

The Experience of Transforming the Ministry of Trade and Industry in Denmark into a Development Oriented Organization

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ABSTRACT

In 1997 the Department of Trade and Industry in Denmark changed its organizational model from a traditional hierarchy into a project organization. The purpose was to increase the Department's capacity in developing new policy initiatives, to increase flexibility in allocation of resources, and to make the organization an attractive working place for future graduates from universities.

In the paper the project organization in the Department and the 1½ year change process that led to the introduction of the new organization are described. Furthermore, an overview of the advantages and disadvantages that the author has experienced by working in a project organization for five years is presented.

The conclusions are that the purposes of introducing the new model have been fulfilled, but also that no organizational model is ideal. To keep your organization fit you constantly have to improve it based on a dialogue with your employees and an understanding of the needs of your customers

BACKGROUND

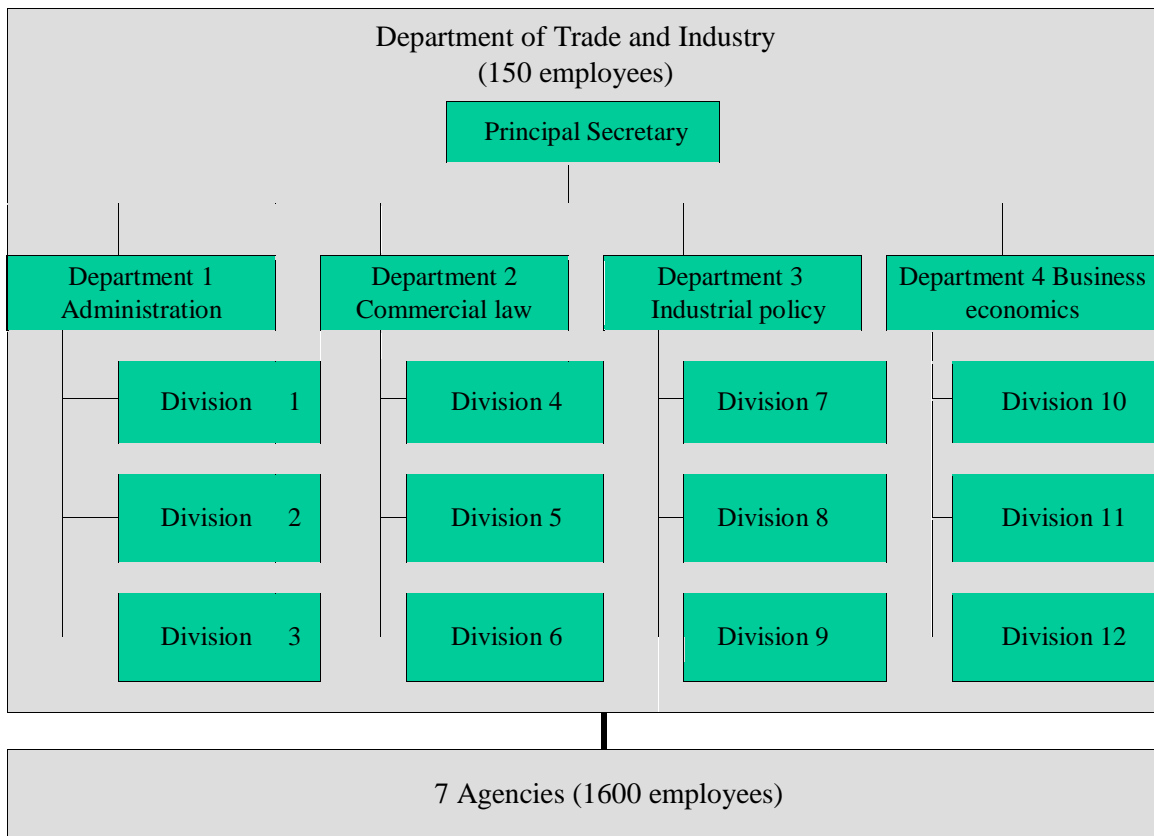
The Ministry of Trade and Industry in Denmark was established in the beginning of the 20th century. The Ministry's jurisdiction has changed over the years, but since the beginning of the 1980'ies it has handled regulations and policies relating to manufacturing, trades, crafts, shipping, the financial sector, and consumers.

The Ministry includes the Department of Trade and Industry and several agencies. The Department of Trade and Industry is the Minister's secretariat and head office for the whole Ministry. The agencies are primarily production units delivering services to external customers (enterprises, consumers etc.) within the jurisdiction of the Ministry as well as to the Minister.

Until 1994 the Department and the agencies were organized as traditional hierarchical organizations.

In the Department, for example, the hierarchy had four layers. Three layers of managers (in the top the principal secretary, then 4 heads of departments (for administration, commercial law, industrial policy and business economics), and then 12 heads of divisions), and then the employees (graduates and clerks). The organizational structure of the Department of Trade and Industry in 1993 is shown in figure 1.

Figure 1 Organization diagram for the Ministry of Trade and Industry in 1993



In 1993 in all 150 people were employed in the Department of Trade and Industry and 1600 people were employed in the agencies.

An important change was introduced in 1994 when the 90-year old Ministry of Trade and Industry was merged with the 1-year old Ministry of Business Policy Coordination that only had 40 employees. At the merger the tasks and the employees from the small Ministry of Business Policy Coordination were fused into the hierarchical organization of the big old Ministry. Consequently, tasks and culture from the old Ministry dominated the new Ministry. The culture of the old Ministry can be characterized as segmented with low flexibility and low innovation ability.

With the merger the Ministry of Trade and Industry got a new task, namely to assist the Minister of Trade and Industry in coordinating all government policies with an impact on trade and industry.

It became soon clear to the new management group of the Department of Trade and Industry that the old culture and the old organization weren't efficient in handling the new task given to the ministry. To fulfil this task the organization had to improve greatly its ability to foresee and adapt to changes in society. In other words it had to be a much more innovative and analytical oriented organization.

Therefore, a process of transformation was started. The first step was to formulate a new vision for the Ministry including the functions of coordination of business policy and strategy

development. The second step was to introduce new types of working methods, new attitudes and a new organizational structure to enable the organization to handle tasks of coordination and strategy development.

CHALLENGES FOR POLICY ORGANIZATIONS IN THE 1990s

Traditionally, the main focus of ministries has been to deliver first class service to the Minister within their jurisdictions and to administer laws and regulation within the jurisdiction. It is a *sine qua non* condition that they are able to do so also in the future.

But other challenges are ahead and other tasks are demanded.

Firstly, the politicians demand that the administration is able to deliver solutions to the problems confronting the modern society. Those are problems arising from globalization, new technologies, migration etc. That means problems of an economic, cultural, political, and sociological character.

Secondly, public organizations have to increase productivity. They will have to handle new tasks without getting more financial means. Therefore, they have to find new ways of organizing the work to deliver more for the same amount of resources.

Thirdly, the new generations of workforce consisting of highly educated people put new demands on working conditions. They want to have a challenging and stimulating job to increase their market value. Talented people are a scarce production factor you have to compete for. The organizations have to think of what make them attractive to highly educated and highly motivated people.

You can say that policy organizations are confronted with several dilemmas. They both have to be fail-safe on the daily services to the minister (e.g. to deliver zero faults) and to be innovative when formulating new policy ideas and strategies (e.g. to take risks). The challenge for the management group is to develop an organization that can handle both these demands simultaneously.

It is a dilemma in the sense that a hierarchical organization in which a matter has to pass several layers of experienced managers before it is given to the Minister is good in delivering zero faults, while it is not so good in delivering innovative solutions to new and complex problems.

Another dilemma is that the new generations of employees want freedom in choice of working methods and acceptance of risk taking, e.g. that you as an organization can learn of your mistakes. They do not want a command and control organization in which you are controlled by several layers of managers. They want to be in contact with the top management and to be directly credited for their job performance.

So, the organization was confronted with four challenges. Only one of these (delivering zero faults) could be handled effectively within the existing organization. To prepare the organization for change the vision of the Ministry and the belonging tasks had to be reformulated and adapted.

THE VISION FOR THE MINISTRY OF TRADE AND INDUSTRY

In 1995 a new vision for the Ministry of Trade and Industry was formulated. The vision can be summarized as follows.

The overall goal of the Ministry is to contribute to the development of the Danish society by building up a framework for business activities that is able to contribute to wealth and welfare both in the short and in the long run. In practical terms this means

1. The Ministry has to deliver first class service to its customers within its jurisdiction. Therefore, the Ministry has to be
 - a) a service minded organization, where citizens and enterprises get quick, fair, and friendly service and
 - b) an organization that has a thorough knowledge of its own legislation and regulation and is able to administer it in a simple and consistent way respected by ordinary people/enterprises, by professionals and experts, as well as by politicians and the Parliament.
2. The Ministry's legislation, regulation, and services must be up to date and meet the enterprises' needs for good working conditions constituting an optimal framework for the enterprises to develop within the era of globalization.
3. The Ministry has the responsibility to take care that the Government's policy in all respects takes into consideration the needs of enterprises for working conditions that make them competitive (the coordination function).
4. The Ministry shall foresee and respond to new trends in the development of society, irrespectively of whether the changes are of technological, political, social, or economic nature. The Ministry shall be an active participant in the debate of the development of society (strategy formulation function) by delivering analyses of high professional quality to the politicians and the public.

THE SOLUTION:

A PROJECT- AND TEAM-ORIENTED ORGANIZATION

To fulfill this vision a new organizational model and new working methods were introduced gradually in the Department of Trade and Industry over a period of 1½ year – from 1st of October 1995 to 1st of March 1997. Over this period of 1½ year the organization was changed from a traditional hierarchical organization to a much more project- and team-oriented organization.

A description and discussion of this new organizational model and the lessons learned from living with this model is the main focus of the remaining part of this paper.

THE CHANGE PROCESS

The first step in the process was to create a pilot unit “the project unit” by October 1995. The project unit was manned with one manager, 8 academics and two secretaries. The task of the project unit was within a time limit of one year to try to work in a project organization and use new working methods. Three challenging development projects were formulated and the members of the project unit were organized in three project groups. The manager of the project unit functioned as coach for all three project groups and the principal secretary was project owner for the three projects.

The three projects had the following tasks:

- 1) To develop a plan for diminishing the administrative burdens for smaller Danish enterprises
- 2) To identify and enter a dialogue with two Danish strongholds in business to formulate proposals for improving the framework conditions for these strongholds
- 3) To identify best practices for management and organizational models for enterprises that were highly globally competitive and to identify the derived challenges for the educational institutions.

The inspiration for the project-unit had come from a new organization model “the spaghetti organization” introduced by a Danish company called Oticonⁱ. The Minister of Trade and Industry and the Principal Secretary had visited Oticon and talked with the CEO about the goals and experiences with the spaghetti organization.

Before the project unit was started the members of the unit visited Oticon to talk with the employees in Oticon about their experiences with the project model. After this visit the members of the project unit among other things decided that they wanted to sit together in one big project room instead of having their individual offices as they have been used to or smaller project rooms. The proposal of pulling down the walls was accepted by the management group even if the proposal was a bit surprising for everyone in the Department.

Besides having the task of working with their challenging projects the members of the project unit also had the task to tell the rest of the organization of their experiences of working in projects. Furthermore, the manager of the project unitⁱⁱ got the task to formulate a vision for transforming the whole organization into a project organization.

The vision was published in March 1996ⁱⁱⁱ and sent out for discussions in the organization. The principles for reengineering organizations were used to develop the proposal for the new organizational model for the Ministry^{iv}.

The vision was presented as a proposal from the manager of the project unit and was not officially backed up by the top management group of the Ministry. The vision was during 1996 discussed at meetings in the management group and at an open meeting for all employees. By the end of the first year the experience of the project unit was considered a success, and it was decided that the project unit could continue. At the same time some of the other traditional offices asked for permission to pull down the walls to create space offices which more and more of the employees now considered to be attractive and stimulating for the daily work.

THE NEW ORGANIZATION INTRODUCED IN MARCH 1997

In February 1997 time was in to demolish the hierarchical organization and build up a totally new project- and team-oriented organization. The new model was accepted by all groups of employees at a meeting in the Ministry's Cooperation Committee.

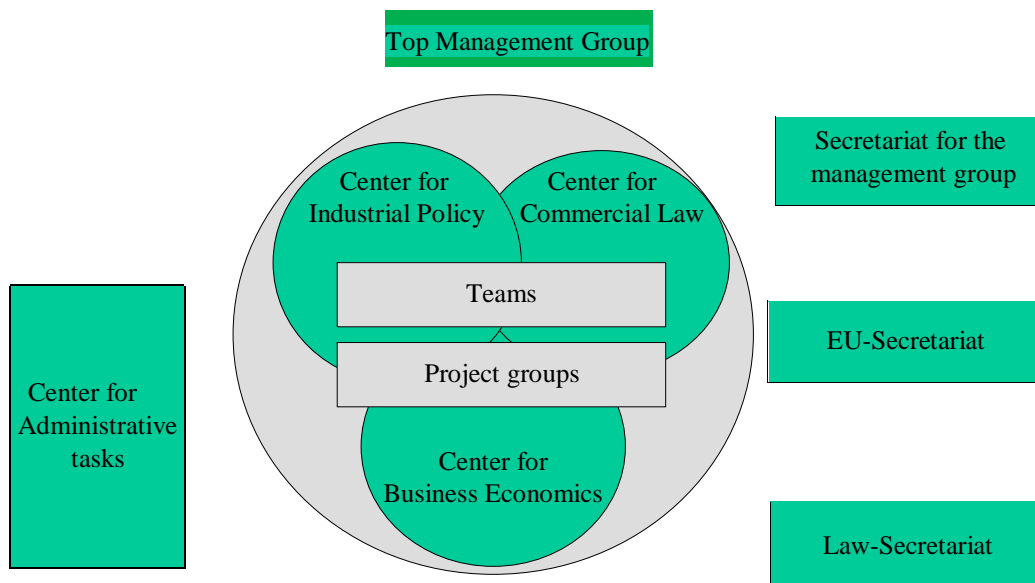
With this new organization the 9 separate divisions from department 2, 3 and 4 (see figure 1) were dissolved and a project organization was established. Some of the tasks of the nine divisions (day to day activities) were transferred to the agencies. The remaining tasks were organized in project groups and teams.

The project organization included around 70 employees. The seventy people belonging to the project organization were grouped in 3 so-called competence centers: Center for Commercial Law, Center for Industrial Policy and Center for Business Economics. The employees were grouped in the centers according to their educational background. The concept of competence centers was developed because the employees found it to be difficult to feel comfortable within one big project organization of 70 people. In other words, they wanted to be affiliated to a smaller unity. The competence centers got the responsibility to train and inform their members on a general level by forming study groups and seminars, arranging weekly information meetings, social events etc.

Project groups and teams were manned with people from the three centers (e.g. cross-disciplinary) depending on what competencies and experiences were needed for the specific tasks of the group or team. When manning a project group or team focus was also on getting the right balance between experienced and inexperienced employees.

The organization introduced on the 1st of March 1997 is shown in figure 2^{vv}.

Figure 2 The project organization of the Department of Trade and Industry March 1997



THE NEW MANAGEMENT MODEL

For the new organization three types of activities were identified: Large development projects, smaller development projects and day-to-day activities. The tasks were handled in autonomous project groups or teams. Large development projects were handled in project groups, and smaller projects and day-to-day activities were handled in teams. Each project group or team consisted of 3-5 employees. The groups and teams were autonomous in the sense that the group and team members themselves planned their work without interference from the managers. The difference between a project group and a team was that the members of a project group worked full time on the same task (one large development project), while the members of a team had to take care of several tasks (both small projects and day to day activities).

The project groups and teams were managed collectively by the 3-5 members of the project group or by the team. No project or team-leaders were appointed. All group or team members were given joint responsibility.

The managers got new roles as coaches for project groups and teams. The coaching should normally be delivered on demand from the groups. The managers also had the responsibility to secure coordination among the different groups and to look after the social welfare in the groups and discover malfunctioning groups.

For every project a contract was formulated between the project group and the project owner. The contract specified the task, the goals, the time horizon, roles for the project group and coaches, and the financial budget for the project. The contract was signed by each member of the project group and by the project-owner. The project-owner had to be a member of the top-management group. The function of the project-owner was to be the customer to the project on behalf of the minister.

An important task for the entire management group (the top management group and the group of middle managers) was to decide collectively on which projects were to be started up and on how to man the project groups and the teams. Decisions on new projects and the manning of groups were taken two times a year. New projects could start up 1st of January and 1st of July.

THE EXPERIENCES AND THE RESULTS

In the remaining part of the article I will present and discuss some of my personal experiences from working as a manager in the project organization of the Department of Trade and Industry.

As I have been very much involved in developing, introducing as well as revising the organizational model, I will not be a totally objective observer. As a member of the organization I have my own preferences concerning working methods, the organizational culture and my own perceptions of advantages and disadvantages of working in a project organization. The advantage may be that I have been in the middle of the process from the very beginning.

Other public organizations in Denmark and abroad have during the years been interested in studying and discussing the experiences – the good as well as the bad – of the Department of Trade and Industry. Also several students and professors from business schools and universities

have studied and analyzed the organizational change. The studies have focused on different aspects of the change.

It has been of great use for the Department to discuss the experiences with other practitioners and with students and professors. It has contributed with new and better understanding and given inspiration for continuously to develop and improve the model.

The change process

An open process is fundamental for acceptance and for success when you introduce great organizational innovations. Another fundamental prerequisite is that the top management group has a clear vision of where to go and why it is necessary to make a change in an organization, especially, when many of the members of the organization think that the existing organization is well functioning. Furthermore, the management group must be ready to explain to the members of the organization again and again why a change is necessary.

The management group does not from the very beginning of the process need to have the solution, e.g. a proposal for the new organizational model. It may be better to present the need for change and then discuss the concrete implementation with the employees, so that they may have a possibility to influence the solution.

In the Department of Trade and Industry it turned out to be successful to the top management group to point out a group of dedicated employees to function as change agents. The use of change agents made it possible for the top management group to have an open dialogue with the employees instead of being forced to defend specific proposals put forward by themselves.

Another lesson from the change process is that you have to tell and prove to the employees that a proposed change is advantageous not only to the organization as such and to the top-managers, but also to the employees. The acceptance of the new organization from all groups of employees was only possible because both the graduated and the administrative staff accepted that the new organization would give them a more interesting working life and increase their value on the labor market.

Normally, the administrative staff is reluctant to changes in working methods and organizations. They often see the changes as a threat to their jobs. But in this case most of the administrative staff saw the change as a possibility of getting new and more interesting tasks to fulfil. They realized that a new type of organization might put an end to the deteriorating of the job content they had experienced for a period of 10 years due to the introduction of new IT-technologies in public administration.

The young graduates were from the very beginning in favor of the changes. They preferred a project-oriented model to the traditional hierarchy and were very much involved in discussing the design of the new organization. The older ones were more reluctant. They feared that they would not be able to compete in the new organization.

The group of middle managers was at the very beginning of the process rather reluctant to the changes. They thought they would lose authority and power in a project organization. In the hierarchy they had power and influence by being decision-makers.

Did the new organization fulfil the expectations?

Above, it was stated that the new organizational model had to handle four challenges: To keep a high quality in the daily service to the minister (zero faults), to be more productive in developing policies, to raise labor productivity, and to be more attractive to young highly educated people.

At the introduction of the new organizational model many thought that quality of the daily service to the minister would decrease because both absolutely and relatively lesser resources were allocated to the day to day tasks in the Department. This has not been the case, however. The main reason is that the responsibility for solving most of the daily tasks has been delegated to the agencies. The agencies now finish the matters instead of sending in a proposal to be considered by the Department.

The production line of running activities, e.g. the process of producing the minister's answer to a question from a Member of Parliament, has been rationalized. The result is that the time period used for producing the answer has been reduced and that fewer persons are involved in producing the answer and securing the quality.

Some of the released resources have been transferred for use in developing activities. For illustration it can be mentioned that about 40 percent of the Department's manpower resource was used on developing activities in 2001 compared to 20 percent in 1994. Parallel to this the percentage of resources used on delivering day-to-day service to the minister has decreased from 50 to 30 percent.

The new way of organizing developing activities, e.g. in project groups, has increased productivity in developing activities. In all, the result has been that the production of analyses and of policy initiatives has increased considerably.

The change of the organization has also led to that the organization has become more attractive to the employees. The documentation for this can be found in inquiries into the employees' satisfaction with working conditions etc. These inquiries have been carried through yearly since 1996. One of the results from these inquiries is that about 90 percent of all employees of the department think that they have stimulating working conditions that improve their possibilities for making a good career. It has become easier for employees from the department to get a job in the private sector. Accordingly, the turnover for young graduates has increased during the last years

Another sign on increasing attractiveness is that the Ministry of Trade and Industry among students of economics at institutes of higher education is ranked as the preferred ministry when considering future job opportunities^{vi}.

The role of management in a project organization

One study^{vii} carried through by a student who observed the life of the Department in half a year in 1997-1998 pointed out that there has been some internal confusion on the role of management in a project-oriented organization. Do independent project groups and teams have to be managed by the managers in some ways. And which roles do managers have to perform?

During the first years after the introduction of the new organization did many members of project groups and teams feel that the managers interfered too much in the daily life of the groups and teams. On the one side the managers were stuck in the hierarchical organization in

which they used to be decision-makers. On the other side, the employees over-interpreted what it meant to be an independent project group. Some of the employees thought it meant that they had to take all decisions by themselves and that the managers just had to mind their own business.

The presentation of the findings at a meeting in the Ministry opened up for a much-needed discussion among managers and employees on the role of managers in the new organization. The lessons to be learned are that you have to discuss the new roles in order to develop them and make them more precise and you have to be patient and give people time to adapt to new roles and functions.

The discussions have led to better understanding of the new roles on both sides. The managers have to appraise the functioning of the groups and interfere when needed. For example they have to interfere if the productivity of a group is very low because the members of the group disagree about everything. And they have to interfere if they see that the members of a group do not have the necessary competencies or experience to tackle a task or a problem.

The employees have realized that they sometimes are in need of the experiences and competencies of the managers. It is not a defeat to realize that you are in need of assistance from other members in the organization. A prerequisite for high productivity in a project organization is that all members of the organization know their own limitations, acknowledge other people's competencies and ask for assistance when needed. The managers have an important function in creating a culture in which people are ready to help each other. They also have to make the organization transparent so that it is easy to establish a truly cross-disciplinary approach in the organization based on a profound understanding of the value of using the knowledge of others.

How do you train employees and build up social relations in a project organization?

One of the advantages in a traditional hierarchical organization is that new employees are introduced to the organization by being placed in a specific social unit, here called a division. The division is normally manned with a manager and a mix of experienced and less experienced employees. The manager or the experienced employees take care of and train the newcomers and introduce him or her to the culture of the organization. If you are new in a well-run division in a hierarchy you can feel safe. You will get time to build up relations and to be acquainted to the organization before you are left to yourself.

In the project organization you may as a newcomer feel more insecure. You may be left more alone, and you are yourself to a higher degree responsible to find out what is going on in the organization. If the organization is not aware of this problem it may lead newcomers to have a low productivity for a too long period. Furthermore, they may not feel comfortable. Accordingly, they may leave the organization too quickly.

In a period of time when turnover of employees is high it is important to focus on new employees to feeling welcome, so you can hope they will stay for some years. Therefore, it is an important issue how to introduce newcomers to the organization.

Knowledge management in a project organization

In a project organization people move continuously around and find themselves in new constellations. When you start on a new project you have to build relations to new people and

you have to build up new knowledge. As mentioned above newcomers may have special problems in getting knowledge of procedures, experiences and competencies in the organization.

In a project organization it is important that people have easy access to procedures and knowledge. In a ministry there are many procedures and rules you have to follow whether you like it or not. In a hierarchy you learn these rules from your colleagues in your division. In the project organization of the Department of Trade and Industry the access to this kind of knowledge has been met by developing a so-called "process guide". In the process guide all procedures are gathered and presented electronically and all employees have access to the guide via the Intranet.

The challenges are to maintain the guide so it always is up to date and to assure that someone is responsible for updating the guide.

How do you maintain the creative and innovative spirit of the organization?

One of the main challenges for organizations in the knowledge economy is to be able to take decisions in a world that is very complex and uncertain. To be a successful organization you have to be a creative and innovative knowledge-based organization. That is the case both in the public and the private sector.

Many organizations have realized that introduction of a more flexible organizational model is a necessary but not a sufficient prerequisite for being an innovative and creative organization. You also have to develop and focus on those processes that are needed for innovations to take place. You have to develop a culture in the organization that stimulate creativity in people and groups. It is much about values. Is it allowed to take risks, to think the unthinkable, to rethink etc.?

For knowledge-based companies in the private sector it is the main competitive factor to find out how to maintain an innovative and creative organization. More Danish companies have tried to develop new methods to keep a high performance in innovation. One has developed a laboratory for innovation and creativity. Another has developed an education for creative development of ideas.

These initiatives have given inspiration for establishing a "greenhouse for new ideas", called Mind-Lab, in the Ministry of Trade and Industry. Mind-Lab that opened in November 2001 has the following tasks:

- To develop methods for the developing of new ideas in the Ministry
- To support project groups through coaching and brainstorming in developing good ideas
- To support groups and units in the Ministry through teambuilding processes in creating a climate that promotes creativity
- To support projects that need inspiration to develop specific events etc.

Mind-Lab is situated in the Department of Trade and Industry. 6 persons are working in the Mind-Lab. Two artists have designed a new room for Mind-Lab. The result is a room that looks quite different from other offices in ministries.

Mind-Lab does not have an ordinary meeting room, but a "Mind-Studio" that inspires you to go into a quick, intense brainstorming. Mind-Lab's working room is called "Mind-Space". It looks

like the control center at launching a space rocket. Mind-Space has 12 mobile working-stations. The idea is that project groups and teams that need inspiration for developing new ideas or support for a teambuilding process may stay in Mind-Lab for two days, two weeks or for a longer period if needed and work together with the experts of Mind-Lab. There is also a room called “Mind-Ease”, formed like an egg, which invites for relaxation and thoughtfulness.

Mind-Lab is supported financially by all institutions of the Ministry and will be used by all institutions.

***Think the unthinkable, be empathetically unhierarchical,
and continuously change!***

This sentence, formulated by Lars Kolind, the CEO of Oticon in the 90s^{viii}, has been a guideline for the continuous organizational changes that have taken place in the Ministry of Trade and Industry since the introduction of the project- and team-oriented organization in 1997.

An organization must be looked upon as a living organism. It has to adapt to changes in tasks, technologies, the surrounding society, and the people working in the organization.

You have to learn from your experiences and continuously reshaping your organization. You have to listen to the employees living in the organization. You have to listen to your customers. Are they satisfied with the services they get from the organization. According to this on-going dialogue many smaller organizational changes have been introduced in the period since 1997.

In spite of these changes the basic ideas behind the organizational model introduced in 1997 are kept intact. Those are the flat organization, the flexibility of allocation of resources, and the need to focus on innovation and on productivity in all aspects.

The lesson to be learnt is that to be a successful organization in the knowledge society you have to build an organization that focuses on flexibility, the needs of customers, delegation, innovation and setting free the creativity of the employees. Furthermore you have to realize the old truism that the ideal organization does not exist. All organizational models have their advantages and disadvantages. Therefore, what you have to aim at, as a manager is constantly to improve your organization and to be in contact with your employees^{ixi}.

POSTSCRIPT

In November 2001 a new government took office in Denmark. The new government reorganized tasks among ministries. Some tasks were transferred from the Ministry of Trade and Industry to a new ministry for Science, Technology and Innovation. And some tasks from three other ministries were transferred to the Ministry of Trade and Industry. Accordingly, the name of the Ministry of Trade and Industry was changed into the Ministry of Economic and Business Affairs. The number of employees in the Ministry doubled and the number of agencies increased from 6 to 10.

People and tasks have changed, but the Department of Economic and Business Affairs is still using the project and team based management model. So for the time being the model seems to have survived the merger two years ago of four different organizations and cultures.

About the Author

Birgit Kjølby is head of division in Center for Policy Analyses and Policy Development, the Danish Ministry of Science, Technology and Innovation. Until November 2001 she was head of division in the former Ministry of Trade and Industry.

Endnotes

ⁱ IMD: *Revolution at Oticon A/S: The Spaghetti Organization* (condensed), 1994

ⁱⁱ The manager of the project unit is identical with the author of this article.

ⁱⁱⁱ Kjølby, Birgit "A Strategy for Transforming the Ministry of Business and Industry into a Development Oriented Organisation", CIMI E*MBA, Individual Assignment, Copenhagen February 1996.

^{iv} Kjølby, Birgit "A Strategy for Transforming the Ministry of Business and Industry into a Development Oriented Organisation", CIMI E*MBA, Individual Assignment, Copenhagen February 1996.

^v During the discussions of the vision presented in March 1996 some changes were made to the model, primarily due to proposals from employees.

^{vi} Source: Universum, that is a Swedish consulting bureau that every year makes inquiries among students in Nordic countries on their expectations for their future job career.

^{vii} Mich, Nadia Kløvedal: *Erhvervsministeriets departement – et institutionelt opbrud?*, Roskilde University Center, 1998

^{viii} IMD: *Revolution at Oticon A/S: The Spaghetti Organization* (condensed), 1994

^{ix} Ingstrup, Ole and Crokall, Paul: *The Three Pillars of Public Management – Secrets of Sustained Success*, 1998.