

Organizational Changes within a Governmental Agency As It Becomes an Authority - Transition from Israel Land Administration to Israel Land Authority (Part 1)

Ron SPIEGEL¹

Abstract

The Israeli Land Administration was established following legislation in order to manage lands owned by the State. This body was composed of two departments: a department for "ownership and registration" that was moved to the Administration for Registration and Development; and the department for "land use", which was moved to the administration of the Ministry of Agriculture.

In my research towards a doctor's degree, I studied organizational changes within organizations that were the result of various constraints. Furthermore, I suggested a model that assists those organizations to make those necessary changes smoothly, with an effort to keep the human capital.

This is a first paper that puts emphasis on the literature review (the initial research steps), the next one, in the next number of this review, being more relative to the model I developed.

Keywords: *strategy, organizational change, governmental agency, Israel*

JEL classification: **K20, K23, M14, M59.**

Introduction

"When the management realizes that a company does not function efficiently, it decides to take several organizational steps. However, these do not appear simultaneously but gradually as a result of internal resistance..."

Over the years and as a result of lack of competition in the market, centralization was formed in regard to possession of land, which caused low supply in construction launches and rise of prices, somewhat like the phenomenon of "real-estate bubble".

Also, because of cumbersome planning procedures, approximately 13 years would pass from the decision to build until practical execution...

As I've written before, decision makers have reached the conclusion that this situation cannot be allowed to continue and in 2009, the Authority Law was passed. Its aim was to completely turn around this situation and to be an extensive reform with the purpose of making all mechanisms for handling land

¹ Ron SPIEGEL, Israel, Email: ronspigl@gmail.com

administration more efficient in order to increase the land supply and to make planning and building procedures more efficient.

The reform was intended to handle also **organizational changes in human resources**, as a result of implementing an early retirement program and following it – changes in definitions for the Administration's employees.

It so happens that the author of this paper, as part of his role in the Histadrut, served in committees whose purpose it was to handle everything relating to placement of employees, according to the policy that organizational changes which involve mobilization of employees in governmental departments require the Histadrut's approval since the employees are members of the General Histadrut, and by force of collective agreements signed with them while the government and the Histadrut are part of them.

This essay will review the history of the Israeli Land Administration administratively; it will give a general description of organizational changes, and will end with a discussion and summary. My research hypothesis is: "Were those organizational changes necessary and how do the Administration's employees stand with relation to those changes, i.e., were these changes beneficial/harmful to the state of the employees on the one hand and the state of the Administration's clients of the other – the simple citizens, buyers of land".

1. Methodology

This white paper will review the history of the Administration and the development of the idea of transfer from leasing to ownership, which manifests, among other things, through a policy which is the result of the "Ronen committee", that was established in the 1990's, based on materials and white papers published by the press. This paper will also try to define the type of organizational changes according to scientific and theoretical literature, and through those changes as they are expressed in official white papers of the Administration and action programs I was exposed to in my role as a member of the committee for human resources placement (representative of the General Histadrut).

Needless to say, I have the approval of authoritative officials within the Israeli Land Administration to use those white papers and publish them in my essay. In the end of this paper I intend to discuss the issue with conclusions regarding the success/failure of the reform, among other things, the view of human resources. It is only proper to give thanks to the people who helped me with my work. First and foremost, Mrs. Leora Tushinsky, assistant director general of Israeli Land Administration, and Mr. Gabi Wiseman, director of Haifa district, for their time and free access to various documents and information.

2. The Administrative History of the Land Administration

Administration manages State's lands which were owned by three bodies:

★ **The state of Israel** – lands from before 1948 and lands requisitioned/purchased after the State was established.

★ **The Israel National Fund** – a body established in 1901 and handled, among other things, Jewish settlement in Israel.

★ **The Development Authority** – a body that handles those who were defined according to the law as absentees (mainly Arab fugitives escaping their homes due to battles).

The Administration handles 93% of the State's territories. Its policy is set by the council of the Administration, as expressed in The Israel Land Administration Law, 1960. The buyers of rights actually leased them for a long time and did not become their owners.

This situation has created, over the years, bureaucratic blocks, and everything regarding turning those lands from leased to privately owned and demanded excessive human resources, not to mention the time needed for collections of leasing fees during the lease period.

The law regarding the Administration stated that two ministers – the Minister of Finance and the Minister of Agriculture – will be responsible for its application. In 1990, the subject of land management was transferred to the ministry of construction and housing, when the responsible minister became, as part of his role, the head of the council. In 1996, as part of the coalitional negotiations for the establishment of a new government, the Administration was transferred to the Ministry of Energy in infrastructure, as a result of a decision of the prime-minister at the time, Benyamin Netanyahu, who chose to give the Administration to the Prime-Minister's office.

Another Prime-Minister, Ehud Barak, elected for office in 1998, tried also to subordinate the Administration to him as part of the establishment of the "National Planning Authority". As part of this plan, the Administration was supposed to move to the Ministry of Energy and Infrastructure, but it was cancelled due to objections for the ministers of interior and energy, who claimed there will be over-centralization in that future authority. Ariel Sharon, the prime-minister elected later, was the one who succeeded in transferring the Administration to him. In 2005, Ehud Olmert was appointed head of the ministry of finance and the Land Administration was transferred, because of its many assignments, to the Minister of Tourism at the time, Eli'ezer Hirshzon. After the establishment of Ehud Olmert's government, the Administration was move again to the Minister of Construction and Housing – in 2006.

In 1990's, the realization slowly dawned that the leasing policy and the need to assign excessive **administrative** resources to uphold this policy are not justified and as result, the "Ronen committee" was established, to give its important conclusions regarding buying **ownership** rights for apartments planned on Administration's property, and at the same time, develop a policy for **perpetual leasing**, for apartments filling certain criterions. This led the registration of some 40,000 apartments to the name of the buyers and acted as the opening shot for the reform, as quoted in amendment 7 to Israeli Land Administration Law, 2009.

Looking at the subject of rises in prices, both of apartments and of lands destined for construction, the conclusions are even bleaker, since we can understand the need for organizational change and the reasons that caused decision makers to follow the road to organizational reform.

As we all know, the market is characterized according to demand and supply. When there's more supply, if there's more demand, the supply restraints rises in prices. When there's little supply but big demand, the prices go up.

According to papers by Dror Shtrum, director of the Israeli Institute for Economic Planning, tendentious marketing of lands as scarce, caused a rise in prices since 1990's since the Land Administration (at the time) was acting as a monopoly (Mirovsky, 2009). That is, bad marketing of lands, inconsistent with the growth rate of populations, cause a rise of tens of percents in apartments' prices.

According to Dr. Shtrum research, the Administration created a false pretense of numerous activities in everything regarding marketing of lands for constructions, simultaneously with the huge immigration from the Soviet Union in 1990's, but in practice, the Administration's directors acted on his opinion contrary to the government's decisions. For example, instead of 6,000 housing units per year, the Administration sold only 43% of this quantity (Mirovsky, 2009).

Later on, this trend worsened and manifested, among other ways, through rise in lands' prices, over-crowding in housing, and decrease in available private land, also because of speculation of interested parties.

Another researcher, Dr. Prynt, claims also that faulty marketing was used in purpose to increase the income of the Land Administration. Therefore, there should be a policy with the goal to increase lands' supply, under control mechanism in order to prevent domination of capital holders and interested parties, which might reverse the situation.

3. Analysis of relevant theoretical literature

According to Isaac Samuel, an organization is a social system dealing with a systematic and tendentious production of products and services through activity cycles of people, that exists as a result of relationships with the environment.

The goal of organizations is to achieve preset objectives, and through them, to examine the structures and its functions. Hence, organizations are considered by some researchers as "social machines" whose purpose it is to serve their owner and that is their sole use.

According to the administrative theory of Mooney (1937), Fayol (1919), Reily (1949) and Guluk & Urwick (1939), organizations function well when certain functions act according to principals of unity of command (each worker is subordinated to one superior) on authority level – an arranged organizational structure according to unified and organized hierarchies from senior management to the worker, with a control curve: several subordinates for each superior which allows supervision and control, internal compartmentalization, internal and organizational work division according to departments/units by specializations and separation between line and management, that is, structural separation between roles that were meant to implement the organization's tasks and between counseling and help roles for the implementation workers.

An organization is like a machine, that when the sum of its part functions well, there is a healthy action that leads to results. The workers of the organization working harmoniously maximize its goals.

Frederick Taylor (1911), quoted in Samuel's book, understood that in order to make the most out of the worker's skill, the worker should be matched to the organization's goal, and in that way to enable taking advantage of his work – all this according to the theory of scientific management. Max Weber (Weber, 1947), developed the "ideal" model of bureaucracy and claims in his researches that organizations, in practice, represent an intelligent authority that leans on the rule of law that is required to uphold a stable regime and order in a society. This is not a result of coercion, but a free choice of society. Only organizations are capable of embodying the principal of "law and order" and the ideal organizational bureaucracy is made up of a clear hierarchy of authorities, rules and procedures that are required for proper execution of each role in the organization, selecting workers by their skill and rewarding according to the definitions of jobs and their goals.

Morgan (1916) built a bureaucratic model based on punctuality, speed, clarity, regularity, reliability and efficiency. Morgan, with his "mechanical" approach, claimed that an organization can function through activation of a "switchboard", which helps control the organizational machine and leads it to fulfilling its goals. However, the human aspects in organizations are significantly important and they cannot be defined as part of the machine, so his mechanical approach was rejected by quite a few researchers.

Samuel also notes the organizational approach, in which organizations are social groups which are meant to preserve themselves/survive, just like animals do. If we use Ichak Adijas' theory that the life of an organization is identical to the life of Man with its life periods, we will find similarities between the organizational approach and Adijas' approach.

Scott (1992) claims that the members of an organization are those who are interested in its survival and not in the organization itself, therefore organizations should not be treated as machines according to the "mechanical approach" mentioned before. According to Scott, quoted in Samuel's book, organizations change their goals and targets as a means of survival.

In his important book "Organizations, Introduction to Organization Theory", Samuel gives additional definitions suggested by different researchers regarding the essence of the organization:

- * Organization – a system of coordinated activities of two persons or more that was created with a purpose (Bernard, 1938).

- * Organization – a social system with a clear unified identity and a specific registration of members, working plans and procedures (Caplow, 1964).

- * An organization is a social unit/human group created with the intention to achieve certain goals – Etzioni (1964).

- * An organization is a complex, permanent set of human relationships built for an identity - Hass & Drobek (1973).

* An organization is a set of roles/activities with the purpose of carrying out joint intentions – Robely (1986).

* An organization is a goal-oriented, social application made in a purposeful activities system – Doff (1995).

* An organization is a an association with clear limits, normative order, hierarchy, coordinating systems between the member... action with affinity to certain goals – Hall (1991), and I dare add, for those who need/enjoy the result of its actions

When we look at the many definitions that can be found, we will see that for most researchers, the organization is a specific body, acting in a specific and synchronized way with the purpose of realizing goals, some of them predestined (usually).

Samuel himself emphasizes that organizations are arrays of roles and not groups of people, but they cannot exist on their own without **people**. However, what makes them unique is the **activity** within them, manifested in various role definitions setting exactly the actions to perform in each role. These are defined, identifiable entities working and functioning as fixed frameworks; the participation of people in them is limited, and they are productive units meant for cycle productions (and in the case of Land Authority – services) so long as there is a demand for those product, and if not – the organization might cease to exist unless it can change and produce other products (services). Those last lines by Samuel show more than anything the state of the Land Authority and the organizational changes applied on it, when decision makers reached the conclusion that handling the organization's policy before the reform does not stand up to the needs in all regarding the "real-estate bubble", and that its role/function should be changed through administrative reform to take care of market failure, for if not, an economic crisis will be created in housing.

Samuel emphasizes that should an organization stop for various reasons to produce services or products, the basis for its existence collapses and it ceases to exist. It seems, so I speculate, that this threat was hanging over decision makers and they reached the conclusion, that the only way to avoid a complete stop to the operations of the Israeli Land Administration (which would require re-establishing an organization to deal with the lands' crisis) was to have an administrative, organizational reform in the **existing organization** in order to execute a policy meant to fix the market failures mentioned several times in my work, or in laymen terms, "fixing as you go".

In my research paper for a doctor's degree I dedicated a significant part of the work to organizational processes that occur when decision makers reach the conclusion that the organization does not function effectively (or in fact "does not deliver the goods") and choose ways to deal with this fact.

A group of researchers had long discussions about theories of organizational changes required to save organizations and systems in a critical stage in their lives (Adijas), a stage in which they stop functioning efficiently and need changes so they can survive and recover.

The theories are based on ideas of Termination of projects in various degrees, according to the needs of the organization.

A researcher by the name De Leon defines "termination" as the end of a project, and adds there are several types of terminations, both personal (divorce, death) and organizational, that are connected to bigger organizational systems, in which, he believes, termination is more complex.

According to Behn (1976) who quotes a researcher called Jones (1970), actions of "termination" are a typical process that coexists with the process of establishment-growth and acts as an opposite mirror of "termination", similar to thesis and antithesis.

Bardach (1977) divides termination (of project and organizations) to termination by a single blow (Bang) and termination through gradual and mild actions (Long Whimper). Brewer (1978) even scaled termination policy in six stages including the realization in the need for organizational change, defining goals for change, executing them, reassessment and executing the necessary corrections (adjustments) and executing the policy of the termination itself.

The subjects of termination in a single blow and gradually, or as Bardach calls it, "the long whimper", appear also in a paper by Dr. Iris Geva-May, a student of Prof. Aaron Vildavsky. Since a termination policy, by its very nature, faces resistance from within the organization, according to Bardach, it is executed by authoritative decision of the decision maker who is in a position to decide it and with a single blow.

In a white paper by Vildavsky and Geva-May, there are two examples for organizations, companies in US (Massachusetts) which underwent such a process. On the other hand, gradual termination is executed usually by slow cutoff of resources to the organization to be terminated, and according the aforementioned researchers (Vildavsky, Geva-May) is called decrementalism.

De Leon reminds us that termination can be also realized-executed according to law, and in the case of the Israeli Land Administration, it was indeed executed by the amendment to the law of Land Administration, 2009, also known as "Israel Land Authority Law". He claims also that termination policy is not "the end of the world" for individuals or organizations, and can actually be the forerunner of beginnings (organizational changes) and is considered a crucial part of any organizational policy, and is preferred as a critical and crucial step meant to save the organization from total collapse.

An effective termination policy must be within a specific timeframe and tactical changes. A deviation from the timeframe might lead to internal organizational resistance.

Biller (1976) suggests saving money through terminating a problematic policy and transferring its budget to the following year.

Castellani (1992) offers three stages of policy change that influence termination: (organizational) problems related to policy regarding time, place and circumstances and the effect of changes on "players" involved in policy, in its final stages.

In Iris Geva-May's paper, "Till Death Do Us Part" (1996), among other questions asked we find the strategies necessary to execute "termination": the ability to minimize internal organizational resistance by decreasing costs, and what procedures are needed for the decision maker when he suggests a termination policy in his white paper.

De Leon adds that a termination policy is possible if the following conditions are met: a thorough studying of termination strategies, and the ability of decision makers to have political support for their actions.

Bardach adds that he believes there are six types of difficulties involved in the execution of a termination plan, such as people's reluctance to deal with organizational dying; governmental organizations' or states' tendency (in this case, USA) to follow a policy of over-security and disregard threats, like in the case of the Tennessee Valley Authority (mentioned in my work) that grew too much; dynamic conservatism arising from the fear that adopting certain policies (of organizational changes) and final execution thereof does not necessarily implies the end of the organization; the creation of anti-termination coalitions, i.e. resistance to such a policy is usually both internally political and outside the organization. He also mentions possible obstacles in ruling through Administrative Procedures Decrees, as was seen several times in USA.

Behn emphasizes also that resistance to organizational changes might, contrary to what De Leon thinks, be assisted by elements outside the government or by legislative support, or from people with prestige or public support, and if that is not enough, through compromise. Bardach also notes that there are anti-termination coalitions, who are convinced that the current policy is more profitable and worthwhile than termination policy, among other things, in light of the uncertainty of the success of the new policy.

Another type of termination policy mentioned earlier is "Decrementalism", that according to Geva-May is meant to change the organization policy through "bleeding dry" budgets, which will help with executing a termination policy.

It is similar to the gradual termination policy called "the long whimper", which brings to mind, for example, the project "Red Sea-Dead Sea Canal" that perished slowly through gradual and continuous cutback of its budgets.

Cameron suggests another way to overcome resistance to organizational changes through termination policy: establishing ad-hoc organizations, which are actually temporary workers working in a certain timeframe and are not actually connected to the organization and its employees, while trying not to cause tension with the original workers of the organization. This brings to mind one of the aspects of the Land reform, which discusses using outsourcing for certain services.

Behn suggests that the executioner of the termination policy will be a person from outside the organization without any disposition, which views the termination as a necessary stage in his career. In order to streamline the execution of this policy, financial resources should be used to encourage those who fear organizational changes involved in this policy. If we translate this to the reform of the Land Administration, we shall see that a necessary condition to its operation is

an active retirement of employees, in order to enable promotion of those left in terms of salary and rank, which might lessen their resistance to the reform.

Bardach describes a situation in which an existing policy is delegitimized, in order to pave the way for a different policy, which is a termination policy needed to execute those necessary organizational changes, which reminds us the series of events regarding the decision to make changes in the Land Administration as a result of its problematic and failing policy.

Conclusions

Organizational changes through termination policy are not trivialities. This policy is usually executed when other policies fail to solve the problems of the organization which is in danger of collapse and non-existence. Decision makers, which are connected in some way or another to politics, might fear executing it because of popularity considerations and because of the cost and different resources required for the execution of this policy.

However, it seems that all those obstacles mentioned earlier with regard to execution of termination policy justify its necessity, as summed up by Prof. Vildavsky (1993): "for if there was no policy (organizational change) through termination, there is no value to (organizational) policy at all."

If we translate this to our own language, then it means that termination policy is a necessary stage in the life stages of the organization in one time or another, as a condition to its survival in changing situations and/or when there are crises threatening its existence.

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