The control imperative

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FIVE
After reorganization[1]

Since the 1980s, an increasing number of governments around the globe have implemented public administration reforms to improve both efficiency and effectiveness of public services. The goal was to transform public administration structures from a set of overly bureaucratized, inward-looking organizations to more open agencies, much more adaptive and responsive to citizens' needs (Kettl 2005). In Continental Europe, this trend toward post-bureaucratic reform was reinforced by the convergence criteria of the European Union Treaty of Maastricht (Bach and Della Rocca 2000; also see Kickert 2011). These reforms implied substantial changes in the degree of competition, regulation, and autonomy in the environment of public organizations.

Most research on administrative reform focuses on the differential nature and consequences (or "success") of these changes. Previous studies found much between country variation in the degree and scope of "new public managerialism" and the way concrete reforms have been implemented (e.g., Pollitt and Bouckaert 2004). In addition, research yielded mixed results about the consequences of reforms. Some studies showed that

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the nature of public organizations either impedes the success of restructuring processes in these organizations or leads to outcomes that are fundamentally different from private organizations. Other studies conclude that in terms of achieving the objectives of change, restructurings can be equally effective in public and private organizations (for a review of both positions, see Boyne 2002).

Far less attention is devoted to the antecedents of organizational change and the related question *to what degree post-reorganization conditions affected public agencies' propensity to implement organizational changes*. We define organizational change as any intended reconfiguration of organizational structures (cf. Fernandez and Pitts 2007).[2] One of the fundamental premises behind public management reforms is that by changing the institutional context—making it more "market-like" through introducing competition, reducing regulation, and increasing autonomy—public organizations will eventually respond by adjusting their structures and processes accordingly (Ferlie et al. 1996; Osborne and Gaebler 1993; also cf. Buchanan and Tollison 1999; Desmidt and Heene 2005; Niskanen 2007; Pollitt 2001). Hence, public organizations are expected to show similar covariates of change than private firms.

In this fifth chapter, we explore two interrelated questions. First, to what degree are variations in the exposure to competition, regulation, and autonomy related to the incidence of deliberate organizational change in Dutch public organizations? Second, do these covariates of change affect public and private organizations similarly? An NPM-informed position sug-

[2] In this specific study, we distinguish comprehensive structural changes and changes in administrative procedures, such as internal reorganizations, new budgeting policies, and automation of work. On this, see distinction between rare "fundamental" and more common nonfundamental change (i.e., reorganizations) by Hannan and Freeman (1984, 158). However, we must stress that this distinction is purely exploratory and does not reflect a priori particular hypotheses.

gests that the responses of public and private organizations to these covariates of change will tend to converge. Conversely, a more traditional view would lead to contradicting expectations of remaining differences between public and private organizations.

Our study makes three distinct contributions to the debate on administrative reform and organizational change. First, this study puts the expectations from both the traditional and the NPM-informed position to an empirical test in the context of the Dutch public sector. To our best knowledge, this research is the first one to quantitatively study the effect of covariates of change in both Dutch public and private sectors. Thus, with its focus on the Netherlands, our study broadens the scope of existing research on change in the public sector, which has mostly tackled Anglo-Saxon cases (Pollitt, Van Thiel, and Homburg 2007). In addition, the Dutch case has become a major point of reference in the public sector reform literature (e.g., Pollitt and Bouckaert 2004) and is often portrayed as a "best practice" case by prominent international organizations (e.g., OECD) and practitioners in general. Thus, it remains interesting to study the particularities of the Dutch case and to see whether expectations from the general literature on public management and administrative reform hold for this particular case.

Second, it develops hypotheses on the differential relation between competition, regulation, and autonomy and the propensity of change in public and private organizations. Though differences between public and private organizations have been extensively studied, the question to what degree they differ in post-administrative reform conditions has not been investigated in depth.

Third, using a unique data set on organizational change in the Netherlands, it empirically tests hypotheses at the organization level. Whereas most empirical investigations are either case studies or use very general information on organization-level characteristics (e.g., provided by Eurostat), our study builds

on a tailor made organizational survey in a random sample of Dutch private and public organizations. The research design allowed including very specific change-related questions, which up until now are not available in comparable studies.

Public management reform in the Netherlands

In the Netherlands, the "trajectory of reform" (Pollitt and Bouckaert 2004) of the last 30 years can be roughly divided into three phases. The first period, from 1982 to 1990, was characterized by a strong movement toward privatization and deregulation (Ter Borgt and Helden 2000), mostly in the social security and health provision sectors. Privatization was accompanied by extensive financial retrenchment of the public sector and the introduction of new accountability systems (Operatie Comptabel Bestel). Though numerous state agencies gradually became privately owned (e.g., the Postbank), the extent of these reforms was still relatively moderate when compared to similar changes during the same period in the United Kingdom or New Zealand (Pollitt and Bouckaert 2004; Yesilkagit and De Vries 2004).

During the second period (early 1990s to 2000s), the reforms stressed decentralization goals, both at the national and the local level. Since 1991, 22 new autonomous and semi-autonomous agencies ("Zelfstandig Bestuursorganen" and "Agentschappen," like the Immigration and Naturalization Service, National Police Force, Royal Dutch Meteorological Department) were created at the national level. In 2001, they employed about one-third of the Dutch civil servants (Pollitt et al. 2001; Van Oosteroom 2002). At the local level, decentralization efforts followed the very popular "Tilburg Model" (Hendriks and Tops 2003). The model built on two key principles. First, it granted self-management to municipal service departments (including the ability to allocate internal responsibilities to the staff). Second, it separated policy formulation (kept by the city council)

and policy implementation (responsibility of the service departments and directly linked to performance evaluation and budget allocation).

The reforms of the 1990s also brought profound personnel and organizational changes. At the local level, the "Policy and Management Instruments Initiative" (Beleid en Beheers Instrumentarium Initiatief) transformed administrative structures of several municipal governments (Ter Bogt and Helden 2000). The objective was to increase efficiency of internal contracting and the development of new accrual accountancy systems (Ter Bogt 2006) and to harmonize policy implementation, funding, and control systems. Municipalities were allowed to take over several governmental tasks only if they were prepared to bear the majority of operational costs (in some cases up to 90% of the funding). At the national level, performance-related pay schemes, as well as a Senior Civil Service, were introduced.

The third period (ongoing since the early 2000s) is characterized by comprehensive performance budgeting for the whole government (2001) and an attempt to "normalize" the human resources management practices of Dutch public agencies. Since the second half of the 1990s, Dutch government agencies face similar labor legislation conditions as their private counterparts (Personeelsmanagement Normalisering). Some authors have also characterized this last period as a corrective phase of NPM reforms, in particular at the local level, where NPM reforms were complemented with "consensual models" of public service provision (e.g., Hendriks and Tops 2003).

Whether or not the ultimate goals of the reforms were achieved is still debated (Kraan 2005), but scholars agree that the internal and external organizational conditions Dutch public agencies face in the late 2000s are radically different from those of the decade of 1980, in at least three respects. First, the reforms increased the exposure to market-like conditions through the introduction of an agency-client model of service provision (cf. Van Oosteroom 2002). Second, they reduced the weight of

central regulation in the daily operation of some public agencies. Third, the reforms increased the arm's length control of public managers both at the local and national level. In sum, in the case of the Netherlands, the trajectory of reform has definitely reshaped the organizational conditions of the public sector.

Explaining organizational change in public and private organizations

Two opposing views can be discerned with regard to the question to what degree intentional change in public and private organizations is fostered by the same mechanisms. These views, hereafter called the "traditional view" and the "NPM view," are related to the ongoing debate on the significance of the public-private distinction in the public administration literature (e.g., Blumenthal 1983; Boyne 2002; Bozeman 1987; Dahl and Lindblom 1953; Nutt and Backoff 1993; Perry and Rainey 1988; Rainey and Bozeman 2000).

The traditional view

The "traditional" view stresses the fundamental differences between public and private organizations, suggesting that both will respond differently to the same covariates for change, despite the transformation of the public sector in the last decades. Hence, these scholars contend that public and private organizations remain fundamentally dissimilar (e.g., Eliassen and Sitter 2008).

The traditional view is grounded in classical public administration and public law perspectives, which stress that public organizations always were and will remain inherently different from private organizations (Perry and Rainey 1988). Public organizations differ from private ones on a variety of dimensions, including longer and more complicated decision-making

processes, a stronger emphasis on rules compliance in decision-making, and a stronger emphasis on collectivistic norms. More generally, public organizations have to face "a combination of multiple and conflicting goals, a political context with a broader range of constituent groups, higher levels of accountability and more rules, regulations, and constraints" (Robertson and Seneviratne 1995, 548). Many of these features will not disappear with the transformation of the public sector: "These differences may have decreased over the last decade or two, but they still make for a different operational environment for leadership in the public sector" (Eliassen and Sitter 2008, 150). Consequently, public organizations are less likely to respond to mechanisms that have been found to encompass or reduce organizational change in private organizations.

The New Public Management view

The NPM view holds that public organizations have become more similar to private organizations since programs of administrative reorganization have altered structural and procedural conditions for the occurrence of change. Consequently, public and private organizations are expected to respond similarly to covariates of change. Hence, proponents of this view argue that the traditional distinction between "public" and "private" organizations has become increasingly blurred with the implementation of post-bureaucratic and NPM reforms (Barzelay 2001; Boyne 2002; Hood 1996; Hoggett 1991; Hood 1991).

Though some trace the roots of this perspective back to public choice theories (Walker, Brewer, and Boyne 2010; also cf. Niskanen 2007), others describe the NPM reform movement as a set of heterogeneous trends (Boston 2011; Peters 2001). A common denominator within this perspective is the assumption that public organizations should be increasingly subject to similar competitive and regulatory forces as private organizations, with the result that they should exhibit a similar relation with

changing conditions as their private counterparts (Robertson and Seneviratne 1995). Hence, after the extensive NPM reforms of the past three decades, public and private organizations should be subject to the same mechanisms accompanying organizational change. There should be no differences in the effect of covariates of organizational change.

Public organizations and their relation to competition regulation and autonomy

A way of appraising which of the above views on administrative reforms holds is to examine whether intentional organizational changes in both public and private organizations are related (or not) to the same set of correlates. Whereas proponents of the traditional view would predict that public organizations respond differently than private organizations to the same covariates, an NPM-informed position will predict similar responses. Building on this last assumption of convergence (i.e., the NPM view), we elaborate on three covariates of change (competition, regulation, and autonomy) that have been characteristic of the Dutch administrative reform.

Competition

In line with public choice, transaction cost economics, and agency theories (Boston 2011), NPM scholars assume that competitive, market-like arrangements are a valuable alternative for achieving efficiency and effectiveness in the public sector. Since government services are monopolies, public managers have little if any incentives to become more efficient. The introduction of competition will activate managerial responsiveness (cf. Niskanen 2007). It is assumed that public managers—like their counterparts in the private sector—are aggressive entrepreneurs who will attempt to maximize the utility of the organiza-

tion if they have the incentives to do so. Public managers will perform more efficiently if they have to operate in similarly competitive environments as managers of private firms, where individual careers and the survival of the organization depend upon quick and adequate adjustment to competitive demands and opportunities related to, for example, changing citizens' preferences.

The organizational literature repeatedly pointed to increasing competition in the wake of mounting globalization trends as one of the major antecedents of a variety of organizational changes, ranging from downsizing to comprehensive restructuring (Baumol, Blinder, and Wolf 2003). Indicators like declining budget surpluses and declining comparative output signal to the organization that it operates with inefficiencies that need to be eliminated in order to remain competitive (Budros 1999; D'Aunno, Succi, and Alexander 2000) and that access to critical and potentially scarce resources might be threatened (Pfeffer and Salancik 1977). Change ensues in order to reestablish fit between organizational processes and the competitive environment and to secure access to critical suppliers and customers (see Barnett and Carroll 1995). With regard to administrative reforms in the Netherlands, the movement toward privatization in the first period of reforms reflects these ideas the best. However, other (less radical) developments were also crucially informed by the same emphasis on competitive incentives (e.g., outcome-based budgeting).

In addition, by the end of the 1980s, many organizations started to experiment with alternative organizational forms in which traditional hierarchical governance structures based on command and control were replaced by hybrid models that incorporated competitive processes into the organization itself (Pennings and Woiceshyn 1987; Romanelli 1991; Smith 1997). Through the creation of internal markets and granting more independence and autonomy to lower level units in the organization, competition between units of the same organization was

purportedly stimulated. This would further strengthen sensitivity to cost effectiveness and quality, thus increasing the adaptability of the organization. Similarly, NPM-inspired reform has fostered the "disaggregation" of larger bureaucracies and the subsequent stimulation of competitive schemes among the resulting subunits (Eliassen and Sitter 2008, 101-2). Disaggregation and internal competition in the public sector were intended to increase flexibility and adaptation, as well as reducing transactional costs. An example from the Dutch reform case is the creation of internal contracts, especially at the local level between municipal executive boards and service departments. In sum, our first hypothesis suggests a positive link between competition and change in both public and private organizations.

> *Hypothesis 1*—Competition will have a positive effect on change, both in public and private organizations.

(De)regulation

Organizations differ with regard to both the amount of external and internal rules and regulations they have to face. First, traditional public administration perspectives have long emphasized regulatory dependency as a major defining trait of public organizations: "strategic management for public organizations must be carried out in a jurisdictional jungle" (Nutt and Backoff 1993, 217; also cf. Ring and Perry 1985). A basic principle of constitutional law illustrates this emphasis: laws constrict private persons in the sense that they cannot do what is strictly forbidden; public persons are limited in the sense that they cannot do more or less than what they are explicitly allowed. Furthermore, regulation depends on political processes. These might occur at a slower pace than market processes, since deliberation and negotiation cause delays in political decision-making and reduce organizational responsiveness.

Institutional forces in the form of formal regulations have been identified as another important predictor of change in organizations (D'Aunno, Succi, and Alexander 2000). Regulation involves the control of decision-makers through rules, which can have their source in supranational, national, or local legislation. Institutional forces are weaker to the degree that regulations, norms, and cognitive models are heterogeneous, divergent, and inconsistent (Scott 1995). This is more likely in settings with fragmented decision-making structures and "multiple and uncoordinated sources of authority and influence" (D'Aunno, Succi, and Alexander 2000, 682), such as a competitive market. Here, organizations have more discretion to change their current organizational model, increasing the likelihood of new organizational forms or procedures being implemented. In contrast, homogenous sets of rules, regulations, and formal requirements will reinforce those organizational routines that reproduce the stability of the organization, favoring organizational inertia and structural ossification, and discouraging organizational change (Downs 1967; Hannan and Freeman 1984). If competitive forces foster responsiveness of the public sector, it is only consistent that deregulation accompanies these market-inspired reforms.

Second, many studies have demonstrated the stability-enhancing effects of intra-organizational rules and regulations (e.g., Cohen and Bacdayan 1994; Gersick and Hackman 1990). The higher the density of rules in organizations the less likely change becomes. There is also a tendency for the number of rules to increase through time ("rules tend to breed rules"), with old rules remaining intact and new ones refining and reinforcing old ones (March, Schulz, and Xueguang 2000). New rules are likely to increase the stability of organizational structures.

NPM programs promoted the gradual replacement of centralized regulatory control by indirect control and the exercise of ownership rights (Eliassen and Sitter 2008, 61). They also shifted the emphasis from process control to control by results (e.g., in the Netherlands by implementing outcome measurements and

performance targets). Thus, tackling overly formalized internal procedures became one of the major targets of the NPM movement (Boyne 2002). Some deregulation efforts that accompanied decentralization of the Dutch public sector reflect this approach. In sum, the incidence of structural adjustments and procedural changes is likely to increase in circumstances in which external legislation and internal regulation is low.

> *Hypothesis 2*—External and internal deregulation will have a positive effect on organizational change in both public and private organizations.

Managerial autonomy

Together with deregulation, increasing autonomy of managers in the public sector has been another central element of the Dutch administrative reform. In general, increasing managerial autonomy has been a central issue for those NPM-inspired reforms that attempted to push a transition from legalism to managerialism in the public service (Dupuy 2000). The degree of autonomy or discretion of those at the top of the organizational hierarchy refers to the power to determine policies guiding the organization, including policies of adjustment and reform (cf. Kang and Sorensen 1999). Managerial power research suggests that consolidated power structures, however, favor inertia and not change (Mitsuhashi and Greve 2004; also see above, Chapter 1). This is either because changes in the status quo might undermine the position of the powerful or because powerful managers use a variety of means to strengthen their power basis, for example, through monopolizing the flow of information or reward structures favoring their own goals (Mitsuhashi and Greve 2004, 111). In line with this argument, managers of public organizations have long been portrayed as real "champions of inertia," who tend to preserve their positions by shielding organizational stability (cf. Downs 1967).

We hypothesize that rather than constituting a threat to the power position of public managers, administrative reform in the public sector and particularly managerial empowerment in the form of increased autonomy actually provided them with an opportunity to compensate a previous lack of power. Hence, public managers are expected to use their increased autonomy to increase and consolidate their power base by means of initiating organizational change. Put otherwise, public managers before NPM reforms seemed to experience a deficit of managerial power because they had fewer opportunities to develop their bases of power (compared to managers in private organizations). The findings of one of the rare studies comparing the outcomes of organizational change in public and private organizations (Robertson and Seneviratne 1995) favor such an interpretation. The study concludes that though there were few differences, change in the public sector was far more difficult to realize because change agents in the public sector enjoy less discretion than change entrepreneurs in the private sector (also cf. Nutt and Backoff 1993). From this perspective, change remains to be hazardous, but it might also become an instrument of power and control gain for public managers, particularly in response to citizens' demands. As Dupuy (2000, 194) has suggested, a central point of the NPM reform is to open the possibility for public managers to redesign their administrative world (also cf. Ostroff 2006). By granting managers more autonomy and discretion, administrative reform created conditions that reduced public sector managers' resistance to change, providing them an excellent opportunity to "seize the chance," so to speak. Thus, in comparison, we could expect that the relation between autonomy and change should be at least lessened in public organizations.

> *Hypothesis 3*—Increased managerial autonomy over the organization will have a negative effect on change; however, the effect will be stronger for private than for public organizations.

Data and descriptive statistics

As in Chapters 1 and 2, the research design follows the conventions of single respondent organizational surveys, which is currently the standard research design for organization- and population-level studies (e.g., Knoke 2001). To recall, data come from a telephone survey of key informants of establishments of private and public organizations in the Netherlands, collected in 2006. For private and public organizations, the target sample was randomly selected from a sample of privately and publicly owned establishments in the Netherlands

For this chapter, we restrict our analysis to privately or publicly owned service providing organizations. The rationale behind this strategy was to improve the comparability of organizations so that the analysis would not be influenced by differences in tasks. We therefore excluded organizations in manufacturing and other types of industry, as well as intermediate cases such as schools, hospitals, and insurance providers (for a discussion on the nature of these organizations in the Netherlands, see Kraan 2005). The sample used hereunder consists of 122 organizations, 61 private and 61 public organizations. Our sample of public organizations includes, among others, various municipal service departments, service enterprises owned by the government, autonomous agencies of the national government, and some central ministries of the Dutch government. We expected that by sampling organizations in 2006, we could capture structural differences (or convergences) produced by almost 20 years of administrative reform that otherwise might not be detectable.

Publicness

We defined organizational publicness based on the ownership of a given organization, according to the 2002 version of the Standard Company Classification Code 93 (Standard Bedrijf Indeling 93 Code) provided by the Dutch Central Bureau of Statistics. For

public organizations, we identified those organizations classified as "public administration" and "government-owned services" (codes 75000). For private organizations, we drew cases classified as direct service providers (codes 55000 and 65–67000).

TABLE 5.1 *Characteristics of public and private organizations*

		Sample	*Public*	*Private*
	Min : Max	*M (SD)*	*M (SD)*	*M (SD)*
Organizational age[a]	3 : 200	24.03 (32.78)	28.0 (39.82)	20.07 (23.44)
Size (employees in the payroll with full-time contract)[b]	6 : 2500	100 (381.72)	254 (366.70)	50 (384.19)
Complexity (number of departments/subunits)	1 : 97	9.30 (12.90)	11.15 (14.87)	7.44 (10.36)
Hierarchical layers[c]	0 : 10	2.57 (1.97)	2.89 (2.14)	2.25 (1.75)
N		122	61	61

NOTES:
[a] Until year 2006.
[b] Only medians. Due to one outlier (freq. = 2500) the mean for this variable is not very informative. Eliminating/retaining the outlier does not affect other covariates.
[c] Number of hierarchical layers between highest and lowest official.

In order to avoid small sample bias and to guarantee robustness of our comparisons, we limited our analyses to two subsamples of equal size. For both types of organizations, we drew a random sample of 61 cases. We use a dummy variable "Publicness" (0: private and 1: public) to identify groups. Table 5.1 summarizes four characteristics of the organizations used in this study: age, size, number of departments, and number of hierarchical layers. In general terms, public organizations in our sample appear to be larger (larger number of employees with full-time contract), more complex (larger number of subunits/departments), and more "hierarchical" (larger distance be-

tween highest and lowest official) than their private counterparts.

Dependent variable

We define organizational change as any intended reconfiguration of organizational structures (cf. Fernandez and Pitts 2007) and distinguish between comprehensive structural changes and changes in administrative procedures, such as internal reorganizations, new budgeting policies, and automation of work.[3]

Intended organizational change was measured with three dichotomous variables. All three are based on self-reports and focus on changes planned and implemented by the management. (1) Structural changes (variable "Change structural": M=0.45). Informants were asked if changes in position or the general configuration of the organization such as merging, downsizing, and delayering occurred in the past three years (2003–2006). (2) Changes in administrative procedures. Informants were asked whether such changes had occurred in the same period (variable "Changes procedures": M=0.60). These changes were defined during the interview as intended modifications in the way human resources, finances, or customer attention internal policies were formulated, implemented, and/or evaluated in the period 2003–2006. (3) Finally, we collapsed both measurements of intended change in a separate dummy variable, representing the occurrence of change as a general event (variable "Change overall," M=0.73). This variable allows for an analysis on the incidence of change in general, regardless of particularities of the type of reform.

Table 5.2 summarizes descriptive differences across groups. Private organizations in our sample show a higher propensity for change in structures than public organizations,

[3] See distinction between rare fundamental and common nonfundamental change (i.e., reorganizations) in Hannan and Freeman (1984, 158).

whereas about 60% of both private and public organizations in our sample embarked on change in procedures between 2003 and 2006.

TABLE 5.2 *Change occurrence in public and private organizations*

	Change overall	*Change structure*	*Change procedures*
Public	0.72	0.39	0.59
Private	0.74	0.51	0.61
Sample	0.73	0.45	0.60

NOTE:
Coefficients range 0 – 1

Covariates of change

Competition. Two indicators were used to measure the degree of competition an organization has to face. External competition was measured with the question "Is the environment of your organization characterized by strong competition?" (M=0.76, SD=1.16). Internal competition was measured by asking the respondents if departments competed among each other in the sense that departmental interests prevailed over collective ones (M=1.56, SD=1.13). Answer categories for both questions were a five-item rating scale—0: completely inapplicable, 1: inapplicable, 2: neutral, neither applicable nor inapplicable, 3: applicable, and 4: very applicable. Both variables are not correlated (τ=0.01, p=0.92).

Regulation. Two indicators were used to measure the degree to which the organization is subject to rules and regulations. External regulation was indirectly assessed with the question "Is the organization unable to change because of government legislation?" (M=0.38). The variable is coded "0: no" and "1: yes" (i.e., the score "0" indicates that the organization experiences a low level of external regulation regarding change efforts). Internal regulation was assessed with the item "Employees in

this organization have to strictly follow formalized norms and protocols on daily basis" (M=3.16, SD=0.80). Answer categories range from "completely inapplicable" to "very applicable" on a five-item scale. The measures for external and internal regulation do not correlate (τ=−0.02, p=0.78).

TABLE 5.3 *Covariates of organizational change*

		Sample	*Public*	*Private*
	Min : Max	*M (SD)*	*M (SD)*	*M (SD)*
Competition:				
External	0 : 4	0.76 (1.16)	0.39 (0.66)	1.13 (1.42)
Internal	0 : 4	1.56 (1.13)	1.51 (1.07)	1.61 (1.18)
Regulation:				
External	0 : 1	0.38 —	0.34 —	0.41 —
Internal	0 : 4	3.16 (0.80)	3.21 (0.73)	3.10 (0.87)
Autonomy:				
Admin.	0 : 4	2.72 (0.78)	2.67 (0.85)	2.77 (0.72)
Strategy	0 : 4	1.00 (0.98)	1.20 (0.96)	0.80 (0.96)
N		122	61	61

Autonomy. The degree of managerial autonomy was measured with two questions. First, respondents were asked: "With respect to administrative activities and operational procedures, how much autonomy has the site manager to make decisions?" (variable "Autonomy Administrative": M=2.72, SD=0.78). Second, we asked: "With respect to defining the strategy of this organization, how much autonomy has the site manager to make decisions?" (variable "Autonomy Strategic": M=1.00, SD=0.98). Responses for both questions were coded on a five-item rating

scale—0: "He has no autonomy; all decisions are made by someone else," 1: "He has certain autonomy, but most decisions are made by another person," 2: "He has autonomy but shares competences with another person," 3: "He has great autonomy, just few decisions are made by someone else," and 4: "He has complete autonomy." The correlation between both measurements of autonomy is just significant at the 0.9 level, but the effect size is negligible (τ=0.15, p=0.06).

Table 5.3 summarizes information for all our predictors. On average, sampled private organizations face stronger external legislation as an obstacle to change and competition than the sample of public organizations. Public and private organizations in our sample do not differ much in the degree of competition among organizational subunits and the extent of managerial autonomy over administrative procedures. Public managers have more autonomy regarding strategic decisions than their sampled private counterparts but face denser internal rule environments.

Control variables

We control for four organizational characteristics: *age*, *size* (number of employees with full-time contract), *complexity* (number of different subunits/departments), and *hierarchy* (number of hierarchical levels).

Method of analysis

In order to test our hypotheses and to rule out differences due to variations among types of change, we created three logistic models. Each model was constructed so that we could formally assess differences between groups, that is, between types of organizations in our sample. We opted for a modeling strategy in which publicness is taken to be a moderator of the effect of each covariate of change (competition, regulation, and autonomy). This modeling strategy provides (1) an estimation of the effect of each

independent variable for each organizational type (2) and a formal test of the difference in such effects due to organizational publicness. Hence, each logistic model has "simple conditional effects" and "interaction conditional effects" (cf. Jaccard and Turrisi 2003). Thus, regarding our first research question (to what degree do variations in exposure to covariates of change are related to change in the Dutch public sector), a significant *simple* effect is considered evidence for the influence of a given covariate. On our second research question (to what degree the effect differs between public and private organizations), a significant *interaction* effect is considered evidence in favor of divergence between public and private organizations in our sample. Furthermore, we do not make claims based on the different types of change but use the distinction to explore whether covariates of change have differential effects on various types of change. As a result, a significant effect in our analysis is considered evidence in favor or against a given hypothesis, regardless of the type of reform.

Results

We present two sets of models in Tables 5.4 and 5.5. In the first set, private organizations in our sample are the reference group (see Table 5.4). In the second set, we inversed the coding of the publicness dummy, making public organizations the reference group (Table 5.5). Table 5.6 presents an overview of the correct matches at the current level of specification per model between predicted and observed cases on the dependent variable.

First, Hypothesis 1 (competition) predicted a positive effect of competition both for public and private organizations. This claim finds support in our data. For private organizations in our sample, the main effect of external competition is positive and statistically significant for all types of changes. For public organizations, this effect is significant for changes in internal

TABLE 5.4 *Logistic regression of predictors of different types of change (reference group: private organizations)*

	Model 1a *Change overall*		*Model 2a* *Change struct.*		*Model 3a* *Change proc.*	
	Est.	S.E.	Est.	S.E.	Est.	S.E.
Publicness (P)[a]	-0.92	3.77	-0.11	2.76	-6.49*	3.51
Simple effects						
Competition						
External	0.49*	0.28	0.42*	0.23	0.57**	0.25
Internal	0.05	0.32	-0.14	0.28	0.06	0.30
Regulation						
External	-0.07	0.71	-0.06	0.60	0.05	0.68
Internal	0.56	0.42	0.71*	0.39	-0.16	0.40
Autonomy						
Adm.	-1.65**	0.87	-0.59	0.45	-2.07**	0.85
Strategic	0.79	0.48	-0.13	0.31	0.92**	0.42
Interactions						
P × Comp. Ext.	0.36	0.77	-0.54	0.53	0.38	0.61
P × Comp. Int.	-0.19	0.46	-0.28	0.42	0.12	0.42
P × Reg. Ext.	1.36	1.07	1.29	0.89	0.23	0.92
P × Reg. Int.	-1.19*	0.68	-0.19	0.62	0.16	0.59
P × A. Adm.	1.56	0.97	0.05	0.60	2.26**	0.93
P × A. Str.	-0.51	0.64	0.14	0.48	-0.82	0.54
Controls						
Age	0.01	0.01	-0.01	0.01	0.00	0.01
Size	0.00**	0.00	0.00**	0.00	0.00**	0.00
Complexity	-0.02	0.02	-0.01	0.02	-0.01	0.02
Hierarchy	-0.12	0.16	0.01	0.14	-0.28*	0.14
% Correct [b]	74.6		72.1		74.6	
Nagelkerke R^2	0.33		0.26		0.34	
N	122					

NOTES:
[a] 0=Private, 1=Public
[b] Overall percentage of correct matches between observed and predicted cases.
Sig. Codes: * p<0.1, ** p<0.05

TABLE 5.5 *Logistic regression of predictors of different types of change (reference group: public organizations)*

	Model 1a *Change overall*		*Model 2a* *Change struct.*		*Model 3a* *Change proc.*	
	Est.	S.E.	Est.	S.E.	Est.	S.E.
Publicness (P)[a]	0.92	3.77	0.11	2.76	6.49*	3.51
Simple effects						
Competition						
External	0.85	0.70	-0.13	0.47	0.95*	0.55
Internal	-0.14	0.33	-0.42	0.32	0.18	0.29
Regulation						
External	1.28	0.81	1.23*	0.67	0.28	0.64
Internal	-0.63	0.53	0.51	0.48	-0.01	0.43
Autonomy						
Adm.	-0.09	0.43	-0.55	0.40	0.19	0.39
Strategic	0.29	0.43	0.01	0.37	0.10	0.35
Interactions						
P × Comp. Ext.	-0.36	0.77	0.54	0.53	-0.38	0.61
P × Comp. Int.	0.19	0.46	0.28	0.42	-0.12	0.42
P × Reg. Ext.	-1.36	1.07	-1.29	0.89	-0.23	0.92
P × Reg. Int.	1.19*	0.68	0.19	0.62	-0.16	0.59
P × A. Adm.	-1.56	0.97	-0.05	0.60	-2.26**	0.93
P × A. Str.	0.51	0.64	-0.14	0.48	0.82	0.54
Controls						
Age	0.01	0.01	-0.01	0.01	0.00	0.01
Size	0.00**	0.00	0.00**	0.00	0.00**	0.00
Complexity	-0.02	0.02	-0.01	0.02	-0.01	0.02
Hierarchy	-0.12	0.16	0.01	0.14	-0.28*	0.14
% Correct [b]	74.6		72.1		74.6	
Nagelkerke R^2	0.33		0.26		0.34	
N	122					

NOTES:
[a] 0=Private, 1=Public
[b] Overall percentage of correct matches between observed and predicted cases.
Sig. Codes: * p<0.1, ** p<0.05

procedures. Regarding internal competition, no significant main effects could be found for the sampled public or private organizations. In addition, moderation analysis could not detect significant differences between groups. These findings support Hypothesis 1: external competition covariates with intended change in both private and public organizations in the sample and publicness of an organization does not seem to temper the effect of competition on change.

TABLE 5.6 *Summary of predictions per model and type of change*

		Model predicts:[a]					
		Model 1 Change overall		*Model 2 Change struct.*		*Model 3 Change proc.*	
		y = 0	*y = 1*	*y = 0*	*y = 1*	*y = 0*	*y = 1*
O.C.:[b]	*y = 0*	11[c]	22	53[c]	14	30[c]	19
	y = 1	9	80[c]	20	35[c]	12	61[c]

NOTES:
[a] Frequencies according to the dependent variable
[b] Observed cases
[c] Correct observations

Hypothesis 2 (regulation) predicted that change becomes more likely where external and internal regulation decreases. This claim does not find support in our analysis. For private organizations in the sample, the direct effect of internal regulation is positive and significant on structural change, suggesting that increased rule density increases the chances for change. For public organizations, the effect of external regulation is positive and significant on structural change. This suggests that at the structural level, change in the sampled public organizations occurs despite high external regulatory pressures and perhaps because of them. In any case, this result seems to point out the strong impact of regulatory dependency of the public sector as covariate of change. Our moderation analysis detected significant differences between sampled public and private organizations in the effect of internal regulation. Whereas internal regulation has

the hypothesized negative effect among public organizations, it has a fostering effect among private organizations (although the main effects on overall change are not statistically significant at the 0.9 level). Thus, from our analysis, it seems that it is the presence of regulation—rather than deregulation—what encompass structural change among public organizations.

Hypothesis 3 (autonomy) suggested that increasing managerial autonomy reduces the likelihood of intended changes but that this effect was stronger for private than for public organizations. For private organizations in the sample, we indeed found a significant negative effect of administrative autonomy on overall change and procedural change. However, we also detected a significant positive effect of autonomy over organizational strategy on changes in internal procedures. This latter finding contradicts Hypothesis 3. For sampled public organizations, we found no significant main effects of autonomy on change. Nonetheless, in support of Hypothesis 3, our moderation analysis found a significant difference between public and private organizations for changes in procedures: sampled public organizations with administrative autonomy are more likely to implement changes in their administrative procedures than sampled private organizations in similar circumstances. In sum, evidence for Hypothesis 3 is mixed, but it shows a significant difference between groups regarding the effect of increased managerial autonomy.

Two additional aspects of our results deserve some attention. First, the general effect of organizational publicness on change is negative for all types of change. This effect is also statistically significant for change in procedures. It suggests that public organizations exhibit more inertia than private organizations (cf. e.g., Downs 1967). Second, the effects of our control variables (age, size, complexity, and hierarchy) are negligible, with the exception of a strong and significant negative effect of hierarchy on procedural change: the more hierarchical levels an organization has the less likely internal procedures will be changed.

Discussion

During the past three decades, public sector organizations have gone through a sea of reforms, and the Netherlands were no exception to this trend. These reforms share a common concern with the viability of the traditional bureaucratic model of public administration. Their purpose is to make public organizations more responsive to changing demands in their environments, in particular the demands of citizens and consumers, and to improve their services and to reduce their costs (Eliassen and Sitter 2008). Introducing competitive pressures, easing rules and regulations, and increasing managerial autonomy are among the major instruments to reach this objective. NPM proponents believe that the gradual spread of these mechanisms into the public sector should ultimately lead to the fading of the major differences between the public and the private sector: organizations in both settings would exhibit similar patterns of adjustment to changes in their environments. According to this "convergence" thesis, there should not be much difference between public and private organizations concerning the covariates, processes, and outcomes of organizational changes. Traditional public management is far more skeptical, stressing that the public sector will always maintain its distinctive character. Consequently, any factor that accompanies change in private organizations will at least be moderated in public organizations. In this perspective, publicness will continue to exert its impact beyond the manifold differences that exist among public organizations.

Based on data from a sample of Dutch private and public organizations in 2006, we find support for some but not all the NPM predictions. In fact, our analysis tends to support the idea that public management remains different in some few concrete regards, despite years of NPM-inspired reform. Nonetheless, given the absence of significant differences, it does seem that administrative reforms have certainly transformed the organizational conditions of the Dutch public sector. Like their private

counterparts, for public organizations, change is linked to competitive pressures. Deregulation is, however, not related to changes. The analysis even suggests that structural change occurs despite external pressures in the public sector. From this, one could derive the conclusion that organizations seem more responsive to high-regulated environments than to deregulation. From this point of view, obstructive legislation might be a nuisance for public managers, but it could be a very effective nuisance to catalyze change. Also noteworthy is the finding that increased managerial autonomy implies a significant difference regarding procedural changes between sampled public and private organizations. This contradicts the common view, which suggests that managerial power is less effective in the public sector, due to the higher level of complexity in decision-making and the larger variety of (political) stakeholders. It also supports Dupuy's (2000) idea that administrative adjustments are a far more common response to pressures on managers than comprehensive structural reforms.

In addition, we found differences due to the nature of change itself. Structural changes in sampled private organizations are related to competition and regulation, whereas managerial autonomy relates to procedural change. Among sampled public organizations, the probability of structural change increases with external regulation. However, concerning internal procedural changes, external competition is an important covariate. Finally, it seems that the relationship between autonomy and internal procedural changes is significantly different between sectors, but this is not the case for structural changes. All this adds on the idea that some differences between sectors remain despite general convergence. Moreover, it stresses the importance of taking into consideration the particular type of reform in explaining the propensity to change in the public administration.

Four potential limitations of our study need to be addressed. First, our study was conducted in the Netherlands. Such

specificity limits the possibility to generalize our findings. For example, though the political and administrative system of the Netherlands resembles the Anglo-Saxon models in some domains (e.g., separate and politicized minister/mandarin relations), it differs considerably from this model in other domains (e.g., corporative public arenas and an important emphasis on consensual policymaking). To what degree our discussion and findings may be generalized beyond the Netherlands therefore constitutes a fruitful avenue for further research. Future studies may benefit from comparative research designs that pay close attention to the national context, given the large cross-national variation in the content of NPM reforms and the way they were actually implemented (Pollitt and Bouckaert 2004). Nevertheless, one can conclude from our analysis that for the case of NPM, "à la Dutch" convergence cannot be rejected.

Second, since the object of this study is deliberate organizational change (reorganizations) and therefore required more detailed information about organizational processes, it relied on self-reports provided by one informant per organization. The majority of our informants are owner/managers, site managers, or senior managers of a department. They were selected as informants because they were particularly well informed about and involved in organizational changes. Nevertheless, relying solely on a single informant may be problematic because they may have incomplete information about the organization and the change.[4] Future research might benefit from approaching multi-

[4] For an in-depth analysis of this and related methodological issues of single respondent organizational surveys, see the contributions to Issue 53 (4) of *Personnel Psychology*, in particular the debate between Gerhart et al. (2000) and Huselid and Becker (2000). Preliminary conclusions from this debate are that reliability problems due to insufficient information of single informants are more severe in large (i.e., more than 40,000 employees), heterogeneous, and multisite organizations, where the issues addressed in the interview lie outside of the expertise of the informant. In our study, we surveyed establishments with a moderate size (average of 254 employees).

ple respondents within the same organization (Enticott, Boyne, and Walker 2009) and collect additional data from other sources (e.g., budget reports, evaluation reports, qualitative studies, etc.).

Third, since we were interested in the incidence of change in general, we used very coarse-grained measures of organizational change. Incorporating more fine-grained distinctions between different types of change (e.g., particular types of structural change, like changes in size or organizational form, and types of procedural change like human resources management policies or financial policy adjustments) would require more detailed theory work that incorporates insights related to these specific outcomes (Fernandez and Pitts 2007).

Fourth, a longitudinal research design could disentangle the causal relations between the independent and dependent variables of this study by measuring the effect causes of change and not only cross-sectional correlation between covariates. A longitudinal research design, thus, is required to investigate properly the trends in organizational behavior that explain adaptive responses of public organizations.

Notwithstanding these limitations, our study does suggest that public and private organizations in the Netherlands might be indeed converging but that administrative reforms have not yet eliminated concrete differences between Dutch public and private management (at least regarding organizational change). Increased competitive pressures in combination with wider managerial autonomy might provide public managers with the incentives and the discretion to restructure their organizations, despite external regulatory pressures. Hence, public management reform might enable them to mature into "strong social actors" as has been argued elsewhere (Brunsson and Sahlin-Anderson 2000). For public managers, changes might not be a threat, but a unique chance to enlarge and consolidate their power base, which—compared to management positions in Dutch private firms—was far more restricted before the reforms. Whether public managers will become equally responsive to the

same cues of change as their private counterparts remains a relevant question for public management scholars and citizens alike. However, for the time being, we must conclude that 20 years of administrative reform indeed changed a lot of the Dutch public sector, but when compared to its private counterpart, some concrete differences remain.