

STRATEGIC CHANGE MANAGEMENT IN THE PUBLIC SECTOR

An EFMD European Case Book

Edited by

**Francesco Longo
and
Daniela Cristofoli**



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West Sussex PO19 8SQ, England

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John Wiley & Sons Inc., 111 River Street, Hoboken, NJ 07030, USA

Jossey-Bass, 989 Market Street, San Francisco, CA 94103-1741, USA

Wiley-VCH Verlag GmbH, Boschstr. 12, D-69469 Weinheim, Germany

John Wiley & Sons Australia Ltd, 42 McDougall Street, Milton, Queensland 4064, Australia

John Wiley & Sons (Asia) Pte Ltd, 2 Clementi Loop #02-01, Jin Xing Distripark, Singapore 129809

John Wiley & Sons Canada Ltd, 6045 Freemont Blvd, Mississauga, ONT, L5R 4J3, Canada

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books.

Anniversary Logo Design: Richard J. Pacifico

Library of Congress Cataloging-in-Publication Data

Strategic change management in the public sector : an EFMD European case book / edited by Francesco Longo and Daniela Cristofoli.
p. cm.

Includes bibliographical references and index.

ISBN 978-0-470-51684-3 (cloth : alk. paper)

1. Public administration—Europe—Case studies. 2. Organizational change—Europe—Case studies. 3. Strategic planning—Europe—Case studies. 4. Public institutions—Europe—Management—Case studies. 5. Administrative agencies—Europe—Management—Case studies. I. Longo, Francesco. II. Cristofoli, Daniela. III. Title: EFMD European case book.

JN94.A58S77 2007

352.3'67—dc22

2007020424

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN 978-0-470-51684-3 (HB)

Typeset in 11.5/15pt Bembo by SNP Best-set Typesetter Ltd., Hong Kong

Printed and bound in Great Britain by TJ International Ltd, Padstow, Cornwall, UK

This book is printed on acid-free paper responsibly manufactured from sustainable forestry in which at least two trees are planted for each one used for paper production.

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PREFACE

A BOOK ABOUT STRATEGIC CHANGE MANAGEMENT

There is plenty of debate about public management reforms. There is also sufficient agreement about which reforms are needed and which managerial tools should be introduced in the public sector. What is missing is the proper implementation of these reforms, which are often designed and announced, but never get beyond the drawing board.

We believe that there are several reasons behind this. One of these reasons is that the theoretical and managerial debate focuses more on the design of the reforms than on how they should be implemented.

The implementation of managerial reforms often requires public organizations to change their structures and behaviours. As a consequence, for a successful reform implementation it is necessary that these change processes are effectively managed.

We would therefore suggest that both academics and practitioners devote more attention to the change management pro-

cesses that follow reforms. What factors can facilitate change processes? How should change processes be managed? What tools should be employed to do so? These are just some of questions we will try to answer in this case book.

WHY A CASE BOOK?

The description of different case histories seems to us to fit in with the aim of understanding the change management processes and identifying their drivers.

Looking at different cases of change management processes in the public sector we can realize the difficulties and resistance that implementing reform has to face within the public sector, we can understand the different forces able to affect the change processes, we can identify the different players involved in the change processes and understand their attitude to change, we can see how the change processes evolve, etc. The aim is to gain some insights about how change processes should be designed and managed.

The case authors are analysts who are not always directly involved in what they describe, thereby assuring a more detached and objective approach. The downside is that it becomes harder for them to fully understand the heart of organizations, their cultures and their social dynamics.

This case book analyses many different public sector organizations in order to achieve a wide-ranging and diversified overview, giving the reader the chance to look at difficulties and resistance to change in different scenarios and evaluate the impact of different change strategies for managing change processes.

The aim of the book is to form grounds for discussion since it is unlikely that general agreement about how to manage change processes can be achieved. We believe, in fact, that there is no

best way in change management, and even evaluating the extent of success or failure is very subjective.

This is our starting point, and all we are trying to do is offer a framework on which to build a discussion about how to manage change processes.

A CASE BOOK FOR TRAINING AND TEACHING

The book aims to be particularly useful for managerial training and teaching. The cases are written in order to be discussed in workshops and classrooms (or in parks or pubs when applying creative teaching methods!). That's why the cases are descriptive and interpretative in nature.

We think that change management is the attitude and mindset public managers need. To cultivate it they need a good theoretical background about the institutional and organizational dynamics of the public sector; they also need to practise reform, to study cases, to discuss different solutions. They have to develop the ability to design and manage change in the public sector.

Each single case has many different perspectives that can be analysed and discussed.

It is not always possible to come to an agreement about the best solution, partly because of the complexity of the public environment. It certainly helps to always keep the discussion lively and intense (effective for teaching and emotional comprehension).

WHICH CASES?

All the cases deal with medium to large public sector organizations at local level. All the organizations described are auto-

mous, and none depends directly on central government. This means that the cases are not only local governments (municipalities) but also local authorities, local public companies, local quangos, etc. The cases also deal with different sectors: government, health care, university, utility, sport, economic development, etc. This means that we have a wide spectrum of local public sector organizations, differentiated by their institutional configuration and mission.

The focus is on internal organization development and not on general reforms. The national reform framework is considered here purely for its environmental conditions or influences.

WHY A EUROPEAN CASE BOOK?

The aim of the book is to get an international comparative perspective, in order to look for common problems and solutions for implementing managerial development. As a result we have 11 different cases from 11 different countries.

We want to see the differences in situations that are of a sufficient cultural, social, political and economic similarity to be compared. A like-for-like comparison helps to understand if the difficulties in reform implementation are shared, and thus whether change strategies can be applied.

Typically, the comparisons select different countries that meet the following criteria: all English speaking countries (Commonwealth plus USA and Canada); countries from the same regional area (middle and north Europe); all industrialized countries, etc.

We wanted to produce a European case book because we think that Europe has its own specific, powerful and vivid tradition and framework in public administration, welfare and society. We need to further explore this common social framework, looking for our own identity.

We feel that the 11 cases selected represent a very broad and rich spectrum in this direction.

THE STRUCTURE OF THE BOOK

The book is based on the following structure:

- introduction;
- theoretical background;
- a guide through the 11 cases;
- 11 European cases.

The theoretical background presents the editors' thinking about strategy, change management, and strategic approach to change management. This represents the framework at the basis of the entire work.

The 11 European cases are presented with a similar structure:

- case overview and description of the context in which the case developed;
- description of the managerial tools introduced by the public management reforms;
- description of how, following the introduction of a new set of managerial tools, the change process is managed;
- description of the outputs of the implementation processes;
- analysis of the difficulties and identification of the drivers of the change processes.

The teaching notes are delivered separately in order to show to trainers and teachers how to use each case. Teaching notes include the following topics: position of the case, learning objectives, question discussion, case analysis, and further reference.

THE TARGET OF THE BOOK

Those who are interested in understanding how to manage change management processes are the target of this book.

So the book is mainly aimed at:

- managers and politicians of local public administrations;
- post-graduate and executive students in public management courses;
- trainers, teachers, and researchers in public management.

The goal is to have a full portfolio of cases rather than a comprehensive theory about change. The basic idea is that the ability to manage change processes depends on individual skills and on organizational culture and sensibility. These skills have to be increased and practised; reading and analyzing our cases can help school the mind about change processes.

HOW TO USE THE BOOK

The book can be used in different ways and perspectives.

It is an extensive series of different case histories for studying what is happening as regards the introduction of managerial tools and practices in the public sectors within European countries.

It is a comparative book about change management.

It is a set of different cases which can be used individually for study, discussions or training.

Teaching notes for trainers and teachers are delivered separately.

ABOUT THE CONTRIBUTORS

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MANAGING PUBLIC REFORMS EFFECTIVELY: A STRATEGIC CHANGE MANAGEMENT APPROACH

Francesco Longo

INTRODUCTION

For a long time the managerial debate about public administration was about the boundaries and the scope of the state, the market and civil society, the reform schemes, and the new managerial tools we needed to introduce. Hede (1992) suggests three separated reform periods: the merit reforms (begun in the mid-eighteenth century), focused on abolishing political patronage; the equity reforms (1950s–1970s), aimed at guaranteeing equal opportunities for all citizens to be employed in the public sector; and the managerial reforms, aimed at introducing managerial instruments in the public sector. Hood (2001) and Rhodes (2000) add the market reform period, and Vigoda (2002) and Wettenhall

(2003) suggest the community involvement period in which state and civil society mix together. Keast and Brown (2003) consider the managerial reform (the third period) more oriented to restructuring the internal operational framework of the public sector, while they consider the market and community reforms (the fourth and fifth wave) more related to stakeholders' and users' expectations.

Since we discovered that the reform process goes at an unsatisfactory speed, researchers started to look at possible systemic drivers able to improve change and to increase the innovation rate (Osborne and Gaebler, 1992; Joyce, 2000; Pettigrew *et al.*, 1992; Borgonovi, 2004; Osborne and Brown, 2005). There was general agreement that the reforms designed were good, and the problem was simply that public organizations were reluctant to introduce them. "Most large public sector organisations seem to manage the tasks of writing mission statements and identifying who their clients and service users are. [...] Implementation activities are more challenging" (Joyce, 2000, p. 1).

So the debate started to focus on how to encourage public administrations to innovate, breaking down the barriers of their resistance. New Public Management (NPM) scholars suggested that this could be guaranteed by a good external pressure and incentive system, like public competition, quasi-market, public accountability, external financial incentives, marketization (Hood and Scott, 1996), etc. But this seems not to be enough. Of course the external pressure can try to push the public organization to introduce something that has never been done before, but if the organization is simply not able to do it (because of their lack of culture, knowledge, experience, competence, and trust in innovations), there will be no chance of success.

That's why the literature has now begun to look more intensively inside the public organization.

There is in fact a general agreement that we need to have a clear and balanced scheme for public reforms, that we need to

introduce effective external incentives and accountability for innovation; but thorough and far-reaching reforms need first of all to change the organizational culture, structure and strategy of public organizations to be successfully implemented. Reforms depend mainly on the change management attitude in the system. Change management is an internal function which requires specific skills pertaining to the organizational sphere.

Since organizations change constantly, we can suggest that the skill for managing change pertains to the more general abilities we expect to find in managers. Managing complex organizations in a dynamic environment means, in fact, to be constantly managing change.

That's why managers not only need to be able to design new strategies, new organizational structures, new managerial tools to face reforms but, above all, they must be able to introduce and to develop them. This means creating consensus and working on organizational culture, training people, creating knowledge management, selecting people internally, involving process reengineering, etc. (Doyle *et al.*, 2000).

There is a linear and continuous process from designing change through to implementing and evaluating it which, put together, is simply management. Deficiencies and failings in any one of these phases disrupt the others.

To sum up we assume that:

- the effectiveness of reforms depends on many elements, but one of the most important is the management's abilities;
- management mainly means change management;
- design, implementation and evaluation are just the different steps of the integrated change management process.

Since we want to discuss an effective framework for managing public reform, we should first classify reforms in order to have a clear definition of what we are dealing with.

A CLASSIFICATION OF PUBLIC REFORMS AND CHANGE MANAGEMENT

Public reforms relate to the general structure of a public sector or policy, or a business function of all the public organizations (like performance measuring, human resources management, etc.). They have a broad scope and are usually designed by an external authority through a significant political process. Change management deals with the internal implementation of organizational development or transformations. Changes can derive from internal decisions or processes or external pressure. They can involve political decisions or be more of a civil servant task.

The impact of every public reform depends on the effectiveness of the change management process in every single public organization involved and in their networks.

We can make various assumptions to classify public reforms.

Looking at the purpose of reform, different kinds of innovation in the public sector can be seen. They can relate to:

- the role of public administrations and the boundaries between state, market and civil society;
- the reshaping of public administration and the allocation of public functions (e.g. decentralization and centralization);
- the introduction of administrative rules and proceedings;
- the identification of failings in public policies defining which actions have to be taken to contribute to a public interest, having a cultural and value background;
- the introduction of managerial tools, such as organizational structures, stakeholders' control or evaluation systems, new marketing or finance solutions, etc.

The first two types of reform deal more with institutional building and have their implementation problems more in the political environment, but they still have to be prepared and achieved within the public organization. New administrative rules and proceedings can be begun by a legislative start-up driver, but then they have to become known and applied throughout the organization, so this change needs to be managed. The typical problems of public policies are in the implementation arena. Managerial tools need to be implemented too, after they have been tailored to the organization undergoing innovation, and this is the most difficult part of the work. For instance, the difficulty is not in choosing what should be the indicators for a performance evaluation system, but to apply the evaluation system.

These other dimensions are crucial in many ways, but less important strictly for our purposes.

As can be seen, public reforms are very diversified in their aims, but they all have a relevant implementation dimension, which makes change management fundamental. The ability to manage change often influences the real impact of reforms or, alternatively, the attention reforms have for an implementation approach determines their success rate.

Internal organizational development processes differ in intensity. We can have *changes* or *innovations* in the public environment. "Change is a broad phenomenon that involves the growth and/or development of one or more of a number of elements in public services. [. . .] By contrast, innovation is discontinuous change" (Osborne and Brown, 2005, p. 4). In the former we innovate existing organizations by developing services and skills, in the latter we radically change structures, social targets, and service content. Of course change and innovation overlap.

Lynn (2001, p. 196) divides change into five different levels: cultural environment (national and global), institutional (public choice), managerial, technical (primary work) and political

assessment. This classification helps to illustrate that change creates a dynamic set of relationships that operates not only internally within each level, but also between the different layers. It also demonstrates how these broad global cultural changes influence the operation and management of public service organizations, but that national culture and public service institutions have mediated the type of change that occurred. Also, Pollitt (2003) considers that, to understand public change, we need to consider both general influences and the organizational context, divided into different dimensions contained in a multi-layered governance framework.

Change can be planned or emergent. Change is planned when it is “the result of a systematic process of scanning the environment and determining the ways in which an organization must change” (Osborne and Brown, 2005, p. 25). Change emerges in an organization when it is brought about by “changes in its environment that are outside of its control” (Osborne and Brown, 2005, p. 25). Planned approaches suggest that it is possible to assess the environment and the organizational change needs, and to plan and implement them rationally. However, approaches that are emerging consider environment and organization too complex and dynamic to be rapidly and cheaply analysed; so the only managerial chance to steer change is to encourage and control the changes that occur autonomously, trying to lead them to the desired goals.

Looking further into public reforms and change processes, what are their main features?

FEATURES OF PUBLIC REFORMS AND CHANGE PROCESSES

Does change and innovation in the public sector result primarily from global pressure or do they depend on domestic, political, economic and social forces and drivers?