the Child Care Committee for the director and teachers. The director stated that the position descriptions she wrote were only a starting point for discussions with a teacher on what was expected of the teacher. "I read the job description through with them, but then I tell them it's flexible. For example, you're given a lunch break, but you can work through your lunch and go home earlier." The director said that she did not refer to formal

position descriptions written by the Child Care Committee. She preferred to use her own.

The most important criterion for hiring a teacher was meeting state requirements. The director could not hire someone who did not meet state requirements. After this criterion, the director was most concerned with "maintaining kids' self-esteem." She said the applicant had to have the "right personality and react well to kids" so that the children would have good self-esteem. Finally, the director wanted applicants to be able to work flexible hours. The director said that, when enrollment was low, she had to reduce employees' working hours to stay within her budget. The director noted that very few applicants met state qualifications. For the last Center C teacher's position, only three applied. The director chose the one with the "best personality, who could accept flexible hours."

Employee evaluations were conducted only informally. The director said that she discussed employees' performance as she saw the need, and that she did not write down any of these evaluations.

Employee training was also done informally, with the director conducting new-employee training. As discussed, the position descriptions provided a starting point for this training, which was supplemented by the director's verbal instructions. Center C had no written training manual. The director stated that she supported employees pursuing further

education. She said that her support included providing time off for classes and driving her employees to and from classes.

9. Professional Organizations

The director did not belong to any professional organizations.

10. Public Relations

The director and the Child Care Committee did not conduct a formal public-relations program. The center did solicit donations from civic organizations. These solicitations were done by letter and were oriented toward receiving funds for specific equipment or procedures. The director would draft a letter requesting a donation, which was then edited and approved by the Child Care Committee.

11. Higher Level Relationships/Board of Directors

The Child Care Committee functioned as a board of directors. The committee existed to ensure that the church's interests were protected while Center C used the facilities donated by the church. An example of this function was the increase of janitorial service mentioned earlier.

E. CHILD CARE CENTER D

1. General Overview

Child Care Center D was a church-sponsored, client-funded, nonprofit child care center. The center occupied church-owned buildings provided rent free to the center by the church. Center D was established in 1978 by the church pastor

and church board to "provide a Christian ministry for preschool children." Besides the director, there was a staff of ten--an assistant director (full-time head teacher), five part-time teachers, and four teacher's aides. The state authorized enrollment for the center was 54 children; the normal enrollment was 45. The center operated between 7:30 AM to 5:30 PM five days a week.

2. Goals

The director listed three goals for the organization: first, to "provide a Christian ministry for preschool children"; second, to meet the state licensing requirements; and third, to "provide a quality, Christian education." Only the third goal was disseminated to the parents in the Parent's Handbook. The objective of the organization, as stated in the handbook, was "to teach the concepts of God and His Son Jesus Christ and how these concepts relate to everyday living." The director stated that each year the teachers wrote out the goals and objectives for their classrooms.

Center D did not have any formalized strategies to achieve the organization's goals. The director stated that she and the pastor evaluated the center's success in achieving its goals.

3. Standard Operating Procedures

There was no evidence that the organization generated its own SOPs, but a Manual of Administration of Christian Preschools provided a standard for the operation of a

Christian preschool. This manual was approximately 300 pages, and the director stated that she has used it "occasionally." She was familiar with the state regulations: "I have the state regulations memorized." She stated that these two documents could be considered the SOPs for the center. The director did not refer to the state regulations for guidance concerning the daily operation of the center. She described the Manual of Administration of Christian Preschools as a comprehensive reference but stated that she did not use it.

The part-time teacher who was interviewed knew that the state regulations existed, but she was not as familiar with them as the director was. She stated that "all of the teachers know what the procedures and policies are at the school." Staff meetings at Center D were held "regularly" but not on a specified periodic basis.

4. Organizational Structure

The director stated that the pastor has a written organizational chart for the church that depicted the position of the preschool in the church organization. There was no written organization chart for Center D, and no evidence of such a chart was found by the researchers. Because of the small size of the preschool, the director was able to identify the staff positions and chain of command. The part-time teacher also knew the positions in the organization and the chain of command. The director and the part-time teacher stated that vacant positions were filled "quickly."

According to the director and the part-time teacher, members at all levels of the organization interacted openly and frequently with the parents (clients). The Parent's Handbook promoted an open-door policy:

We feel that close cooperation with parents is absolutely necessary so that we can all work together for the utmost benefit of your child....We want to encourage you to come and watch the Center in operation and participate in the activities as your schedule permits.

5. Budget Process

Child Care Center D had a formal budget. The director developed an annual budget using the previous year's budget as a guide. She considered salary and insurance increases as the main determinants of the new budget, and she normally did not consider any input from her staff in developing the budget. According to the director, the subsidized rent was equal to approximately 30 percent of the center's budget. She stated that her budget was "reviewed and approved by the pastor and the church board," but she considered this review and approval to be more a formality than an opportunity for the pastor and church board to provide input or direction to the center.

The center did not have written budget instructions. The director stated that she tried to review the budget every six months, but actually reviewed it once a year. The budget was not updated, except to compare actual with budgeted income and expenses. The director stated that she was the major force in determining and executing the center's budget.

The annual budget was not made available to the staff for review. The part-time teacher stated that she "doesn't know a lot about the budget process." She supported the director's statement that the teachers were not involved in formulating the budget. She also stated that the teachers "do not use the budget" in their daily activities.

The director indicated that decisions on the size of the staff depended on state-regulated child/staff ratios. Decisions on the amount of fixed equipment and recreational supplies were also determined to a certain extent by the state. The director indicated that the state set certain minimums. Decisions to exceed these minimums or to replace equipment were the responsibility of the pastor (major expenditures) or the director (minor expenditures). The center had recently asked for and received a grant from a major corporation for playground equipment.

Tuition rates were determined "according to the rates being charged in the area" and the financial position of the center. The director stated that she determined the tuition rates, which were then approved by the pastor.

6. Marketing

The director believed the center's major clients were "young professional working couples with children." She indicated that many of the families were from a local military installation, who found out about the school mainly by word of mouth. The director used interviews with potential clients

and the center's enrollment form as tools to identify the needs of potential clients.

Besides a Yellow Pages listing, the only regular advertisement for the center was in the quarterly publication by a social club affiliated with the local military installation. Although this advertisement was continued more as "a tradition" than as an efficient advertising tool, it was aimed at a particular clientele that the director felt was desirable. The director viewed advertizing as "unnecessary, since there is a waiting list of parents who want to enroll their children in [Center D]." Center D did not conduct any marketing studies.

7. Organizational Performance/Customer Satisfaction

Child Care Center D did not have a formal method for assessing its organizational performance. Besides the annual state inspections, no evidence of a quality-control program was found in the archival data. According to the director, the organization's performance was informally appraised by the director and the pastor. She also considered customer feedback to be another informal indicator of organizational performance. She stated, "If a lot of parents disenroll their children, that's an indication that we have a problem." She indicated that quality was more important than quantity, as evidenced by her decision to operate the center at less than full capacity.

The organization did not have a formal program to measure customer satisfaction. An old suggestion box was lying on the director's desk in her office, but "it hasn't been mounted in a long time and nobody probably knows it's in here." Satisfaction was measured informally by parent feedback from an open-door policy and semi-annual formal teacher/parent conferences. An invitation for parent feedback was published in the Parent's Handbook. Both the director and the part-time teacher stated that problems and praises from parent feedback were discussed with the staff in order to improve service and morale.

8. Staff Management/Hiring/Employee Evaluation/Training

The director stated that "listening to the staff is my most important function." She added that she did not believe in rewarding efficiency in terms of monetary rewards. Rather, she praised her staff in recognition of exceptional performance.

The director and the part-time teacher both stated that all the teachers were encouraged to contribute ideas at irregularly held teacher meetings or during daily conversations with the director. The director believed the children had benefited from staff suggestions. She was able to give several examples of staff ideas that had been implemented (e.g., one of the teachers suggested that a broken water fountain be repaired so that the children would have

access to water after coming in from the playground). There were no formal forms or system to gather ideas from the staff.

The director listed the most important factors considered when hiring new personnel as: first, the applicant should have "strong Christian beliefs." Second, the applicant should have "a calm, warm personality." Third, the applicant had to have the proper state-required educational credentials. The employee application form contained specific questions concerning religious and personal beliefs--for example, "How long have you had assurance that Christ is your personal Lord and Savior?" Although the director felt that superior educational credentials were "very important to keep up with the latest techniques and ideas concerning day care," she clearly placed an applicant's beliefs and personality before extensive credentials as important hiring guidelines.

In Center D's formal employee-evaluation system, the director completed written evaluations of all staff members every six months. She then counseled each employee concerning his or her evaluation. The employees were given opportunities to provide written comments on their evaluation forms. The director said that the written evaluations "let the employees know how their performance is viewed [by the director]."

The director stated that her position was the only one at the center that had a written position description. This position description was on file with the pastor and was not

available for examination. She indicated that it had been "some time" since she had seen this document.

Although there was no evidence of a formal training program for employees at Center D, the director stated that she encouraged employees to pursue further education and training by posting workshop or educational opportunities and by sponsoring some education and training. The extent of the sponsorship was paid salary, tuition, travel, and lodging. According to the director, Center D sponsored "about one teacher a year" to attend workshops or training sessions. Sponsorship was available to all teachers and usually depended on desire to attend and scheduling conflicts. The director stated that the center provided support in order to improve the quality of service. She was able to name individuals whose education had been sponsored by the organization. The director indicated that she would like to have more funds to sponsor employee education.

No formal orientation program was held for new employees at Center D. The director stated that new employees were introduced to the staff at teachers' meetings. A new teacher was paired with another teacher for about a week; new aides were trained by the teachers to whom they were assigned.

9. Professional Societies

The director stated that she knew which members of the staff were members of professional organizations and that attendance at professional society workshops was encouraged.

She felt that these workshops "provide an opportunity for teachers to pick up new techniques and ideas, which in turn improve the quality of service."

According to the director, "some employee membership dues, based on financial need," had been paid for in the past. She was not able to cite a specific example, however, and the part-time teacher did not corroborate this claim.

10. Public Relations

The director of Center D stated that she wanted the center to project "a Christ-like image to the public." She also indicated that projecting a professional image was important in attracting the previously identified clientele.

11. Higher Level Relationships/Board of Directors

One member of the church board of directors was designated as the Center D representative. Prior to 1987, there was a separate child care center board of directors (copies of minutes were available). This format was changed, according to the director, because the child care center board was subordinate to the church board; therefore, decisions by the child care center board were subject to approval by the church board. This redundancy was frustrating to members of the child care center board. The director stated that the new format eliminated an unnecessary step in the church hierarchy, thereby making the system more efficient and less frustrating.

The church board was supposed to approve any expenditure in excess of \$100. The director could think of several instances where she had exceeded this dollar limit.

The director stated that she usually attended the monthly meeting of the church board and briefed the board on events and the financial health of the center. She indicated that the current Center D representative on the church board "visits the school and discusses problems and issues" with the director.

F. CHILD CARE CENTER E

1. General Overview

Child Care Center E was a client- and block-funded, nonprofit child care center. The center was run by a department of the federal government, which provided rent-free facilities. The government also provided indirect support through maintenance of the center's facilities and payment of all utilities. In addition to the center's director, there was a staff of 11--an administrative assistant, seven teachers (known as "caregivers"), and three teacher's assistants. The center was operated by the morale department of local federal government organizations. The maximum enrollment for the center was 37, broken down by age groups as follows:

4 weeks-6 months:	3
6 months-12 months:	3
12 months-18 months:	3

18 months-24 months: 4

2 years-10 years: 24

The center also accepted drop-in appointments as its capacity permitted. Drop-ins averaged 10-20 daily. The center generally operated at maximum capacity. Center E's clients were federal government employees working in the same city in which the center was located. The center operated Monday through Thursday from 7:45 AM to 5:30 PM; Friday from 7:45 AM to 12:15 AM; Saturday morning; and from 5:00 PM Saturday to 12:15 AM Sunday morning.

2. Goals

The center's director stated that the center's principal goal was to provide a developmental and nurturing environment for the children. The center's brochure for parents stated: "It is our goal to provide a significant program of supervised care for your children....A variety of activities will be used to develop physical and mental stimulation, social contacts, and trustful relationships, so they can grow to meet new challenges."

In addition, the center strove to provide constant training for the caregivers, which was required by the government. Other than the parents' brochure, the director said that the center's goals were not written down. The director believed that emphasis on training would provide the means to achieve their principal goal of caring for children. Virtually all the training she conducted came from the certification

guidelines published by the National Association for the Education of Young Children (NAEYC). Both the director and the head of the morale department said that the center's goals had remained constant over the years. Other than extensive training, the center had no defined strategies to reach its goal. The department head said, "We have ideas for innovation but everything [guidance] comes from the top."

3. Standard Operating Procedures

The director said that Center E used written operating procedures extensively. The government had specific instructions, which the director provided, governing the operation of its day-care centers. The local government office had published its own implementation instructions which addressed local day-care issues. In addition, the director used the NAEYC certification checklists to mold how the center ran.

The center had two different employee handbooks in addition to the parents' brochure. One employee handbook dealt with the care of the children, and the other covered administrative matters. The parents' brochure described the center's operating hours and subjects such as fees and drop-in services.

4. Organizational Structure

The director of the center said that she knew the center's internal organization well, but there was no evidence of an organizational chart. Staff vacancies occurred often at

the center. The director stated that she tried to fill them quickly but was not always successful partly because of the low salary structure. The head of the morale department provided a copy of an organizational chart, which showed the structure outside of the day care center. Since it was a government organization, the center had an external hierarchy within which the center had to work. The director stated that members of the external hierarchy rarely visited the day-care center.

5. Budget Process

No evidence was found of any formalized, written budget procedures for Center E. Because the center was part of the federal government, it followed a simplified version of the Planning, Programming, and Budgeting System (PPBS). About six months before a new fiscal year, the center's director submitted her budget estimate on a standard form. The estimate included amounts required for supplies and personnel salaries. The center's director stated that she did not ask the caregivers for their input to the budget process. The budget the director developed was submitted to the head of the welfare department. The department head stated that, once he had all the budget requests from all his divisions, he negotiated with each division the final totals he felt would make a realistic budget submission. The budget climate of the federal government directly affected the department head's definition of realistic. After the center's budget was

negotiated, it was submitted as part of the overall budget for the local department's activity. The center's director received monthly reports on progress against the final budget. An examination of this report revealed that it presented percentage progress of funds against monthly and yearly budget figures. The director stated that she updated the budget monthly if necessary but only reviewed it formally with her superiors once every six months.

The center's revenues came from two government sources: appropriated and nonappropriated funds.² The morale department head stated that about 80 percent of the funds were nonappropriated and the remainder appropriated. The center's nonappropriated funds were those generated solely from the fees parents paid. The appropriated funds paid the director's salary and facilities' maintenance. The director stated that the center's caregivers did not use the budget and were not familiar with it.

While the center had a provision for allowing other clients, such as community residents, the local federal government office had first priority for child care. The director stated that there was seldom room for other clients. The center tailored its hours to the workweek of the government office.

²Appropriated funds are those funds, generated through taxes, set aside by Congress for specific purposes. Nonappropriated funds are those funds generated by the government's welfare and recreation activities.

To determine the center's needs, the director made a subjective judgment of what she thought would be necessary for the following year. In addition, she performed an informal semi-annual survey of parents and other day-care centers to determine the proper level at which she should set the center's fees. These surveys help the director determine what parents felt was a fair rate and what the market rate was.

6. Marketing

Center E did no marketing. The director and the morale department head stated that their client base was strictly defined by instructions from government headquarters in Washington, D.C. The center had never had a problem staying full. Thus the director and department head saw no need to market.

7. Organizational Performance/Customer Satisfaction

The director stated that the majority of all feedback on customer satisfaction came from quick, on-the-spot comments parents made. In addition, the center had a representative on the local welfare department employee council, but the director seldom received feedback through that representative. The director incorporated comments she received in the organization's training program. Her aim was to improve the service the center provided. About once every three months, the director received a letter from a parent on the center's service. In addition to using the comments in Center E's training program, the director stated that she also placed a

copy of the letter in the personnel folder of the individual to whom the letter's comments pertained.

The director did not wish to increase the number of children at the center at the expense of quality. (She has not been faced with such a decision.) Government instructions dictated the child-to-caregiver ratios. State guidelines were more stringent than the federal, and the director stated that she followed the state regulations. Parents were aware of the total number of children the center could accommodate, because the center published that information in its brochure. To assess its performance, the center used the NAEYC certification checklist. In addition, NAEYC personnel evaluated the center annually. The director stated that she then programs times to correct discrepancies which the NAEYC team finds. To ensure that center personnel are following the NAEYC guidelines, the director and her assistant observe compliance daily. When asked during her interview, the director stated that she saw nothing unique about her center's quality control/performance assessment program.

8. Staff Management/Hiring/Employee Evaluation/Training

Center E's director stated that she used three means of communication with her staff: staff meetings, an open-door policy, and "management by walking around." She considered herself very receptive to suggestions for change as long as a suggested change would benefit the children. She held staff meetings at least weekly and often daily during the children's

rest period. It was during these meetings that she conducted training in addition to talking with her staff about business topics. Because of the cost, the director rarely called a staff meeting with both day and night workers. She relied on the night-shift supervisor to hold staff meetings and conduct training. The director also conducted five-minute safety lectures once a week with each employee individually, which was a requirement of the federal government.

The director viewed herself as a motivator and a coach of her employees. In addition, she was a qualified caregiver and worked as one when the center's workload required it. The director stated that she did this often, when the center was understaffed. She considered herself more of a working director than an office supervisor.

When hiring a new employee, the director stated that she had three criteria:

- that the applicant meet all legal requirements (pertained only to teachers),
- the cleanliness, attire, and demeanor of the applicant, and
- a subjective evaluation of the applicant.

The director did not require credentials as a prerequisite of employment. Because the starting salary was so low, \$4.74 per hour for caregivers, she quickly lost credentialed employees to higher paying positions at other centers; the center therefore had a high employee-turnover rate. The director stated that her subjective evaluation was the most important

criterion for hiring. She wanted to make sure that the applicant could interact well with children. She had hired employees with whom she was not entirely satisfied, however, because of recurring problems with understaffing. After hiring a new employee, the director placed the employee with a teacher for an indoctrination period of at least a week. The director stated that she would not have a new employee working alone with children unless the employee was qualified, with qualification being a subjective judgment by the director.

The director conducted employee evaluations at an employee's six-month point and then annually thereafter. The evaluation form the center used consisted of 11 general work-measurement categories. Based on her observations, the director evaluated each employee in each area on an adjective scale that ranged from Poor to Outstanding. The director also supplied written comments on the employee's performance. The evaluation form was supplemented by an extensive checklist of 37 child care-specific areas. The director evaluated each employee on a scale of 1 to 7 for each area on this form. After completing the evaluation form, the director met with the employee to discuss performance. The employee also signed the evaluation. Salary increases depended upon satisfactory evaluations.

According to the director, each employee had a position description because Center E's governing instructions

required one. She stated that the position descriptions did not, however, match the employee-evaluation forms. She also stated that no performance standards existed for employees. The director's subjective judgment, based on the functions of each of the center's rooms, formed the basis of employee evaluation.

The center's director said she encouraged employees to pursue educational opportunities. She took all employees to local NAEYC meetings that featured important guest speakers. Employees were paid when attending these meetings. The director also passed out fliers on child care courses being offered by local colleges. The center did not provide financial support for these training opportunities. The director stated that the government would provide training that it deemed mandatory, at no cost. Thus far the only training the government had provided was annual CPR training. The director stated that, if she had sufficient personnel, she would allow flexible schedules to accommodate education opportunities. The director stated that attendance at courses, meetings, or seminars did not depend on performance.

9. Professional Societies

Center E was a member of two professional societies: NAEYC and a government day-care organization. The director was also a member of NAEYC. The center would not pay for another NAEYC membership although it would pay for another to attend a NAEYC meeting if the director was unable to go. No

tracking of membership in professional societies was done because no other staff had memberships--as the director said, "No one else is a member."

10. Public Relations

The director stated that there was no public image Center E consciously tried to project. Center employees talked to parents to make sure they understood the center's concern for the children and how the center operated. The director wanted to make sure that she allayed any potential fears parents might have. Since the center did no public-relations work, it had no budget for any expenditures of that type. The center was not involved in community activities.

11. Higher Level Relationships/Board of Directors

Center E had no board of directors or other governing body. It did have the external chain of command mentioned previously. Both the director and the morale department head stated that this hierarchy did not involve itself in the center's day-to-day operations.

G. CHILD CARE CENTER F

1. General Overview

Child Care Center F was a client- and block-funded, nonprofit child care center. The center was sponsored by a local hospital, which provided the center with rent-free facilities. The hospital also provided an annual grant for

building maintenance. The hospital started the center in 1982. In addition to the center's executive director, there was a staff of nine--an administrative assistant, four teachers, and four teacher's assistants. The maximum enrollment for the center was 48 children, which was the number at which the center operated. There were 105 families that composed Center F's client base. From this base came the 48 children enrolled at any one time. Staggered arrival and departure times allowed Center F to serve this list of client families. The center operated between the hours of 6:30 AM and 6:00 PM five days a week.

2. Goals

The director stated that Center F's primary goal was to provide quality day care for children, especially for those children of working families. As stated in the center's parents' handbook: "We [the center] aim to provide a safe, warm, loving, and nurturing environment where both independence and growth are fostered." A second, but very important, goal was to support and help the local county develop employer-sponsored day-care programs.

When the center had first opened, its goals were well defined, but they were tailored to the hospital's goals rather than to those of the day-care function. The center had operated on a crisis-management basis. According to the director, the hospital had viewed Center F more as a liability than as a helpful program. The center had grown over the

years, however even though not the original director, the current director "assumes the goals have changed [because they have] become more specific" in the last three years. She stated that a significant event in the evolution of the center was the increased role the center's board of directors took in organizing the center (see Section II.G.11).

To accomplish its goals, Center F used three principal strategies. First, the director made frequent visits to the community in order to gain support. She stated that the objective of these visits was to foster an understanding of the center and promote the center's tax-exempt status. Also, these visits helped Center F get its "fingers into the community pockets." Second, Center F planned to conduct some fund-raising activities. At the time of the interview, the director did not yet know what type of activities she would pursue, but she wanted to raise about \$20,000 a year. Finally, the board of directors and the executive director discussed ideas for the center's growth. For example, the board asked the director to develop a feasibility study on expanding the center to accommodate school-age children in addition to its current enrollment of non-school-age children, an idea the center eventually adopted.

3. Standard Operating Procedures

Center F had a set of bylaws that governed the members of the organization, the center's officers, and the board of directors. These bylaws were required by the state for

nonprofit corporations. In addition, Center F had a staff handbook covering, in general terms, topics such as hiring practices, evaluations, and vacation policies. There was no evidence of, and the director admitted there were no, written policies on overall guidance for the center. Guidance for employees was disseminated through staff meetings, staff memos, and informal understandings between the board and the director.

4. Organizational Structure

There was no evidence of a formal organizational chart for Center F. But, when asked, the director was able to sketch one. The teacher interviewed stated the structure correctly but did not know if a chart existed. The director stated that she attempted to fill vacancies quickly but that it was difficult to do.

The director stated that she was able to move freely about each room. She maintained constant feedback and interchange among all employees of the center. In addition, since the members of the board of directors were parents of children attending Center F, they frequently visited the center and talked to the teachers.

Despite hospital sponsorship, Center F did not use the hospital in any organizational context. The director stated that Center F was not a functional part of the hospital. All decisions on the center's operation were made by its board of

directors and the director. The bylaws contained no mention of the hospital.

5. Budget Process

Center F had a well-defined budget process, although, as the director stated in her interview, there was no formal written procedure on how the budget was developed. The director stated that the process was based on an understanding between the board of directors and the executive director. During October or November (Center F's fiscal year coincided with the calendar year), two or three people from the board and the director of the center formed a "finance committee" to develop the budget for the following year. This committee reviewed the current year's financial figures and discussed anticipated changes during the coming year. In December the committee submitted its proposed budget to the entire board of directors. (Sometimes the committee delayed the submission until the current year was completed. If so, they submitted the proposed budget in February.) The budget was reviewed in detail at the February or March meeting of the board. Once it was deemed acceptable, the budget was "ratified" by the board, and the board recorded the confirmation in its minutes. Center F then used an outside accountant to develop a full set of financial statements, including a balance sheet, income statement, and variance report.

The board and executive director then conducted budget reviews monthly. The director stated that the board focused

most of its attention on the budget variances. If the variances indicate the budget was no longer realistic, the board might try to update it. The director stated, however, that Center F preferred only to update/revise the budget when it was time for a new one. It did not often change the annual budget figures. The executive director said in her interview, "We consider the budget really important."

Approximately 85 percent of Center F's revenues came from parents of children attending the center. The center charged two fees: a yearly registration fee, and daily/hourly attendance rates. Center F assessed the yearly registration fee without regard to whether a family ultimately used the center. Additionally, each child had a time card on which Center F recorded a child's time spent at the center. Parents were responsible for clocking their child in and out.

The remaining 15 percent of Center F's funding came from its hospital sponsor. Center F treated this funding as "off budget"; the amounts were not factored into Center F's budget planning. The director stated that this funding covered rent and utilities as outlined in a leasing agreement between the hospital and the owners of the building in which Center F was located. The amount was approximately \$36,000 yearly. In addition, the hospital provided Center F \$4000 yearly for capital improvements. The director stated that these improvements were made at the center's discretion. She used these funds "as wisely as possible," especially when

making external improvements. As the executive director said, "We are very concerned about having the community on our side." She further explained that external improvements were sometimes made after consulting with the community to get their opinions.

Center F's major clients were working, mostly two-parent, families. Only about six percent were single-parent families.

Center F had no formal procedures for identifying its financial needs. Initially, the director stated, Center F established its operating hours around the hospital's shifts. When the center became nonprofit and added the community as a client, it moved away from this flexible-hours position to its current schedule. To identify other program needs, the executive director of Center F conducted feasibility studies. The executive director also asked each teacher to prepare a list of supplies needed for the coming year to justify the requests. If the director agreed with a teacher on a needed supply item, that item became part of the budget. As one of the teachers told us during her interview, "[the executive director] has never failed to get me something which I needed. I've never had to ask more than once." When asked about the budget process in general, the teacher said that she did not play much of a role. She stated that she did not know how the executive director decided "who gets what."

The director stated that the board of directors established fees based on the center's current and anticipated operations. The board added incrementally to its base-line charges depending on the budget it developed. They constrained any increases by a realistic percentage. Factored into their rate decisions were input from parents, who might attend board meetings, and the rates charged by other centers.

6. Marketing

Center F's director stated that it marketed itself primarily through forays into the community to enhance community relations and increase the community's awareness of the need for day-care centers. The director wanted the center to assume a leadership role in the community. She has also made presentations to other companies to explain how well an employer-run day-care center can operate.

The director stated that Center F did not actively seek new customers. The demand for its services was greater than the center's current capacity. Other than a Yellow Pages ad, word of mouth was how Center F's reputation had been built.

Center F had done limited market studies. For example, the director once wanted to understand the structure of day-care centers in the county. She said that she did some demographic work, mapped out the locations of other centers, talked with other centers and with parents, and talked with

state regulators. She considered this survey successful; it gave her a feel for how the local day-care centers functioned.

The director did not view Center F as having any competitors. The director said that she consciously tried to keep the center from competing with others. She wanted to stay focused on providing quality care for the children. She said: "There are plenty of children, so we [Center F] can concentrate on community service."

7. Organizational Performance/Customer Satisfaction

Center F's director stated that the center had never had to sacrifice quality child care for increased numbers of children. State child care laws defined the quantity of children Center F could accept. Enrollment had not changed so dramatically that Center F faced tough tradeoff decisions. It had been able to concentrate on the quality of its services without concern about increasing its size in order to stay in business.

Center F's self-evaluation program revolved around the National Association for the Education of Young Children certification process. In addition, the state had certain requirements a center had to meet and held inspections to evaluate compliance. Center F used the state requirements as an assessment tool also. There was no evidence of a formal self-assessment program in use at Center F, and the director admitted that there was nothing developed administratively other than the external certification processes. Internal

processes used to discuss quality aspects of Center F, and opinions on how well the center was doing, included the board of directors' meetings, staff meetings, and parent feedback.

There was no evidence of a formal, written program at Center F to measure customer-satisfaction levels. The director stated that parents provided on-the-spot verbal comments to the teachers and the director. Every two or three months, Center F had received about two letters from parents, and sometimes parents attended the board of director meetings or spoke to the board. The director stated, however, that the key indicator of satisfied customers (parents) was whether or not the child stayed in Center F's program. Center F had incorporated customer feedback into its daily business by citing parents' comments in staff meetings. Parental feedback had also been used by the board when deciding center policies. Even though Center F used both positive and negative feedback constructively, the center did not keep records of this feedback other than board of director's meeting minutes. The director felt that the mix of positive and negative comments was even.

The director considered parents an important quality-control mechanism. She also considered her "management by walking around" style to be very helpful. She hoped that nothing the center did for quality control was unique--that all centers did something similar in order to serve the children properly. However, she did consider the role of

Center E's board of directors as unique. She believed that the board added an air of openness and professionalism to the organization that parents seemed to like.

8. Staff Management/Hiring/Employee Evaluation/Training

The center's director stated that she used three principal means of communication with her staff: staff meetings, the open-door policy, and "management by walking around." She said she was very open to ideas from her staff and tried to instill in each staff member the feeling that each had a say in how the center operated. If a staff member had a suggestion that could improve the center's operation, the director submitted it to the board of directors for further consideration. In order to keep staff members actively participating in the center's operations, the director asked each staff member who suggested something to explain not only the idea and why it was a good one, but also how the center could implement it within its budget constraints.

The director viewed her management role as a facilitator, a supporter of the staff. She stated that she tried to offer herself as a resource of knowledge and expertise to the teachers. "The teachers can use me as a vehicle to create happiness in their jobs." She also said that she managed with the viewpoint of a parent first (her daughter was enrolled in Center F) and a supervisor second.

When hiring a new employee, the director stated that she considered: (1) whether the applicant met all legal requirements (pertained only to teachers), and (2) the experience the applicant had in working with children. In addition, she made a subjective evaluation of the applicant. She stated that the subjective evaluation was the most important criterion. She felt that she had to get to know the applicant and feel good about the person.

The director favored personal references over other types of references. Most helpful were comments by former supervisors whom the director happened to know personally. During a job interview, the director stated that she discussed with the applicant teaching philosophies and the handling of certain situations. She took note of the applicant's verbal skills as well. She tried to look at the applicant as both a parent and a child would. If the director felt good about the applicant, she hired the person for a trial period, during which the new employee worked under one of the other teachers.

The director stated that Center F performed employee evaluations on a well-defined schedule. After 30 days of employment, the employee submitted a written feedback form to the director providing answers to various questions the director had asked. These questions were standard for all new employees. While not an evaluation, this process represented the first written, formal feedback between the employee and the director. After 90 days, the employee received the first

formal evaluation. The director wrote the evaluation with input from the teacher for whom the employee was working. The director rated the employee in various categories on a scale of 1 to 5, 5 being excellent. In addition, the director provided fairly extensive written comments on the employee's performance. The employee, in turn, was free to comment on the evaluation either orally or in writing. The director said that she then presented this evaluation to the employee in a private meeting. The employee was required to sign the evaluation form, acknowledging that she/he had seen it. After the 90-day evaluation, subsequent evaluations were done annually.

A discussion of employee evaluations was included in the staff handbook, and it agreed with the director's description. The director also provided a copy of an employee's evaluation. It contained the comments and grading scale described here.

The director stated that these evaluations formed the basis for salary or promotion recommendations. (The sample evaluation that the center's director provided contained a recommendation, in writing by the director, for a salary increase and promotion.)

There was no evidence as to whether the employee evaluations were well matched with the position descriptions. The director said that she based her evaluations on subjective criteria. She added that, except for the administrative

assistant position, the position descriptions were old, obsolete, and being rewritten.

The director stated that Center F considered training very important. The center offered to pay for books and tuition for employee educational opportunities that could help the center. The director stated, "Anything is possible financially." The director had the authority to approve expenditures up to \$500. The board of directors approved anything higher. The director passed along educational opportunities primarily by word of mouth at staff meetings and daily interactions. A part of the employee-indoctrination program was an explanation by the director of the various courses on child care available in the area. The director also passed along to the teachers professional papers she received. If necessary to attend an important class, the director stated that she was willing to structure flexible working hours for an employee.

The director stated no minimum performance level was required of a staff member to attend a course and have Center F pay for it. She might, however, deny a request to attend a course if tuition was high and an employee's performance marks less than 3.5 (which had not happened). The director stated that only five to ten percent of employees had taken advantage of such training opportunities. Most employees already had the state minimum educational credits, and felt there was no incentive for them to earn any more. To

overcome this indifference, the director would have liked to increase the credits required for various positions, but she currently had no plan on how to do this.

The director stated that her most important overall objective in providing training for her teachers was to provide support for the benefit of the children. A secondary objective was to have the staff feel good about themselves.

The teacher separately confirmed the availability of the training and education opportunities that the director had described. The teacher stated, however, that she thought a majority of the employees took advantage of these opportunities.

9. Professional Societies

The center was a member of several professional societies. The director was also a member of NAEYC. The director said that the center would pay the costs for an individual to join a society, but none had asked. The director did not track society memberships, but since the center is so small, the director said that she would know if an employee were a member of one. The center paid for individuals to attend conferences sponsored by some societies. Their biggest expense thus far was sponsoring the trip to the annual NAEYC meeting. Moreover, Center F, along with many other centers, had sponsored a local day-long conference.

10. Public Relations

The director stated that the center wanted to portray the image that Center F was a good place for children to be. She said, "We provide a safe, pleasurable learning environment. We are professionals in child education who care about children." The center conveyed this image by word of mouth and community involvement. Some examples:

- The local child care conference,
- Training and information provided to the small-business community,
- A radio interview held on child care, and
- A handbook for leadership.

The director kept all newspaper/magazine articles written about Center F, a sample of which she provided during the interview. If she believed the board of directors had not seen a published article, she brought copies to the next meeting. Similarly, she might provide copies of articles to parents, especially to the parents of a child either mentioned or photographed in the article. The director approved all public-relations or community projects unless they were anticipated to be expensive and require substantial planning and implementation time. If so, she discussed the plans with the board. The center had no budget specified for community projects, but it did have a petty-cash fund from which to make disbursements for travel mileage in support of projects.

11. Higher Level Relationships/Board of Directors

As previously mentioned, Center F's board of directors was composed of parents who were members of the center. Board membership requirements and operating guidance were contained in the center's bylaws. The bylaws also stated, "All expenditures and policies related to expenditures shall be approved or ratified by the Board of Directors." However, the director stated that the board approved expenditures over \$500 and she approved lesser amounts. The board also reviewed the center's financial statements in detail each month. The director stated that board members discussed things formally, at the board meetings, once a month, but they talked informally with each other, the director, and the teachers much more frequently, by telephone and during personal visits.

H. CHILD CARE CENTER G

1. General Overview

Child Care Center G was a client- and block-funded, nonprofit child care center. The center was part of a local school district, which provided rent-free facilities for the organization. Approximately half of Center G's funding was supplied by a state latchkey grant for families in financial need. The imputed rent and latchkey grant represent 70 percent of Center G's budget. It was incorporated into the school district in 1988 after several years of operation as a parent-organized co-op center. In addition to the "site

director" was a staff of six--an assistant director (full-time head teacher), two part-time teachers and three teacher's aides. The state-authorized enrollment for the center was 75 children; the normal enrollment was "approximately 75 children." The center operated between the hours of 7:30 AM and 6:30 PM five days a week.

2. Goals

The director stated that the goal of the organization was to "provide an ongoing, consistent, safe, home-like environment" for the children. The assistant director added that another goal of the center was to "live within the budget." None of these goals was published; both stated that the center was in the process of drafting a parent's handbook that would contain the goals. In the "State Child Care Quality Review Instrument" (explained in Section II.H.7), the objective of state-funded child-development programs was listed as to "provide child care for school age children which supports working parents, the home, and the child's regular school."

A list of the director's personal goals and objectives was discovered in the archival data and described by the director. She stated that she was required to submit this list annually to her supervisor (the head of the school district's child care programs). Although some of these personal goals had an impact on the center (e.g., "Provide quality child care for school age children"), they were

intended for the evaluation of the site director and not as organization goals.

According to the director, Center G did not have any formal strategies to achieve the organization's goals. The director said, "I try to be goal oriented."

3. Standard Operating Procedures

The director had compiled a binder with procedures, standard schedules, and policies. The director considered this document, which was fewer than 20 pages, to be "a rough SOP" and indicated that it was used by the director and staff in their daily operations. An example of one procedure in this binder was directions on cleaning and closing the center at the end of each day. This binder was "constantly being expanded and updated."

The assistant director supported the director's statements concerning this "rough SOP." They both said that the staff was advised of changes to this SOP at staff meetings, or sooner if necessary.

Center G also had to operate in accordance with the state child care regulations.

4. Organizational Structure

There was no formal organizational chart for Center G. The director stated that she had drafted one for her own use, but that nobody else knew about it. A copy of this chart was not available for examination. The director "knew" the

employee positions at the center, and she could "walk through" the center's organization from memory. She indicated that vacant positions were filled "quickly."

Members at all levels of the organization interacted openly and frequently with the parents (clients). Since the parent's handbook had not been published, the director stated that open and informal communication between the parents and staff was informally encouraged.

5. Budget Process

In describing Center G's formal budget process, the director stated that her supervisor at the school district developed the budget for the district's child care centers using the previous year's budget as a guide. The budget was then approved by the school board. The director indicated that the center directors "have limited input in the development of the budget." She also stated that her supervisor broke down the funds given by the school district into monthly budgets for the centers.

According to the director, the monthly budget for Center G was important to the director in planning her daily activities and operating the center. The assistant director did "not know a lot about the budget process." She stated that, until recently, she had not even known what the budget looked like or how it was used. The director was teaching the assistant director to use the budget in planning her daily activities. The assistant director said, "For example, if

funds are tight, I will substitute graham crackers for muffins as the snack in order to save money." The assistant director stated that the other teachers did not use the budget and were not familiar with it.

Decisions on the size of the staff depended on the state-regulated child/staff ratios. The center had no input into the amount of installed equipment on the grounds. Decisions on the amount of minor equipment depended upon the size of the budget.

Decisions on the tuition rate were made together by the school district's child care center supervisor and the site director. The tuition for paying parents was tied to the established state latchkey grant for needy parents. The state reimbursed the center for needy families at the rate of \$1.80 per child per hour, and the center was not allowed to charge paying parents less than this hourly rate. The center's rate for paying parents was \$1.85, but the director anticipated that it would be increased soon. The director did not have a formula for determining the tuition rate but indicated that it was set at a level that was "fair for the parents and allowed [the center] to provide quality services."

6. Marketing

The director stated that the center's major clients were "working couples and single parents." The director "intuitively" knew the needs of potential clients by talking to the parents and listening to them.

Center G did not advertise; nor did it conduct any market studies. According to the director, "Because there is such a demand for our services, advertising would be a waste of funds." The center ran a regular Yellow Pages listing.

7. Organizational Performance/Customer Satisfaction

The state Child Care Quality Review was the official, state-developed, formal assessment of Center G's organizational performance. The "instrument" for conducting this Quality Review was the "State Child Care Quality Review Instrument," which described itself as "a compilation of standards designed to measure the quality of a state-funded, center-based child care program serving school-age children." The purpose of this quality review process was stated in the instrument as follows:

...the Program Quality Review process is undertaken to determine, improve, and sustain the quality of CCD-funded [State Child Care Division] programs serving school-age children. If a program is rated inadequate, the program must work to improve. Though the [Quality Review] instrument was developed primarily to rate quality, it also can be used effectively as a tool for self-review and self-improvement. Ultimately, meaningful changes should emerge as a result of this evaluation process.

The organization did not have a formal program to measure customer satisfaction. The director stated that, in the past, written surveys had been sent to the parents to identify their needs. The frequency of these surveys was decided by the director. Also, the director noted that she sometimes kept notes of discussions with parents in a child's file for future reference.

According to the director and the assistant, problems or praise were discussed at staff meetings in order to instruct or motivate the staff.

8. Staff Management/Hiring/Employee Evaluation/Training

The director stated that her role in managing staff was to set an example that the staff could follow. She preferred to reward efficiency in nonfinancial ways (e.g., praise and recognition).

Staff input at Center G was solicited at staff meetings. Both the director and assistant director stated that the entire staff was encouraged to contribute ideas. The director felt that the children benefited from staff suggestions that were implemented. She was able to give several examples of ideas that had been implemented. For example, a teacher recently suggested that an arts and crafts activity called a "quilter corner" be set up for the kids. According to the director, this activity proved to be very popular with the children.

The school district child care supervisor was responsible for hiring personnel based on recommendations from the site director. The director listed the following most important factors considered when hiring new personnel. First, the applicant had to have "a good personality; be an unflappable person with good judgment." Second, the applicant had to have the proper state-required education credentials.

The director clearly considered an applicant's personality to be more important than extensive credentials.

At Center G, formal employee evaluations were completed annually by the director. These evaluations were required by state regulations and consisted of a standard form with three possible grades for each question/category. It was accompanied by a written narrative that identified the employee's strong points and areas for improvement. The director stated that a copy of the evaluation was given to the employee and that the evaluation was discussed with the employee if necessary or requested by the employee. The director was evaluated by the school district child care supervisor. A copy of this evaluation in the center's archival data was examined.

The director indicated that the evaluations had a positive impact on the quality of care provided. The assistant director indicated that the employees were happy with the evaluation system and that it gave the staff direction and reinforcement.

According to the director and the assistant director, there were no written position descriptions for the employees; no evidence of position descriptions was found in the center's archives. Aside from the questions on the standard evaluation form, there were no standards with which to measure employee performance.

Although Center G had no formal training program for employees, the director encouraged employees to pursue further education, and salary increases were determined in part by education level. The director stated that she encouraged education and training by posting or verbally announcing workshop or educational opportunities and by sponsoring some education and training. The extent of the sponsorship was paid salary, tuition, travel, and lodging. Where monetary sponsorship was not possible, flexible scheduling was provided. According to the director, selection for sponsorship depended on the employee's desire, the applicability of the training to the needs of the center, and the availability of funds. Sponsorship was not used as a reward; nor was it restricted to certain individuals. The director believed that the center benefited from the new ideas employees brought back from workshops and courses.

There was no formal employee-orientation program at this center. The director considered orientation to be on-the-job training. She stated that, after her initial meeting with new employees, they were introduced to the rest of the staff and the children. The new employee was then given a small amount of responsibility to "get comfortable with the center and to observe procedures." Additional responsibilities were added as the employee became familiar with the center.

9. Professional Societies

The director did not keep track of employees who were members of professional organizations. Attendance at professional society workshops was not sponsored, and membership dues were not funded by the center.

10. Public Relations

The director of Center G wanted her center to project "a home-like image to the public." She stated that the center used its monthly newsletter to promote this image. She indicated that this tool was the only public-relations effort necessary for the center. The district child care supervisor was responsible for projecting this positive image to the school board.

11. Higher Level Relationships/Board of Directors

The director stated that the school board was not involved in the center's daily operations and did not approve or disapprove the center's expenditures. The school board child-care supervisor approved purchase orders. However, the director was authorized to use petty cash at her discretion to handle small purchases (e.g., groceries, stationery).

The director stated that the school board child care supervisor attended the monthly school board meetings, and members of the board visited the center to observe and to discuss issues or needs.

I. CHILD CARE CENTER H

1. General Overview

Center H was primarily a state-funded, nonprofit corporation in business since 1973. It provided child care service to 156 children, its state-authorized maximum capacity, in eight corporation-owned centers with a total staff of 48. The staff included 11 state-certified teachers, 19 teacher's aides, eight cooks, two custodians, and eight central management personnel. Center H also provided a referral service for licensed or legally exempt child care organizations. The center's hours were 7:30 AM to 5:30 PM five days a week.

2. Goals

The director of Center H summed up the goals of the organization as "available, affordable, and quality child care." She explained that the goals and objectives were formulated by Center H employees who were parents and submitted to the board of directors for approval. The organization's goals and objectives (the activities of the year) were contained in the employees' personnel, policy handbook and the handbook for parents. The director explained that informal plans existed to accomplish the objectives. The plans were developed from agenda items at staff meetings (all personnel were invited to attend staff meetings; for certain senior staff, the meetings were mandatory). The plans were carried back to the centers for discussion and then followed

up on at other meetings or by the director. Some objectives were long term (e.g., to make child care more affordable), while others were unique for one-time situations. Goals were required to be disseminated to state agencies in the proposed contract for the next year. According to the director, goals were also sent to site directors for dissemination to all employees.

Formal goals had not existed during the first eight years of the organization (1973-80). The director said, "We were too busy fighting all the government red tape to have the time to establish goals." The general goals of the organization had remained constant over time, but the objectives had changed. Monitoring of goal/objective accomplishment was on-going throughout the year, with an end-of-year evaluation/assessment. (More information on the assessment is in Section II.H.7.)

3. Standard Operating Procedures

Center H had SOPs for unusual or emergency events. They were published in the employee handbook. The site director who was interviewed was also familiar with them. According to the director, procedures for changing SOPs depended on the nature of the SOP. Health and safety procedures were changed with a memo, and the change was posted in each center. Dissemination of insignificant procedure changes was delayed until a new handbook was printed.

4. Organizational Structure

The director explained that all job positions were filled in order to allow the organization to meet state-mandated child/staff ratios and operate at maximum capacity. (The state license also required certain types and amounts of equipment.) The director explained that, because new personnel received such a brief explanation of organizational structure, she carefully structured her organization to allow for easy understanding. The organization structure was separated into eight administrative staff and 40 site and support personnel.

5. Budget Process

According to the director, she, with the assistance of one other staff member, drew up the budget. Fixed costs and mandated state figures left little room for deviation from a prior year's budget and little need for inputs from the rest of the organization. The state required a monthly financial report on contract status. The director stated that the corporation had to meet any shortfall in funds. Budget variances were reviewed monthly by the director; an oral presentation was made to the board of directors, and a copy placed in the minutes of the meeting. The budgeting goal was to generate maximum state funding and remain within state guidelines.

A review of the budget showed that the corporation had revenues of approximately \$1.6 million. Approximate source

breakdown was state 75 percent, county ten percent, paid attendance ten percent and fund raisers/charities five percent.

According to the director, the state set the tuition structure. The prices charged were the actual costs up to a maximum standard rate based on the parents' monthly income. The state also set a salary range for employees. The corporation had to explain to the state if they did not use these guidelines.

The Director believed that the most successful technique for improving funding was positive visibility--be a member of everything, attend everything, and volunteer for everything. By supporting other people's programs we get reciprocal support."

6. Marketing

The organization ran an advertisement in the Yellow Pages. According to the director, most referrals came from state and county agencies. The organization had no fewer than 2000 people on its waiting lists. The director said Center H had no competition: "We work hard to get others into the child care field."

7. Organizational Performance/Customer Satisfaction

The director explained that the corporation's clients, by law, were all the residents of the county. The state and county funded 108 openings for low-income families, and the remainder were "paid attendance." She said the corporation's

client needs were determined by inputs from a form all incoming clients filled out. In addition, the corporation also belonged to professional organizations that provided studies identifying the needs of low-income families and changes in those needs. The director stated, "The corporation tries to adapt policy and programs to existing needs regardless of how they are identified." The director explained that the corporation was in a special program with the county that had required adjustments to the way Center H approached the families in the program.

The corporation measured customer satisfaction only informally, using parent participation as a barometer. Center H had a formal grievance procedure for parents, outlined in the parents' policy handbook. It provided parents a way to complain about policy and/or service. The director explained that the corporation was drawing up procedures to record and measure parents' feedback, because the state now required it. She also added that the corporation tried to be as responsive as possible to all feedback. Letters from parents were sent to the individual centers with an appropriate note meant to motivate. The letters were also sent to the state as a type of image builder.

The director stated that one of the organization's goals "was not to compromise the quality of care given to the children." The state-mandated user/server ratio and other requirements and restrictions set a minimum standard of care.

According to the director, however, Center H's communications with its clients had suffered because of the large number of people with which it had to deal. The center found itself in a "Catch 22" situation: the more people the staff saw, the less time they had to explain the program, and thus the more people returned for better explanations. This circle caused the organization's administrative workload to be four times greater than it should be.

As explained by the director, the corporation had no quality-control program but did have its own on-going, informal assessment program, as well as a mandated state annual program-quality-review instrument. The state required this self-assessment to be accompanied by a plan for correcting problems. An organization could request assistance from the state in correcting deficiencies, and funds were withheld until deficiencies were corrected. This program was randomly checked by a state team for validity and completeness of assessments. According to the Center H director, the staff had identified some minor problems on their last assessments and these were corrected in-house.

The corporation depended on informal parent feedback to help maintain quality service. It used monthly staff meetings to gather ideas from staff. The director said, "The staff is asked to contribute to the monthly meeting agenda. A meeting schedule is published in advance, with meetings held after hours."

8. Staff Management/Hiring/Employee Evaluation/Training

The director described herself as a "democratic authoritarian and a benevolent dictator" when managing the organization's staff. She said she wore different hats as the situation dictated. She believed that programs succeeded only when they were started from the bottom up; she used top down only in a crisis situation.

As discussed in Section II.H.2, staff ideas were solicited for agenda items at staff meetings. In addition, the director kept an open-door policy; employees could come in and informally provide her with their ideas.

The director viewed the maintenance of employee credentials as an important staff-management function. Within Center H, the director, the personnel supervisor, and individuals were responsible for ensuring that credentials remained current. The director said she received a list of personnel whose credentials were to expire within 30 days. She then sent these individuals a list of available courses that could be used to renew credentials. Credentials were important to satisfy state requirements and because credentialed people were normally more qualified than others.

The last position that had been filled was on the administrative staff. The major concerns about the applicant, according to the director, were the applicant's length of commitment, punctuality, attendance, attitude toward low-income/ethnic individuals, and bilingual ability. Another,

less important, list included performance, secretarial skills, cooperative personality, and personal career goals. The director indicated that credentials could be obtained by an individual; more important was that the individual have commitment to this type of work.

According to the director, an employee task force had developed the corporation's personnel-evaluation form. A great amount of time and effort went into the process. The form was tested and refined before it was actually used. An effort was made by the organization to ensure that employees were familiar with the evaluation process. An employee was given a position description in his or her employee handbook and a blank "Employee Achievement Assessment and Development" form. The evaluation criteria on the form came from the position description. The form also contained performance standards. The process, as explained by the director and outlined on the form, worked as follows: an employee submitted a mid-year self-assessment. The supervisor sat down with the person and discussed her/his performance. At year end, the supervisor wrote an assessment and again discussed it with the employee. They both signed it, and it was reviewed by the director to ensure that evaluation matched performance. The director could change the evaluation after meeting with both the supervisor and the employee. Evaluation was important because an employee needed to achieve a score of 75 to qualify for a salary step increase. An assessment of less

than 75 was reviewed in 90 days, which kept the employee from having to wait a full year for a pay increase if the score was raised after review. Marks of 1 or 2 (the lowest) on the evaluation had to be justified, and a development plan for the employee submitted. The system appeared to evaluate personnel on the performance of their duties outlined in their position descriptions.

According to the director, there was little opportunity for advancement within the corporation because of the low turnover rate, but Center H promoted from within when possible. Vacancies were advertised to the staff with a flier. Personnel who applied had their files examined for qualifications. Those who qualified became candidates. Those that didn't qualify were told why. Candidates were then judged by longevity of employment and assessment scores. The director said, "We always hire the best qualified."

According to the director, employees' continued education and training were major goals of the organization. At the initial interview with a potential employee, educational goals were laid out. The corporation arranged for on-the-job training, workshops, seminars, and courses. It also sent personnel to state conferences and workshops. The director offered incentives to employees to attend those classes she thought were important. Other educational opportunities were advertised to the employees. Funding was available and budgeted for courses that would benefit the

corporation and clients. Prior approval by Center H was required before funds were committed. Obtaining a degree was considered to be beneficial the corporation, which tried to be as flexible as possible in granting time off to attend classes. Because sites had to be manned 100 percent at all times, however, for site personnel to get time off during the day was difficult. According to the director, 45 of the organization's 48 people had participated in some form of educational/training program. She also said, "Position and performance don't affect participation in educational/training programs. In fact, the marginal employee is encouraged to participate to improve their performance." The director indicated that the corporation supported the program for the following reasons: "To enhance on-the-job performance for its employees and encourage upward career mobility, both of which enhance the service we offer."

The director noted that orientation was given to all employees and volunteers. A checklist was used to ensure that all relevant data were covered, and the list was reviewed annually (state requirements changed annually). The state was the catalyst for all the corporation's reviews because of state-required, annual program assessment. An "intake interview" with the personnel director covered the following: employee handbook, achievement assessment form, agencies' expectations of the person, emergency procedures related to the position, the organization chart and where the new

employee fit in, and things above and beyond the job (i.e., staff recognition, social events). According to the director, the orientation helped prepare employees for their positions and reduced questions later. A site director indicated that her orientation had been helpful.

9. Professional Societies

Membership in professional societies was recorded in employee records. Employees were sponsored at professional conventions. These individuals came back to the organization and taught what they learned at the conventions. According to the director, the corporation believed this support "keeps the company informed of the external environment, keeps them informed on what is happening in the industry, creates positive visibility for the company, establishes contacts and networks to the advantage of the company. We have learned the rewards." The corporation paid the dues for a limited number of high-level employees.

10. Public Relations

The director said, "The image the company wants to present is that they care about children and the families, and they are accountable and credible." The major way the corporation promoted its image was through one-on-one dialogue. Center H participated in media events when the opportunity arose. It had no funded or organized public-relations effort. It had, however, identified a need for a corporation brochure and was looking into developing one. The

director said, "Every member represents the organization." The organization ran an ad in the Yellow Pages and some public-service ads. The corporation did not sponsor community sports teams but did sponsor community events of interest on child care. It was a sponsor of a conference in April on child care. Newspaper articles on the corporation were kept and were shown at staff meetings and then to the board of directors.

11. Higher Level Relationships/Board of Directors

According to the director, state law specified funding authority for both the board of directors and director. The directors had a formal board meeting every month, but also carried on informal communications with the corporation staff and visited often. The corporation's bylaws spelled out the makeup of the board. Board membership had to be greater than 11 and an odd number. It consisted of a parent from each center, one parent from each of the other programs the corporation ran, plus additional individuals from the community who had expertise in fields related to child care. The director stated that the board was large, which made it difficult for the board to provide direction for the corporation. Directors listened to monthly reports and acted as a sounding board for corporate ideas. Occasionally they provided a good idea. All members were parents, which provided them with certain expertise. The director explained that she made an effort to keep the board informed of what was

going on in the organization, and the board, in turn, gave her its undivided support. She was quick to repeat that the board's support was not "blind" but earned.

III. DATA SERVICE ORGANIZATIONS

A. INTRODUCTION

Data service organizations obtained and processed information from various sources, ranging from raw environmental data to periodicals to on-line computer databases. The two organizations described in this chapter researched and organized data from these various sources for their customers. Data Service A was a nonprofit organization serving a specific set of users. Data Service B was a profit making organization specializing in serving customers employed in high-technology industries.

B. DATA SERVICE A

1. General Overview

Data Service A, a part of the Military Data Command, provided 24-hour data and information services to the U.S. Department of Defense (DOD) and various civil/commercial users. It could be considered a nonprofit information service.

Service A existed since 1958 and employed 60 officers, 118 enlisted personnel, and 104 civilians. The main form of "output" was called the "production run" and occurred once every 12 hours at 0000Z and 1200Z. The production run included data and analyses that were produced by Service A's

computers. Service A also handled requests for specific special data to support DOD operational requirements. The service had the ability to take raw data and use its own computer models to provide forecasts or data analyses.

Because Service A was a DOD organization, its managers had a military chain of command. Hiring and firing conformed to military and civil-service rules. The DOD Programming/Planning/Budgeting System (PPBS) and the Congressional budget process dictated how Service A received its funding.

2. Goals

Service A had two distinct sets of organization goals. One very formal set of goals related to "providing services on a global basis to the entire DOD establishment and to approved civil/commercial users of [Service A's' unique information." This goal was written in Service A's informational brochure and had not changed over time. The other set of goals was much less formal and focused on making maximum use of Service A's funding in a yearly "Ten Most Wanted List," which placed ten important projects or programs in order of priority. Both levels of management interviewed discussed their use of the list. They said this list was a set of goals designed to ensure that Service A used its resources efficiently.

The two sets of goals were used at both upper- and middle-management levels. In interviews, both levels of management repeated, almost verbatim, the formal set of goals and also (as noted) mentioned their use of the "Ten Most

Wanted List." Both managers discussed the creation of the list at an annual meeting attended by upper management. The upper-level manager described the meeting this way: "We prioritize goals and objectives for the command. Those are merged in with headquarters' overall goals and objectives." The middle-level manager characterized this meeting as a "once-a-year meeting to identify the top ten priority projects for the coming year." This manager also noted that there was an overriding concern above the "Ten Most Wanted List." He stated, "Support of the ongoing operational run is always the highest priority."

3. Standard Operating Procedures

SOPs are a familiar part of any military organization and were found at Service A. They consisted mainly of technical measures for computer operations. The Service A Computer User's Guide had over 200 pages dealing with the computer operations at the application level. Five three-inch three-ring-binders held additional, higher level SOPs.

Aside from SOPs being a requirement of a military organization, the managers interviewed differed in opinions as to what function SOPs performed at Service A. The middle-level manager indicated that SOPs included standard procedures for modifying the computer operating system and generating or installing systems. He stated that he did not routinely look through SOPs, and he characterized them as having "some adequate areas and some inadequate areas." The upper-level

manager saw SOPs differently--as essential, detailed instructions for computer operation--but believed that computer operators still required training. He said, "After a while, they get good enough not to refer to them all the time."

Archival data showed a high personnel-turnover rate; for example, out of 50 enlisted personnel assigned to one department, ten were projected to be leaving over the next three-month period. The high turnover meant that there were always new personnel, who frequently referred to the SOPs.

The upper-level manager also noted that SOP changes were emphasized at production-team shift changes. He said, "[For] every watch there is a formal turnover [where the production team] is briefed by the watch officer on procedural changes to SOPs." SOPs did not seem to serve any purpose for outsiders looking at Service A, because review of SOPs had not been done in conjunction with Command Inspections.

4. Structure

Service A was organized in a military fashion and was a subordinate command of the Military Data Command, which was responsible to the DOD for Service A's performance and budget. Its organizational structure was similar to almost any other military organization of comparable size and function.

Service A had five departments and an executive staff. The five departments were: (1) Computer Systems, responsible for operating and maintaining the computers; (2) Data

Integration, responsible for receiving and processing raw data; (3) Operational Applicationst, responsible for meeting special operational requirements; (4) Field Support Detachment, responsible for providing support to Military Data Command and other users of Service A data; and (5) the Supply and Fiscal Department, responsible for managing Service A's budget.

Each department had a head and an assistant department head, who functioned as upper-level management. Under each department head were division heads who had operational personnel reporting to them.

5. Budget Process

The upper-level manager stated that Service A received the majority of its annual funding through the PPBS system. He also said that formal budget procedures were set up at Service A to meet the requirements of higher commands. At the start of a budget cycle, Service A received preliminary budget information (the Budget Call) for the upcoming fiscal year. Based on input from their employees, department heads presented written responses to this budget information. The final, approved budget was placed on a spreadsheet and monthly variance analyses were conducted.

The Department of Defense Program Objective Memorandum (POM) process governed how Service A conducted its long-range budgeting. The POM process required specific formal budget input from Service A to its chain of command. The upper-level

managers appeared to be the only ones who actively dealt with the POM. The middle-level manager did not mention having anything to do with the POM. He said that his budget efforts focused on providing feedback on the impact of any budget cuts (reductions in funding). Long-range budgeting outside the POM process was not mentioned in any interview.

Budget cuts occurred regularly. The upper-level manager described the situation by saying, "We get a lot of unanticipated calls for cuts." Each budget cut required an impact statement to be sent up Service A's chain of command. The middle-level manager stated, "The impact statement is the most effective means of addressing budget cuts or budget improvement." An effective impact statement listed projects that would be slowed or not completed because of the cuts. The middle-level manager said that, although procedures for responding to budget cuts were not as formal as the procedures for the normal budget process, the chain of command expected a dispassionate, semi-formal analysis of budget cut's impacts. By using this impact statement, the middle manager said he "had a reasonable say in the budget process."

Service A received a minor portion (less than ten percent) of its funding from reimbursement from other agencies that used its computers. The upper-level manager ran Service A's program that charged other users. The DOD comptroller had laid down very specific, formal guidance on how to come up with these charges. Service A (and any other

organization in DOD) could not charge other DOD agencies for utilities, real property, or military labor. The upper-level manager viewed these restrictions as making the whole program a waste of time. He said, "Payment is a token thing. Sometimes, I wonder why we bother. We charge maybe \$10/hour, when the commercial rate [for the same computer use] is \$300/hour."

The PPBS budget system limited Service A's ability to control its own funding directly. The fact that higher level commands actually made the final decision on the size of Service A's budget caused some frustration for the middle manager: "We will send [budget] numbers [for specific budget line items] to Headquarters Command, and then look at their final [specific budget line item] numbers, [and say] how and why did they arrive at that set of numbers?" In response to these budget frustrations, Service A managers found ways to reduce costs so that they could do more with the budget funds they received. The upper-level manager demonstrated with his campaign to reduce computer-printout costs: "We're replacing printers. We'll go from fanfold paper to xerox paper." He also placed large printouts on microfiche to reduce costs.

6. Marketing

Service A conducted some marketing. The operations officer (an upper level manager) attended conferences with all of the regional military data center operations officers. At these conferences, the operations officers discussed quality control, improving current Service A output, and new services

that the regional military data centers would like Service A to provide. (Quality control and product improvement are discussed below.) The operations officers' conferences served as a means for Service A to test its market and find out what new products customers desired.

7. Organizational Performance/Customer Satisfaction

At Service A, all the managers interviewed emphasized the fact that they were concerned about putting out the highest quality product, but timeliness was the number one criterion for measuring customer satisfaction and Service A's performance. The middle-level manager illustrated this emphasis on timeliness when he said, "We may make sacrifices in a modification [to a computer program] to get it out on time as long as we weren't sacrificing quality to get the job out." The middle-level military manager stated that Service A data were very time sensitive and had little value to customers who did not receive it on time. Service A's customers usually used Service A's data to produce their own time-sensitive output. This time sensitivity made the twice-daily production run the highest priority output. The middle-level military manager stated that he

...can't emphasize enough that, if there's any kind of problem, the Command Duty Officer must send out a message that tells the nature of the problem and if there will be a delay or lack of any product for that run. Unless we say this [computer] model is dead, they [customers] expect to get it on the next run....This stuff is like clockwork. If we're 15 or 20 minutes late, we're already getting a phone call.

Timeliness also determined the quality of the twice-daily production run. Service A had created computer models that could forecast more accurately than currently, but Service A's computer could not run these improved models fast enough to meet the twice-daily deadlines of the production run. There were long-range plans to purchase a new computer that would be fast enough to run these new models and still meet the twice-daily schedule. The middle-level military manager characterized the computer-procurement process as being very slow. Until the new computer arrived, getting the production run out on time would prevent using the new models: "We're locked into the [current] hardware."

The DOD's "Communication Instructions" provided different criteria when dealing with specially requested information, information not contained in the twice-daily production run. The instructions described how fast a DOD organization should respond to specific categories of communications. These time limits defined what Service A should do to achieve customer satisfaction and meet expected performance criteria. If Service A met DOD communications time limits, then by definition, Service A had, in a formal sense, satisfied its customers and performed up to expected standards.

For some sensitive, special requests that involved lifesaving operations, Service A had established more stringent criteria than the DOD's "Communication

Instructions." Service A based these criteria on its knowledge of how fast it could actually respond to these type of requests. Upper-level management also considered response time for these special requests to be a surrogate measure of how well the production-run personnel were functioning.

Service A received informal feedback on customer satisfaction at the operations officer conferences. Conference attendees provided more than passive comments. They discussed how the output could be improved and what new products they would like to see Service A produce. If disputes arose over stopping one kind of output to produce another, Service A did not decide the issue by itself; its senior command refereed the dispute.

Interviews revealed different forms of internal quality control at different management levels. There were more formal forms of quality control, using more written instructions and data, at senior levels of management. The forms of quality control became progressively less formal, with fewer written instructions and data, at lower-management levels. The commanding officer received a formal monthly briefing from each department on the status of all department projects. This briefing was the highest level of quality control at Service A. The upper-level manager used computer self-diagnostic tests and informal feedback from his middle managers to oversee quality control. He emphasized the formal schedule of weekly preventive maintenance and diagnostics:

the "key thing is if we make our products on time." The middle manager used much less formal techniques, stating, "A lot of it is seat-of-the-pants judgment." He saw his specific function (managing computer central-processing unit time use) as "a judgment call based on specifics."

When customer feedback or internal quality-control checks required a change to be made to the computer system, the change was usually done only once a week, on a schedule. Unless it had an overwhelming problem, Service A made changes on Wednesdays. A request for change on a Thursday would normally wait for attention until the next Wednesday.

8. Staff Management/Hiring/Employee Evaluation/Training

Service A operated within the U.S. government civil service. Service A's management policies, including hiring, employee evaluation, and training, were thus dictated by civil-service regulations and are discussed within this framework.

Upper and middle managers focused on experience when hiring new personnel. The upper-level manager stated that "the most important quality is related experience." He valued experience on Service A's type of equipment more than education. "We can get a PhD in here, but if he doesn't know the equipment, he's worthless. In the computer field an academic degree has never been a strong requirement." The middle manager echoed this view: "Particular capabilities are more critical than the formal training they've had."

Emphasizing related experience and capability/potential in their hiring criteria sometimes created problems for these managers. They said these problems arose because civil-service regulations emphasized civil-service qualifications as well as experience and capability/potential. The upper and middle managers each found his own way of creatively working within the system. The upper-level manager did personnel scouting on his own and then told potential employees how to get on the Civil Service Register so they could pursue government employment. The middle-level manager requested the Civilian Personnel Office not to reject an applicant based on lack of education or experience. He did not want the Office to screen applicants actively, because he did not believe formal credentials told the worth of an applicant:

Looking at the experience level, you'll get the impression that they don't meet the requirements of the job. This is a lot more common than not. Most applicants are not good candidates, primarily because of a lack of experience on our systems. I may find an applicant who doesn't quite fit but has the potential to make up for the lack of experience.

The middle manager noted that no hiring recommendation made by him had ever been turned down.

Civil-service regulations also required formal employee evaluations. These regulations provided a framework for Service A's evaluations but it appeared to be viewed differently by upper and middle managers.

The upper-level manager stated that he tried to follow civil-service regulations, including using formal position descriptions as a basis for writing evaluations. He considered Service A's position descriptions to be "pretty accurate." As required by regulations, he quantified the evaluation as much as possible.

The middle-level manager approached civil-service regulations somewhat differently. He did not use position descriptions in the evaluation process "except subconsciously." He also had difficulty in quantifying evaluations. He said the

...problem with evaluations for this type of work is to come up with subjective objective criteria. It's difficult to come out with concrete measurements. The [evaluation] instructions stress objective measurements. The examples are usually laughable. Most of their examples are mail clerks, where it's a lot easier to have specific performance measurements. Here we deal with quality and the difficult estimate of the time and effort a project should take.

The upper-level manager also saw the need to follow civil service regulations as a formal framework for his training program. Until recently, this manager said he had not had a formal training plan for his employees. He had since created a formal training plan that documented what had previously been done on a less formal basis. He required all new employees to go through formal, written training and on-the-job training. They were not considered job ready until they had passed an examination conducted by their supervisor. This new training plan was not intended to improve training;

rather, it was set up to ensure that employees were trained and that training progress was documented. The upper-level manager stated, "This came out of a 'frap.' A guy thought he was ready for promotion; we thought not. But we had no documentation. We must get documentation that shows this [personnel action] is in response to that [specifically documented employee behavior or action]." The upper-level manager had recognized that formal documentation of poor training progress could have prevented this promotion problem. Thus he created the current formal system.

The middle-level manager conducted a much less formal training program at his level. He conducted one-on-one training with new employees. He also directed them to train with other employees who had expertise in areas in which a new employee was weak.

9. Professional Societies

Neither upper nor middle management emphasized professional societies. When questioned as to employee membership in such societies, neither manager could specifically state that anyone belonged to a professional organization.

10. Public Relations

Public relations were not an active part of Service A activities. Some community-service projects were conducted by the military employees, but these were not considered important by the upper or middle managers.

11. Higher Level Relationships/Board of Directors

As noted, Service A was required to maintain formal relations with its military chain of command. There was no board of directors.

C. DATA SERVICE B

1. General Overview

Data Service B was an information-retrieval service. It consisted of ten full-time employees and approximately ten part-time employees. Service B started as a service the service's president provided to some of his college professors while he was a graduate student. As a research assistant, he had often been asked to obtain information. Eventually he developed a knack for finding almost any type of information for which the professors asked. His professors passed his name along to others, and he began to get numerous requests. He founded Service B with a friend, with whom he no longer worked. The company incorporated in 1985. Projected sales for 1989 were \$1.5 million.

2. Goals

Service B's president stated that, at first, the company's main goal was to be price competitive. However, Service B also wanted to produce a high-quality product. Quality was measured by how quickly Service B provided information to its customers and the excellence of the product provided. Service B's president stated in general terms that

he had wanted the company to be the best in its field and to be profitable. As Service B began to grow, its goals changed slightly. Now Service B's president has decided that the product it delivered, coupled with the speed with which it could deliver, was more important than the cost. The company now emphasized quality, as measured, first, by product excellence, then by speed of delivery. It has decided to price Service B at the low-to-middle segment of the market.

The interview with a Service B group leader generally supported these goals, with minor differences in specifically how they were defined. For example, the company's president left the goals broadly defined. He also included improving automation as a goal. Throughout the interview, however, automation appeared to be more a strategy than a goal. When he discussed his emphasis on quality or in meeting the needs of his clients, the president stressed the use of automation as means to achieve high customer-satisfaction levels. Additionally, by further automating his office, the president hoped he could be more of a tool to attain other goals. In contrast to the president, the group leader stated that, as recently as a year ago, a goal of Service B had been to extricate itself from a large backlog it had accumulated. But now she stated one specific item, continued growth, as a main goal: "We want to keep doubling our sales and reach \$3 million [in sales] in 1990."

3. Standard Operating Procedures

There was no evidence of formal procedures covering Service B's daily work tasks. Instead, Service B relied on handwritten instructions taped to the walls throughout the office. These writings covered a multitude of assignments. They were analogous to desk guides (booklets or notebooks contained abbreviated sequential procedures that explained how to accomplish a given task), in that each gave a step-by-step description of the task it covered. However, not every task Service B personnel performed was an instruction. New employees had to spend their first days in on-the-job training in order to learn the procedures Service B used. Once trained, Service B employees could modify the procedures they were taught if such a modification would help their performance and still support the company's goals.

4. Organizational Structure

At the start of this study, Service B did not have an organizational chart. When first asked to provide such a chart, the group leader said, "That will be interesting to put together." A crucial strategy to Service B was its "wheel" form of organization. In chart form, each group/person within Service B was represented as a spoke on a wheel. The intent was to stress that no one person was more important than any other. The interviews made apparent, however, that the wheel was a little more hierarchical than described.

The president was obviously the driving force behind Service B. He was the one who made hiring and firing decisions; sought out new clients; attended professional functions at which prospective and current clients might be present; worked with Service B's accountant and board of directors to develop the budget; and kept a sharp eye on work progress in the Service B office. In the tour of the Service B office during the interview process, he continually kept an eye on the business. At one point, he said, "Even as we speak, I'm looking around and seeing some people who are not as busy as they should be. I want to go correct that now."

He had no deputy or vice-president, but Service B was divided into functional groups, each of which had a leader. For example, the group leader interviewed headed the Personnel and Marketing group. There was also a group for doing the more difficult research and one doing the accounting function. These groups were small but distinguishable.

5. Budget Process

Service B, specifically the president, was unwilling to delve into the details of the budgeting process. The president stated during his interview that he did not want to give specifics on budget numbers, but he did discuss some general thoughts on how Service B's budget policy worked. He said there were no group budgets or a budget promulgated for the entire company to see. At the group level, each leader

estimated the amount of money that he/she would need by developing a prioritized "wish list" for the coming year. The group leader confirmed this process during her interview. The only budget documentation that she, as a group leader, prepared other than her "wish list" of supplies were "check requests" (written requests for disbursement of company funds), which had to be submitted a week in advance of the need. Reviews and updates to budget figures were done only on office supplies. The budget was handled by Service B's accountant, an outside financial advisor, and the president. Service B's board of directors was also involved in the company's financial matters.

The president mentioned that Service B had recently automated its budget sufficiently so that the company could perform variance and other budget analyses. He said that Service B had only recently developed a budgeting system and that month-to-month trend analyses were becoming important. Only now was there enough data to make trend analysis worthwhile. He stated that he intended to use variance analyses also when enough information was in the data base to make that beneficial.

Both interviewees stated that the primary source of revenue for Service B was its information-delivery and retrieval service. Only Service B's president mentioned a secondary source of revenue: working with customers to develop innovative ways to solve problems. As an example,

Service B provided nighttime photocopying of one client's documents at the client's location. To improve income, Service B reacted mainly to customer needs. If deemed feasible, Service B was willing to branch into other areas of work in which a client expressed a desire for help.

Both interviewees confirmed that Service B was closely studying a possible future source of income: developing a data base tracking system for its clients. If such a system were set up, revenue would flow not only from establishing the data base, but also from the potential increase to Service B's basic service. The purpose of the tracking system was ultimately to allow each client to track its own job orders with Service B on line. The president hoped this service would result in the client using Service B for all its information needs.

Both interviewees stated that Service B's major clients were biotechnology (especially, pharmaceutical), computer, aerospace, and electronics firms. To help identify a potential client's needs, Service B checked to see if the potential client had researchers. Important indicators for an opportunity for Service B were whether the organizations had an R&D department or a research library. If a company wished to do business with Service B, but the type of research was not in Service B's field, Service B referred the company to an associate. This associate also referred clients to Service B.

6. Marketing

The marketing function rested primarily with the president, although he was training the group leader to take over marketing full time. Both the president and the group leader stated that marketing was an on-again/off-again function. When business was so brisk that Service B could not handle any more, little marketing was done and Service B concentrated on its established clients. When actually doing marketing for the company, the president looked through books and business publications to see who was spending what he considered significant sums of money in R&D. Those firms doing R&D that were in the industries in which Service B wanted to concentrate became the targets of Service B's marketing efforts. The president also talked to industry sources, as well as some of his information sources, in order to uncover any unpublicized research taking place. Marketing then took the form of telephone calls, letters, visits, and social conversation. Service B marketed itself very informally.

Approximately once a month, depending on the workload, Service B sent out brochures (as well as a coupon for a free order) to those companies spending heavily in research and development. Accompanying these flyers was a letter explaining what Service B did. Approximately 40 percent of the customers who received these coupons placed an order. Of these customers, 30 percent place a second order. Service B

contacted the remaining 70 percent of the firms to find out why they did not take advantage of the offer. Other than looking at market surveys published in reference books and business periodicals, Service B did no market surveying.

The president established the prices of Service B's services (and, in his words, "always will"). Prices were negotiated with each client. Cost and the competition were the key determinants of price. Service B was, however, gradually leaving the low-cost end of the business and concentrating more on quality.

7. Organizational Performance/Customer Satisfaction

Data Service B attempted to provide a quality product that met its customers' information needs. The president identified two barometers of organizational performance: sales and customer satisfaction. No evidence of a formal tracking mechanism to monitor individual or group performance was found. Subjective judgments by the president and each group leader were crucial in assessing output, because the automated tracking method to evaluate how well each group lived up to its goals had only recently accumulated enough data to provide meaningful management information. The computer system did, however, flag certain "hot" job orders. The president said that he measured a group's progress by his feel for how well it was doing. The president used the phrases "ad hoc" or "on the fly" to describe the way he watched the groups. If he felt a group was "out of tune" he

"barked." When it was "in tune," he worked with it. If a group got far behind in its work, the president tried to help it catch up. If even he couldn't do the additional work, he hired a new employee to handle the extra workload.

Beause word of mouth was Service B's most important reputation-maker, quality service was most important. And for Service B, quality was customer satisfaction. The president stated that he emphasized personal contact with clients. Any person who answered the phone represented Service B and might have to solve a problem quickly. Service B offered extra help and services to customers wherever it might be profitable. Extra help and services could take the form of additional information or further research provided by Service B above what was usually done. Service B hoped that this extra attention would enhance its reputation and thus increase profitability. Service B also maintained a "hot list" of customers who were looking for expedited service. Service B had no written program that embodied its customer-satisfaction goals and strategies. The closest thing to a written policy was the statement on Service B's organization chart for the customer-service group, which said, "Goal: to keep the client happy." The president hoped to develop a formal policy when he hired the new administrative coordinator.

8. Staff Management/Hiring/Employee Evaluation/Training

Soliciting ideas from its staff was something Service B tried to do at all staff meetings and during normal

business operations. Service B had formerly used a suggestion box, but it didn't work very well. Because the company was so small, the anonymity of a suggestion box did not exist. Service B found that its group meetings were much better conduits for generating ideas and discussions. The following information on meetings was provided by the president and confirmed during the interview with the group leader.

Data Service B personnel attended several different meetings during the course of a month. The main purpose of each meeting was to emphasize company goals and elicit feedback on how the daily work was going. One of the most important was the monthly meeting that all Service B full-time employees had to attend. At this meeting, two or three people made a presentation on a current work-related subject of interest to all. Although the meeting was informal, the presentation had to be rehearsed and well presented. A general discussion of the presentation and any other items of interest followed.

The second meeting type was a weekly ten-minute meeting the president held with all full-time employees. This meeting served to update everyone on current information and for discussion of new business procedures.

Third, each individual group had its own meetings. The frequency of these meetings depended primarily on the group leader. Most groups met formally several times a week.

Finally, there had been irregularly scheduled meetings. Two examples were a group leaders' meeting and a group leader retreat. At each of these, only the president and the group leaders were present. The topics of discussion at each meeting was how well Service B was operating and what could be done to make it function better.

Both interviewees discussed the meetings. There was no evidence of anything in writing that required these meetings. As with many other areas of Service B, the president hoped to formalize these meetings in a written program.

The president stated that he saw two important vacancies in the organization. The two positions were new, which illustrates the growth Service B was experiencing and also recognition of the need for a more structured way of operating. The first vacancy was a receptionist. No one had yet "fit" into the organization well enough to fill this position. The second vacancy was for someone to take over personnel matters and develop a structure for the company. The president referred to this person as the "rim" of the wheel. This individual would develop formal goals, personnel policies, and other company rules. The Service B group leader mentioned the receptionist, but she did not say anything about the administrative position.

The interviewees stated that the most important quality for a prospective employee was the ability to "fit in"

with the organization. Service B evaluated this characteristic in a very subjective manner. The applicant was interviewed by the president and at least one other person, normally a group leader. The prospective employee was also shown around the office. Finally, the president and the second interviewer discussed the applicant and decided whether to make an offer. Two necessary traits for an applicant were eagerness and a willingness to work.

No evidence of a formal performance-measurement system was found; nor did Service B have any written instructions on performance measurement or evaluation. The president frankly admitted that he had no evaluation forms for his employees. He said, "It's a formal process done informally." Each individual had production goals set by the group leader and based on input from the president and the individual employee. These goals were not, however, formalized in an evaluation form of any kind. The company president and the cognizant group leader would sit down with an individual and discuss that individual's performance. The president professed that they tried to do this every three months but were currently behind schedule. This discussion had no set format. At times, the president took people for a "walk in the park" to discuss their performance.

The president and the group leader interviewed differed in their views of one element of the performance evaluation process. The company president stated that he

tried to keep performance evaluations separate from salary discussions. The group leader stated that, prior to a scheduled salary increase, it was not usual to conduct a performance review.

The president and the group leader also had different views on the usefulness of position descriptions. According to the president, he just "scribbles something down" if he needed a position description. He had not formalized anything because everything written down became outdated quickly because of their rapid growth. On the other hand, the group leader said she had found position descriptions to be a great asset. Her people were required to be familiar with their position descriptions, if one existed for the position. It became an important input to setting the individual's goals, which had to match the position description closely.

Advancement was tied to growth. Service B did not have a hierarchical structure, so there was not much room to move up unless a group leader decided to leave. Growth, however, provided the opportunity to form new groups and thus new group leaders. Another possible "advancement" path was to move from a part-time to a full-time position. Again, growth, tempered by some of the hiring considerations already mentioned, dictated whether this was possible.

There was no evidence of a training program. Both the president and the group leader confirmed that on-the-job training was the only kind of training Service B conducted.

The only exception to this rule was computer-system training for newly installed hardware or software. The president and the group leader had different views of the way in which Service B handled individuals' outside educational pursuits. The president stated that, although he encouraged employees to pursue outside education, he did not provide financial assistance or flexible work schedules. The group leader said that, if Service B really wanted a person, it would try to make arrangements for that person to take a course the person might want. If the course was business-related, Service B might even pay the expenses. The group leader estimated one employee has taken an off-duty course.

9. Professional Societies

According to Service B's president, no societies yet existed for the information-gathering industry. The president said of professional societies in general, "If you're profitable, and the best at what you do, they [societies] are rather silly." The president did, however, attend meetings of the professional societies to which his clients belonged. He used these meetings as a marketing tool. The group leader mentioned that Service B had sponsored meetings of the Special Librarians' Association. SLA had been quite valuable as a means to spread the word about Service B's reputation.

10. Public Relations

The president stated that he wanted to project an image of a "young and aspiring" company as well as "being the

best." He said that he believed Service B was the smartest and the fastest. His stated intention was to develop the image of the corporation, but he did not have specific plans to accomplish this end.

11. Higher Level Relationships/Board of Directors

Service B's board of directors consisted of a lawyer, a university professor, and the president. These three met formally once a year but talked with each other more frequently. They consulted on budget matters and general company directions and strategies. The group leader stated that there was no board of directors. She thought Service B was run solely by the president and the group leaders.

IV. FIRE DEPARTMENTS

A. INTRODUCTION

Public fire-protection service is normally provided by local governments. The latest published data on this industry, a 1973 Dun and Bradstreet report, stated that there were only ten private fire departments in this country. (Gilman, 1979, p. 23) A public fire-service organization can be all volunteer, fully paid, or a combination of the two. The choice is normally a function of the resources of the community. There are significant budget differences between the two ends of the organizational spectrum, fully paid and all volunteer, because wages account for 90 percent of a fire company's total operating budget:

Volunteer departments are normally located in sparsely populated areas with little industrial base; as wealth in the community increases, one would expect some full-time personnel to be employed. The addition of some full-time employees has a direct payoff to the community in terms of faster response to a fire, better training of the volunteers, and perhaps lower fire insurance premiums. (Ahlbrandt, 1973, p. 18)

Private fire-protection service arose from a need that was not being provided by a local government agency. Private fire departments sell subscriptions for their services to private individuals. As communities grow in size, the local governments often assume the responsibility of providing fire protection. The formation of public fire departments puts any

private firm out of business. Private fire departments have also, however, become an alternative for local governments. They can negotiate with a private firm to provide the service, which is normally the firm in place at the time. The local government collects taxes to cover the cost, thus converting the subscriptions previously paid by clients of the private company to taxes. The government can negotiate a contract that allows it to purchase a specific level of output that reflects the desires of the community. The fire stations and a large amount of the capital equipment can be owned by the government, which allows it to change contractors later or organize a public fire department more readily than if the contractor owned the assets.

B. FIRE DEPARTMENT A

1. General Overview

Fire Department A was a segment of Corporation A, a 41-year-old, employee-owned company that employed approximately 1800 people and provided fire, ambulance, health care, and related services in six states. It provided contract fire service to the city of Delta, with a population of approximately 125,000 in a 182-square-mile area. The city was a bedroom community of a larger city with a growing commercial population. The corporation provided this service with 84 staff and fire-fighting personnel. The city of Delta provided 40 paid reserves. Corporation A had just recently completed an orderly change in management in which senior

managers had been replaced by personnel from outside the organization, personnel with the expertise necessary to operate a large, multi-divisional corporation.

Because Corporation A's headquarters were in Delta, it was difficult to separate the individual management philosophy of Fire Department A from that of headquarters. The fire department became an extension of headquarters in many ways because of the close proximity. This connection was a benefit in the interview because it provided direct information how the company handled the profit motive.

2. Goals

The fire department had a clear and simple mission statement: "provide the citizens of Delta a safe community to live and work in by providing education, information, code enforcement, and quality cost effective emergency services." The company's strategic goals emphasized improving employee productivity, which would allow them to provide quality but "cost effective" emergency service--in other words, make a profit.

In support of th mission statement, Fire Department A had six broad strategic goals:

- To improve employee moral to the extent possible through innovative management techniques.
- To evaluate and increase the skill levels of all personnel.
- To continue to improve and develop managerial skills.
- To improve and integrate reserve and support programs.

- To continue and improve strong city-fire department relations.
- To improve community awareness.

The fire department had six tactical plans:

- Develop an employee survey specific to Fire Department A's operations. Expand the positive feedback from all levels of operational management.
- Assess training needs through progressive skills testing. Promote increased performance standards by formal implementation of minimum company standards.
- Strengthen supervisory and management skills by continuing to place authority and responsibility at the station-officer level. Expand educational opportunities to ensure familiarity with current management theory.
- Coordinate reserve and support training and incident operations by developing improved liaison between programs and integrating training sessions.
- Increase communications with city staff by continued attendance at planning functions and adherence to performance stipulations of the contract.
- Develop and implement citizen participation in the fire department through participation in community events and developing programs to bring the fire department and community closer together.

In addition, the fire department had nine action plans, of which two are given here:

- Develop a survey to measure operational effectiveness, management productivity, and training concerns (dated 10/30/89). Use the information to make adjustments within various programs. Assess middle-management attitudes by monthly meetings with captains and use those measures to promote positive feedback down through the ranks (ongoing).
- Develop and implement a knowledge- and skills-testing program to measure different levels of experience within the suppression force (dated 10/30/89). Use the information to assess training needs and evaluate individual performance.

Each level of planning was designed to accomplish the next higher level. Action plans were reviewed at monthly meetings by senior management.

The mission statement and goals were posted in the offices of the corporation and in the fire stations. They were also disseminated at employee orientations. A corporate vice-president and a division chief who were interviewed were familiar with the 1989-90 Operations Plan, which contained the goals and plans of the company. A station-house chief, however, stated that he was unaware of and unfamiliar with the plan. Although the plan was supposedly developed at Fire Department A, it had a degree of refinement only observed at the corporation level.

According to the vice-president for human resources, "Goals have evolved because the company has changed so dramatically." The goals expanded and changed, first, to fit an expanding and diversifying company; second, to fit the new, dynamic management philosophy; and third, because of external economic and political factors.

3. Standard Operating Procedures

Fire Department A had 69 SOPs, explained in over 200 pages. New personnel were required to read the SOPs and were tested on them. SOPs were also covered in training. Both the division and station chiefs said of the SOPs, "We train to them." Employee committees worked on changes to the SOPs; changes were sent out by memo and posted for all to read.

4. Organizational Structure

The organization maintained a detailed, organizational chart to the fire fighter level, which could be referred to for quick understanding. The three people interviewed--all from different levels of the organization--were familiar with the structure. Personnel manning levels were dictated by the amount and type of coverage the City of Delta desired. A level-of-effort service contract was used. That is, if the city wanted service above what had been agreed, the city paid for it. The way the contract was written, the company did not necessarily have to add more personnel to satisfy a new requirement. It could cross-train personnel. The city adjusted coverage to meet insurance standards.

The organizational chart showed that Fire Department A worked a two-platoon shift from six fire stations; 28 fire fighters were assigned to a shift; with nine additional personnel rotating to allow for days off. This organization was confirmed by both the division and station chiefs. The department manned engines with three people, one below a national recommended standard.

The department had two divisions: fire operations and fire prevention/public information. There was some overlap in personnel--fire-inspectors by day, serving as fire-fighters by night. The vice-president for human resources stated that all positions were kept filled to satisfy the contract with the

city. Both the division and station chiefs confirmed that there were no vacancies in the organization.

5. Budget Process

As explained by the vice-president, and supported by numerous company memoranda, Corporation A negotiated the fire-department contract with the City of Delta. It was a ten-year contract adjusted each year to provide for a change in services. Corporation A used top-down zero-based budgeting. It had a formal budget process and issued written instructions to Fire Department A and other supporting parts of the organization on determining expenses. The corporation's profit was limited by law. Fire Department A was required to give the city its budget data. Once the city manager reached a tentative agreement with Corporation A, the fire-department budget was processed through the city's system like the other departmental budgets of the city and presented to the city council for approval. The city's 1989-90 fire-department budget was \$5 million, \$4.5 million of which went to Corporation A. The other \$0.5 million supported the city staff that monitored the contract and the 40 paid reserve staff.

Monthly budget reviews were held by Fire Department A above the station-house level and at the corporate level during monthly policy meetings. Variances, by amount and percentage year to date, were presented and discussed. The job of the corporate-development manager was to analyze the

variances and alert management to problems. A corporate vice-president explained that every line-item variance was studied in detail. He said, "This is how we learn where our losers are." The station chief knew little of the budget process.

6. Marketing

Corporation A had recently established a marketing department. According to the vice-president for human resources, all the marketing effort involved their ambulance and health care services which competed directly with other profit organizations. Corporation A did not market its fire services because of opposition by the national Fire Fighters Union. The corporation only responded to requests for proposals for fire service. Fighting the union effort required a great deal of money and effort. Corporation A did continue to market itself through newsletters to its present fire-service customer base, however, because as a corporate vice-president said, "We believe contracts don't last forever."

7. Organizational Performance/Customer Satisfaction

Risk of fire is determined by the amount and quality of fire protection. National service standards are set by insurance companies, and municipal insurance rates are determined by these standards. A city government would make the decision of what it considered an acceptable level of risk (quality/quantity) and contract accordingly. To increase business, Corporation A continued to encourage the city to

increase quality of service. Fire Department A trained to keep quality high. It cross-trained fire fighters for other jobs, which often allowed it to provide more than one service with one employee. This practice improved the "bottom line," and the city benefited by receiving fire protection at a lower cost. As the vice-president for human resources stated, Fire Department A had a stake in keeping quality high even if that were not contracted for by the city, because the quality of service reflected directly on the department, and it was trying to have the residents think "Corporation A" when they thought fire department.

The vice-president stated, which was confirmed by the division chief, that internal quality control was reviewed and monitored by a number of permanent and temporary task forces. Results of operational-readiness inspections and multi-company drills were evaluated. The company relied on the individual counties to assist in monitoring emergency medical services (EMS).

The vice-president for human resources also indicated that customer satisfaction ranked just behind making a profit and employee satisfaction in importance to Corporation A. The company had a proactive public-relations policy (Supervisor's Guide to Policies, Policy Bulletin 004), because it knew that customer satisfaction directly affected the city's decision to continue to do business with the company. The company surveyed customers both by phone and mail. Survey results

were posted in newsletters, which were reviewed by the interviewer. As explained by the vice-president, feedback from customers was used to make adjustments in service, but examples could not be provided by lower level personnel when requested by the interviewer. Positive and negative letters from customers, as well as survey results, were sent to fire stations. Copies of thank you notes sent to the department were put in the service records of the responsible personnel. Feedback was used to motivate as well as improve service. Management made it a point to see all mail from the public and had hired a public relations specialist to assist. The company attempted to use customer satisfaction to its advantage, as a motivator for its employees and as leverage with the city. The fire department went out of its way to provide services that increased customer satisfaction without increasing costs--such as posting its personnel at community events during working hours instead of having them sit at the fire station. It also provided public-service announcements on fire safety. A station chief pointed out, "We always remember: the customer pays the bills."

Fire Department A did not have a single, annual, formal organizational-performance assessment. As explained by the vice-president for human resources, the corporation staff and the fire department administrators constantly monitored statistics on performance, inspection results, and employee and customer surveys to determine how well the

organization was doing. Again, all these inputs were said to have influenced company action, but no examples were given when requested by the interviewer.

8. Staff Management/Hiring/Employee Evaluation/Training

The "Supervisor's Guide to Polices" stated that, with proper leadership, the organization can operate efficiently. The guide listed the supervisor's responsibilities to the employees, many of which were examples of how to motivate employees. The vice-president for human resources said, "I believe that part of a manager's job is to motivate and that the easiest way to do that is to listen to employees' problems and respond." An example of how the company encouraged ideas from its people was the reward program. Money/gift rewards were given for the best monthly regional ideas, and best company quarterly and yearly ideas. The company budgeted \$15,000 in 1989 for this program.

Other forms of feedback were employee surveys with results reviewed with employees, a program that encouraged feedback by acknowledging good ideas in writing and verbally, and policy and staff meetings. The employees were aware of the avenues of feedback, as evidenced by responses from employee surveys, but Fire Department A fire fighters had not used the feedback process. The vice-president for human resources indicated that, although the company had grown from one line of business to multiple lines of business in six

states, because of management's efforts it communicated better with its employees now than it did five years ago.

Savings for the company and rewards for the employees were an incentive to communicate better, but Fire Department A got more out of employee surveys than just money-saving ideas. The survey allowed the company to judge the mood of the employees and make adjustments to policy if required. Turnover costs ran \$1 million a year for Corporation A. Through surveys and corrective programs developed from improved communications, the company had reduced turnover from 25 percent to 14 percent and saved \$300,000. The goal was 13.2 percent turnover. A corporate officer said, "We are spending money to save money."

Lower level managers saw themselves as combination motivators, coaches, directors and evaluators. They were also concerned with the maintenance of credentials at lower levels. Although company policy (Policy Bulletin 015) was that individuals were responsible for attaining and maintaining proper certification, the training officer was to ensure that credentials remained current.

Hiring procedures were being formalized under new corporate management. The vice-president for human resources explained that hiring was done at the local level and that "it is a little hit or miss at present." He further explained that, at the entry level, the only concern was for minimum qualifications, drug screening, and a motor-vehicle-record

screen. The company had no affirmative action plan (AAP), was not concerned with racial/gender makeup of employees, and kept no statistics in this area. Review of company policy (Policy Bulletin 006) revealed, however, that the company did have an Affirmative Action Policy which called for the vice-president for human resources to write and update an AAP annually. The company normally took on new full-time fire fighters from its reserve force. A fire district chief and a station chief explained that "supervisors actually did the hiring," with the following characteristics being the most important to them: (1) attitude; (2) education and credentials (of equal importance); and (3) physical fitness.

Corporation A had a formal promotion process. As explained by the vice-president for human resources and confirmed by both a division and a station chief, candidates had to have minimum state qualifications and pass a written test and an oral board. An outside board ranked the top three candidates without respect to seniority, and then the local supervisor made the selection with approval of the captain/district Chief. Some specific positions had elaborate selection processes that included psychological tests to "save us from making major blunders," according to the vice-president.

The vice-president also explained that, because the company was on a merit pay system, the employee-evaluation process was formally structured. The formal structure and

procedures were designed to ensure that everyone had the same opportunity to understand how the evaluation system operated and how performance would affect pay. Management hoped thereby to reduce complaints about evaluations. A formal program taught supervisors how to use the evaluation process (Achievement Evaluation Program) properly. The program was also explained to new employees during orientation and included in a brochure for new employees. The evaluations, as explained, appeared to be tied to output, but a completed form was not examined to confirm this connection. According to both the division and station chiefs, accountability measures were drawn from position descriptions; there was no formal requirement to review position descriptions, even though opportunities existed (position descriptions were part of the posted job openings, which made up the evaluation measures).

As previously mentioned, training was very important to Corporation A. It promoted increased productivity and profits. The company provided formal training in three areas: fire fighting (fire academy), emergency medical technician (EMT) certification, and management training. Management training was mandatory for supervisors and available for aspiring supervisors. The company had an education and training reimbursement policy (Policy Bulletin B05) that paid 100 percent of tuition/books/fees for job-related courses. The vice-president for human resources indicated that the company also paid 50 percent of the cost of a normal degree.

He said that employees were briefed about these benefits at orientation and reminded in company bulletins. They were also provided counseling about educational opportunities. Management arranged courses to be taught on premises when there was interest. Except for management-development classes, eligibility to participate did not depend on performance or position. Attitude and ability were examined for selection to management-development programs. A division and a station chief confirmed these criteria.

The vice-president for human resources indicated that the company funded educational programs because they improved employee productivity and morale. As a station chief explained, the liberal education-reimbursement policy appeared to be an important motivation tool, even if not fully used, because the employees felt good that their company thought enough of them to provide them with good benefits.

According to the vice-president for human resources, new employees received a formal four-hour orientation program at the company level run by a designated coordinator. In addition, they received a less formal orientation at the local level. The "Supervisor's Guide to Policies" had a section titled "Information you should give to a new employee," which covered a number of subjects one would expect to find in an orientation program.

9. Professional Societies

The company paid for all individuals' professional-society dues. It also funded participation by a limited number of fire fighters at professional conventions. The reasons for this financial support given by individuals at all three levels of the company interviewed were: good company exposure, educational opportunity for their people, opportunity for their people to interact with others in the profession and gain new ideas, and probably most important of all, "to let their people see that it is not so bad at Fire Department A compared to other fire departments."

10. Public Relations

According to the vice-president for human resources, Corporation A had a dedicated budget for its public-relations effort. He explained that the company employed a full-time public-relations specialist and used contractor assistance for major media campaigns (i.e., to fight a union vote, loss of a contract, to put pressure on a city council member). This level of effort was new for the company. It had always provided financial support for community activities such as sponsoring sports teams and participating in local events, but employees now knew that projecting the corporate image was just as important as providing good service. The company continued to try to instill this concept in employees. As their public-relations policy stated (Policy Bulletin 004), "It is a responsibility of every employee to exploit

opportunities to enhance good will and public relations." One way Corporation A earned good, free public relations was, as previously mentioned, by getting its people out and about during working hours for better visibility. The public-relations staff tracked media articles on the company and then used them to advantage with both the public and with employees. Positive articles were sent to the fire stations as a motivator and quoted in newsletters to customers.

11. Higher Level Relationships/Board of Directors

Fire Department A was the flagship of Corporation A's fire-service line of business. Because of its close proximity to headquarters, there was daily informal communication. The regional managers were given some financial flexibility, which reduced the need for communications.

As explained by the vice-president for human resources, the board of directors met every two months and discussed issues important to the growth of the company. Between meetings, the "inside" members made important decisions and then consulted the other members by phone. The members were chosen for their expertise. The board had seven members. Three were from outside the corporate staff: the chairman had executive experience with a major consulting firm; the founder of the company had fire fighting experience; and a lawyer provided counsel. The company planned to add a person with banking experience to the board. Three years prior to this study, the board had determined that the

corporation needed outside management with greater skills if the company was to prosper in the future. A major reorganization ensued, with the majority of the corporate staff being replaced, including the CEO.

C. FIRE DEPARTMENT B

1. General Overview

Fire Department B, a public fire department, served Green City, a farming community with a population of approximately 102,000 in a 52.7-square-mile area. It provided this service with 95 fire fighters and an administrative staff.

2. Goals

The city's budget plan, "Program of Services," detailed program goals for the fire department's five major activity areas--fire protection, emergency medical services, fire prevention, training, and hazardous material control--as well as listing major program objectives in each area, 47 in total. Examples of program objectives are:

- to prevent obsolescence of fire apparatus and equipment fleet,
- to build in fire protection with automatic fire sprinklers in all fire stations, and
- to monitor and modify the preventive-maintenance schedule.

The acting assistant fire chief described the goals and objectives as having been developed by the fire department's administration. They evolved from year to year.

When a new service was required or a higher priority was determined, the goals and objectives list was modified. This process could not be confirmed with archival data, because only one year's goals were provided. The interview with the Fire Chief disclosed that station house personnel were unfamiliar with the goals and objectives in the "Program of Services."

According to the acting assistant, individual objectives were given to different management personnel to develop and implement. Feedback and monitoring were accomplished through monthly reports and, more informally, at staff meetings. A short outline was presented as an example of a formal written plan designed to accomplish the goals. A station chief stated, "Because no plan is perceived, it appears like crisis management from the bottom."

3. Standard Operating Procedures

The acting assistant fire chief and a station chief confirmed that SOPs were available and used for fire fighting. There were 15 operating procedures covering 19 pages, plus a 41-page quick-access plan. The SOPs and quick-access plan were the basis for station training. SOPs were updated by memo to publication holders. The changes were read at roll call to all personnel. The latest update noted was July 1985. According to the acting assistant, EMS and hazardous-material management SOPs were being developed.

4. Organizational Structure

As explained by the acting assistant fire chief, Green City had many priorities, fire protection being one of them. With the dollars available, the city funded a certain number of man-years of protection. Fire Department B then structured these man-years, within certain restrictions, to provide the best coverage and service. The fire department consisted of three divisions: fire suppression, fire prevention, and a building-inspection division. The building division was put under the fire department because of administrative similarities. For purposes of this study, it was ignored. Fire suppression operated on a three platoon system manning five fire stations (84 personnel).

According to the fire chief, the union refused to allow the city to augment fire fighting with reserves, which could have lowered the size of the full-time force and reduced costs to the city. The city operated with a minimum manning level of three men to a fire engine, which had been a long-time industry average until 1987 when the National Fire Protection Association recommended four men to an engine.

The acting assistant fire chief and the station chief were familiar with the organizational structure and where they fit into it, even though no organizational chart existed. When a position had recently been deleted by the city's administration, the fire department changed its formal organizational structure but did not reassign the duties.

Instead, operating from an informal structure, it had other personnel in the organization assume the deleted formal position. A station chief confirmed that the fire department operated, in reality, from the informal organizational structure.

Manpower levels were driven by the budget. Fire Department B's manpower had not increased since 1973, but the population had increased by 50 percent, and the number of response calls had increased by 550 percent. As additional responsibilities arose, they were added to present assigned duties. In response to the need for more emergency medical service, the department had recently adjusted its program of services to include advanced lifesaving service. One paramedic unit was operational; two more were in training. The department had also enlarged its hazardous-material efforts and training in response to changes in public opinion. A station chief, commenting on the extra responsibilities, said, "There is not as much brass polishing going on anymore." Property value and response time determined where stations were located and their manning levels (example: the center of the city has a very high property value, so a station was located near the center and it had a high manning level). The city's fire-insurance rate was based on response time, so it was an important factor in planning.

5. Budget Process

Fire Department B's budget formulation was essentially a one-man operation. Each division submitted a "wish list" to the fire chief. According to the acting assistant fire chief, no written instructions were given to the divisions for the budget process. The chief made the final budget request based on his goals and objectives. The chief then tried to sell his budget to the city manager and budget director. He competed against other city departments. According to the acting assistant fire chief, the chief made no attempt to rally public support for his causes because this approach was frowned upon by the city council. He developed a strong program and sold it on its merit. Once given his budget figure, the chief worked with his divisions to fit their wants within his priorities and the dollars given.

The acting assistant fire chief indicated that no formal budget reviews or updates occurred. He said, "The process is computerized to allow for easy tracking of expenditures and variances, but no formal reports are produced." The chief had discretion to move non-capital-project money within the department. All revenues came from the city's general fund, and only two percent were spent on capital outlays. The 1987-88 fire department budget (excluding building inspection) was \$5.5 million.

6. Marketing

In response to a question about the level of marketing activity, the acting assistant fire chief stated that Fire Department B made no attempt to market or advertise its services. The acting assistant fire chief implied that the department had more than enough on its plate now without taking on more. He said, "We take a hard look at each new program, knowing that there is not the manpower to do it without reducing some other area." The department had no competition.

An attempt had been made to charge customers for services (user fees) and thus establish a revenue income that would directly support the fire department, but according to the acting assistant fire chief, this plan was never fully implemented, and it failed because of political pressure.

7. Organizational Performance/Customer Satisfaction

According to the acting assistant fire chief and a station chief, Fire Department B made no attempt to measure customer satisfaction formally. They received verbal feedback at the scene of a call, which gave them a "seat-of-the-pants" feeling on how well they were doing. The station chief said, "The positive feedback no matter how informal was a real motivator." The acting assistant said, "Actions causing negative feedback are corrected," but added, "No formal statistics are kept to compare positive vs. negative." He also said that the department took no conscious steps to

improve customer satisfaction intentionally, but it constantly tried to improve service. This statement was confirmed by the station chief.

According to both the acting assistant fire chief and a station chief, Fire Department B had been able to keep up its level of service even though demand for its service had increased over 500 percent and its manning level had remained the same. The department was been able to do this by increasing the training of its personnel to improve productivity. The station chief believed that the city was now in a quality vs. quantity tradeoff if the city wanted any more increase in service without an increase in personnel, then the quality of service would suffer. He said, "Green City is resigned to the fact that their service will start to suffer, even though you won't hear a public official say it." The acting assistant fire chief was not asked to confirm this statement.

Even with quality of service being stretched to the limits, no formal effort was made to review performance in critical areas, such as an increased quality-control program to ensure that safety at least was not being impaired. He said the department did not have a formal quality-control program but that informal inspections or evaluation programs were in place. The station chief confirmed that no formal quality-control program existed. He also stated he believed

the department kept abreast of its performance through inspections and graded drills.

The acting assistant fire chief told the interviewer that no formal organizational-performance assessment existed. Self-evaluation was discussed at informal meetings, but no written records existed.

8. Staff Management/Hiring/Employee Evaluation/Training

According to the acting assistant fire chief, Fire Department B had no formal means of gathering ideas from its people. It maintained an "open-door" policy, and the chief received informal feedback at morning staff meetings.

The acting assistant fire chief saw his job as supporting his people. He said, "I advise them when they are doing something wrong, bring it to their attention." The training officer, one of the two division chiefs, kept track of personnel credentials. According to the acting assistant and a station chief, upper managers realized the importance of credentials but did not concern themselves with this function because they trusted that it was being properly managed at a middle-management level.

The acting assistant fire chief explained that an affirmative action plan had taken a lot of subjectivity out of the hiring process. He said, "In addition, unbiased job-related tests were the key to making it to a qualified promotion list." He did admit that subjective factors, including credentials, experience, and educational level,

could come into play in ranking those candidates who passed the test. An independent city panel ranked all qualified candidates and sent the list to the chief for final selections. The interviewer did not pursue the details of the ranking process. The acting assistant fire chief said the chief normally selected the number one ranked candidate because of the legal repercussions that would occur if he didn't (the number one ranked candidate could sue if not selected). The only factor that kept anyone from taking a test for a next higher position was the probationary period that had to be served in each present position. An inexperienced person could pass a test and be the only candidate for promotion. Evaluations in a candidate's personnel file were the only way for a supervisor to influence the promotion process.

The acting assistant fire chief explained the following new employee-evaluation process adopted in July 1988 (his explanation was confirmed by the instructions that accompanied the evaluation form). Prior to the evaluation period, in a "performance agreement," the employee and supervisor discussed and reviewed job description, duties, responsibilities, performance review of last period, and performance objectives for the rating period to be covered. Critical tasks and standards were established between employee and supervisor for the upcoming period. An optional section existed for employees to list personal objectives. In the

"performance review" at the end of the performance period, the achievement of critical tasks was reviewed and graded. Separate sections existed for the employee's and the chain of command's comments. The standards could be subjective rather than common by class of job description (i.e., all secretaries might not have had the same performance objectives or standards). Because objective and standards differed for every individual, the ratings could not be used for ranking or any other type of comparison.

Fire Department B and Green City encouraged employees to pursue further education and training, because it improved employee performance. According to the acting assistant fire chief, the city pooled all departments' training funds and budgets for outside training (\$100,000 was authorized for the entire city and \$14,000 for the fire department). The city paid up to \$500 a year for an employee's expenses toward a college degree. A station chief stated, "The fact that funds are available for outside training and education is not common knowledge, and because of this, not many people take advantage of this opportunity." The acting assistant fire chief stated that fliers outlining available outside training were distributed to all fire stations. According to a station chief, however, the perception from the lower ranks was that most of the training/education in the fliers was for management. The acting assistant said, "Participation in educational programs is not dependent on performance or

position because of AAP." He also said, "The department is willing to let fire fighters adjust schedules to obtain training, but we won't do it for them (i.e., if no one will swap, you don't go)."

The acting assistant fire chief said that the city had a formal four-hour orientation program for all new employees and that the fire department also had a formal program that all new fire fighters had to complete before being able to perform their normal duties. According to both the acting assistant and a station chief, safety considerations dictated this program, and it was strictly followed. In response to a question, the acting assistant said the city's orientation program was reviewed prior to each class. The interviewer failed to confirm this.

9. Professional Societies

Fire Department B encouraged employee membership in professional societies but did not track it. The department paid only for management's professional organization dues. The city liked to be represented in professional societies for the good exposure. It budgeted to send four personnel (4.8 percent) to the State Fire Fighters Association convention annually. The acting assistant fire chief said, "We expect the employees to get something out of the educational process, as well as the intermingling with the various other departments to get ideas to bring back to the department."

10. Public Relations

The acting assistant fire chief believed, "The department tries to project an image of a fire department that provides good service to the community." He stated that the department had no formal public-relations program and no money was spent in this area, which was confirmed by reviewing the department's budget. The only community activities supported were those in the course of business (e.g., fire-prevention activities, school presentations, station tours, and presentations to organizations). The fire fighters' local union sponsored charitable activities. No one tracked mention of Fire Department B in the media.

11. Higher Level Relationships/Board of Directors

The council had complete control of all city departments because it controlled the budget. Financial expenditures required city manager/council approval, although as pointed out previously, the chief had some flexibility. The chief attended regularly scheduled department-head meetings and city council weekly meetings. He made presentations to the council on an unscheduled basis. According to the acting assistant fire chief, the city manager/council did not involve themselves in Fire Department B's organization. The city administration's only contact with the department was through the chief. The council provided direction in general policy matters.

V. DISCUSSION OF INTERVIEWS

A. INTRODUCTION

This chapter presents the results in a format corresponding to Table 1.1. The presentation is developed to focus on the similarities and differences in the organizations included in this study.

B. CHILD CARE SERVICES

Because of state regulations, there is a certain amount of standardization within the child care industry. For example, teachers at all licensed centers must have a minimum number of credentials. Therefore, the child care centers in this study were similar in the basics of administration and operations. Aside from these "legislated" similarities, other similarities and differences were identified between these profit and nonprofit child care centers.

1. Evaluation Criteria

With the exception of Child Care Center E, all the child care centers in this study had to pass regular state inspections in order to maintain their licenses (or certifications) to operate. Because Center E is federally operated and subsidized, it is not state licensed or certified. However, Center E must adhere to strict federal guidelines in order to operate. The federal government sends

inspectors annually to monitor Center E's compliance with these federal guidelines. In addition, Center E follows state and NAEYC guidelines to ensure they are providing quality child care. This common requirement provided an important legitimizing tool for the child care centers. A successful inspection signifies to the organization and its clients that the center is providing state (or federally) approved quality child care.

Although a budget can be a useful evaluation tool for an organization, the use of budgets by the organizations in this study varied. Table 5.1 identifies how and by whom budgets were used for each of the child care centers studied.

With the exception of Center G, knowledge of the budget or practical use of its contents did not extend below the level of the director at any of the child care centers in this study. Center G (nonprofit, block and client funded) was the only organization where the assistant director was more than casually familiar with the budget. (At Center B, the assistant director participated in annual tuition and salary discussions.) Even though Center G appears to have been using the budget in daily operations, the budget was not being used by any of the organizations as an evaluation tool for the organization or the employees. Even those assistant directors who had a large responsibility for daily operations were only vaguely familiar with the budget. All the nonprofit centers (C through H) prepared budgets to meet a legal or

TABLE 5.1

CHILD CARE CENTER BUDGET USE

<u>Center</u>	<u>Budget Used For</u>	<u>Budget Used By</u>
A	Basic analysis of profitability; to identify organization's financial position.	Owner
B	No formal budget; director/owner uses annual financial statements to determine tuition and salaries.	Director/owner
C	Required by church Child Care Committee to keep them advised of financial health of center; to monitor stewardship ^a of director.	Director; church Child Care Committee
D	Required by church board of directors to keep them advised of financial health of center; to monitor stewardship ^a of director.	Director; church board of directors
E	To fulfill agency requirements; to identify financial position of center.	Director; cost management
F	Required by board of directors to keep them advised of financial health of organization.	Director; board of directors
G	To fulfill state requirement; center modifies daily operations and expenditures based on financial position.	Director; assistant director

TABLE 5.1 (CONTINUED)

H	To fulfill state requirement; to identify financial position of organization to avoid funding shortfalls.	Director
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^aStewardship is defined as the responsibility given by the board of directors to the director to spend the organization's funds in an appropriate manner.

organizational requirement. In this regard, there seems to be little difference between client-funded nonprofit centers and those with a single source providing a majority of the funds. At the two profit centers (A and B), formal budgets were not required. Center A prepared a formal budget, however, while Center B used the previous year's financial statements, matched with current revenues and expenses, as a budget "proxy." The use of budgets at these two profit centers was for the purpose of evaluating the profitability of the organization and not for the purpose of satisfying a legal or organizational requirement.

With the exception of Center E (nonprofit, client and minor block funded), none of the child care centers in this study had formal customer-feedback procedures. At Center E, the sponsoring federal agency solicited parent feedback via formal surveys, but the director stated that informal feedback was the most important measure of customer satisfaction. All the other centers in this study also used informal customer

feedback as a means of evaluating the performance of their organizations.

2. Rationality

All the child care centers in this study presented basically an image that matched the expectations of their clients and environment. These organizations (profit and nonprofit) presented themselves as state-licensed or -certified, professional care-givers with whom parents would feel comfortable leaving their children. The image was projected by state licensing, parent's handbooks or newsletters, a clean facility with identifiable education and recreation equipment, organized/scheduled activities, and organizational goals that emphasized quality care.

None of the child care centers in this study used standard operating procedures (SOPs) to discover the most efficient ways to operate. Only Center A (profit, client funded) had SOPs that were formulated by the organization. The owner admitted, however, that the procedure guide was out of date and not used by the organization. The state-licensed centers (including Center A) were required to follow or have on hand the state regulations, which could be considered "proxy" SOPs (Center E used an instruction from its federal agency sponsor). In all the licensed centers, the directors were familiar with the contents of the regulations (or agency instructions); some (e.g., Center D) even claimed to have memorized them.

Only one of the child care centers of this study had written hiring-qualifications guidelines. The director at Child Care Center D (nonprofit, client funded) had a written list of preferred hiring qualifications and suggested interview questions. The rest of the organizations did not have hiring guidelines. Applicants at the state-licensed centers needed certain state-required credentials, which are industry standard guidelines. When given the choice between one applicant with extensive (well beyond the regulated minimum) credentials or another with the required credentials and a good personality, all the organizations chose the latter. In other words, the state (or agency) legitimized the hiring of staff, giving the directors the freedom to hire applicants whose personalities matched the organizations' desires.

An examination of the maximum capacity allowed by the child care centers in this study indicates a pattern based on two things: first, the center's status as a profit organization or, second, its affiliation with a sponsoring or funding organization for which the center had an obligation to provide a service.

The owners of the profit centers in the study were very aware of the realities of continuing as going concerns, and they viewed enrollment as a key to that survival. The director/owner of Child Care Center B (profit, client funded) stated that full-capacity enrollment (as determined by the

state) was critical to the success of a child care center. According to this owner/director, "A lovely, quality day care center is nice, but if it is operating below capacity, it won't survive." Center A (also profit, client funded) was conceived as a drop-in baby-sitting facility at a shopping mall. Because drop-in care results in fluctuating daily enrollments (hence, revenues), the owner established a small preschool operation at this center with a consistent enrollment in order to provide a more dependable and steady cash flow.

The directors of Centers C and D (nonprofit, client funded with some church support) were not as concerned with full capacity as they were with ideology and quality. For example, the directors at both these centers indicated that they intentionally operated below the state-authorized capacities. The director of Center D stated that this decision "provides better quality service and a more relaxed atmosphere."

The remaining child care centers (E through H), which received some form of block funding, operated at full capacity, as did Centers A and B, but for a different reason. Centers E through H existed (and received block funding) to provide services to the members of their communities. In the case of Centers E and F, the communities consisted of "employees" of the sponsoring organization. For Centers G and

H, the community consisted of the taxpayers who ultimately provided block funding for the centers.

In summary, the decision of how many children to enroll at a center depended on the type of center and its source of funds. The profit, client-funded centers determined their enrollment by means of an efficiency metric. The nonprofit, client-funded center legitimized this decision based on the expectations that their clients preferred smaller, quality child care centers for their children. Finally, the nonprofit, client- and block-funded centers legitimized their enrollment decisions based on the expectations of the sponsor that the center would be providing as much service as possible for the block funding provided. All the child care centers in the study indicated that there was a constant waiting list of clients for their services.

These child care centers identified the needs of potential clients informally through discussions with prospective clients. At Center B (profit, client funded), the owner required the staff to ask a series of written questions of prospective clients when clients telephoned or personally visited the school. Others (e.g., Center D) used the student application form to identify client needs and adapt their programs if necessary.

3. Organizational Structure

Only one of the child care centers in this study (Center H) had a formal organization chart. Because most of

these organizations are small and simple, the directors and their staff knew the structures, lines of communication, and chains of command without the benefit of a formal chart. There were no "window-dressing" positions at any of the child care centers, and all vacancies were filled quickly. The states required that all licensed child care centers maintain an accurate employee roster.

The child care centers in this study had basically the same organizational structures. In the case of the nonprofit centers, there was a vertical hierarchy with aides working for teachers, who worked for an assistant director, who worked for the director, who answered to a supervising body (e.g., board of directors). For the profit child care centers, the hierarchy was the same, except that the director answered to the owner (or the director was also the owner). This simple organizational structure matches the size and simplicity of these organizations. All levels of the hierarchy are accessible to the customers. In this regard, the organizational structures of these child care centers are a means to integrate the organization with its environment. Therefore, both the profit and nonprofit child care centers in this study can be judged to have adopted a structure that reflected the environment in which they operated (Euske and Euske, 1989).

4. Resource Generation

All these child care centers established their tuition prices based on the competitive market place. Although no formulas were used to determine tuition based on profit-margin targets, there was a perception of the "going rates" in their areas, and the centers established their tuition prices according to what was acceptable to their clients and what they believed was necessary to "stay in the black."

Centers G and H also had to ensure that the organization conformed to environmental expectations so that an appropriate level of funding could be maintained. For instance, both of these organizations had to conform to a more stringent state-inspection program (the School-Age Program Quality Review Instrument) than the client-funded, state-licensed centers. Although the level of state funding for these centers did not depend on the outcome of these Quality Reviews, a pattern of unsatisfactory Quality Reviews could jeopardize state support (funding).

None of these child care centers had a separate marketing department in their organization. The only marketing studies that were identified were at Center B; the Montessori society performed market studies that were made available to Montessori schools.

The level of advertising varied with the type of child care center. Table 5.2 summarizes the advertising efforts of the centers in this study. The table highlights the different

TABLE 5.2

CHILD CARE CENTER ADVERTISING

<u>Center A</u>	<u>Type of Advertising</u>	<u>Goal of Advertising</u>
A	Newspaper (weekly) Yellow Pages Radio Television ^a Mailers	Increase exposure, drop-in volume.
B	Newspaper (daily) ^a Yellow Pages	Increase exposure; maintain demand.
C	Newspaper Yellow Pages	Maintain local exposure; local demand for services was high.
D	Social club magazine for local military installation (quarterly) Yellow Pages	Clients from this source desired by the organization; local demand for services was high; advertising among the general public not desired.
E.	None	(Demand exceeded capacity.)
F	Yellow Pages	(Demand exceeded capacity.)
G	Yellow Pages	(Demand exceeded capacity.)
H	Yellow Pages	(Demand exceeded capacity.)

^aAdvertising method judged most effective by the owner.

advertising goals of the profit vs. nonprofit child care centers. The profit centers (A and B) used advertising to maintain an enrollment that ensured enough tuition revenue to

remain profitable. Center D had identified a desirable clientele and used modest advertising, not to enhance revenues, but to attract the type of customers that fit its religious goals. In general, the nonprofit, client-funded centers were only interested in maintaining a small amount of public exposure; the nonprofit, client- and block-funded centers were not interested in advertising, because demand for their services exceeded their capacity.

5. Management of Staff

The managers in this study were not concerned with rewarding efficient behavior. The role of these managers was that of facilitators of appropriate behavior (Euske and Euske, 1989). Primarily, these managers were concerned that their employees work well with the children (e.g., exhibit patience, understanding). All of these child care centers (profit and nonprofit) encouraged and/or sponsored employees' pursuit of further training and education. These organizations viewed advanced training and education as a method to keep up to date on the most recent child care techniques and thus improve the quality of service.

6. Staff Technical Performance

Forms of staff performance evaluation used at the study child care centers are summarized in Table 5.3. In all the organizations, staff technical performance was evaluated by the directors. Five of the nonprofit centers (D through H) used written employee evaluations. The four centers that had

TABLE 5.3

CHILD CARE CENTER STAFF EVALUATIONS

<u>Center</u>	<u>Formal Evaluations?</u>	<u>Used for Salary Increase?</u>	<u>Advancement?</u>
A	No		
B	No		
C	No		
D	Yes (semi-annual)	No	No
E	Yes (annual)	Yes	Yes
F	Yes (annual)	Yes	Yes
G	Yes (semi-annual)	Yes	No
H	Yes (annual)	Yes	Yes

a single source for block funding used these evaluations as a basis for salary increases. In other words, an employee's performance was closely tied to output.

Table 5.3 suggests a pattern concerning the use of formal evaluations by different types of child care centers. Center D was the only client-funded center that conducted formal employee evaluations, and the center did not use the evaluations for salary increases or advancements. All centers that received some form of block funding (E through H) conducted formal employee evaluations and used them to help determine salary increases and advancement selections.

At all the centers that used formal employee evaluations, the employees had an opportunity to provide a response to the director's evaluation. The organizations that did not have written evaluations provided informal performance feedback to their employees.

8. Organizational Performance

This study reveals a pattern in organizations that conducted organizational-performance evaluations. Only the two organizations that received state funding conducted such assessments. These two centers were legally required to conduct organizational-performance evaluations. They assessed their conformance with state regulations (administrative), not their own efficiency. None of the other organizations had a formal method of evaluating the organization's performance. The level of organizational evaluation thus appears to have depended on the need to fulfill legal requirements imposed by the sponsors. It does not appear to have been tied to a center's status as a profit or nonprofit organization.

Most of the directors "just knew" when the organization was performing the way it should. At the profit child care centers, the owners had more definitive measures of organizational performance than at the nonprofit centers--economic survival, as discussed. Several directors stated that parents disenrolling their children was an indication that the organization was not performing satisfactorily, and the causes of these disenrollments should be investigated.

No formal client-satisfaction measurement process was found at any of the centers. The directors monitored client satisfaction through informal conversation with parents.

9. Higher Level Relationships/Board of Directors

The child care centers in the study varied as to the existence of a board of directors or supervising body and such a body's functions. Table 5.4 summarizes this information.

TABLE 5.4

EXISTENCE AND FUNCTION OF BOARD OF DIRECTORS
OR SUPERVISING BODY

<u>Center</u>	<u>Board of Directors</u>	<u>Appropriation Approval?</u>
A	No	
B	Yes	No
C	No (church committee)	No
D	No (church board rep.)	Over \$100
E	No	
F	Yes	Over \$500
G	Yes (school district)	Supervisor approved purchase orders.
H	Yes	Over \$1500

Table 5.4 indicates a pattern in the existence and function of a supervisory board based on the type of organization (profit or nonprofit) or its sponsorship by a

larger organization. Only the two profit, client-funded centers (A and B) had no functional board of directors. The three centers that received the largest amount of block funding had functional boards of directors. At the other centers, the responsibility or function of a supervisory board (if one existed) depended on the individual organization and was not defined by the type of organization.

C. INFORMATION SERVICES

1. Evaluation Criteria

As discussed in Chapter III, the time-sensitive nature of Service A's output made timeliness override quality in evaluating how well the organization and personnel had been performing. Service A had to maintain legitimacy with its customers by providing data in time for the customers to use it. Higher quality data, although more desirable from a quality viewpoint, would not necessarily provide customers with a superior product. Raising quality would make Service A look bad in the eyes of its customers if the data were so late customers could not use the information.

Data Service B, in contrast, believed it was most efficient in stressing quality over timeliness and cost. Service B had set its company goals after a thorough evaluation of the market place.

2. Rationality

Externally, Service A lived within a military/civil-service framework that prescribed much of its operations. The military has a specific set of expectations of what a military organization should look and act like. Service A had to meet these expectations of its superiors and customers or ultimately cease to exist. In addition, by law, Service A had to follow civil-service regulations. Failure to comply with these regulations could, at the very least, result in lawsuits and difficulty in continuing operations.

Internally, Service A focused on efficiency to make decisions. For instance, the "Ten Most Wanted List" was designed to make the most efficient use of Service A's funds.

Upper management viewed SOPs as being more critical than did middle management, which could be expected, since upper level managers had to maintain their credibility in Service A's military/civil-service framework of extensive SOPs. Middle managers saw only limited efficiency benefits in using extensive SOPs and, because they had less external contact, did not recognize the legitimizing benefits of SOPs. The dominance of the legitimizing rationality over the efficiency rationality was a function of how much external contact a manager had and to what extent he had to legitimize Service A with the outside contact.

Service B operated in a way it considered necessary to achieve profitability. The managers promoted efficiency using

quality as their main strategy. An indication of their commitment to quality is the attention they placed on customer satisfaction. One way of providing this attention was their use of a "hot list" prominently displayed on a dry erase board for all employees to see. Service B used this list to focus attention on overdue or difficult customer information requests. Service B used this list also as a means of maintaining high levels of customer satisfaction by directing internal work flows to demanding accounts.

3. Organizational Structure

Service A's organizational structure was designed to integrate Service A with its military/civil-service framework. Service A's superiors required a formal structure. Archival data and upper management supported Service A's use of formal organization charts, formal position descriptions, and formal structure. Middle managers did not use such formal approaches to management--an indication that this formal organizational structure served to decouple Service A's technology from the structure. As discussed in Chapter III, position descriptions, while important to the upper-level manager, had little use to the middle manager. The formal structure provided by these position descriptions legitimized Service A to its superiors, but middle managers used them "only subconsciously."

Service B was structured loosely among the president, the group leaders, full-time office personnel, and part-time

personnel. The president stated that this loose structure worked efficiently during the early years of the company. Service B kept growing and continued to be profitable. Because of Service B's successful growth, however, the president now needed to add another individual to the organization because Service B needed to develop formal procedures to replace informal work habits. This person would work directly for the president and be responsible for routine office functions and administrative-policy formulation. Thus the president planned, in effect, to insert another layer in the organization.

4. Resource Generation

Service A received most of its funding from the DOD-PPBS process. Service A behavior that did not meet its superiors' or customers' expectations hurt Service A's ability to receive funds. Many laws, DOD instructions, and specific guidance from superiors told Service A exactly how to conduct the budget process. Deviation from these guidelines could mean reduced funding, which placed a premium on maintaining Service A's legitimacy in the eyes of its superiors and customers.

The budget process, in which Service A's superiors required semi-formal analysis of the effect of budget cuts, can be seen to be a means to ensure that Service A was meeting DOD expectations. The current austere budget environment at DOD made a technical analysis of budget-cut impacts

imperative. Service A's superiors knew this and required Service A to meet these expectations when submitting reports on the effect of budget cuts.

Upper management did not consider funds received from the outside computer-use fees as being worth the time and effort required to collect them. However, they had to collect the funds because DOD instructions required them to do so. Service A managers did what their superiors expect them to do.

During his interview, Service B's president refused to discuss his budget in detail. He did state that he used the budget as an important tool. He also stated that his company's budget data base was becoming large enough that he could perform meaningful variance analyses and client trend reports (showing the frequency over time of the number of orders a client placed). Using these measures, and other budgetary data that he would not disclose, the president stated that his budget was becoming a useful tool for measuring company efficiency. For example, if a client's ordering trend was down, the president could find out why and channel additional efforts into correcting any perceived problem.

5. Managment of Staff

By law, Service A worked within civil-service and military rules for hiring, firing, and promoting personnel. Upper management was sensitive to the need for following these rules, as can be seen in the upper-level manager's

implementation of a formal training program. The only reason he adopted the formal program over the old, informal program was to provide data for future personnel actions. Civil-service regulations required formal documentation that the old program lacked.

Upper and middle management were not as concerned about explicitly following civil-service rules when hiring civilian personnel. In order to be hired, new personnel had to go through the formal process of being made available for civil-service hiring. At Service A, managers preferred experience over credentials when hiring new personnel--in direct contrast to civil-service regulations, which emphasized credentials. Service A managers believed that experience was a better predictor of employees' worth. Service A managers worked around civil service regulations by helping experienced, but noncredentialed applicants become credentialed. They also intervened in the civil-service job-application process at a stage early enough to prevent these noncredentialed applicants from being rejected. Such "work arounds" can be seen as a way to improve efficiency within the civil-service framework.

Daily work habits at Service B centered around maintaining efficient service. In discussions with his staff, Service B's president applauded ideas that enhanced the company's product. Service B did not place much emphasis on credentials. When making hiring decisions, Service B tried to

ensure that an individual fit in with the organization and enhanced its overall efficiency. According to the president, fitting in with the organization was largely a subjective judgment.

Each employee at Service B had production goals to which he/she was held. Straying too far from these goals warranted immediate attention by group leaders. Similarly, exceeding the goals could be a basis for merit salary increases and other recognition.

6. Staff Technical Performance

Civil-service regulations provide specific guidance on how to evaluate and report on staff technical performance. Upper and middle management at Service A differed in their opinions as to how well following these regulations allowed for accurate assessment of staff technical performance. Upper management believed that civil-service regulations, which required use of quantified evaluation comments and formal position descriptions, led to relatively accurate evaluations of employee performance. Middle management's approach to employee evaluations differed, however. Middle managers believed that evaluations, written as required by civil-service regulations, were not closely tied to the employees' actual output. The work done at Service A was not particularly quantifiable, and not all position descriptions were accurate.

No evidence was found of a formal evaluation process at Service B. The president did try to have a sit-down session with each employee at least every three months. At these sessions, the president stated, he evaluated the efficiency with which the employee was meeting production goals. All production effort at Service B was tied to efficiency in order to support the company's growth and profitability goals. Because the organization was small, the president was constantly in touch with progress toward the goals. Thus he evaluated his people daily, in addition to the prescribed evaluation sessions.

7. Organizational Performance

Service A provided unique data to a very specific group of DOD organizations. In other words, Service A functioned in a closed market place, and its organizational performance was not measured by an open market. Service A's performance could be measured only by Service A personnel, customers, and the military chain of command. The monthly departmental briefings to the commanding officer allowed Service A to measure its performance internally. Customers used conferences to express their evaluation of Service A's performance. Formal military inspections allowed Service A's chain of command to measure Service A's performance.

The open market place evaluated Service B's performance. There were no professional or other associations

that could pass judgment on the quality or sufficiency of Service B's work.

8. Board of Directors

Being a military organization, Service A did not have a board of directors. By law, Service B had to have a board of directors.

Service B's board operated on the periphery of the organization. It provided input and guidance on budget formulation and company direction. When interviewed, the Service B group leader, an individual on the second step of the organizational hierarchy, was unaware that the board existed.

D. FIRE DEPARTMENTS

1. Evaluation Criteria

The vice-president for human resources outlined Corporation A's three major concerns: profit, service, and employee morale, in that priority. The first two were mentioned in the corporation's mission statement: "provide cost effective emergency service." Corporation A evaluated efforts in all three categories, but a common thread ran through each: everything Corporation A did was aimed at improving organizational efficiency. (See Section V.D.2.) Overall company efficiency, as well as financial efficiency, was evaluated in the budget process. Corporation A had a

formal budget process, with variances examined in depth by all levels of the corporation.

Corporation A strove to provide efficient service, and they used customer satisfaction as a proxy to measure the success of their efforts. They surveyed their customers regularly and, supposedly, made adjustments to the organization based on results. They appeared to take actions that cost them money just to improve customer satisfaction. In reality, this money was spent to provide contract security.

Corporation A had programs intended to improve employee morale. They had an education program and a suggestion program. Management believed these programs improved employee productivity as well as morale. Corporation A held formal employee surveys and reviewed the results with employees. These surveys allowed the company to evaluate the success of its employee programs, as well as employee morale.

Fire Department B's goal was to provide good service to the community. It had no formal evaluation criteria or measuring system to determine whether they were succeeding.

2. Rationality

Both fire departments used and trained to standard operating procedures. Fire Department A's were much more extensive. (Note that if standardization increases efficiency, then a profit organization would be expected to pursue SOPs more aggressively than a nonprofit organization.)

Fire Department B did use the SOPs it had, but it might have been missing an opportunity to improve its efficiency and relieve its overtaxing workload by not increasing the number of SOPs it used.

The fire departments expressed similar feelings about professional societies and conventions. They encouraged employee membership and participation for similar reasons, with Corporation A actually paying members' dues. Both fire departments sought exposure at conventions--a way of increasing exposure within the professional community. Corporation A also wanted its employees to come away from conventions with a feeling that working for Fire Department A, a nonunion employer, was not as bad as union propaganda would have them think. Corporation A hoped this exposure would increase company loyalty and productivity.

A big difference existed between Fire Department A and Fire Department B in the public-relations area. Fire Department B did nothing to promote its image. It had no public-relations program and spent no funds in this area. A manager said that the department did not try to improve the image (in order to influence the funding level), because the city council disliked departments bringing external pressure on the council. Fire Department B apparently saw no benefit to improving its public image. Fire Department A, at the other end of the spectrum, put money and effort into public relations; which it considered an important tool in getting

its "good" image across to the city, its residents, and the department's employees. If the city and its residents had a favorable opinion of Fire Department A, it believed it had a better chance of getting its contract renewed. Also, Corporation A had found that employees liked to be associated with a "good" company and tended to work harder for one.

Fire Department B's hiring and promotion policies were greatly influenced by its AAP. It selected from a rigid process designed to be "fair" but not necessarily effective. Fire Department A's hiring policy was not considered effective or efficient by corporate management and was being rewritten. Fire Department A had no AAP and was thus not restricted from turning applicants away. Its promotion procedures were similar to Fire Department B's in the attempt to rank the top three candidates objectively, but unlike Fire Department B, the final selection at A was subjective. Fire Department A's hiring and promotion procedures could be construed as allowing the organization to pick the best (most efficient) person for the job.

Both departments supported and encouraged further employee education and training for the same major reason: improved productivity. Fire Department A supported education and training also because it believed such steps improved employee morale. Based on the interview statements, Fire Department A did a much better job of advertising and

providing educational opportunities. Employees at Fire Department B did not seem to be fully aware of the program.

3. Organizational Structure

Both fire departments were organized in a traditional, semi-military style. They had similar chains of command (e.g., chief, assistant chief, district chiefs), but Fire Department A used a modified two-platoon system instead of Fire Department B's more industry common, three-platoon system. Thus Fire Department A's fire fighters worked more hours per year than Fire Department B's. Both used minimum equipment-manning levels.

Corporation A negotiated the services that Fire Department A would supply to Delta city. It provided the proper manning within the framework described to meet its contractual responsibilities effectively and efficiently. Fire Department B had to respond to any request by Green City.

4. Resource Generation

Fire Department A's budget process was much more formally structured and organized than Fire Department B's. If Fire Department A, a division of a private company, did not properly price its services, it could go out of business. Fire Department B, as a government agency, would not suffer the same consequence. Fire Department A also had more formal expenditure-control procedures than Fire Department B. Fire Department A examined variances in formal reports and presentations in an attempt to correct problems and improve

efficiency. Fire Department B had fewer formal reviews and used variance information only to stay within certain prescribed bounds. Fire Department B, knowing they had to live within a status quo budget, documented requirements to ensure it got its fair share of a city budget. It had made no attempts to break out of their budget by taking its cause outside council chambers because the city council frowned on that tactic.

Fire Department A used budget preparation and variance analysis to manage the organization efficiently in the market place. Fire Department B focused on staying within funding levels. Additionally, Fire Department B had no formal means of determining how it was being perceived by the public, no way of knowing when its performance was not conforming to public expectations. It had no formal means of determining public sentiment.

5. Management of Staff

While managing its staff, Fire Department A tried to increase employee productivity and morale through the use of innovative programs, such as the reward-incentive program discussed in Section IV.B.8, designed both to motivate and reward. Fire Department B had no formal program to motivate or reward behavior among its employees.

Both fire departments' personnel had to satisfy state requirements to be qualified to perform their duties. Maintenance of credentials appears to have been equally

important to both fire departments, with both having a middle manager keeping track of credential-expiration dates.

6. Staff Technical Performance

The fire departments had similar employee-evaluation procedures and forms. The major difference was that Fire Department B's performance criteria and standards were not uniform across common position descriptions. The system was designed to ensure that only output in agreed performance areas would be properly recorded and evaluated. There was no assurance that those areas had any importance to the department. Because of the lack of standardization, individual performances could not be compared accurately against each other. Fire Department A's evaluation criteria and standards were developed by committee from position descriptions. People holding the same type of jobs were evaluated on approximately 90 percent of the same criteria. Because the department was on a merit-pay system, an effort was made to ensure that evaluation of performance was closely tied to output. The effort included special training for those writing the evaluations.

7. Organizational Performance

Fire Department B made no effort to judge customer satisfaction, a good proxy for organizational performance, let alone nurture it and use it to its favor. Feedback was not actively solicited, but it did make an attempt to correct situations brought to its attention.

In contrast, Fire Department A was concerned with, and had an active program to determine, customer satisfaction. It used the findings both to improve service and to motivate employees. Management saw all mail from the public and employed a public-relations specialist to assist in this endeavor. The company had learned to create and nurture customer satisfaction and use it to its advantage. The concern for customer satisfaction could be found at all levels of the organization. Keeping the citizens satisfied was one way of positively influencing city council. Market evaluation also meant that the department had to strive, through its performance, to meet certain financial returns. If Fire Department A could not operate efficiently, Corporation A could decide to invest its money in another business. The vice-president for human resources clearly said that profit was of number one importance. A number of Fire Department A's programs that were designed to increase efficiency, support this statement. Additionally, Fire Department A had several loosely organized, formal quality-control mechanisms. Fire Department A's management, as expected in a profit-motivated organization, constantly monitored performance in an attempt to improve efficiency and productivity, both market-place-judgment criteria.

Although Fire Department A contracted to provide a specific level of service to the city, it often decided to provide greater than minimum service for two reasons. First,

marginal-quality personnel would reflect badly on its image, which could affect how clients, constituents, and even employees evaluated performance. (Note that concern about image is often in an organization's best interest: to invest some short-term profit to ensure security (profit vs. wealth maximization).) Second, the department found that a high-quality employee could handle more responsibility, which allowed Fire Department A to reduce manning and thus increase profits.

8. Higher Level Relationships/Board of Directors

The fire departments had similar relationships with their immediate superiors. They communicated frequently, normally in an informal manner. They carried out their day-to-day tasks with little interference from above, but they were completely dependent on their superiors for funds and policy direction.

Fire Department B did not have a board of directors; the city council was analogous to a board, but it did not actively involve itself in Fire Department B. Corporation A's board was made up of three "outsiders" and four corporate officers. Members were selected for their expertise. They did provide direction for the organization, as demonstrated in their decision to reorganize the corporation.

VI. ANALYSIS AND DISCUSSION

A. INTRODUCTION

Chapters II-IV presented the results of the interviews and inspection of the archival data in the 12 service organizations in this study. Chapter V presented a distillation of the results by industry in a format corresponding to Table 1.1 which represents a priori conceptions of organizational dimensions. The purpose of this chapter is to present an analysis of those results that will provide the reader with a means to understand the environment and processes associated with particular aspects of the organizations. The authors do not argue that the sample is representative of any larger population. The results are presented as a particular environment.

Previous chapters contain images of how funding structure and the relative ambiguity of the technology relate to control characteristics in a specific set of organizations. What is projected are that differences in the operations that can enrich our understanding of the technical-rational and institutional theories.

As discussed in Chapter I, a multi-organization and multi-industry design was adopted. To capture the profit-nonprofit and funding dimensions, industries were needed that had ill-defined technology and output, both profit and nonprofit

organizations, and an array of funding mechanisms. Because the child care industry met these criteria it was chosen for this study. In such an industry little information is available regarding the relative effects of the technology. Therefore, another type of industry, was needed--one in which a spectrum of technology could be identified. The fire-protection and information-services industries met this criterion.

The organizations studied were of two distinct types:

- single unit operations with a small staff that performed multiple functions (child care centers), and
- organizations with staff that specialized in various functions (fire protection and information services).

The focus in studying the child care centers was to observe whether or not systematic differences existed across the spectrum from profit-making, client-funded organizations to nonprofit organizations that had a high degree of reliance on a single source of funding. In studying the fire-protection and information-services organizations, the focus of the analysis was on the various functions (e.g., budgeting and resource utilization) in and between the organizations. In areas of well-defined technology and output (e.g., how to enter a burning building) the expectation in the study was that the departments in the profit and nonprofit organizations would operate in a similar fashion. In areas of ill-defined technology and output, the expectation was that departments in the two organizations would operate less similarly.

B. FIRE PROTECTION AND INFORMATION SERVICE ORGANIZATIONS

In the larger multi-departmental, organizations differences in the control systems did vary with the relative ambiguity of the technology. For instance, as the researchers moved closer to the technical core of the organization and well-defined aspects of the operation (e.g., learning fire-fighting techniques and operating computer equipment), a higher degree of similarity was noted in operations than in less well-defined areas such as budgeting.

In fire-protection organizations, the specifications for training and licensing of fire fighters is well defined. State requirements specify the amount and frequency of training necessary. The two formal training programs for the fire fighters were similar. Both fire departments emphasized the technical training of the fire fighters and managed the training in similar fashion. That is, given a well-defined situation, both organizations reacted similarly. Both sought an efficient mechanism to achieve the specific training goals. Both organizations presented three reasons for the program:

- to have appropriately trained fire fighters for the community,
- to demonstrate to the city government that the organization was qualified to do their job, and
- to make the fire fighters more efficient at their tasks.

However, even though both organizations had efficient and well-documented programs to ensure appropriate training, upper management viewed the programs differently. The views

expressed at Fire Department B emphasized the first two reasons for its training programs. The management at Fire Department A emphasized the third; training was described as a way to decrease the number of staff by "overtraining" individuals in order to provide a specified level of coverage more efficiently.

The area of budgeting sources revealed very different structures and processes. The fundamental character of the budgeting processes differed. Fire Department B had a budget process that was oriented toward maintaining the status quo. The goal of the manager was to maintain funding and not "rock the boat." This approach carried through to relations with the community and the internal budget process. Fire Department B did not attempt to stimulate public opinion to demonstrate the virtues of the department. Internally, the budget process was quite informal. Fire Department A, on the other hand, had a very formalized budget process with a variance analysis structure, a formal budget-input process, and feedback mechanisms. The focus of Fire Department A's process, including interaction with the community, was to provide information oriented to the efficient operation of the organization. Even the idle time of the staff was used to keep the public awareness of Fire Department A high.

The general characteristics of the departments and processes fit the models identified in Chapter I. As would be expected from a technical-rational perspective (Thompson,

1967), if there was well-defined technology and output the organizations tended to look and operate similarly. As would be expected from an institutional perspective (Euske and Euske, 1989), if technology and output were ill defined, the organizations tended to have different foci.

Possibly the most striking contrast in the two organizations was in the two and three platoon systems. Fire Department A used a two-platoon system. Fire Department B used a three-platoon system. The two-platoon system allowed Fire Department A to operate with 20 percent fewer personnel than would be required for a three-platoon system. Although the three-platoon system was common in the industry (i.e., an expectation for a municipal fire department), Fire Department A used an alternative system for sake of efficiency. Although Fire Department B management described itself as a leader in the industry, it used the less efficient, but more traditional three-platoon system. The use of the two-platoon system had not adversely affected the insurance rating for the community. The variations across departments and processes are consistent with the theoretical expectations. Other indicators of differences exist--for example the use and number of SOPs in the two organizations. Note that no single indicator presents an absolute demonstration of the difference; rather, it is the composite that substantiates the theory.

These same types of differences are echoed in the information-services organizations. The systems and structures at Data Service B were oriented toward efficiency. At Data Service A, however, variation in focus across the functions were observed. For instance, the two organizations had a similar focus in hiring at the operations level (i.e., to find the best qualified individual in terms of past performance and ability). Away from the technical core, Data Service B kept the efficiency focus, but Data Service A, providing the "appropriate" response to the system became increasingly important. In general, the entire focus of the interviews reenforced this variation. That is, the managers at Data Service A moved from an efficiency to a more legitimizing focus as they moved away from well-defined to ill-defined aspects of technology. Data Service B managers were more consistent in their efficiency focus across all aspects of the technology.

C. CHILD CARE ORGANIZATIONS

The child care organizations also present an interesting image of similarity and dissimilarity. All the organizations were subject to state licensing and inspection. All could be described as staffed by "caring individuals." Differences were observed, however. For instance, six of the eight organizations operated at maximum capacity, the two church-owned centers were the exception. However, the reason for

operating at capacity differed between the client-funded centers and the centers that had single sources that provided an important part of the resources. The directors of the client-funded organizations said they operated at capacity for efficiency reasons. The directors of the other centers said they did so to maintain legitimacy with their funding sources. In addition, Center H attendance records were also reviewed by its funding source as a basis for remuneration. The directors also said they ran at full enrollment and because of the high level of need for their services in the community. The two church groups had less than a full enrollment because of the concerns or expectations of the organizations that provided a portion of their funding.

The use of evaluations in the organizations demonstrates variation based upon the existence of block funding. Only those organizations that received block funding conducted formal personnel evaluations. Use of this process may be an indication of the organization developing mechanisms to provide an appropriate legitimating image to the funding organization; they mimic the use of such systems in the funding organization.

D. SUMMARY

The purpose of this study was to attempt to provide a description and analysis of control systems in specific environments. Interviews and the review of archival

information were the data-gathering techniques. Twelve organizations were included in the study. The data gathered provide some support for the argument that the control of resources in environments with ill-defined technology and output will differ in the profit and nonprofit sectors.

APPENDIX A
INTERVIEW PROTOCOL

What are the organization's present goals?

How are the goals formulated? How are they disseminated? To whom?

How have your organization's goals changed over time?

Are there any particular reasons for this change?

What are the organization's strategies for achieving its goals? (Compare with written data received prior. If no prior data then request to see written plans if they exist.)

Explain how the implementation of strategies is monitored.

Does the organization have standard operating procedures (SOPs)? What steps do you take to implement them?

How does the organization notify personnel of changed SOPs?

Would you "walk me through" your organization chart?

Are all of the positions (or key positions) filled? How long have they been vacant? Who covers the work of a vacant position?

Explain the process the organization uses to determine how many people or how much equipment is required to provide its services?

Starting from the final approval of the budget, describe the process by which you developed the last budget? Who approves the budget?

Are there written budget instructions?

How detailed are the written budget instructions? How does the budget affect your daily activities?

How often is the budget reviewed?

What kind of budget updates are there? How often are they provided? May I see a copy of the latest?

What is the organizations primary source of revenue? *What are the other sources? Get percentages for each.*

What have been the most successful techniques to improve income/funding?

Who are the organization's major clients/markets?

How does the organization identify the needs of potential clients?

Describe what marketing the organization does for its services.

What market studies are done, if any?

Who reviews and approves the marketing plans? What organizational policy and strategy changes have been made as a result of reviewing this type of data? Who are the organization's major competitors?

Describe how the organization establishes the price(s) of its services.

What level(s) of management have inputs and decisions to make in deciding prices?

How does the organization measure customer/client satisfaction?

Does the organization keep records/trends on level of customer satisfaction? [Ask this at the end of the interview - May I see an example of the format which you use?]

How is the customer satisfaction information used by the organization? [Get specific example.] *[To improve employees' motivation? With the public? With funding organizations? For budget requests?]*

Besides improving basic service, what steps does the organization take to improve customer satisfaction?

How does the organization deal with quality/quantity tradeoffs?

Questions for subordinate personnel-

Does your organization make it a point to keep you informed of customer satisfaction levels? How? Why does it care about customer satisfaction?

Does your organization have a formal internal organizational performance assessment program? Quality control program? [If both exist find out about both.]

How does it work?

What actions have you taken (also ask if organization has taken action) based on the results of the last assessment?

How do you ensure that quality of service is maintained?

Do you think your quality control [performance assessment program] is unique in any way?

Is there a system to gather ideas from the staff?

How is it used? Who uses it? Who gets the results? Can you give me an example of a suggestion that was adopted?

How would you describe your role in terms of managing staff? *Coach, motivate, reward efficiency? Focus on maintenance of credentials?*

When you hired the last person for your staff, what were the factors [*characteristics of the individual and characteristics of the organization*] that you thought most important for the decision?

If you do not directly hire anyone, what input do you provide to the person who does?

Think about the last employee evaluation you conducted. Starting with the final step in the process, describe the process. *Evaluation of performance that is or is not closely tied to output.*

How do you ensure that a candidate meets the requirements for advancement?

Are there standards which you use to measure employee performance? How are the measures used in the performance evaluation process?

What importance does professional certification and formal education hold in forming an opinion about a current or prospective member of your staff? [Note legal requirements.]

Does the organization have written position descriptions? Are your employees required to be familiar with their written position descriptions? Do employees' position descriptions match (relate well to) their performance standards? Their evaluation forms?

Does the organization encourage employees to pursue further education or training? *How is it done? Is it advertised? How do the employees find out?*

Does the organization provide sponsorship for employee education? *What support is provided? Financial support? Time? Flexible schedule?*

How many individuals participate in the organization's educational program? *Can you give me an example of someone who has benefitted from employee education programs? Is participation in these programs dependent on performance position?*

Why does the organization (not) provide support?

Do you (also ask if the organization does) keep track of employees memberships in professional societies or similar organizations?

Does the organization give employees time off or sponsor employee attendance at professional organization meetings or conventions? *What does the organization expect to achieve by having staff attend the meeting?*

Does the organization pay professional organization dues for employees?

How are new employees introduced to the organization?

Is there an orientation booklet or program? Is it given to all new employees?

If there is an orientation briefing/class/lecture:

How long is it? Is there a designated orientation coordinator? Is orientation training mandatory for all new employees? Is it reviewed periodically? How are the written guidelines revised to reflect changes in policy?

When is it done? Does the orientation program accurately reflect the organizations concerns?

What is the image that your organization attempts to present to the public?

How does the organization attempt to get this image across?

What department within the organization has responsibility for this effort?

Is it a separately budgeted activity? [Does the organization have a separate budget for this activity?]

How many resources, dollars and otherwise, does the organization put into its advertising efforts? PR efforts?

Does the organization sponsor any community activities -- e.g., Special Olympics, Sports Teams?

What does the sponsorship consist of -- e.g., employee time, financial support? At what level do community projects get approved?

Does anyone keep newspaper or magazine articles written about your organization?

Who reviews these articles.

What amounts or types of expenditure require Board of Directors [or next higher level] approval?

How often do you talk to the board [next higher level] about issues?

Do board members [next higher level] come to your operation to discuss issues?

APPENDIX B

INDIVIDUALS INTERVIEWED

CHILD CARE CENTERS

<u>CENTER</u>	<u>Persons Interviewed (by position)</u>
A	Owner Director
B	Director/owner Assistant Director
C	Director
D	Director Part-time Teacher
E	Director Assistant Director
F	Director Assistant Director
G	Director Assistant Director
H	Director Assistant Director

DATA SERVICE ORGANIZATIONS

Data Service A: Director for Computer Operations
Manager of Computer Systems Support
Production Manager

Data Service B: President
Group Leader

FIRE DEPARTMENTS

Fire Department A: Vice president for human resources
Division chief
Station chief

Fire Department B: Fire chief
Acting assistant fire chief
Station chief

APPENDIX C

APPENDIX FOR DATA REVIEWED

CHILD CARE CENTERS

CHILD CARE CENTER A

- State Child Day Care General Licensing Requirements
- Center A: Brochure
- Center A: Control Card
- Center A: Application for Employment
- Center A: Accident Report Form
- Center A: Daily Sign-In/Sign Out Record Sheet
- Center A: Preschool Enrollment Package
- Center A: State Immunization Record
- Center A: Preschool Brochure
- Center A: Job Description: Director, Assistant Director, Aide
- Center A: Guidelines for Discipline of Staff, Children
- Center A: State Child Abuse Index Check

CHILD CARE CENTER B

- State Child Day Care General Licensing Requirements
- Pamphlet--"What is Montessori?" (Information Brochure)
- Pamphlet--"A Parent's Guide to Understanding Sexual Abuse" (Information Brochure)
- "Montessori Operations Handbook"

- Center B: Parents Handbook
- Center B: Administrative Handbook; contained:
 - Last State inspection reports;
 - State license;
 - Disaster exit plan;
 - Disaster drill record;
 - Personnel Report (roster; State form);
 - Tuition Policy Statement;
 - Board Officers and Administrative Organization Form (State form);
 - Estimated Operating Budget (State form; dated 6/30/87);
 - Insurance certificates and information;
 - Food Policies;
- Center B: Financial Records; contained:
 - Payment records;
 - Checking account records;
 - Financial Statements (with Accountant's cover letter);
 - Payroll records;
 - Tax information;
- Center B: Enrollment Application;
- Center B: Statement of Parental Rights;
- Center B: Statement of Personal Rights;
- State Forms: Health History; Emergency Contact; Immunization Record; Physician's Report

CHILD CARE CENTER C

- State Child Day Care General Licensing Requirements
- Center C: Brochure
- Center C: Contract of Employment
- Center C: Application for Enrollment
- Center C: Sample Budget
- Center C: State Facility Review Sheet, Day Care Centers
- Center C: Formal Job Description for the Director/
Teacher, Drafted by the Child Care Committee
- Center C: Informal Job Description for the Teacher,
Drafted by the Director

CHILD CARE CENTER D

- State Child Day Care General Licensing Requirements
- Manual of Administration of Christian Pre-Schools
- Center D: Parent's Handbook
- Center D: Employment Application Form
- Center D: "Suggested Questions" (to be asked during
employment interviews)
- Center D: Teacher Evaluation Form
- Center D: Enrollment Application Form
- Center D: Family "Background Information" Form (for
newly enrolled children)
- Center D: Statement of Personal Rights
- Center D: Emergency Care Information Form
- Center D: Tuition Scale
- Center D: 1988-1989 Budget

- Church Board Minutes from former Center D Pre-School Board
- 1987-1988 "Goals and Objectives" for one of Center D's teachers
- State Forms: Health History; Emergency Contact; Immunization Record; Physician's Report

CHILD CARE CENTER E

- NAEYC Day Care Center Certification Checklist
- Center E: Parent's Handbook
- Center E: New Employee Checklist
- Center E: Employee Work Performance Evaluation
- Center E: Financial Records; contained:
 - Income Statement
 - Budget Summary
- Center E: Child Care Giver Position Description
- Center E: Employee Handbook
- Host Agency Employee Handbook
- Government Employee Supplemental Evaluation Form
- Host Agency Instruction "Operation of Child Development Center"
- Host Agency Organization Chart

CHILD CARE CENTER F

- Child Care Conference Agenda
- Center F: Bylaws
- Center F: Staff Manual

- Center F: Staff Meeting Agenda
- Center F: Sample Employee Evaluation
- Center F: Initial Employee Conference Form
- Center F: Financial Records (dated 31 May 1989); contained:
 - 1989 Budget
 - Balance Sheet
 - Budget vs. Actual Income Statement
- Center F: Board of Directors' Meeting Agenda
- Center F: Introductory Brochure
- Center F: Parent's Handbook
- Center F: New Employee Welcome Letter
- Center F: Tuition Rate Schedule
- Center F: Tuition Information Package
- Community Publication on Child Care Options for Employers and Employees
- Newspaper Article on Center F
- Article from Center F's Corporate Sponsor

CHILD CARE CENTER G

- State Child Care Quality Review Instrument
- Center G: Employee Roster
- State/Teacher's Union Contract
- School District Personnel Evaluation Procedures
- School District Personnel Evaluation Review Form

- Supervisor's Evaluation of Site Director dated 15 April 1989
- Site Director's Goals and Objectives for 1989
- School District Budget Information
- Center G: Parent's Newsletter

CHILD CARE CENTER H

- Center H: Policy Handbook for Parents
- Center H: Organization Chart
- Center H: Personnel Handbook
- Center H: Employee Evaluation Form
- Center H: Alternative Payment Program Handbook

DATA SERVICE ORGANIZATIONS

DATA SERVICE A

- Data Service A: Brochure
- Data Service A: Project Coordination Memorandum
- Data Service A: Position Descriptions for Various Departments
- Data Service A: Organization Chart
- Data Service A: Upward Mobility Instruction
- Data Service A: Civil Service Merit Staffing Program Vacancy Announcement
- Data Service A: Manager's Information Packet Containing Information and Civil Service Instructions on how to Write Employee Evaluations
- Data Service A: Computer User's Manual

DATA SERVICE B

- Data Service B: Pricing Brochure
- Data Service B: Organization Chart
- Data Service B: "Biz" Plan
- Data Service B: Sample Desk Guide on Processing Requests for Library Books
- Data Service B: Work Schedule and Vacation Policy
- Data Service B: Skeletonized Job Descriptions
- Data Service B: Initial Draft of Organization's Functions

FIRE DEPARTMENTS

CORPORATION A

- Corporation A: Strategic Plan, 1 November 1988
- Corporation A: Supervisor's Guide to Policies
- Operational Plan 1989-90 City of Delta Fire Prevention/
Fire Operations
- Corporation A: Expanded President's I.D.E.A. Program,
January 1989
- Corporation A: Pay Structure
- Corporation A: Achievement Evaluation Program Manual
- Corporation A: White Paper on Fire Department A, March
1989
- Organization Charts for Corporation A (including Fire
Department A)
- Corporation A's Service Awards Program

FIRE DEPARTMENT B

- Green City Affirmative Action Plan, 1988
- Green City Program of Services, 1987-1988
- Personnel Manual Green City, 1 February 1988
- Fire Department B: Statistics
- Fire Department B: 1988-89 Accomplishments
- Fire Department B: Work Force list
- Fire Department B's Management Practices, 17 April 1989
- Green City Employee Performance Program (5)
- Fire Department B's Operations Manual (contains SOPs)

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